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IN THIS ISSUE

Negative rates – what to buy	1
Strong gain for TFSA portfolio	2
Ryan Irvine on breakthrough stocks	4
Ryan Irvin updates Boyd Group, High Arctic Energy	5
Gordon Pape's updates Alphabet	7
Gavin Graham updates Leucadia National	8

BUILDING WEALTH
The Internet Wealth Builder

Editor and Publisher: Gordon Pape
Circulation Director: Kim Pape-Green
Layout/Design: Kendrew Pape
Customer Service: Katya Schmied, Terri Hooper

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Reprints: Contact customer service.
Mail: 16715-12 Yonge St Suite 181
Newmarket ON L3X 1X4
Email: customer.service@buildingwealth.ca
Website: buildingwealth.ca/iwb

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NEGATIVE RATES – WHAT TO BUY

By Gordon Pape, Editor & Publisher

Interest rates have entered an unprecedented and unsettling period. Never before in history has such a huge amount of money been invested in securities that guarantee you'll lose some of your capital.

A recent report prepared by Allan Bishop of the Investment Strategy Group at CIBC Wood Gundy notes that negative rates first started in June 2014, when the European Central Bank (ECB) cut its deposit rate to -0.1%. Since then, the phenomenon has spread around the globe.

According to Bloomberg, about $12 trillion worldwide is tied up in bonds that are guaranteed to lose money if held to maturity and that figure is growing every month. France, Switzerland, Denmark, Sweden, Germany, and Japan are just a few of the countries that have sold negative yield bonds in recent months.

The ECB, which is desperate to kick-start that continent's lagging economy, is buying both sovereign and corporate issues with negative returns at an accelerating rate. The central bank recently revealed that about one-fifth of the €10.4 billion of corporate bonds it purchased between June 8 and July 15 had sub-zero yields.

You may think it can't happen here, but it has already started. In July, CIBC sold almost $1.8 billion in six-year euro-denominated bonds that yielded -0.009%. The bank said it had no problem finding customers for the mortgage-backed bonds; in fact the sale was oversubscribed.

Negative interest bonds sell at a higher price than their redemption value. In the case of the CIBC issue, investors will receive €100 in 2022 for every €100.054 invested now.

So why buy them at all? The answer is they appeal to two different types of people. Conservative investors want to protect their capital in an increasingly difficult economic environment. They're willing to pay a small amount to own highly rated (preferably AAA) bonds issued by sovereign states or blue-chip companies in the belief they'll get most of their money back at maturity. Think of the negative return as an insurance premium.

Speculators see these bonds as an opportunity to make quick capital gains. If interest rates go even lower, the bonds will rise in value, at which point they'll take profits and exit.

Both Bank of Canada Governor Stephen Polez and Federal Reserve

Continued on page 2…

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Negative rates – continued from page 1…

Board Chair Janet Yellen have mused publicly about negative rates in recent months. Barring a major financial crisis, neither is likely to go that route, in fact the Fed appears to be ready to hike its key rate before year-end. But neither central banker is ruling out the possibility.

So what investments should people be considering in this strange her world? Mr. Bishop has some suggestions in his CIBC commentary.

Bonds. He doesn't suggest speculating in negative interest bonds but he does advise putting money into provincial bonds or investment grade corporate issues. If rates fall more, the value of the bonds will move higher.

REITs. REITs benefit from falling rates in two ways. First, their distributions (usually 4% plus) look even more attractive as rates fall, driving the unit prices higher. Second, REITs are heavily leveraged. Lower interest rates reduce carrying costs on their debt.

Utilities. Mr. Bishop points out the dividends from these companies are generally safe as they "enjoy monopolies as well as pricing power". If rates continue to fall, that combination will appeal to investors even more.

At this point, it's hard to imagine rates falling significantly lower than they are now. But three years ago, nobody would have believed that people would willingly invest trillions of dollars in securities that are guaranteed losers. We live in unusual times!

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STRONG GAIN FOR TFSA PORTFOLIO

By Gordon Pape

Generally speaking, I believe a Tax-Free Savings Account should be invested more aggressively than an RRSP.

The latter is really a personal pension plan and should be managed accordingly. That means keeping risk to a minimum, the more so as you approach retirement age.

There are many ways to use a TFSA but the ultimate goal is to avoid paying taxes on the investment income it earns. To do that you need to maximize your profits, which means taking on more risk.

I created this Aggressive TFSA Portfolio in March 2012. It invests exclusively in stock-based ETFs and is designed for readers whose goal is to maximize tax savings in their TFSAs and who are willing to accept a higher degree of risk and volatility. This is not a model to use if you are saving for retirement, a child's future education, or a major purchase to be made within five years.

Here's a look at the ETFs in the portfolio with some comments on how they have fared since our last review in March. Results are as of the afternoon of Sept. 22.

iShares Core S&P/TSX Capped Composite Index ETF (TSX: XIC). This ETF tracks the performance of the S&P/TSX Composite Index. It hit its lowest point in three years in January but has since rallied strongly and we are up by $2.10 per unit from the last review. We received three distributions totalling $0.4946.

iShares S&P/TSX Small Cap Index ETF (TSX: XCS). Canadian small cap stocks were in a deep slump for a long time but they rebounded strongly in the latest period. The units are up $3.45 since the March update plus we received quarterly distributions totaling $0.2303 per unit. The net result is a gain of 28.2% since March. This ETF is finally showing a small profit since inception.

iShares U.S. Small Cap Index ETF (CAD-Hedged) (TSX: XSU). U.S. small-cap stocks also did well during the latest period. The unit value gained $3.86 and we received a distribution of $0.1196. The result was a gain of 17.2% over the period.

iShares Core S&P 500 Index ETF (CAD-Hedged) (TSX: XSP). This ETF tracks the performance of the S&P 500 Index, hedged back to Canadian dollars. It wasn't a top performer over the summer but the $1.70 increase in the unit price was very acceptable. We received a semi-annual distribution in June of just under $0.22 per share.

BMO Nasdaq 100 Equity Hedged to CAD Index ETF (TSX: ZQQ). Tech stocks have had a good year and this ETF reflects that. The fund provides exposure to the top 100 stocks on the Nasdaq exchange. It was up $3.95 per unit in the latest period for a gain of 11.7% over the six months. This ETF continues to be the number one performer in the portfolio.

Continued on page 3…

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TFSA portfolio – continued from page 2…

iShares MSCI EAFE Index ETF (CAD-Hedged) (TSX: XIN). This fund invests in large-cap companies from developed countries in Europe, Asia, and Australasia, hedged back to Canadian dollars. It's really a Canadian replica of EFA, which trades in New York and which should be your choice if you don't want the hedging feature. XIN gained $0.91 per share in the latest period. Plus, we received a mid-year distribution of $0.3407.

iShares MSCI Frontier 100 ETF (NYSE: FM). After a long decline, Frontier Markets staged a modest rally in the latest period. This ETF, which tracks major companies in Third World countries from Nigeria to Vietnam, gained a little ground, adding $1.09. We received a mid-year distribution of US$0.5087 per unit. All that is encouraging but this remains one of only two losers in the portfolio.

iShares MSCI Emerging Markets ETF (NYSE: EEM). We added 25 shares of this emerging markets fund in April 2014 when it was trading at US$41.57. The shares did well for a few months, topping US$45 in June but then went into a long decline as investor concerns grew over the prospects for emerging markets. That downward trend continued until January of this year but since then the units have turned around. They gained $4.93 since March, which almost brings us back to breakeven. We received a mid-year distribution of US$0.2659 per unit.

We received $1.16 in interest from the cash balance in a high-interest savings account.

Here's a look at how the portfolio stood on the afternoon of Sept. 22. The Canadian and U.S. dollars are treated at par and commissions are not taken into account. The percentage in the Gain/Loss column represents the cumulative return since the portfolio was launched or since the security was added. The initial book value was $20,002.30.

IWB Aggressive TFSA Portfolio (a/o Sept. 22/16)

Security	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Retained Income	Gain/ Loss %
XIC	19.3	225	$19.85	$4,465.70	$23.41	$5,267.25	$84.66	+19.8
XCS	8.8	145	$16.22	$2,351.20	$16.49	$2,391.05	$74.44	+ 4.9
XSU	17.3	175	$17.96	$3,143.50	$27.02	$4,728.50	$94.35	+53.4
XSP	19.2	210	$16.40	$3,444.30	$25.00	$5,250.00	$97.86	+55.3
ZQQ	20.0	145	$21.44	$3,208.90	$37.73	$5,470.85	0	+70.5
XIN	8.6	105	$19.77	$2,075.55	$22.42	$2,354.10	$90.81	+17.9
FM	3.3	35	$35.09	$1,228.30	$25.41	$889.35	$30.94	-25.1
EEM	3.5	25	$41.57	$1,039.25	$38.10	$952.50	$48.60	- 3.7
Cash	0.0			$3.61		$4.77		
Total	100			$20,960.31		$27,308.37	$521.66	+32.8
Inception				$20,002.30				+39.1

Comments: The total portfolio gained $3,071.19 (including distributions) in the latest six-month period. That's a gain of 12.4% during that time. The result was to boost the overall advance since inception to 39.1%. That works out to an average annual compound rate of return of 7.61%. That's much better than the 5.5% at the time of the March review but well below my target of 10% to 12% annually.

This portfolio provides exposure to all world markets and includes North American small cap stocks, emerging markets, and frontier markets. But it is entirely invested in ETFs, which will never outperform their target indexes. There are no bond holdings so this portfolio is very exposed to stock market risk. That's why I again stress it is only for aggressive investors.

Changes: I will not make any changes to the basic structure of the portfolio at this time. We don't have enough retained income to make any meaningful new purchases so we will let everything stand for now. We have total cash of $526.49, which we will invest in an account with EQ Bank that currently pays 2% annually.

I will review the portfolio again in March, on its fifth anniversary.

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RYAN IRVINE ON BREAKTHROUGH STOCKS

Contributing editor Ryan Irvine is with us this week with his formula for finding breakthrough companies and a new pick. Ryan is the CEO of KeyStone Financial (www.KeyStocks.com) and is one of the country's top experts in small caps. He is based in the Vancouver area.

Ryan Irvine writes:

The single most powerful driver of a stock over the long term is profits.

One of the most powerful inflection points in the evolution of any company is when it first begins to break through into profitability.

From earnings, corporations can grow their business organically or by acquisition, and pay dividends to shareholders. This is the secret to long-term growth.

But it is just prior to or in the quiet months following the release of a breakthrough profit report that potentially explosive share gains can be made.

That is precisely why KeyStone just released its 2016 Breakthrough Canadian Growth Stock Report, which focuses on 20+ Canadian small and micro-cap growth stocks that have either just hit profitability or show a high likelihood of producing earnings for the first time over the next 6-12 months.

Each has reached or is about to hit that highly important inflection point and is positioned to potentially produce breakthrough profits for those buying early.

In many cases these profitable businesses have little or no analyst coverage, so the potential to find a mispriced stock is greater.

To give IWB readers an idea of the type of growth stocks we include in this report, I have pulled out one recommendation that offers solid risk/reward potential over the next 1-2 years.

I want to be clear that while the Breakthrough Stocks we profile in this just released report have strong potential to grow near and long-term, they possess a higher risk level generally than the stocks I normally recommend here. We consider these stocks only suitable for the risk capital portion of an investor's portfolio.

Here is one of our picks. Prices are as of the close on Sept. 22.

Luxor Industrial Corporation (TSX-V: LRL)

Industry: Construction/Infrastructure
Current price: $0.39
Market cap: $12,813,505
Shares outstanding: 39,936,779
Fully diluted: About 60,000,000
Key management share ownership: 18%

Background: Luxor is a manufacturer and distributor of commercial and residential engineered wood products. In the industrial sector, the company manufacturers wood mat products. In the residential sector, it produces its patented IBS 2000 engineered floor bridging, fire protected architectural wood products, and FastFrame wall components. The company recently completed two transformational acquisitions, vertically integrating with the purchase of turnkey framing companies in Canada and the United States. As a result, Luxor now also distributes pre-fabricated wall panels and a complete line of multi-family engineered lumber. These acquisitions account for the big jump in revenue from the same period in 2015.

Building window and door openings is time consuming and tedious for the framers. Luxor's pre-fabricated wall and door openings are precision made for easy assembly on site. Framers save money, as less time is required to put the openings into the walls. With Luxor's option there is no waste in materials as is typically the case on traditional job sites, where long lengths are randomly cut to smaller pieces for the various openings, resulting in considerable wood wastage. With Luxor's precision cut openings no rework is required after the walls are framed.

Recent Second Quarter Profit Breakthrough

	Q2 2016	Q2 2015
Revenues	$9,503,494	$683,616
Income (loss)	$909,315	$51,426
Income (loss)/share	$0.022	$0.00
Fully diluted income (loss)/share	$0.015	$0.00

Forecasts: For the full year 2016 we expect revenue to be in the $30 million range. The company achieved a

Continued on page 5…

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Breakthrough stocks – continued from page 4…

significant breakthrough into profitability ahead of schedule in its second quarter. The potential for this to continue over the second half of 2016 is real. However, management expects the step up in terms of margins from the 6-8% range to 10-12% to occur with new automation for its Canadian plants, which is scheduled to come online for 2017.

Looking ahead to 2017 we see the potential for revenue in the $40 million range, margin improvement beyond 10%, and earnings per share in the range of $0.06-$0.07.

Comments: The revenue targets for 2016 and 2017 of $30 and $40 million respectively may seem aggressive but given the fact management has already reported around $25 million in U.S. framing business in 2016, the former number is achievable. The number we see as aggressive is the target for 2017. This will take very strong execution and a true step-up in terms of earnings margins from the present level. If the company hits these targets in 2017, the stock is undervalued.

Conclusion: With the company's two recent framing business acquisitions, Luxor has taken its operations to the next level in terms of revenue growth. Luxor has already announced that its first half 2016 sales exceeded $10.8 million, a huge step-up from the $1.69 million in the same period in 2015. The increase in sales is the result of Luxor entering into the framing business in the United States and Canada in 2016. The next and most important step is taking that revenue growth and producing meaningful per share cash flow and earnings growth.

We were very impressed with Luxor's second quarter results. The company should also post very strong revenue growth in the second half of 2016, given the large and growing order book for the current fiscal year. We expect the company to be positioned to produce better margins as the year moves forward and as it invests to automate some operations at its Canadian plants into 2017. Management believes it can then achieve net income margins in the range of 10-12%. This would produce 2017 earnings of over $0.06 per share if the revenue goal of $40 million is achieved. If these targets are met, the stock is undervalued, trading at around five times potential 2017 earnings.

However, we stress there is a great deal of risk in these projections – execution risk as well as business risk. The company's market can change greatly over the course of a year. Having said this, management delivered strong results, breaking through into profitability in a big way in the second quarter of this year.

Action now: We are initiating coverage on the stock with a rating of Speculative Buy. We recommend investors purchase a half position in the current price range. We intend to fill the full position over the next 3-6 months. The stock is only suitable for investors with a higher than average tolerance for risk.

RYAN IRVINE'S UPDATES

Boyd Group Income Fund (TSX: BYD.UN, OTC: BFGIF)

Originally recommended on Aug. 29/10 (#20131) at C$5.50, US$5.20. Closed Thursday at C$84.33, US$63.47.

Background: Boyd is great because the business is very simple: they fix automobiles. Boyd is the largest operator of non-franchised collision repair centres in North America in terms of number of locations and one of the largest in terms of sales. The company currently operates locations in five Canadian provinces under the trade name Boyd Autobody & Glass, as well as in 17 U.S. states.

Stock performance: Boyd continues to benefit from the strong U.S. dollar. For IWB readers, our original Buy dates back to late August 2010 at $5.50. The stock is now trading in the $84 range.

Recent developments: Second quarter sales (to June 30) totalled $331 million, an increase of $52.3 million, or 18.8%, when compared to 2015. The increase in sales was the result of the following:

- $26.4 million of incremental sales were generated from 48 new locations.
- Same-store sales excluding foreign exchange increased $14.1 million, or 5.1%, and increased a further $13 million due to the translation of same-store sales at a higher U.S. dollar exchange rate. Approximately 1.4 percentage points of the same-store sales growth was due to the recent addition of a number of new customers within the third party administrator business.

Continued on page 6…

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Updates – continued from page 5…

- Sales were affected by the closure of under-performing facilities, which decreased sales by $1.2 million. Same- store sales are calculated by including sales for stores that have been in operation for the full comparative period.

Basic earnings per unit were $0.843 for the quarter, compared to $0.529 in the same period in 2015. Diluted earnings per unit were $0.683, compared to $0.394 per unit in the same period last year. The increases in these amounts are primarily attributed to the contribution of new location growth and same-store sales growth, along with a smaller impact of the fair value adjustments during 2016 compared to 2015.

Conclusion: This was another strong quarter for Boyd, continuing the successful execution of the company's three-pronged growth strategy: through the addition of single-store locations, acquiring multi-shop operations, and increasing same-store sales. Management stated that Boyd has experienced significant success with all three to date and intends to continue with this strategy. However, the team is prepared to evaluate and revise these strategies, as deemed necessary, to ensure that Boyd continues to deliver meaningful growth in a changing market

Action now: Given the sharp near-term appreciation in Boyd's shares, we maintain our near-term rating on the stock at Hold. Our long-term rating for those investors with an outlook beyond one year remains at Buy.

High Arctic Energy Inc. (TSX: HWO, OTC: HGHAF)

Originally recommended on Sept. 2/13 (#21332) at C$2.85, US$2.55. Closed Thursday at C$4.14, US$3.15.

Background: High Arctic operates in two geographic areas, providing oilfield services to exploration and production companies in Canada and Papua New Guinea (PNG). The company's largest operation is in Papua New Guinea where it provides drilling and specialized well completion services and supplies rigs, matting, camps and drilling support equipment on a rental basis. The Canadian operation provides snubbing services, nitrogen supplies, and equipment on a rental basis.

Stock performance: We introduced this stock to IWB readers in September 2013 at $2.85. Last month we updated it when it closed at $3.53 following the release of second quarter results. This month we provide our fair value assessment on the stock in light of the company's recently announced transformational acquisition.

Recent developments: On Aug. 29, HWO announced that it had entered into an agreement to acquire all of the business operations of Tervita Corporation's Production Services Division (the PS Division) for an aggregate purchase price of $42.8 million, payable in cash. The deal closed almost immediately, on Sept. 1.

The transaction was completed using High Arctic's existing cash and debt facility resources, with no equity dilution to existing shareholders. Going forward, High Arctic anticipates maintaining an attractive balance sheet with minimal net debt.

Through the transaction, HWO acquired 85 rigs in total. Of these, 68 are in service while 17 are in various stages of repair. They can be deployed into the field in the event energy prices move higher. HWO also received related support equipment, a surface equipment rentals division ($10 million at cost), and an engineering services division ($7 million in 2015 revenues). The latter provides solutions to assist in the management of abandonment and compliance programs. In addition, HWO acquired seven new operational bases located in key basins in Alberta, five of which are owned ($8 million purchase value, with no debt).

Tervita's PS Division management team, along with the combined team of approximately 300 experienced and trained personnel, have joined HWO and are continuing to operate the Division business going forward, ensuring continuity of quality service for customers.

Tervita boasts some impressive long-term customers, including Imperial Oil as its largest. It operates under master services agreements, typically of one to three years. The current agreement is up in October and management believes it will again be renewed. The equipment ranges in age from new (never used) to older equipment, but it is reportedly premium quality and very well maintained.

Tervita has generated approximately $64 million in revenue on a trailing twelve-month basis, ending June 30, 2016.

Comments: The Tervita asset purchase gives HWO immediate scale to its Canadian operations. The PS Division becomes the third largest marketed well servicing fleet in Canada and the second most active as measured by total hours of operation in 2015 and the first half of 2016, providing for efficient and cost effective operations. It adds significant growth to HWO's Canadian business operations and provides a platform for future growth.

In the end, this is a bet on a recovery in energy prices. If that happens, the purchase would appear to be timely and

Continued on page 7…

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Updates – continued from page 6…

will likely be very accretive to cash flow long term. Right now, with the depressed Canadian energy market, we do not expect much growth in cash flow and there may be more near-term pain (pressure on revenues and margins) than gain. For long-term investors, particularly those that believe in a recovery of energy prices, the bet appears to be a good one. It just might take 1-3 years or more to truly show its potential.

Forecast and fair value assessment: Our fair value assessment on HWO is very much an estimate. There are many moving parts including the addition of the Tervita assets (with no EBITDA guidance), the potential PNG contract loss, and solid but potentially depressed activity levels in PNG. We set our EBITDA estimate over the next 12 months in the range of $60 million, or $1.15 per share. As a result, our fair value assessment is $5.20 based on a multiple of just 4.5 times enterprise value to expected EBITDA.

HWO has had little broad institutional (brokerage and funds) ownership. If the company begins to garner attention from institutional investors from the new, increased exposure in the Canadian market and/or energy prices rebound, there is a potential for the market to apply a significantly higher multiple.

Action now: The stock is a Buy for those investors with a 2-5 year outlook who wish to have long-term exposure to a potential recovery in energy prices.

- end Ryan Irvine

GORDON PAPE'S UPDATES

Alphabet Inc. (NDQ: GOOGL)

Originally recommended by Gordon Pape on March 9/14 (#21410) at $607.40. Closed Thursday at $815.95.

Background: Alphabet is the new name for Google and if you aren't familiar with the company you have been living in a cave for the past 20 years. The firm implemented a major restructuring last year that created Alphabet as a holding company with several autonomous business segments under it. They include Google, which incorporates Android and YouTube, Nest (home automation), Calico (anti-aging research), Fiber (high-speed Internet), Google Ventures (new company investments), Sidewalk Labs (city infrastructure), and X Lab (driverless cars and other "moonshots").

Stock performance: The company was originally recommended in March 2014, trading under the symbol GOOG. Shortly after, it implemented a two-for-one share split, with a controversial twist. Investors received one share of a new Class C non-voting stock for every original Class A voting share they held. The idea was to keep voting power concentrated in the hands of the company's founders. The A shares now trade under the symbol GOOGL. The C shares are listed as GOOG and trade at a discount to the A series. If you owned the stock at the time of the split, you have both classes in your portfolio, however we are tracking only GOOGL as it was our original recommendation. Clear?

The stock has had a choppy year in 2016, briefly falling below $700 in July. However, it has rallied strongly recently, buoyed by good financial results. The shares hit a new high last week.

Recent developments: Alphabet reported second-quarter results that beat analysts' expectations by a wide margin. One analyst called the results "mind-blowing". Revenue came in at $21.5 billion, a 21% increase over $17.7 million the year before. Net income was $5.9 billion ($8.42 per share, non-GAAP basis) compared to $4.8 billion ($6.99 per share) the year before. Chief financial officer Ruth Porat described the results as "terrific", words rarely heard from people in her position.

Google segment revenues were up 21% year-over-year. The rest of the business, lumped other the heading "other bets", showed a revenue increase of 150% to $185 million but recorded an operating loss of $859 million.

YouTube and mobile were the main forces driving the surge in revenue and profits. Google CEO Sundar Pichai told analysts in a conference call that "mobile is the engine that drives our business".

Dividend: The stock does not pay a dividend, however the company repurchased two million shares of Class C stock during the quarter for a cost of $1.4 billion.

Action now: Buy. The company's core business continues its impressive growth and the "moonshot" segments, while still losing money, are generating more revenue.

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GAVIN GRAHAM'S UPDATES

Leucadia National Corp. (NYSE: LUK)

Originally recommended on May 7/12 (#21217) at $24.61. Closed Thursday at $19.07. (All figures in U.S. dollars.)

Leucadia is a conglomerate, which is often compared to Berkshire Hathaway, with which it operates a commercial mortgage joint venture.

The stock has recovered strongly since my last review in March, up 24% since then and 9% year-to-date. This still leaves it down 23% from my original recommendation in 2012, however.

The company's eclectic mix of financial services, beef processing, real estate, building products, energy, gold mining, and broadband in Italy is not easy to comprehend and different subsidiaries will often experience very contrasting fortunes.

With over $10 billion in capital and rated investment grade at BBB-, Leucadia has the balance sheet to survive periods of volatility. For example, its wholly owned investment bank, Jefferies, lost $245.8 million in its first quarter (to Feb. 28), leading to a $222.9 million loss ($0.60 per share) for Leucadia in its first quarter to March 31.

Leucadia's earnings, similar to Berkshire Hathaway's, have always been "lumpy", i.e. subject to a lot of variation between quarters. Leucadia's management, like Warren Buffett, regards this as an opportunity to buy attractive assets due to many investors' inability to tolerate such volatility.

The rebound in markets and the price of energy, a major focus of Jefferies' business, enabled Jefferies to earn $103 million before tax since the first quarter low point.

Some of Leucadia's positions that are marked to market saw their prices rebound in the second quarter. They include foreign exchange firm FXCM (whose fair market value was reduced by $53.2 million in the first quarter) and conglomerate HRG.

As a result, Leucadia earned $59.3 million ($0.15 per share) in the second quarter. It would have been more but the tax rate was unusually high at 49% to match projected full year rates.

FXCM saw another $47.9 million reduction in value in the quarter, but Leucadia is still $390 million ahead on its investment since it rescued the foreign exchange broker when it was effectively bankrupted by the sudden appreciation of the Swiss franc in January 2015. It anticipates receiving repayment of its remaining $193 million loan during 2017 as FXCM sells off non-core assets and generates profits from such events as Brexit.

Meanwhile, mortgage joint venture Berkadia generated $40.7 million for Leucadia from record refinancings. Conglomerate HRG sold its oil and gas business for $145 million and real estate subsidiary HomeFed began construction on its massive property in southern California, with a 948 home development. HomeFed contributed $23.6 million.

Looking at some of the company's other businesses, National Beef was hit last year by a turn in the beef cattle cycle, as a fall in the size of U.S. herds due to the high cost of feed saw reduced throughput at its facilities, leading to its first EBITDA loss since its purchase in 2011.

However, this year cattle numbers have increased and National Beef contributed $80.3 million to Leucadia's earnings in the first six months of the year.

Car dealership Garcadia benefited from record U.S. auto sales and contributed $25.7 million. The Golden Queen Mining Co, which operates a new gold mine at Soledad Mountain in California, came on stream this year (Leucadia owns 35%). Linkem, its wireless broadband operation in Italy, had 355,000 customers at the end of June, up 14% and is EBITDA positive.

The stock's $0.25 annual dividend gives it a yield of 1.3%.

Action now: Leucadia will always suffer from its wide range of different operations and its volatile earnings but remains a Buy for the recovery in some its major subsidiaries, the growth in some of its long held assets, and its close control of costs.

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