

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations.

We believe Knowledge Pays and we want our knowledge to help pay for you.

FLEXIBLE CHARITABLE GIVING? RJCF DONOR ADVISED FUND (DAF) ACCOUNTS

A little known account type at Raymond James Ltd. is the Raymond James Canada Foundation Donor Advised Fund Account. This account type makes it easy for an individual or family to establish a charitable legacy.

Benefits:

- Create a charitable legacy with a donation of stock or cash of at least \$100,000
- A foundation-like platform without the costs of creating/maintaining a foundation
- Simplifies the charitable giving process and allows you to focus on philanthropy
- An immediate tax benefit with the ability to recommend grants to your favourite charities over time
- The account can outlive you, allowing family to continue with philanthropic activities
- More privacy than your own foundation as donations can be truly 100% anonymous
- Anyone can contribute, allowing family and friends to pool their charitable assets
- Opportunity to maximize the value of charitable giving, eliminate capital gains taxes owed and avoid probate.

This account type is excellent for anyone with philanthropic intentions, whether it be an older couple with significant assets or a younger couple with a high savings rate. Opening a DAF only requires an initial contribution of \$100,000 and additional contributions can be made thereafter, making it easy for clients to see the social benefits of their donations while living and create a legacy that lasts long after death.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

National Bank Preferred Equity Income Fund (NBC480)

- NBC480 aims to achieve high dividend income while focusing on capital preservation and tends to own higher yielding non-bank Canadian preferred shares.
- Current distribution rate of 4.8% and an MER of 1.46%

BMO S&P/TSX Laddered Preferred Share Index (ZPR)

- Designed to replicate the S&P/TSX Preferred Share Laddered Index
- Exposure to the most undervalued part of the preferred share market, fixed resets
- It currently yields 4.75% and consists primarily of Pfd-3 preferred shares

Current Rates & Data

Govt of Canada

90 day	0.57%
1 year	0.59%
2 year	0.49%
5 year	0.73%
10 year	1.30%
30 year	1.98%

U.S. Treasury

90 day	0.02%
1 year	0.21%
2 year	0.51%
5 year	1.32%
10 year	1.88%
30 year	2.53%

Canada Prime Rate

2.85%

U.S. Prime Rate

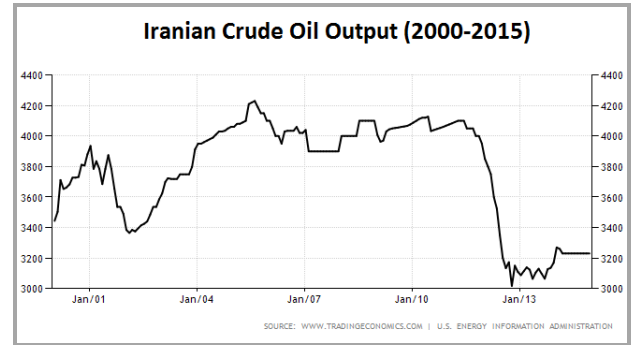
3.25%

Exchange Rates

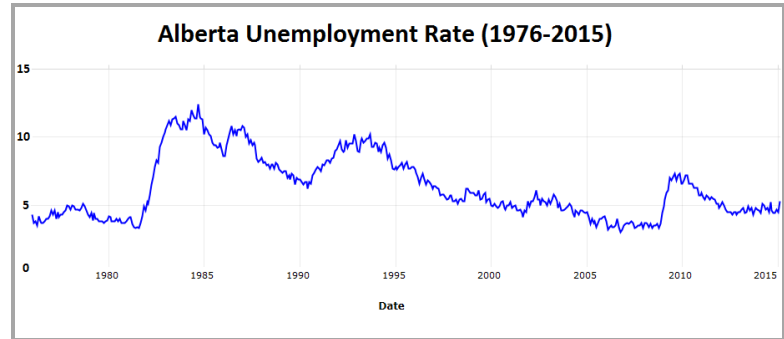
CAD/USD	0.802
USD/EUR	1.067
JPY/USD	119.3

ECONOMIC TIDBITS IRAN AND UN POWERS (P5+1) FINALLY AGREE & VOLATILE CANADIAN EMPLOYMENT

- A nuclear framework agreement outlining key terms was announced by Iran and the P5+1 in early April. The parties have until June 30th to author a mutually agreeable technical document that outlines all of the steps and restrictions. **Iran is expected to export ~1MM/bbls/d within a year of the deal being signed** as Western sanctions will be lifted, potentially pressuring oil prices again.



- Low oil prices and the disaster that is Canadian retail has been putting pressure on the Canadian employment situation. So far job growth in the scientific/professional sectors in Central/Eastern Canada has offset weakness in Alberta. The Alberta government **expects Alberta to lose 31,800 jobs in 2015**. The retail sector is unlikely to rebound soon as Target and Future Shop are set to close.



LE JIT A "JUST-IN-TIME" RUNDOWN OF OUR CURRENT INVESTMENT THEME

Prolonged Water Crisis in California Presents Opportunities for Aptly Situated Water Companies

- **Consolidated Water (CWCO)** and **California Water Service Group (CWT)** are two investment ideas related to this theme. We believe both of these companies are in a prime position to take advantage of higher Californian water prices and achieve higher margins while pursuing growth opportunities.
- **Consolidated Water** builds, designs and operates desalination plants and water distribution systems in several Caribbean countries. The shares trade at ~26x trailing earnings and ~20x ex-cash. This valuation is attractive for a utility-like company with no debt as water utilities currently trade at 20x trailing earnings but with high debt-to-equity ratios. Consolidated Water is currently building a desalination plant in Baja, Mexico amidst the most drought affected geography in North America and will likely be a candidate for proposed projects in California.
- **California Water Service** is the third largest investor-owned water utility in the U.S. and operates in California, Washington, New Mexico and Hawaii. Cal Water's businesses span the most drought stricken area in North America. The shares trade at ~21x trailing earnings which is fair for a company that has experienced rapid revenue growth and rising margins for the past several years as the drought persisted. Cal Water should continue to see its valuation improve for as long as the drought endures.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE'S TIP O' THE MONTH CROSS BORDER SERVICES

Did you know we are fully licensed to offer cross border wealth management services on all account types in both the U.S. and Canada? We are the single point of contact for clients who have assets on both sides of the US/CDN border regardless of where they reside. If you know anyone that requires cross border wealth management services, in either country, we are here to help!

This newsletter has been brought to you by Steele Wealth Management

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