

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.

UNDERSTANDING RETIREMENT PLANS RRSP VS. TFSA

Taxation. When looking to fund your retirement, contributing to your RRSP or TFSA always beats saving in a non-registered account. With respect to retirement planning, a TFSA is an excellent complement to the RRSP as it allows you to make tax-free withdrawals to fund your retirement and therefore provides greater flexibility with respect to when the taxes owing on your RRSP balance are paid. But what about when you have to choose between contributing to your RRSP and your TFSA?

In some cases, particularly for those with net family income below \$80,000 and with young children, it makes sense to contribute to a TFSA over an RRSP, contrary to popular belief. That said, everyone's situation is different and if you are trying to decide between contributing to your RRSP or TFSA, please let us know and we can help discern which account better suits your specific situation.

Though accessibility has its benefits, a key downside of the TFSA is that uncommitted retirement savers could squander their savings prior to retirement.

Asset Allocation. As the money in your RRSP is subject to taxation upon withdrawal, your RRSP can be thought of as a partnership with the government wherein you own the portion net of taxes only. For example, if you have \$1 million in your RRSP and your expected average tax rate on withdrawals is 30%, the net value of your RRSP is \$700,000. When comparing your RRSP to other assets or computing your household asset allocation, it is more accurate to compare the after-tax value of all assets. Tracking asset allocation this way can have a meaningful impact on the triggers and timing of rebalancing activities. This is especially true for those who expect to have high tax rates on their RRSP withdrawals.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

Enbridge Preferred C (ENB.PF.C)

- Enbridge operates the world's longest crude oil and liquids transportation system
- The shares are callable or reset at 2.64% + the 5-year GofC bond on March 1st, 2020
- At \$16.92, the issue has a yield-to-call (soft) of 14.70% and is rated Pfd-2L

Royal Bank of Canada Preferred N (RY.PR.N)

- Royal Bank of Canada is Canada's largest bank
- At \$22.35, the issue has a yield of 5.48% and a yield-to-last-call of 6.56%

Current Rates & Data

Govt of Canada

90 day	0.39%
1 year	0.48%
2 year	0.52%
5 year	0.79%
10 year	1.42%
30 year	2.22%

U.S. Treasury

90 day	0.00%
1 year	0.21%
2 year	0.60%
5 year	1.33%
10 year	2.01%
30 year	2.86%

Canada Prime Rate

2.70%

U.S. Prime Rate

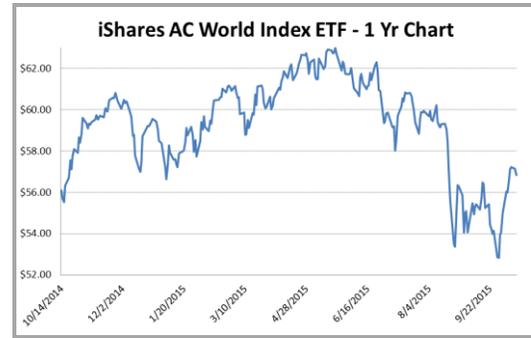
3.25%

Exchange Rates

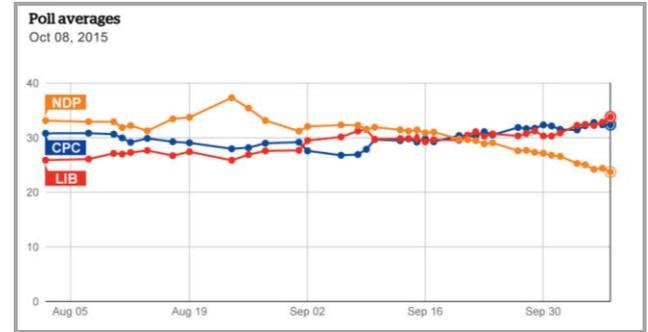
CAD/USD	0.773
USD/EUR	1.137
JPY/USD	119.6

ECONOMIC TIDBITS MARKET SUPPORTED BY THE TECHNICALS & TWO-PARTY ELECTION AHEAD

• In late September, global equity markets retested their August lows, providing markets with strong technical support and the potential to rally toward the 2015 highs. Further, the late September low coincides with the typical end of the equity market's seasonally weak period of May-October. The equity market **seems to have a lot of technical omens working in its favour** as we enter late 2015.



• According to recent polls, the NDP's chances of election victory have faded entirely. The polls prior to advance polling have the Conservatives and Liberals in a virtual deadlock, **each projected to win about 130 seats**. With the NDP seemingly out of the way, voters now have a choice between balanced budgets and the status quo (Conservatives) or deficit spending and lower income inequality (Liberals).



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

Recent Market Downturn Has Presented an Opportunity to Buy Value Stocks on the Cheap

- **Performance Sports Grp (PSG)** and **Algoma Central (ALC)** are two investment ideas related to this theme.
- **Performance Sports Group** is the market leader in hockey, lacrosse and baseball equipment. PSG trades at 8x trailing EV/EBITDA and 7x forward EV/EBITDA based on analyst estimates, well below PSG's long-term valuation and PSG's peers at 11x trailing EV/EBITDA. Much of PSG's poor stock performance can be attributed to the effect of the falling Canadian dollar. PSG's growth story remains intact with revenues continuing to grow at double digit rates on a constant currency basis. We believe PSG looks attractive at current prices, and speculation that former CEO Graeme Rouston may be planning to take back some control over the company provides a catalyst for PSG to reflect its true value.
- **Algoma Central** owns the largest dry-bulk cargo fleet in the Great Lakes as well as real estate in Southern Ontario. Algoma's business is incredibly stable with most of its revenues tied to long-term contracts with major grain, steel and energy companies. Low oil prices will help lower Algoma's expenses relative to the past and could spark greater economic and export activity in the Great Lakes, boosting Algoma's revenues. Algoma is very attractive when you add these improving trends to its stock valuation of 10.5x trailing earnings and net debt of \$71M (or net cash of ~\$94M if Algoma monetized its real estate).
- Feel free to ask a member of our team for more information on these securities.

JEANNINE'S TIP O' THE MONTH BELL CLAN KEEPS ADDING TO ITS RANKS

On September 3rd, Matthew Bell, Investment Analyst on the Steele Wealth Management team welcomed his third child, Ethan Edward Bell, to the world, bringing the tally to 3 boys under 4. As you can imagine, it is quite the busy household!

This newsletter has been brought to you by Steele Wealth Management

Brian Steele, CA, CPA, CFA | Jeannine Campbell | Laura Prust, CPCA
Kelly Edmonds | Matthew Bell, CFA

Phone: (519) 883-6030 Toll-Free: 1 (877) 642-6408

Email: steelewealthmanagement@raymondjames.ca

Address: 1001-20 Erb Street West | Waterloo, Ontario | N2L 1T2

Website: www.steelewealthmanagement.com

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