

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.

TAX PLANNING AGAIN FEDERAL GOVERNMENT OUTLINES TAX CUTS FOR FAMILIES

The proposed cuts fulfill a 2011 election promise made by the Conservative Party and include the following elements:

The Family Tax Cut (i.e. Income Splitting for Parents)

For couples with children under age 18, a federal non-refundable tax credit, effective in the 2014 tax year, will allow a higher-income spouse to transfer up to \$50,000 of taxable income to a spouse in a lower tax bracket. The credit is capped at \$2,000 to prevent high income families from getting an outsized share of the benefits. Because this is a non-refundable tax credit, it only applies to federal taxes and not provincial taxes. This tax credit benefits those families with spouses in different tax brackets.

The Enhanced Universal Child Care Benefit (UCCB)

Starting January 2015, the UCCB will rise from \$100/month to \$160/month for children under age 6 and children aged 6 to 17 will begin to receive UCCBs for the first time to the order of \$60/month. The enhanced UCCB will replace the existing Child Tax Credit effective 2015, which as of 2014, provided \$338.25 in tax relief for parents of children age 17 and under.

Increase to the Child Care Expense Deduction and Children's Fitness Tax Credit

Effective for the 2015 tax year, the maximum amounts that can be claimed will increase to \$8,000 (from \$7,000) for children under age 7, to \$5,000 (from \$4,000) for children aged 7-16 and to \$11,000 (from \$10,000) for children who are eligible for the Disability Tax Credit. The Children's Fitness Tax Credit will double from \$500 to \$1,000, effective the 2014 tax year and will be made refundable (i.e. deductible from income) for years 2015 and beyond.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

BMO Covered Call Utilities ETF (ZWU)

- Exposure to a basket of utility and telecom equities and covered call options
- Covered call options limit a stock's upside and pay the seller a premium in return
- It currently yields 5.58% (at \$15.70); note that this is not technically fixed income

BMO Covered Call Banks ETF (ZWB)

- Exposure to the Big 6 Canadian banks and covered call options
- Covered call options limit a stock's upside and pay the seller a premium in return
- It currently yields 4.65% (at \$17.65); note that this is not technically fixed income

Current Rates & Data

Govt of Canada

90 day	0.90%
1 year	0.98%
2 year	1.03%
5 year	1.55%
10 year	2.05%
30 year	2.61%

U.S. Treasury

90 day	0.02%
1 year	0.10%
2 year	0.53%
5 year	1.64%
10 year	2.36%
30 year	3.09%

Canada Prime Rate

3.00%

U.S. Prime Rate

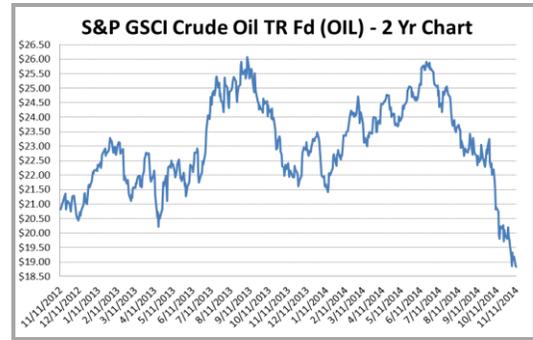
3.25%

Exchange Rates

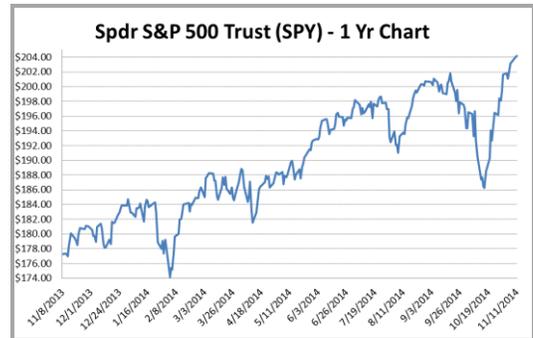
CAD/USD	0.881
USD/EUR	1.242
JPY/USD	115.9

ECONOMIC TIDBITS *OIL IN TURMOIL & U.S. EQUITIES SNAP BACK, UNHEALTHILY*

- The oil market rout continued as Saudi Arabia cut its selling price for oil destined for the U.S. and raised its selling price for oil destined for Asia, while stating that it can live with lower oil prices for longer **to defend its market share**. Though this news is negative for oil prices and the Canadian energy market in the short-term, fractures in OPEC’s resolve often appear in times like these.



- The S&P 500 performed a **“V-shaped” recovery** since our last newsletter as better-than-expected U.S. corporate earnings, surprise Bank of Japan stimulus, and the business-friendly U.S. Republican Party seizing a Senate majority helped offset the negatives pertaining to the end of QE3. RJ Strategist, Jeff Saut, doubts this recovery will stand and expects the market to retest its recent lows.



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

Legendary and Activist Investors Pivot to Canada to Find Value

- **Agrium (AGU)** and **Suncor Energy (SU)** are two investment ideas related to this theme.
- Eighteen months after **Agrium** fended off an assault from Jana Partners, activist investor, ValueAct Capital has set its sights on Agrium by taking a 5.7% stake in the company. Agrium’s retail fertilizer business, with its low competition and stable revenue and earnings, could have a lot of value on its own or in the hands of an acquirer. Agrium’s wholesale fertilizer business has plenty of optionality as well and could provide major upside should Ag prices rebound. Agrium also has several small, non-core businesses that could be monetized to create shareholder value.
- In late 2013, legendary value investor Warren Buffett took his largest stake in a Canadian company to date by acquiring 1.2% of **Suncor Energy**. Buffett tends to like predictable investments that have minimal cyclicality. He is probably most attracted to Suncor’s network of gas bars (i.e. Petro Canada and Sunoco) as well as its long-life oil sands projects. Another investor, Bridgewater’s Ray Dalio, disclosed that he added to his Suncor stake in mid-2014. Though it is unlikely that Suncor will see a major shakeup due to these investors’ presence, it certainly vouches for the value of Suncor shares.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE’S TIP O’ THE MONTH GO PAPERLESS!

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