

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.

HAPPY MOTHER'S DAY STATS COURTESY OF THE VANIER INSTITUTE OF THE FAMILY

In the spirit of Mother's Day The Vanier Institute of the Family published a one-pager titled Mothers in Canada 2014 in their May 2014 "By The Numbers" piece.¹ We have highlighted the more interesting data from this one-pager below.

- **9.8 million and 4.1 million.** Total Canadian mothers and Canadian mothers living with children under 18, respectively, including biological, adoptive and stepmothers
- **23.6, 25.9 and 28.5.** The average age of first-time mothers in 1961, 1991 and 2011, respectively. No surprises here.
- **1.72 and 1.61.** Total fertility rate (i.e. number of children per woman) in 1991 and 2011, respectively. This highlights an ongoing trend. A 2012 StatsCan article states that without a substantial increase in fertility (which is unlikely) or sustained level of immigration, **Canada's population growth could be close to zero in 20 years.**²
- **24.1% and 27.8%.** Proportion of all first-time mothers in Canada who gave birth in 1991 and 2011, respectively, who were 35-39. It's surprising that this figure did not rise more during this period as the common perception is that the majority of younger couples are waiting longer before having children.
- **87% and 88%.** Proportion of 11 year old girls and boys, respectively, who said they find it easy to talk to their mothers. There's no data to tell us how this figure compares to other time periods but 7 out of 8 kids think Mom is doing well at being that "emotional support center" when needed. **Keep up the good work moms!**

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB-US)

- iShares EMB seeks to track the investment results of an index composed of U.S. dollar denominated emerging market sovereign and agency bonds.
- The ETF is broadly diversified with over 40 countries represented in its holdings
- As of 05/14/2014, the fund has a yield-to-maturity of ~5.1% and duration of 7.2 yrs

H&R REIT Debenture D (HR.PR.D) Maturing June 30th, 2020

- H&R is one of Canada's largest REITs and owns 33.7% of a U.S. REIT, ECHO Realty
- This is a 6.1 yr debenture with a conversion price of \$23.50 (current price of \$23.20)
- This debenture yields 4.38% until maturity at a current trading price of \$108.10

Current Rates & Data

Govt of Canada

90 day	0.91%
1 year	0.97%
2 year	1.05%
5 year	1.59%
10 year	2.31%
30 year	2.86%

U.S. Treasury

90 day	0.02%
1 year	0.09%
2 year	0.37%
5 year	1.60%
10 year	2.58%
30 year	3.41%

Canada Prime Rate

3.00%

U.S. Prime Rate

3.25%

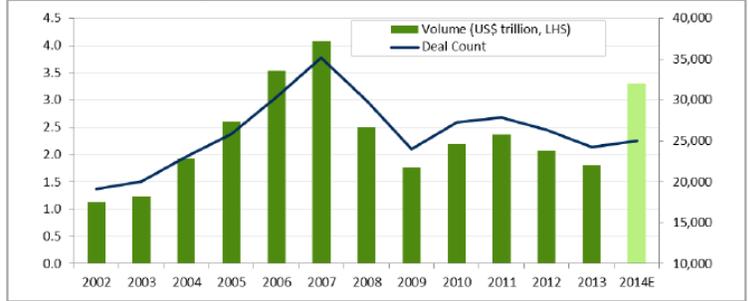
Exchange Rates

CAD/USD	0.917
USD/EUR	1.371
JPY/USD	101.8

ECONOMIC TIDBITS HIGH TECH MOMENTUM FADES & STIMULUS IS BACK IN VOGUE, AGAIN

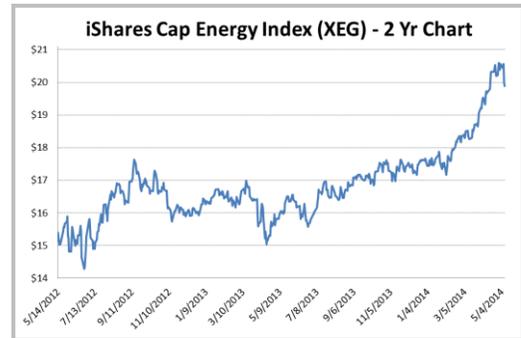
• With mixed economic data so far in 2014, the story has been one of above average mergers and acquisitions (M&A) activity. As of May 1st, M&A activity exceeds the \$1 trillion mark, reaching that level at the **fastest pace in 7 years**. Business managers are finally gaining the confidence to grow their businesses by spending their idle cash. So far, investors have been rewarding them for it.

Global M&A Activity



Source: Bloomberg, Raymond James Ltd.

• The Canadian energy sector (as measured by iShares XEG) **rose over 20% from February to May** and led the TSX to a six year high despite minimal oil price gains during that period. The TSX's recent advance is a reminder of just how linked we are to the commodity producing sectors. The energy sector has begun to roll over which may signal upcoming weakness for the TSX as a whole.



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

Energy Sector Comes to Life but Some Laggards Still Look Attractive

- **Crescent Point Energy (CPG)** and **Baytex Energy (BTE)** are two investment ideas related to this theme.
- **Crescent Point** is Canada's largest and lowest cost light oil producer with operations in the Bakken and Uinta light oil formations as well the Viking and Shaunavon medium oil plays. Crescent Point trades at ~8.5x trailing cash flow versus its much smaller, higher cost, lower yielding and more heavily indebted peers at ~7.5x trailing cash flow. Crescent Point's significant unbooked reserves provide it with a reliable growth fairway that warrants a large premium relative to its peers. Crescent Point's low cost of production should limit its oil price related volatility versus most other oil and gas producers.
- **Baytex** is a low cost heavy and light oil producer with operations in the Peace River, Lloydminster and Bakken formations. Baytex is in the process of acquiring Aurora Oil and Gas with operations in the lowest cost formation in North America, the Eagle Ford. Baytex trades at a premium to its peers at 9x trailing cash flow (versus peers at 7.5x) due to its large unbooked resource potential and above average dividend yield (5.8%). With the addition of Aurora, Baytex could see industry leading production growth over the next couple of years as it allocates much of its free capital to the attractive Eagle Ford play.
- Feel free to ask a member of our team for more information on these securities.

SAVE THE DATE

We invite you to a thought-provoking and inspiring event featuring the author of **WILLING WISDOM**

Dr. Tom Deans and a **Panel of Experts** on **Wednesday October 8, 2014 at 5:45pm – 8:45pm**

Watch for registration details to follow or call (519) 883-6030

¹ Vanier Institute of the Family, By The Numbers; Mothers in Canada 2014

² Martel, Chagnon, StatsCan; Population growth in Canada: From 1851 to 2061, 2012; Page 4

This newsletter has been brought to you by Steele Wealth Management

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