More Bottom Line

... An Investment Update from the Retire First TM Team

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From the Desks Of:

Doug Allan Brad Lamash Chuck Blackburn Kate Allan Scott Loucks Todd Thiessen

World Index Report

Annual Compounded Returns as of 11//09/2020

1 year... 8.23% 3 year... 7.76%

5 year... 7.64% 10 year... 9.95%

FX Report *All Prices as of 11/10/2020*

CDN/USD... 0.7677 CDN/GBP... 0.578

CDN/EUR... 0.650 CDN/AUD... 1.054

CDN/MXN...15.625

Top Picks

- Bank of Nova Scotia
- Partners Value Fund
- Exchange Income
- Atlantic Yield
- Superior Plus
- Tidewater Midstream
- Sangoma Tech.
- Equinox Gold
- Protech Home Medical
- Goeasy
- Trulieve
- Converge Technology

All Eyes On the Most Influential Person in the World By Doug Allan#

When it comes to the markets or economy, I think Presidents get far too much blame when things go poorly and far too much credit when things go well. Sure, the President can impact sentiment and tax rates that can, and do, play a role in the decisions consumers and businesses make. In the big picture, however, the government in the USA remains divided. That is not new; we have had that already for 8 of the last ten years. History has shown that stocks have done well in this environment. With a divided government, you get minimal sweeping reform. Some things will likely never change as governments will probably always spend more than they take in. In the end, many current significant issues will likely remain, like the electronic revolution and the made in America theme.

At the end of the day, as far as the stock markets are concerned, the person to worry about remains the US Federal Reserve Chairman, Mr. Jerome Powell. To be exact, they fear what the outlook for the money supply will be under his leadership. Over the last few newsletters, I have been quite vocal about the effect of the increased money supply that is only just beginning to work its way through the system. We have seen the money supply grow by over $20 trillion or more than 11% in the last six months in the US and globally. This summer at the US Federal Reserve annual Jackson Hole summit, the Fed chair made two statements. One that they will encourage inflation to meet or exceed 2%. Secondly, full employment will no longer be seen as a percussor to higher rates. In other words, they have made it clear that they will not be raising interest rates anytime soon, maybe for years into the future, allowing the increased money supply to work its magic through the system. Instead, they are hoping a period of higher inflation will help offset some of the recent pricing pressures we have been seeing. A round of slightly higher inflation should continue to be the tailwind that will force the banking system's excess money into asset-buying. As stock and real estate valuations push on to new highs over much of the North American economies, we are witnessing this right now. Excess capital is not the precursor to an economic slowdown. It is, in fact, the catalyst for a healthy economy.

The Federal Reserve is far from out of ammo as they have shown us recently that any signs of trouble will be met with an increase in the money supply. This seemingly endless US money supply could ultimately influence the US Dollar valuation relative to other countries worldwide. While these low-interest rates have caused large-cap growth stock valuations to skyrocket, there is still value to be found in many sectors relative to where interest rates are overall. There will always be bouts of news-driven market volatility, but in the end, it is the money supply growth that we have witnessed over the past six months that will affect the economic outcome of the next four years.

How to Adapt in a Low-interest Rate World by Brad Lamash

If you are hanging on waiting for GIC rates to get back to "normal" levels, you might be waiting a bit. It's likely to take at least five years before finding a five-year GIC paying 3.5% or more.
With central banks coming out and stating rates will stay lower for longer, today's rates may be the new norm. As of writing, the best 5-year GIC rate is about 1.95%.
So, what is an income investor to do?

Investors do have options such as bonds, preferred shares and dividend-paying stocks. These investments have increased risk as they are not 100% guaranteed like a GIC. Their prices will fluctuate with the stock market. Investors should not fret if the prices temporarily go down as you buy them for the income stream, and as long as the company's financial merits stay the same, the purpose has not changed. On page 3 of the newsletter, we have some potential ideas.

Trouble usually arises when companies have to cut or stop their distributions. Ideally, you want to purchase stocks that can increase their dividends or, at worst, maintain their dividend under challenging times. We have a presentation on our website (retirefirst.com) on dividend investing. We encourage you to take a look and see what dividends and compounding can do for your wealth.

China is Entering the Digital Currency Markets by Scott Loucks

The Chinese Communist Party (CCP) recently completed testing on its new digital yuan currency with 50,000 residents in the city of Shenzhen. The reason for their venture into the digital currency market tends to be two-fold. First off, they want to expand the yuan's reach into international markets to make it more mainstream for doing international business, as they have been trying for a few years now with very little success. Secondly, the digital currency will allow the CCP to mine financial data from the transaction of all of those who use their new currency. The interesting part of data mining is that it will be done without the user's permission, which makes it more of a surveillance tool as far as I'm concerned.

The only phone capable of supporting the digital currency's wallet happens to be Huawei's new Mate 40 smartphone. I think we all know the history of Huawei in Canada and North America in general. It is a very odd coincidence that they are now together on one platform with the same supposed capabilities. Cyber Policy Center at Australia's Strategic Policy Institute concluded that this type of currency would allow the CCP to monitor and shape economic behavior well beyond their borders if it came mainstream like bitcoin. I think it is time for the rest of the world to start paying attention to China's central bank digital currency; if widely adopted, it poses wide security and data risks that will be difficult to roll back across the world.

COVID-19 Debt: GDP Growth is What Really Matters by Kate Allan

Over the last eight months, while we have all been working hard to stop the spread of COVID, governments worldwide have been propping up their economies with massive federal spending programs. In Canada, it is expected that we will spend $500 billion of pandemic related debt by 2022, raising the debt-to-GDP ratio to 49.1% in 2020/21, up from 30.9 in December 2019. If the growing number of our debt is stressing you out, I am here to tell you that it will be okay.

The reason why it does not currently matter is that the cost of servicing this debt is low. This year, Canada will pay $4 billion less in servicing their debt than we did in 2019, even though we owe more money. And if the cost of servicing this debt remains relatively low, the government will not run into significant issues when it comes to paying off the debt.

What matters is GDP growth. If we can grow our GDP at a greater rate than our interest rates, our debt will shrink relative to national income, incremental tax increases and inflation. If interest rates are close to zero and GDP is close to 2%, the power of compounding over a long period will take care of the problem on its own.

Income Ideas

Yield at a Reasonable Price (YARP) All Prices as of 2020-11-10

Partners Value Fund (PVS.PR.I $25.10 4.7% matures on Feb 28, 2027) Partners is an investment partnership whose primary investment is a 9% equity interest in Brookfield Asset Management. This financial services company carries a P2L credit rating. The shares currently sell at the $25 par price making the yield to maturity over 4.5% for a 6-year term. The income is considering a dividend for Canadian tax purposes.

Bank of Nova Scotia (BNS $61.33) - Scotiabank is one of North Americas premier financial institutions and Canada's most international bank. With over 101,000 employees they services approximately 25 million customers in 33 countries around the world. They offer a broad range of services including personal and commercial banking, wealth management, corporate and investment bank. At the current price, the company has a 5.8% dividend.

Exchange Income Fund 5.75% Mar 31st, 2026 (EIF.DB.K $86.75) is a diversified, acquisition-oriented company that focuses on specialty aviation and manufacturing assets. All the companies manufacturing facilities have been deemed essential and remain operational. Their aviation services operate routes to remote communities that, for the most part, can only be accessed by air. They see an opportunity in cargo as well as an increase in interest for their chartered operations. The company is also well-positioned in serving First Nation communities, whose demands are not driven by the economy. At the current price the bond has a 8.8% YTM

Atlantic Yield (AY:US $33.03 USD) A sustainable infrastructure company that owns and operates renewable energy, natural gas, transmission, transportation infrastructure and water assets. They currently have 25 assets, generating 1,496 MW of renewable energy, 343 MW of natural gas, and 1,116 miles of transmission lines and 10.5 Mft^3 per day of water desalination assets. They currently operate holdings in North and South America as well as in Spain, Algeria, and South Africa. The company has a 5% dividend at the current price

Tidewater Midstream (5.5% Sept 30th, 2024 $84.06) is a midstream energy company dedicated to the purchase, sale and transportation of NGL throughout North America as well as exporting over seas. Back in June the company sold their Pioneer Pipeline for $138mm which has helped to shore up their balance sheet. 70% of the companies EBITDA is underpinned by long term contracts and 50% from investment grade counterparties. The bond is currently trading around $86, which will give buyers a 10.6 % yield to maturity.

Superior Plus (SPB $12.50) Superior Plus distributes and markets propane and distillates in Canada and the US as well as supplies sodium chlorate, Chlor-alkali, potassium, and sodium chlorite in North American and internationally. The company has a 5.7% dividend at the current price.

Growth Ideas

TOP PICKS

For more ideas visit our Top 20 at www.retirefirst.com

Sangoma Technology (STC $2.75) is a Canadian provider of hardware and software for voice over IP. With Sangoma, businesses of all sizes can find affordable cloud and onsite advanced UC systems. The company is also the primary developer of the most widely used open source communication and PBX software. The company is well positioned for COVID with an even split between services with reoccurring revenue and products.

Protech Home Medical (PTQ $1.59) is a US distributor of equipment and supplies for in-home management of chronic diseases. They provide equipment such as ventilators, oxygen concentrators, PAP machines and wheelchairs . They operate out of 40 locations in 10 states and have been steadily increasing their footprint through M&A activities adding $75 million in sales over the last 6 years, which has brought them to a run rate revenue of $100 million today.

Trulieve Cannabis Corp (TRUL $34.30) is the first and largest fully licensed cannabis company in Florida. The company owns 50 dispensaries in Florida and one store in California and Connecticut. In Florida, Trulieve has a 50% share of the market based on sales volumes. The company employs over 3000 people and is expanding into Connecticut, California and Massachusetts via acquisition setting the state for its development as a multi-state operator. By the end of the year, the company hopes to end the year with 68 stores nationwide.

Equinox Gold (EQX $13.10) is a mid-tier gold producer operating 6 mines and two standalone development projects in the Southwestern US, Brazil and Mexico. The company was founded in 2017 with no production and over the last three years have grown significantly and is expected to leave 2020 with 550koz of production and hopes to be a 1 million ounce producer by 2023.

GoEasy (GSY $80.97) is a non-prime leasing and lending company that provides a variety of unsecured and secured installment loans, serving over 1 million customers and lending over $3.9 billon since their inception, with 60% of customers increasing their credit scores within 12 months of borrowing from the corporation. The company has a 3.5% dividend at the current price.

Converge Technology Solutions (CTS $2.90) is a leading Hybrid IT provider that is consolidating the fragmented North American market, having completed 12 acquisition since its inception in November 2016, providing a mix of Hardware, Software and recurring Cloud Services. Their most recent Q3 featured another strong quarter of growth surpassing analyst expectations. With more managed services coming online we expect more gains ahead.

Final thoughts..

Is Natural Gas Setting Up for A Bull Run? By Todd Thiessen

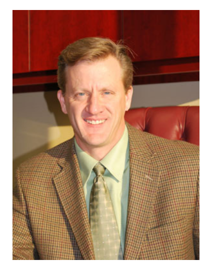
After seeing the natural gas prices in the low to mid-teens 15 to 20 years ago, we have become more accustomed to the $1.50 to $4 per MCF (million cubic feet) trading range over the last decade. Since the August lows of about $1.85 per MCF, we have recovered to the $3 per MCF range. Drilling rigs operating (rig count) in Canada and the USA has dropped precipitously this year, especially with COVID ravaging both countries. The rig count is below the 5-year average in both countries as both oil and gas prices were not high enough to encourage drilling. In the USA, the natural gas market was flooded with "associated gas," which comes from a well being drilled for oil, thereby forcing prices lower. In Canada, the natural gas market was saved by the condensate that came from the gas wells. Here we drilled for natural gas but got associated oil-like hydrocarbons called condensate, the opposite of the USA situation. The condensate saved the Canadian natural gas market as it is used to assist heavy oil in flowing through pipelines. Condensate prices track oil prices, and at these levels, demand has been weak as well.

On the supply side, Natural gas inventories (storage) in Canada and the USA are hovering around the 5-year average on the high side, meaning we have enough to last one normal 12-month cycle. On the demand side, coal-fired power plants are being phased out or retrofitted to natural gas. Over the last five years, LNG in the USA has been added to the demand equation. The USA has already become one of the world's largest gas exporters in this short period. All this is driving natural gas demand to record levels, and as a result, the Nova Gas Transmission Line is expanding due to demand at the end of the pipeline.
This increased demand and lower supply situation have many natural gas analysts asking if $4.00 AECO and $4.00 NYMEX for 2021 could become the new level. All Canadian producers will stand to benefit going forward if this unfolds as expected.

Is Oil The Contrarian Trade?

By Chuck Blackburn

Every year, the stock market rotates sectors; one sector will be hot and another cold. Often when a sector is so cold that every "expert" writes it off, it is usually the exact bottom of the market and a great time to buy. Today that sector would be energy. In 2000-01, the TSX concentration for tech stocks was at its peak, while energy only had 8% weighting. By 2008, with oil at $150, energy had grown to 27%; today, it is 11%. The same story has happened on the S&P 500.; it increased from 5% in 2008 to a peak weighting of 13%. Today it is 2%. Currently, every U.S. stock picker on TV says it is a waste of time to talk about oil and gas stocks and is instead talking about Facebook, Amazon, and Apple. If the past is any guide to the future, you may do well not to write energy off just yet.



Retire First Updates!

Carissa and her husband welcomed their first child, a girl, in October. Carissa will be on maternity leave until April 2022.

New E-Document Portal

We have updated our e-document website. If you are signed up for e-documents, you would have received an authorization code to set up your new login. If you missed this email, please call the office and we would be happy to assist you in setting up your access.

The stock market is a device for transferring money from the impatient to the patient– Warren Buffet

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