

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.

ANTI-LIFE INSURANCE? INSURANCE TO PROTECT AGAINST LIVING TOO LONG

Longevity insurance/annuities, like a traditional immediate annuity, allows you to convert a lump sum into a pension-like stream of income but unlike a traditional immediate annuity, this stream of income does not start until later in life, and hence it is cheaper. Combining an age 85 longevity annuity with an investment portfolio that is estimated to be exhausted by age 85 adds some certainty to one's retirement income.

Pros of Buying a Longevity Annuity:

- Ensures you will not run out of money before death allowing you to draw down your investment assets as planned.
- Prevents you from having to modify your lifestyle in response to good health and expectations of a longer than average life.

Cons of Buying a Longevity Annuity:

- Reduces income and estate value should you die before the annuity begins.
- As with many niche insurance/annuity products, it is expensive, and with interest rates at historical lows, the implied rate of return on longevity annuities is low.
- Buying an annuity ties up capital that otherwise could have been invested. If your return on investments is materially higher than the annuity's return assumption, it will have been better to simply invest the capital.
- Annuity income is tax inefficient relative to a typical investment portfolio.

If you are under age 65, are afraid of running out of money and you feel that you're healthy enough to live well past age 85, a longevity annuity could be for you.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

First Trust Global Risk Managed Income Fund (ETP)

- First Trust ETP seeks to hold an optimally efficient portfolio of a group of liquid and well capitalized income ETFs and maximize risk adjusted return on a weekly basis
- Targets a 4% annual distribution; the fixed income allocation has a duration of 5 yrs

Aimia Preferred C (AIM.PR.C)

- Aimia operates a loyalty management company in Canada and internationally
- The shares are callable or reset at 4.20% + the 5-year GofC bond on March 31st, 2019
- At \$25.00, the issue has a yield-to-call (soft) of 6.25% and is rated Pfd-3

Current Rates & Data

Govt of Canada

90 day	0.56%
1 year	0.62%
2 year	0.60%
5 year	0.94%
10 year	1.55%
30 year	2.18%

U.S. Treasury

90 day	0.02%
1 year	0.24%
2 year	0.70%
5 year	1.64%
10 year	2.15%
30 year	2.74%

Canada Prime Rate

2.75%

U.S. Prime Rate

3.25%

Exchange Rates

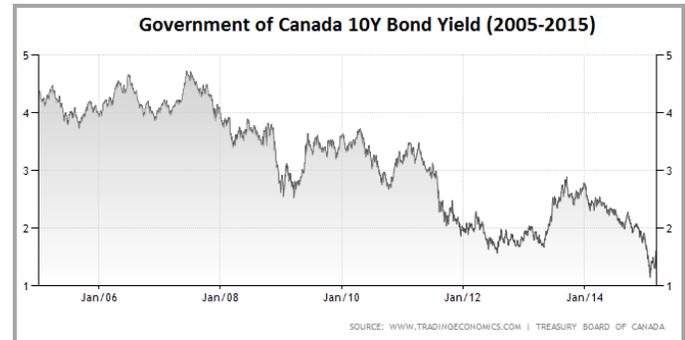
CAD/USD	0.787
USD/EUR	1.061
JPY/USD	121.3

ECONOMIC TIDBITS *GREECE AND THE EU SORT OF AGREE & BOC IGNITES RATE UNCERTAINTY*

- Greek and EU politicians agreed in principle to a four month bailout extension allaying fears of a Greek exit from the Eurozone in the near-term. Greek and European markets rallied on the announcement and should benefit from the ECB’s bond buying program which is now underway. **Discussions are still underway** and markets remain attentive to the Greece-EU situation.



- Volatility in Canadian interest rate expectations is high as Bank of Canada (BoC) Governor Poloz stated he will not provide forward guidance with respect to interest rates. After some satisfactory economic data in early March, the BoC failed to cut interest rates as expected and signaled it will not unless the economic outlook worsens. There is now a **50/50 chance** of another rate cut in 2015.



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

Digging Through the Ashes of the Energy Sector Meltdown

- **Russel Metals (RUS)** and **Pason Systems (PSI)** are two investment ideas related to this theme.
- **Russel** processes and distributes steel and other metal products across North America. Russel has fallen ~35% from its August 2014 high and its shares now yield a historically high 6.1%. Over the past 12 months, 47% of Russel’s revenues were derived from its energy business, but with 25% linked to pipelines and valves/fittings, only 22% is truly at risk of exposure to spending cuts in the coming year. The remaining 53% of revenues are derived from businesses that are expanding as a lower Canadian dollar and lower oil prices boost manufacturing sector growth in Central Canada. Russel shares may be oversold based on its limited exposure to the Energy sector in Canada.
- **Pason** provides instrumentation systems to oil and gas drillers. The stock is down almost 50% from its August 2014 high. Pason is 100% exposed to the decline in drilling activity as Pason’s sole product offering is technology and systems that allow drillers to optimize their drilling process. That said, Pason has a net cash position of \$150 million which will help it weather the downturn, and it trades at an attractive valuation of 14x trailing earnings (12.5x ex-cash) versus a historical valuation of 25-35x earnings. At its current valuation, Pason is an excellent acquisition target for the large drilling companies.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE’S TIP O’ THE MONTH TAX DOCUMENTS

Wondering if you have all your Tax Documents for the Accountant? You can view and print all of your tax documents through your online access. This is the same access you use to view all of your account information and account statements. Please visit the “Account Login” section on our website, www.steelewealthmanagement.com, or call us at (519) 883-6060 for more info.

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