

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.

THE INTERNET AND YOU THE ONLINE LIVES OF CANADIAN YOUTH

MediaSmarts conducted a study of Grade 4-11 students covering the years 2000-2013. Many of the findings were as expected: older students access the internet more often, students in more affluent households have greater access to the internet, boys spend more time playing games and girls spend more time on social networking sites.

Below we detail the more unexpected findings of the study:

38% of All & 51% of Gr. 11 Students Who Own Cellphones Sleep with Their Phones¹

Many students exhibit that staying connected to friends is more important than a good night's sleep. This is clearly a troubling public health and education statistic.

32% of 16% of Gr. 4-6 Students have Facebook and Twitter Accounts, Respectively²

A fair number of students maintain accounts at these sites despite age restrictions. Exposure at a very young age can lead to an internet addiction which may be a major contributor to the first statistic above and result in suboptimal health.

The % of Students with Household Internet Usage Rules Has Dropped Since 2005

Despite troves of data indicating that household rules have a significant positive impact in reducing risky online behaviours, the number of students with household internet rules fell from 74% in 2005 to 44% in 2013.³

Internet and social media use has been shown to improve communication, social connection and technical skills.⁴ Parents should set rules to limit sleep deprivation and risky behaviours like info sharing, cyber-bullying and viewing inappropriate content.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

Lysander Corporate Value Bond Fund (LYZ801A)

- Lysander CVBF invests primarily in fixed income securities with "deep value" traits
- Lysander's size and reputation provides it with access to many deals that are unavailable to most bond funds such as the Blackberry convertible bond issue
- As of 12/31/2013, the fund had a yield-to-maturity of 3.9% and duration of 3.7 yrs

Element Financial Preferred C (EFN.PR.C)

- Element originates asset-based financings for dealers and users of capital equipment
- The shares reset at 4.81% + the 5-year GofC bond on June 30th, 2019
- At \$25.00, the issue has a running yield-to-maturity (soft) of 6.50% and is not yet rated

Current Rates & Data

Govt of Canada

90 day	0.85%
1 year	0.95%
2 year	1.04%
5 year	1.71%
10 year	2.52%
30 year	3.04%

U.S. Treasury

90 day	0.05%
1 year	0.12%
2 year	0.37%
5 year	1.64%
10 year	2.79%
30 year	3.72%

Canada Prime Rate

3.00%

U.S. Prime Rate

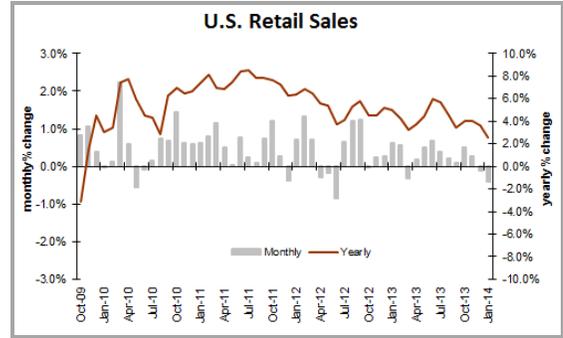
3.25%

Exchange Rates

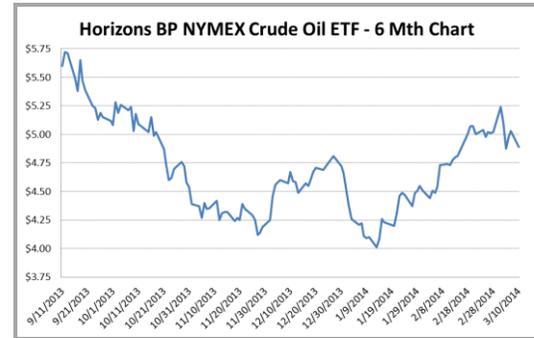
CAD/USD	0.90
USD/EUR	1.387
JPY/USD	103.2

ECONOMIC TIDBITS *WEATHER DOESN'T FAZE MARKETS & RUSSIA AND THE WEST CLASH OVER UKRAINE*

- World stocks continued to march higher, with U.S., European and Canadian markets making new highs and offsetting poor performance in emerging markets. Over the past 2 months, economic data has come in a bit light in the U.S. and China while European data continues to surprise. **Abnormally harsh winter weather** has been cited as the reason for the data misses in the U.S. and Canada.



- Unrest in Ukraine caused a rally in commodity prices as tensions rose between Russia and the West. Russia sent troops to Ukraine's Crimea region to protect its Russian ethnic majority. Russia and the EU have been vying to become Ukraine's lead benefactor. Russia supplies Europe with fertilizer, oil and $\frac{1}{4}$ of **European natural gas needs** ($\frac{2}{3}$ of which flows through Ukraine).



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

Oil Services Companies Look to Take Advantage of Rise in Shale Gas & Oil Production

- Pason Systems (PSI)** and **Schlumberger (SLB)** are two investment ideas related to this theme.
- Pason** provides instrumentation systems to oil and gas drillers. It is currently one of Canada's top momentum stocks but its valuation looks appealing from a fundamental perspective as well. Having recently put some legal issues behind it, Pason can now focus on international growth. With net cash of \$100 million and trading at roughly 30x trailing earnings, Pason appears fairly priced relative to oil service companies and attractively priced relative to technology peers.
- Schlumberger** is the world's largest oilfield services company. Schlumberger currently trades at 19.5x earnings, in line with the S&P 500's trading multiple. Schlumberger has experienced revenue growth of over 10% for the past 2 years and the S&P 500 has experienced revenue growth below 5%. Considering Schlumberger's above average growth rate is expected to continue as shale drilling activity increases over time, Schlumberger appears attractive, relative to the broad market.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE'S TIP O' THE MONTH *MARCH IS FRAUD PREVENTION MONTH*

Did you know Canadian between the ages of 50 and 59 are the most targeted by mass marketing fraud operations? Canadian victims in that age group have reported the highest dollar loss. The RCMP will be issuing tips and information to help protect yourself. Check out the RCMP website at www.rcmp.gc.ca for information and resources.

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- ¹ Vanier Institute of the Family, Transition, Volume 43, Number 3; Connected, Mobile and Social—The Online Lives of Canadian Youth; Page 7
- ² Ibid; Page 8
- ³ Ibid; Page 8, 9
- ⁴ American Academy of Pediatrics; Clinical Report—The Impact of Social Media on Children, Adolescents, and Families; August 13, 2011

This newsletter has been brought to you by Steele Wealth Management

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