

# 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 pay for you.

## ECONOMIC TIDBITS AN INVENTORY OF NOTABLE DATA AND INFO

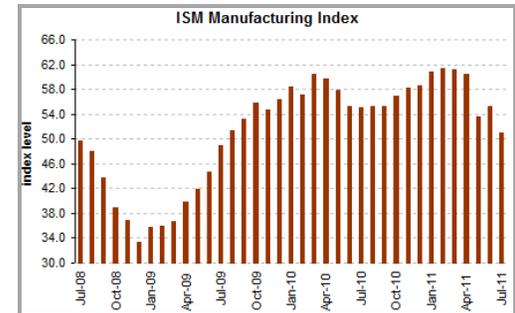
- On August 1<sup>st</sup>, July ISM Manufacturing Index data fell far short of expectations coming in at 50.9 vs. 54.3 expected and 55.3 in June. Data points below 50 indicate a contracting U.S. factory sector. The market fell substantially following the dissemination of this data. See Fig. 1 for a chart of the ISM Manufacturing Index.
- On August 5<sup>th</sup>, S&P downgraded long-term U.S. Treasuries citing inadequate government spending cuts and heightened political risk.
- The European debt crisis continues with investors shifting their focus from Greece to much larger Spain and Italy. In late July, Spanish and Italian bond yields approached levels investors deem as unsustainable and as result the European Central Bank (ECB), which has been buying Greek, Portuguese and Irish bonds for some time, began buying Spanish and Italian bonds. European bank shares, which have material exposure to European sovereign debt, have seen extreme selling pressure as investors begin to doubt the value of bonds issued by all PIIGS nations (Portugal, Italy, Ireland, Greece and Spain).

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

### Defensive Equities and Convertible Debentures

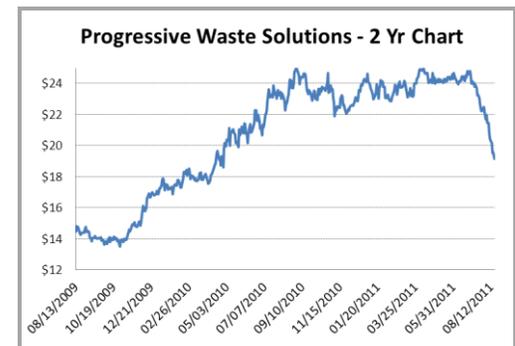
- Just as "a rising tide lifts all boats", "a waterfall brings with it all"
- Many defensive names in the Staples, Telecom and Utilities sectors have declined notably, though their investment theses may have not
- Progressive Waste Solutions (BIN)** and **Loblaw Companies (L)** are two investment ideas related to this theme that are worth expanding on:
  - Progressive Waste is one of North America's largest waste services companies. The company is vertically integrated from collection to landfill, has 42 recycling facilities and 3 gas-to-energy plants. See Fig. 2 for 2-year chart.
  - Loblaw Companies is the largest food retailer in Canada, is a major financial service provider and manages several well-established brands including President's Choice (PC), No Name and Joe Fresh. See Fig. 3 for 5-year chart.

Fig. 1



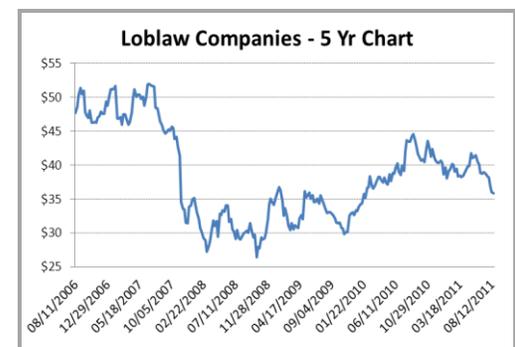
Data Source: Haver Analytics

Fig. 2



Data Source: Market-Q

Fig. 3



Data Source: Market-Q

## RIDING THE CURVE *A CATALOG OF OUR MONTHLY FIXED INCOME FAVOURITES*

### Fairfax Financial Preferred C (FFH.PR.C)

- Fairfax Financial is a provider of reinsurance and property, casualty and life insurance
- The shares reset at 3.15% + the 5-year GofC bond on December 31<sup>st</sup>, 2014
- At \$25.35, the issue has a yield-to-retraction (soft) of 5.27% and is rated Pfd-3 (low)

### Killam Properties Debenture B Maturing on December 1<sup>st</sup>, 2017

- Killam operates multi-family, student and manufactured communities and campsites
- This is a 6.3 year debenture with a conversion price of \$14.60 (current price of \$10)
- This debenture yields 5.77% until maturity at a current trading price of \$98.50

### Superior Plus Corp Debenture F Maturing on June 30<sup>th</sup>, 2018

- Superior Plus sells propane, chemicals and fuels as well as fixed-price contracts
- This is a 6.9 year debenture with a conversion price of \$15.10 (current price of \$10)
- This debenture yields 7.70% until maturity at a current trading price of \$91

## THE BIG PLAN *PORTFOLIO PLANNING*

### Recent Market Rout Highlights the Need for a Balanced Approach

- In a bull market, holding fixed income and fixed-income-like securities may not seem necessary, but in times of turmoil, we are reminded of its usefulness.
- Most fixed income and fixed-income-like securities have a low, zero or negative correlation to stocks and can help one's portfolio outperform the market in times of turmoil.
- Fixed income securities can be sold in times of market turmoil to raise cash for tactical equity purchases and/or tactical changes in asset allocation.
- Having a sizeable portion of your household portfolio (i.e. including your non-investment assets) in fixed income is recommended for all investors. We consider pensions and real estate as fixed-income-like securities due to their inherent low volatility and reliable value relative to stocks.
- Maintaining a strategic asset allocation mix (i.e. buying stock following a collapse or selling stock following a bull run) has been proven to be more effective than doing nothing at all. As the adage goes, "investors should be fearful when others are greedy and greedy when others are fearful".

## JEANNINE'S TIP O' THE MONTH *ENHANCING YOUR SWM EXPERIENCE*

Client access site enhancements and improvements are under way on the Client Access Website. Look for changes in the Portfolio Tab that include CAD-USD Exchange rates, Average Costs, Book Values and Debit Balances which are now posted as 'DR'.

Visit the Client Access Site today via [www.steelewealthmanagement.com](http://www.steelewealthmanagement.com)

### Current Rates & Data

#### Govt of Canada

90 day	0.70%
1 year	0.86%
2 year	0.92%
5 year	1.48%
10 year	2.30%
30 year	3.07%

#### U.S. Treasury

90 day	0.01%
1 year	0.10%
2 year	0.19%
5 year	0.96%
10 year	2.27%
30 year	3.75%

#### Canada Prime Rate

3.00%

#### U.S. Prime Rate

3.25%

#### Canada CPI Y-o-Y (June)

3.10%

#### U.S. CPI Y-o-Y (June)

3.60%

#### Exchange Rates

CAD/USD	1.012
USD/EUR	1.427
JPY/USD	76.67

**This newsletter has been brought to you by Steele Wealth Management**

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All rates mentioned within this newsletter are as of August 12<sup>th</sup>, 2011, unless otherwise stated.

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