



The Internet Wealth Builder

Volume 22, Number 3

Issue #21703

January 16, 2017

IN THIS ISSUE

Amazon delights Trump	1
Richard Croft named Associate Publisher	2
Trumpanomics and the altered universe	3
Gordon Pape's updates: Hydro One, Andrew Peller, Constellation Software	6
Your Questions: U.S. cash	7

BUILDING WEALTH

The Internet Wealth Builder

Editor and Publisher: Gordon Pape
Associate Publisher: Richard N. Croft
Circulation Director: Kim Pape-Green
Customer Service: Katya Schmied, Terri Hooper

Copyright 2017 by Gordon Pape Enterprises Ltd.

All material in the Internet Wealth Builder is copyright Gordon Pape Enterprises Ltd. and may not be reproduced in whole or in part in any form without written consent. All recommendations are based on information that is believed to be reliable. However, results are not guaranteed and the publishers and distributors of the Internet Wealth Builder assume no liability whatsoever for any material losses that may occur. Readers are advised to consult a professional financial advisor before making any investment decisions.

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

Next Issue:
January 23

Customer Service:
1-888-287-8229

AMAZON DELIGHTS TRUMP

By Gordon Pape, Editor and Publisher

Donald Trump's press conference on Wednesday was the most talked about event last week but the most significant story in my view was the announcement from Amazon that it plans to create 100,000 new full-time jobs in the U.S. over the next 18 months.

That's a huge commitment by a single company and it puts an exclamation point to the sea change that is taking place in U.S. retailing. Only a few days before, Macy's and Sears both announced nationwide store closures and layoffs after a disappointing Christmas season. Macy's will close 68 stores and shed 10,000 jobs while Sears will shutter 150 stores (most of which operate under the Kmart brand).

Clearly, traditional retailers can't keep up with Amazon's on-line convenience, low costs, and fast delivery and are running up the white flag. It's akin to what happened to the big booksellers when Amazon first came on the scene, only on a much larger scale.

The announcement plays right into the hands of Mr. Trump, who has made job creation his number one priority. His transition team was quick to take some credit, saying "the President-elect was pleased to have played a role in that decision by Amazon". It's not clear just what role he actually played but U.S. corporations are quickly learning that it's prudent to stay on the right side of the mercurial incoming President.

In making the announcement, Amazon said it will increase its staff by 55% to 280,000 by mid-2018. "These jobs are not just in our Seattle headquarters or in Silicon Valley – they're in our customer service network, fulfillment centres, and other facilities in local communities throughout the country," said Jeff Bezos, Amazon Founder and CEO.

The company said that the new jobs won't be only entry-level positions but will involve hiring people with all types of experience, education and skill levels, ranging from engineers and software developers to those seeking on-the-job training. Amazon's core business is retailing but the company is involved in a wide range of other ventures, including cloud storage, streaming video, on-line music, and its revolutionary new voice control system, called Alexa.

Whether or not Trump was in some way involved in encouraging Amazon to create the 100,000 jobs (doubtful), it was a big boost for his core objective, especially in the wake of the Sears and Macy's announcements. It's also a huge vote of confidence in the company's future and raises the question of just how big Amazon is going to get and whether it's worth investing in the stock at this stage.

Continued on page 2...

Amazon – continued from page 1...

On the surface, the metrics are very unattractive. The stock (NDQ: AMZN) closed on Friday at \$817.14 (figures in U.S. dollars). It has a trailing 12-month price/earnings ratio of 182.80. The profit margin is a tiny 1.64%. This is a company that needs to keep generating massive sales growth to justify its sky-high share price.

So how is it doing in that regard? Very well, actually. Sales in the third quarter (to Sept. 30) were \$32.7 billion, up 29% from \$25.4 billion in the third quarter of 2015. For the first nine months of the fiscal year, the company reported sales of \$92.2 billion, also up 29% from the 2015 total of \$71.3 billion.

Guidance for the fourth quarter, the biggest of the year for the company, was for sales of between \$42 billion and \$45.5 billion, for a growth rate of between 17% and 27% compared with 2015.

Those numbers are impressive but they don't translate into a fat bottom line. Third-quarter earnings were \$252 million (\$0.52 a share, fully diluted). For the first nine months of the year, earnings were \$1.6 billion (\$3.36 per share).

Analysts estimate that Amazon's final 2016 earnings will come in at \$4.76 a share, which would be a trailing p/e ratio of 171.67 based on the current price. The consensus estimate for 2017 is \$8.84 per share, which puts the forward p/e at 92.44.

By comparison, Facebook has a trailing p/e of just under 50, Alphabet (Google) is at slightly over 30, and Apple is

at about 14. Among the big high-tech giants, only Netflix is more expensive with a p/e of almost 360. Amazon would have to earn about \$25 per share, or almost three times its projected 2017 profit, to get its p/e into the same range as Alphabet, and that's assuming no increase in the share price.

So does that mean don't buy? Anyone who made that call in the past turned out to be dead wrong. Five years ago you could have bought shares for less than \$200. There have been bumps along the way but the trend line is steadily upwards and the stock is trading above its 50-day and 200-day moving averages.

Amazon is a long way from being the world's largest retailer, trailing companies like Walmart, Costco, and Walgreens Boots by a large margin. But it's growing faster than any of the others and I wouldn't bet against it gaining the number one spot at some point in the next decade.

So despite the ridiculously high p/e, I'm adding Amazon to my recommended list, but only for buyers who clearly understand the stock is expensive at this level. I happen to believe it will be even more pricy a year from now. Certainly, after this job creation announcement, the company should be on Donald Trump's most-favoured list, even though Jeff Bezos owns The Washington Post.

Action now: Buy with an initial target of \$900. The stock does not pay a dividend.

Follow Gordon Pape on Twitter @GPUUpdates and on Facebook at www.facebook.com/GordonPapeMoney

RICHARD CROFT NAMED ASSOCIATE PUBLISHER

By Gordon Pape

It is my great pleasure to announce that Richard N. Croft has been named as Associate Publisher of the Internet Wealth Builder and The Income Investor.

Richard is a veteran in the financial industry and is licensed as a Portfolio Manager operating under the corporate name Croft Financial Group Inc. (www.croftgroup.com). With 42 years of investment experience, Mr. Croft has written extensively on the economy, portfolio optimization, asset allocation, enhanced income strategies, options, and behavioral finance.

Underpinning his collected works – that include 10 books and more than 5,000 columns – is a fundamental conviction that champions the portfolio as the beginning, middle, and end game of wealth creation.

Portfolio management is a professional, disciplined process for assembling a package of investments that can be managed as a unified entity. In portfolio management, individual securities matter only to the extent that they improve the collection. The objective is to ascertain what the inclusion of a new security will add to the portfolio in terms of return, and what it will do to the portfolio's risk structure.

Richard's approach is very different from ordinary investment management, where the focus is on the specifics of a single security. An investment manager tries to pick the best securities, one by one, with no regard as to how those choices are likely to perform together within a portfolio. Building an investment plan using only single stock storylines typically unleashes a volatility pattern that

Continued on page 3...

Croft – continued from page 2...

is beyond the “fear and greed” tolerance of most individuals. This all too often causes an investor to sell or buy at exactly the wrong time! Portfolio optimization dampens risk so that average investors can stay invested long enough to reap the benefits of positive performance.

During 1998, in keeping with the portfolio theme, Richard co-developed three FPX Indexes for the National Post. The FPX Indexes are portfolio benchmarks designed to mimic passive portfolios for Conservative, Balanced, and Growth investors. In 2004, Richard extended that concept to include three RealWorld portfolio indexes that adjust the performance of the FPX indexes for real-world costs.

He created two option-writing indexes for the Montreal Exchange, and developed the FundLine methodology, which is a graphic interpretation of portfolio diversification that can be applied to mutual funds and exchange traded funds. Richard designed a Manager Value Added Index for rating the performance of fund managers on a risk adjusted basis

relative to a benchmark and in 1999 he co-developed a portfolio management system for Charles Schwab Canada.

As a global portfolio manager who focuses on risk-adjusted performance, Richard believes that performance is not just about return, it is about how that return was achieved. One of his unique approaches is to utilize portfolio strategies to enhance tax-advantaged income within a low risk profile.

For readers who are seeking top-quality portfolio management, I recommend arranging a no obligation, no cost consultation with Richard to discuss your portfolio and find out how he and his team can improve your returns. Contact his office at 905-695-7777 (extension 2305) to arrange a meeting. Mention that you are a member of Building Wealth to ensure priority treatment.

Richard will be writing a column every month for our newsletters, beginning this week. I'm delighted to have him on board and I am sure you will profit from his wisdom and guidance.

TRUMPANOMICS AND THE ALTERED UNIVERSE

By Richard Croft, Associate Publisher

Since the Great Recession ended, the U.S. Federal Reserve Board has been providing a safety net for the financial markets. In the process, it has employed aggressive monetary tools like three versions of quantitative easing plus moral suasion in the form of ultra low interest rates. All the while, it has been trying to nudge Congress to engage in massive fiscal stimulus like aggressive spending on infrastructure.

That Chairman Yellen even engaged in such political manoeuvring was evidence that there was little left in the Fed's arsenal to stimulate economic growth. There was no room to make further cuts to interest rates unless the Fed was willing to lay bare a huge domestic money market. Quantitative easing was having little impact on economic growth, as most of the new money was dormant in the banking system, to the tune of US\$2.5 trillion! The forward motion from further stimulus would have been the equivalent of pushing on a string.

Since the surprise election of Donald Trump, we have seen a marked shift in financial market psychology. Investors are no longer making decisions based on the Fed's next move. Instead, we are witnessing the release of “animal spirits” where investors, rightly or wrongly, are eyeing the economy as a glass three-quarters full. They are focusing on a ramp up in job creation, lower taxes, economic growth kick-started by fiscal stimulus, higher profits, and ultimately expanded price to earnings metrics.

In short, we are entering a phase where the Fed is becoming less relevant. Consider the performance of the financial markets since Trump's surprise victory. Rising interest rates along the yield curve and equity valuations being re-set by altered metrics has dramatically improved the pocket book of investors. Even the well telegraphed December rate hike was viewed as a good thing, which was vastly different from the reaction we saw to the first rate hike the year before.

We enter 2017 with an altered universe, which will underpin equity valuations. But, like any investment thesis, its success rests with how we apply new metrics to wring the most from what we know, while trying to avoid the pitfalls of the unknown.

The Trump agenda

To begin, we need to understand what a President Trump intends to do to stimulate the economy. We know with reasonable certainty that he will initiate massive spending on infrastructure, which, among other things, will most likely include the great wall along the border between the U.S. and Mexico. We also know that he will attempt to dismantle Obamacare, which has, by most accounts, been a failure. Each of these initiatives has the support of the legislative branches, which are both controlled by Republicans.

Tax cuts will also play a major role in Trump's version of

Continued on page 4...

Trumpanomics – continued from page 3...

an altered universe. I doubt he will get exactly what he is asking for, which is a 15% corporate tax rate and three reduced personal income brackets. He will most likely settle for something in the range of a 20% corporate tax and perhaps four personal tax brackets with slightly lower rates save for the highest income earners.

Repatriation of overseas capital is another leg of his platform. Estimates peg the amount of capital sitting offshore in the trillions. How much overseas capital returns to the U.S. will depend on how many restrictions the government puts on the repatriated money. Corporate executives are reticent about being told how they must deploy their profits. It is one thing to bring back capital to engage in stock buybacks and increase dividends, it is quite another to repatriate capital to invest in infrastructure. The latter position is currently being floated by the legislative branches of government.

These are positive initiatives that should boost the U.S. economy. I can see 3% growth if many of these plans are put into place.

On the other hand, Trump's restrictive trade policies would be a negative to the economy. On this I am of the view that Trump's rhetoric is an opening volley in what will become a renegotiation of trade deals that will, at best, result in minor changes to the current models. This will allow Trump to tell Americans, most likely via Twitter, that he negotiated better deals. But I suspect it will have only a minor impact on economic growth.

Managing the Altered Universe

The question investors must ask is how Trump's altered universe will impact various segments of the economy. To that point, we turn to the financial sector, which in my mind, enjoys the most powerful tail winds we have seen since before the financial crisis.

Within the political arena, hindsight is 20-20. Politicians blamed the financial sector for the 2008 crisis, which was true to a point. But treating financial institutions as giant piggybanks did nothing to punish avarice. It harmed shareholder value by transferring potential dividend payouts to average individuals into the coffers of the Federal government. Healthy banks were "encouraged" to acquire failing institutions at the behest of the U.S. Treasury.

To understand the scope of this transfer of wealth from shareholders to taxpayers, look at the costs incurred by Bank of America. This one bank spent more than US\$180 billion over six years to settle claims from bad mortgages.

As well, politicians set out to tighten the regulatory environment to the point where healthy banks were

unable to make new loans because so few borrowers qualified. During the financial crisis, there was a tsunami of mortgage defaults because less than half of American consumers had credit scores that made them credit worthy. Little wonder that so little of the capital created under quantitative easing found its way to Main Street. Most of it simply sat within the banking system, providing nothing in the way of economic stimulus.

As one might suspect after such carnage, people changed their spending patterns. The consumer savings rate rose to 7% compared to the negative 2% rate prior to the financial crisis. Longer term, this change is positive but it also slowed economic growth, making the recovery after the crisis one of the slowest on record.

But that was then and this is now. The financial sector has paid its dues in terms of litigation. President-elect Trump has promised to roll back some of the more burdensome directives, which will move the regulatory pendulum back towards the centre. At the same time, credit scores have improved and U.S. real estate prices have stabilized. Those twin scenarios have allowed banks to increase lending. Data for the fourth quarter of 2016 showed that banks were lending at a pace similar to loan volumes prior to the financial crisis.

When you consider the improved state of borrowers and the fact banks are sitting on roughly US\$2.5 trillion in excess reserves, which translates into roughly US\$50 trillion in potential economic activity, we think the runway for new loans is very long. Moreover, we are at the very beginning of this runway.

That leads inexorably to the state of bank profits for 2017. We are in a rising interest rate environment across all segments of the yield curve. That's important because there was some fear that we could see a flat or, worse, inverted yield curve. In either of these scenarios, higher rates do nothing for institutions that traditionally borrow short term and lend long term. But with a normal yield curve with a rising slope from left to right (left representing the shortest maturities) bank profit margins will expand. Generally, a 1% rise in interest rates provides a 15% bump in margins.

In summary, improved profit margins, increased loan demand from qualified borrowers, excess reserves that are available for new loans, a less-rigid regulatory environment, and less litigation expense are tailwinds that bode well for the big U.S. money centre banks.

Names that come to mind include Bank of America (NYSE: BAC). It is the second largest initiator of new mortgages, behind only Wells Fargo, which at present is being held back by company-specific problems. Another

Continued on page 5...

Trumpanomics – continued from page 4...

is JPMorgan Chase (NYSE: JPM), which is one of the best-run banks in the U.S. It also doesn't hurt that CEO Jamie Dimon has Trump's ear.

Goldman Sachs (NYSE: GS) is another play in this segment, although more because of its position as the leading investment banker. As companies seek new capital, they will turn to investment banks to underwrite new stock offerings.

Infrastructure plays

Spending on infrastructure could reach US\$1 trillion over the next five years. That will be a boon to companies who build or supply material for builders. In this space, one name that stands front and centre is U.S. Concrete Inc. (NDQ: USCR).

According to the corporate profile on Yahoo Finance, U.S. Concrete produces and sells ready-mixed concrete, aggregates, and concrete-related products and services for the construction industry in the United States. It operates through two segments, Ready-Mixed Concrete and Aggregate Products.

The Ready-Mixed Concrete segment is involved in the formulation, preparation, and delivery of ready-mixed concrete to customers' job sites and the provision of various services that include the formulation of mixtures for specific design uses, on-site and lab-based product quality control, and customized delivery programs. The Aggregate Products segment offers crushed stone, sand, and gravel for use in commercial, industrial, and public works projects.

The company also engages in the operation of building materials stores; provision of concrete blocks, lime slurry, and Aridus rapid-drying concrete technology; sale of brokered products; hauling and recycled aggregates operation activities; and operation of drum mixer trucks, as well as transfer trucks for transporting cement and aggregates. It primarily serves concrete sub-contractors, general contractors, governmental agencies, property owners and developers, architects, engineers, and homebuilders in north and west Texas, California, New Jersey, New York, Washington, D.C., and Oklahoma. U.S. Concrete, Inc. was incorporated in 1997 and is headquartered in Euless, Texas.

Another way to play infrastructure is through an exchange traded Fund (ETF), which provides greater diversification within the sector. The name that comes to mind is Global X MLP & Energy Infrastructure ETF (NYSE: MLPX).

According to the prospectus, it seeks to provide investment results that correspond generally to the price and yield performance of the Solactive MLP & Energy Infrastructure Index ("underlying index"). The ETF invests at least 80% of its total assets in the securities of the underlying index. It also invests at least 80% of its total assets in securities of master limited partnerships and energy infrastructure corporations. The fund's 80% investment policies are non-fundamental and require 60 days' prior written notice to shareholders before they can be changed. The underlying index tracks the performance of MLPs and energy infrastructure corporations. It is non-diversified in the sense that it is focused entirely on infrastructure.

Energy

Oil prices have strengthened since the recent cutback in production quotas negotiated by OPEC members. The price for oil has been hovering above US\$50 per barrel since the meeting. The question, given OPEC's propensity to cheat, is whether the self-imposed production cuts will hold. On that latter point, I am not so sure. At US\$50 per barrel, many U.S. drillers will come back on stream. In fact, U.S. rig counts have been rising at a steady pace and that increased supply will ultimately impact prices.

Moreover, the economies of some OPEC members – namely Venezuela – are collapsing. We are not convinced that these members can survive with the self-imposed reduction in quotas. When governments are faced with a starving electorate, cheating becomes the only option. For now, this is an area that I would avoid.

Conclusion

An altered universe can be a good thing, especially in an era where we will see broad economic stimulus. At the time of writing, the Dow Jones Industrial Average was a whisper away from 20,000. And while that is a big number, I think there is much more to come. Mind you, much depends on whether Trump's handlers can keep a lid on his Twitter finger.

GORDON PAPE'S UPDATES**Hydro One Ltd. (TSX: H, OTC: HRNNF)**

Originally recommended on Nov. 23/15 (#21541) at C\$22.73, US\$16.95). Closed Friday at C\$23.80, US\$17.87.

Background: Hydro One is Ontario's largest electricity transmission and distribution company. It has more than 1.3 million customers, \$24.8 billion in assets, and

Continued on page 6...

Updates – continued from page 5...

revenues of over \$6.5 billion. It owns and operates a 29,000 kilometre high-voltage transmission network and a 123,000 circuit kilometre primary low-voltage distribution network.

Stock performance: Hydro One went public in early November 2015 at an initial offering price of \$20.50. I recommended the shares for income-oriented investors three weeks later at \$22.73. The stock was last updated at \$25.44 in August, at which time I said the shares looked pricy and changed my rating to hold. Since then the price has dropped almost \$2.

Recent developments: The company reported higher revenue and profits for the third quarter (to Sept. 30). Revenue came in at just over \$1.7 billion, up 6% from \$1.65 billion in the same period of 2015. That reflected an increase in distribution rates plus higher peak transmission demand due to a warmer summer than the year prior. Adjusted net earnings per share were \$0.39 (fully diluted) compared to \$0.32 the year before.

For the first nine months of the fiscal year, revenue was down slightly to \$4.94 billion, from just over \$5 billion in 2015. Adjusted profit per share was \$0.99, up from \$0.92 the year before. Year-to-date earnings were positively affected by lower expenses for bad debts, support services, transformer equipment refurbishments, and stations maintenance. Also, the utility saved money through its divestiture of Hydro One Brampton.

In August, the company reached an agreement to acquire Orillia Power Distribution Corporation, an electricity distribution company located in Simcoe County, Ontario, from the City of Orillia for approximately \$41 million.

In late October, Hydro One completed the acquisition of Great Lakes Power Transmission LP, an Ontario regulated electricity transmission business operating along the eastern shore of Lake Superior, north and east of Sault Ste. Marie. The total purchase price was approximately \$376 million, including the assumption of outstanding indebtedness.

Dividend: The shares pay a quarterly dividend of \$0.21 (\$0.84 a year) to yield 3.5% at the current price.

Action now: The drop in the stock price has improved the dividend yield to a level when I now consider the stock to be a Buy again.

Andrew Peller Ltd. (TSX: ADW.A, OTC: ADWPF)

Originally recommended on July 22/13 (#21327) at \$4.68 (split-adjusted). Closed Friday at C\$11.27, US\$9.00.

Background: Andrew Peller is a leading producer and marketer of Canadian quality wines with operations in British Columbia, Ontario, and Nova Scotia. Its premium brands include Peller Estates, Trius, Hillebrand, Thirty Bench, Crush, Wayne Gretzky, Sandhill, Calona Vineyards Artist Series, and Red Rooster. It also produces several mass-market brands such as Peller Estates French Cross.

Stock performance: The stock split three for one in mid-October. So for every 100 shares you owned previously, you now have 300. The dividend was adjusted accordingly. Our split-adjusted original price is \$4.68.

Recent developments: The company reported continued strong growth for the second quarter of fiscal 2017 (to Sept. 30). Sales were up 4.7% to \$88.4 million, from \$85.2 million in the same period of 2015. Net earnings were \$7.6 million (\$0.18 per class A share), up 8.6% from just over \$7 million (\$0.17 per share) the year prior.

For the first six months of the fiscal year, Peller reported earnings of \$16.2 million (\$0.39 per share) compared to \$13.7 million (\$0.33 per share) the year before.

We saw a significant improvement in the balance sheet in the latest quarter. Working capital increased to \$78.2 million from \$71.7 million as of March 31 (the end of the 2016 fiscal year). Overall bank debt dropped to \$80.2 million compared to \$86 million at the end of March. This was due to the strong earnings in fiscal 2017, the positive impact of working capital management, and regularly scheduled debt repayments.

The company's debt to equity ratio strengthened to 0.47:1 compared to 0.55:1 as of March 31. Shareholders' equity increased to \$169.1 million (\$3.97 per share), up from \$157.7 million (\$3.70 per share) in March.

Dividend: The revised split-adjusted dividend is \$0.0408 per quarter (\$0.163 annually) to yield 1.4% at the current price. The company increased its payout by 9% with the July distribution. The board of directors also approved a dividend reinvestment plan (DRIP), which became effective in September.

Action now: This continues to be a good small-cap story. Buy.

Continued on page 7...

Updates – continued from page 6...

Constellation Software (TSX: CSU, OTC: CNSWF)

Originally recommended on Oct. 9/12 (#21235) at C\$104.50, US\$105.92. Closed Friday at C\$591.64, US\$449.40.

Background: Constellation Software was founded in 1995 to assemble a portfolio of vertical market software companies that had the potential to be leaders in their particular area of specialization. The company has grown rapidly, mainly through acquisitions. It now has over 30,000 customers in over 30 countries around the world.

Stock performance: The stock was first recommended in 2012 at \$104.50 and quickly shot up in price. We have twice advised selling half your position, the last time in December 2015 when the shares were trading on Toronto at \$583, up more than 450% from the original recommended price. When we last reviewed the stock in May, the price on the TSX was \$522.82. Since then it has climbed back to close to \$600.

Recent developments: Third-quarter results to Sept. 30 saw revenue increase by 19% year-over-year to \$546 million. However, most of the increase came from acquisitions; only 4% was organic. Adjusted net income increased 22% to \$120.7 million (\$5.70 per share, fully diluted) from \$98.9 million (\$4.67 per share) in the same period of 2015. For the first nine months of the fiscal year, adjusted net income was \$273.2 million, compared to \$253.3 million in 2015.

During the third quarter, the company completed 15 acquisitions for a total cost of \$42 million. But in a development that has caused concern among analysts, Constellation was outbid in its December attempt to invest US\$80 million in Redknee Solutions, a Mississauga-based software company. The deal collapsed when private equity firm ESW Capital topped the offer by US\$3 million, leading observers to suggest that future acquisitions at reasonable valuations may be more difficult for Constellation in the face of growing competition. For more on this see the column by Andrew Willis in The Globe and Mail Report on Business for Jan. 9.

The company did announce on Dec. 30 that it entered into an agreement with Japan's Hikari Tsushin, Inc. for the incorporation, management, and operation of a joint venture company to be named Constellation Software Japan. It will seek to invest in, acquire, and manage Japanese-based vertical market software companies, in effect trying to replicate its North American experience. However, no other details were announced and the growth potential for the company in Japan is unknown at this point.

Dividend: The shares pay a quarterly dividend of \$1 (\$4 per year) to yield 0.7% at the current price. The payment has not been increased since I recommended the stock.

Action now: Sell. We've had a great run with this one. We have a capital gain of \$457.14 per share plus we have received \$17 in dividends for a total return of 482%.

YOUR QUESTIONS

U.S. cash

Q – In your last IWB, you recommended holding any cash reserves in U.S. dollars. Do you recommend any particular vehicles to hold this cash, such as money market funds, savings accounts, etc? I could not find any listed on your USD recommended lists. – Don M.

A – Unfortunately, you aren't going to earn much interest on U.S. cash (or on any cash for that matter). The recommendation was based on my expectation that the loonie will decline in value against the greenback this year, which would give you a capital gain on any U.S. cash you hold. (Of course if the loonie rises you'll lose.)

All the big banks offer U.S. dollar accounts and some come with a variety of bells and whistles such as a

U.S. currency credit card, cheques, favourable exchange rates, etc. What they don't offer is respectable interest rates. For example, you would have to deposit at least US\$25,000 with TD Bank in order to earn a miserly 0.10%. If you have over US\$100,000 you can earn 0.25% with HSBC.

A good U.S. dollar money market fund may offer a better return. For instance, the CIBC U.S. \$ Money Market Fund returned 0.61% over the year to Nov. 30. The average for the category over that time was 0.25%.

You can find better rates with some smaller U.S. banks, however they may require a U.S. address. You can search for details at <http://www.bankrate.com/partners/sem/savings-accounts-mma-v3>. – G.P.