The Internet Wealth Builder

Volume 24, Number 19 Issue #21919 May 20, 2019

IN THIS ISSUE

BUILDING WEALTH

The Internet Wealth Builder

Editor and Publisher: Gordon Pape
Associate Publisher: Richard N. Croft
Website: www.buildingwealth.ca

Next issue:

May 27

Customer Service:

1-888-287-8229

UTILITIES HELP PUSH TSX HIGHER

By Gordon Pape, Editor and Publisher

The TSX is having a pretty good year so far. As of the close on Thursday, the S&P/TSX Composite was ahead 14.81% on the year, slightly ahead of its U.S. counterpart, the S&P 500.

That's despite the fact the two heaviest sectors in the TSX, Financials and Energy, aren't pulling their weight. Financial stocks were showing a year-to-date gain of 12.83% to that point, while the energy sub-index was up 12.06%.

So, who is doing all the heavy lifting? Would you believe utilities are one of the strongest sectors? These stocks are generally plodders – good dividend payers that rarely make big moves in either direction. This time it's different. The S&P/TSX Capped Utilities Index is ahead 17.29% for the year, about two and a half percentage points better than the Composite.

That's a dramatic turnaround from the drubbing utilities took in 2018. At its nadir, on Dec. 24, the sub-index was down more than 16% on the year.

The main reason for the rebound was the change in interest rate policy in Canada and the U.S. Going into December, it had been expected that both countries would continue to hike rates well into 2019. But the stock market tumble in December, which almost ended in bear market territory, changed the view of the U.S. Federal Reserve Board. The Bank of Canada followed suit as our economic data weakened. In fact, there was increased speculation that the next move might be a rate cut.

That faded with the news from Statistics Canada that the country created 107,000 new jobs in April, suggesting that the economy is much strong than expected. Inflation climbed to 2%, the mid-point of the Bank's target range.

None of that news stopped the slow but steady rise in the Capped Utilities Index. It just kept edging higher.

We have several utility recommendations in our companion Income Investor newsletter but only major one in the IWB: Fortis Inc. (TSX, NYSE: FTS). At the time of writing, it was up 11.6% year-to-date.

Today, I am adding a new utility to our Recommended List, one that is growing at an even faster rate. The stock is Alberta-based Canadian Utilities. Here are the details.

Continued on page 2…

Utilities – continued from page 1…

Background: Canadian Utilities (CU) is based in Calgary. Its operations include electricity generation, transmission, and distribution and natural gas transmission, distribution, and infrastructure development. It also provides energy storage and industrial water solutions and has been heavily investing in green energy projects for over 20 years.

CU's main operations are in Alberta, but it also has natural gas and mining interests in Australia and Mexico. It owns 87,000 km of electrical transmission lines and 64,500 km of pipelines.

The company has approximately 5,200 employees and assets of about $22 billion. It is 52.3% owned by ATCO, which is also Alberta-based.

The shares trade in Toronto under the symbol CU. They are also available through the over-the-counter Pink Sheets in the U.S. under the symbol CDUAF.

Performance: After spending most of 2018 in the dumpster, the stock has taken off this year and is up more than 18% year-to-date.

Recent developments: First-quarter profits were strong. The company reported adjusted earnings of $200 million ($0.73 per share) compared to $181 million ($0.67 per share) in the first quarter of 2018. Earnings were up despite the fact that revenue dropped to $1.2 billion from almost $1.4 billion in the same period last year. This reflected the weakened Alberta economy and production cutbacks in the oil sector.

CU said the stronger earnings were mainly due to increased Alberta power market prices, ongoing growth in the regulated rate base, and cost efficiencies in the natural gas and electricity distribution utilities.

Over the next three years, the company plans to invest $3.6 billion on new facilities and upgrading existing ones. Almost all the money will be invested in regulated utilities.

Credit rating: CU says it has the financial capacity to fund existing and future capital investment and the bond rating agencies agree. Both Standard & Poor's and Dominion Bond Rating Service give it an A rating.

Dividend: Canadian Utilities is one of the country's top dividend aristocrats. It has raised its payout for 47 consecutive years, a record matched only by Fortis. The latest hike was a 7.5% increase, effective with the February payment. The stock currently pays $0.4227 per quarter (about $1.69 per year) to yield 4.6% at the current price.

Risks: An economic slowdown or recession would reduce demand for electricity and natural gas, especially at the corporate level. The year-over-year decline in revenue recorded in the latest quarter is evidence of that.

CU, like all utility stocks, is interest-rate sensitive. If central banks start to push rates higher again, the share price would take a hit.

Conclusion: This is a sound company that derives 86% of earnings from regulated businesses and 14% from long-term contracts. It has a good credit rating and takes pride in its long track record of dividend increases.

The stock is suitable for conservation investors looking for predictable cash flow and modest long-term capital gains. It is especially appropriate for retirees.

Action now: Buy. The closing price on the TSX on Friday was $37.06. They closed at US$27.48 on the over-the-counter market.

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

HEALTHCARE COST BOOM – CRISIS & OPPORTUNITY

Contributing editor Ryan Irvine is here today. 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. Here is his report.

Ryan Irvine writes:

While we research and position clients for many economic themes, one we continue to see playing a pivotal long-term role in investor portfolios is the escalating cost of healthcare. The U.S. healthcare system will have 11,000 new people qualifying for Medicare every day for the next 19 years. The reality of this demographic cost burden is forcing the U.S. to find and embrace more cost-effective value-based health care solutions.

Over the past several years, we have conducted significant research into unique healthcare equipment

Continued on page 3…

Healthcare – continued from page 2…

and service providers. Our goal has been to uncover companies that have been and will continue to benefit from this powerful trend.

KeyStone has recommended a number of such companies to our subscribers over the past two years. This week, we are adding one of these to our IWB list. Here are the details. Prices are as of the close on May 17.

Viemed Healthcare Inc. (TSX: VMD, OTC: VIEMF)

Industry: Medical Equipment Service Provider
Price: C$9.12, US$6.77
Market cap: $300 million
Shares outstanding: 37.8 million
Fully diluted: 40.1 million

Background: Viemed, through its wholly-owned subsidiaries, Sleep Management and Home Sleep, is a participating Medicare durable medical equipment supplier that provides post-acute respiratory care services in the United States.

In layman's terms, the company places a respiratory therapist in the home to treat patients with very sick lungs. Many of these patients are unfortunately at the end stage of their life, at a time when they are most likely to visit a hospital. Viemed's service prevents these hospital readmissions from occurring.

The primary disease treated is chronic obstructive pulmonary disease (COPD). With almost 25 million Americans reporting that they have been diagnosed with COPD, it is the country's third largest killer behind cancer and congestive heart failure. The company provides a solution for people who suffer from this debilitating disease. Viemed uses non-invasive ventilators (NIV) which allows them to ventilate the patient with a mask versus forcing them to be in a bed – the quality of life is better, and the healthcare costs decrease.

Performance: The stock has been in a strong upward trend so far this year, gaining almost 60% since January. It touched an all-time high of $9.15 on Friday before closing at $9.12.

Recent developments: Viemed recently reported another record set of quarterly results with revenue growing 45% $20.4 million and EBITDA rising 27% to $4.8 million. The 45% growth rate was an acceleration from the previous year. Revenue was primarily driven by a 36.5% growth in the active patient count. Ancillary revenue (beside NIV) helped drive revenue per patient to a record level ($12,800 annualized).

From an EBITDA perspective, Viemed reported a 23% margin. The figure was slightly lower than in previous quarters. However, VMD continues to hire in advance to prepare for future growth. To this end, payroll and employee benefits were 34.9% of sales versus 30.3% in last year's fourth quarter and 30% average for the year. As revenue grows throughout the year, management expects this ratio to drop and EBITDA to expand. In fact, management guided to a higher second quarter margin profile and expects the year's average to be closer to historical results.

Viemed's balance sheet remains strong with $7.4 million in cash and an unused $10 million credit facility.

Opportunity: Viemed has made initial inroads into the Veterans Administration (VA) system. The company believes there are likely 200,000-600,000 patients who could benefit from NIV therapy (veterans have a higher likelihood of COPD than the general population). While Viemed has only 10 patients at four VA hospitals, it is believed this huge opportunity could come to the fore in the mid-term future.

Risks: Viemed operates in a highly-regulated segment. The company is subject to all the risks and uncertainties of anyone competing in the health care market. The business is highly regulated and government entities provide reimbursement for a portion of the services provided to Viemed's customers.

In recent years, all payors have sought ways to control the rapid growth of health care spending. These have included restrictions on health care utilization and efforts to reduce prices charged for services. We would expect these pressures to continue in the future and it is impossible to predict the impact they will have on Viemed's business.

Investors should also be aware that Medicare and Medicaid currently account for about 75% of Viemed's business and a combined total of 56% of accounts receivable. Although there are significant benefits around Viemed's service in the interest of Medicare and Medicaid, there is still risk of losing these revenue streams resulting in a significant decrease in recurring revenue.

Conclusion: The potential market for NIV is large and, despite its growth, Viemed is only scratching the surface. In fact, the entire NIV market penetration is less than 10% of its potential. As physicians and care givers become aware of the clinical efficacy of the therapy, there is potential that the referrals from them could snowball. A

Continued on page 4…

Healthcare – continued from page 3…

recent clinical study undertaken by KPMG showing the positives of the company's in-home NIV strategy has just been started to be marketed by Viemed. Dissemination of that report should dramatically accelerate awareness and recruitment of patients.

Additional products (outside of NIVs) offered by Viemed including vests are starting to contribute to revenue. With its infrastructure in place (respiratory therapists and registered nurses), it appears the company can provide more in-house services to the same client. The product diversification strategy could not only reduce risk but grow its brand as a one-stop service company.

Given the emerging track record of strong organic growth, from an Enterprise Value to EBITDA or EV/EBITDA basis, we believe Viemed should trade in the range of 12.5 times 2019 EBITDA. We model for a base case of 28% adjusted EBITDA growth in 2019 producing roughly US$24.14 million, or C$29.82 million (C$0.79 per share).

As such, given the company's clean balance sheet and solid net cash position, we see a fair value over the course of the next year to the range of $10.25 or 12% higher than its current share price.

Action now: Buy.

RYAN IRVINE'S UPDATES

Questor Technology Inc. (TSX-V: QST)

Originally recommended on Dec. 3/18 (#21842) at $3.51. Closed Friday at $5.26.

Background: Headquartered in Calgary, Questor provides specialized waste gas incineration products and services that may be required for the exploration, development, and production of oil and gas reserves.

There are a number of methods for handling waste gases at upstream oil and gas facilities, the most common being combustion. Flaring and incineration are two methods of combustion accepted by the majority of provincial and state regulators. Historically, the most common type of combustion has been flaring, which is the igniting of natural gas at the end of a flare stack.

Incineration is the mixing and combusting of waste gas streams, air, and fuel in an enclosed chamber. Air and gas are mixed at a controlled rate and ignited. No flame is visible from an incinerator that is operating properly. Properly designed incinerators can result in higher combustion efficiency than flares. A correctly operated incinerator can yield higher efficiencies through proper mixing, gas composition, retention time, and combustion temperature. Combustion efficiency, generally expressed as a percentage, is essentially the amount of methane converted to CO_2 (carbon dioxide), or H_2S (hydrogen sulfide) converted to SO_2 (sulphur dioxide). The more converted, the better the efficiency.

Questor designs, manufactures and services proprietary high efficiency waste gas incineration systems. The company's incineration product line is based on clean combustion technology.

The company has three primary revenue streams: incinerator sales, incinerator rentals, and incinerator services. Incinerator services include incinerator hauling, commissioning, repairs, maintenance, and decommissioning.

Performance: After a pullback in March, Questor shares have gradually moved higher and recently touched an all-time high before retreating slightly.

Recent developments: Questor offers incinerator products for purchase or for rent. Its key incineration market for the past two years has been Colorado. The United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising out of crude oil and natural gas industry activities with a focus on the efficient destruction of volatile organic compounds (VOCs) and hazardous air pollutants (HAPs) and has recently introduced methane emission reduction legislation.

In conjunction with the EPA regulations, Colorado's Regulation 7 mandates the use of enclosed combustion (incinerators) and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons.

North Dakota also has additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements. Questor announced on Nov. 26 that it was awarded contracts by North Dakota. The company reallocated a portion of its rental fleet from Colorado to North Dakota during November and December. As of Dec. 31, over 90% of the company's incinerator rental fleet was located in Colorado and North

Continued on page 5…

Ryan Irvine's updates – continued from page 4…

Dakota, where regulation supports demand for its proprietary high efficiency waste gas incineration systems.

Questor also provides its solutions to the Texas and Western Canadian markets. Management expects that demand in these markets will increase as regulation continues to develop. Questor continues to discuss economically advantageous solutions to its considerable client base in Alberta and it appears that several companies are taking leadership roles to lower their carbon footprint sooner than rules may require.

Financials: Revenue increased 29% during the three months ended March 31 versus the same period of 2018. Some highlights from the results:

- Equipment sales increased 127% from $1.1 million to $2.5 million. The company achieved certain contract milestones and recognized $1.8 million in sales revenue related to its Mexico contract previously announced on Jan. 7.
- Equipment sales as a percentage of revenue increased by 77% from 18% to 32%. Equipment sales carry a lower margin. The higher mix of equipment sales versus rentals resulted in a lower gross profit margin as a percentage of revenue.
- Revenue from incinerators rentals increased 3% from $4.3 million to $4.5 million. The company reduced both customer and market concentration by expanding into North Dakota.
- Service revenue increased 36% from $0.6 million to $0.8 million as result of activity in the North Dakota market.
- Questor also offered clients in North Dakota pricing incentives to enter larger volume and longer-term rental contracts. The contracts gave the company the critical mass to invest in operational infrastructure in North Dakota. While the incentives and increased infrastructure has resulted in reduced margins, the strategy is expected to result in improved market diversification, customer diversification, improved customer retention and to provide the platform for future growth in the State.
- Gross profit increased by 15% as result of higher sales revenue versus the same period of 2018. During the quarter, gross profit as a percentage of revenue decreased from 64% to 57% in the same period of 2018.
- Earnings increased 11% during the quarter versus the same period of 2018.

The company continues to expand its incinerator rental fleet, incurring capital expenditures of $3.5 million for the quarter. Questor will continue to commit capital to grow a presence in regions where producers are looking for high performing, cost-effective technologies to manage their waste gas and fugitive emissions.

Conclusion: On a trailing 12 months basis, the company has earned $7.37 million, or $0.28 per share. The stock trades at 18.6 times earnings, which is a slight discount to the market.

We estimate the company can grow earnings per share in 2019 to the $0.33-$0.36 range with EBITDA per share in the $0.52-$0.57 range. As a result, our fair value is $6.15 or roughly 17% higher than the current range. This is based on a 17 times price to earnings multiple (adding back the $0.28 per share in cash).

Questor is forecasting 2019 capital expenditures of $7-10 million focused on the continued expansion of the rental fleet. The company expects approximately 90% of the budget will be dedicated to additional proprietary rental emission control equipment. The balance will be allocated to rental support equipment and maintenance capital. Questor expects 70% of the new units will be fabricated and made available for use in the first half of 2019.

Action now: We maintain our Speculative Buy rating on the stock for investors with an above average tolerance for risk.

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

Originally recommended on Aug. 29/10 (#20131) at C$5.50, US$5.20. Closed Friday at C$168.85, US$123.45.

Background: Long-time readers will be well aware of Boyd's business but for newcomers it can be summarized this way: Boyd is one of the largest operators of non-franchised collision repair centres in North America in terms of number of locations and sales.

The company currently operates locations in five Canadian provinces under the trade names Boyd Autobody & Glass and Assured Automotive. It is also in 27 U.S. states under the trade name Gerber Collision & Glass. Boyd uses newly acquired brand names during a transition period until acquired locations have been rebranded. Boyd has added 115 new collision locations since Jan. 1, 2018.

The company is also a major retail auto glass operator in

Continued on page 6…

Ryan Irvine's updates – continued from page 5…

the U.S. with locations across 31 U.S. states under the various trade names. Boyd also operates Gerber National Claims Services (GNCS), which offers glass, emergency roadside, and first notice of loss services with approximately 5,500 affiliated glass provider locations and approximately 4,600 affiliated emergency roadside services providers throughout the U.S.

Boyd is still structured as an income trust, having decide not to convert to corporate status when the tax laws changed several years ago.

Performance: The stock continues to move up and the shares touched a new all-time high last week. The shares are up almost 3,000% since we recommended them in the IWB in 2010 at $5.50.

Recent developments: First quarter results saw sales increase by 23.1% to $557.9 million from $453.3 million in the same period of 2018. Same-store sales growth was 5.3%. Adjusted EBITDA increased 28.6% to $54.2 million, compared with $42.1 million a year ago, representing approximately a 0.40% or 40 basis point improvement in adjusted EBITDA margin.

Adjusted net earnings increased 39.7% to $29.2 million ($1.47 per unit) compared with $20.9 million ($1.06 per unit) in 2018.

Conclusion: Boyd bested the most optimistic estimates in the first quarter on both a revenue and earnings basis. Heading into 2019, Boyd was expected to grow adjusted earnings by approximately 19% in the year. With adjusted net earnings surging by 28.6% in the first quarter, estimates should be revised upwards. The company was helped by a positive currency swing in the quarter, but the overall growth was strong once again.

The consensus is for Boyd to grow by 16.5% in 2020 giving it a current EV/EBITDA of approximately 19 and 15 times annual expected adjusted earnings.

Near term, we see Boyd trading close to fair value at present. The company can likely sustain a multiple of 20 times EV/2019EBITDA which would suggest a fair value of $165-169. The stock is in that range right now.

Action now: We maintain our near-term rating at Hold. Our long-term rating (one year or greater holding period) is Buy Half for new investors.

GORDON PAPE'S UPDATES

Telus Corp. (TSX: T, NYSE: TU)

Originally recommended on Nov. 13/06 (#2640) at C$27.43, US$24.26 (split-adjusted). Closed Friday at C$49.35, US$36.66.

Background: Telus claims to be Canada's fastest-growing telecommunications company, with $14.4 billion in operating revenue in 2018 and 13.4 million subscriber connections. The company provides a wide range of communications products and services, including wireless, data, Internet protocol (IP), voice, television, entertainment and video, and is Canada's largest healthcare IT provider.

Performance: Telus stock hit a 52-week high of $50.61 in early April before pulling back a bit to the current level.

Recent developments: The company released first-quarter results earlier this month and, overall, they were in line with expectations. Consolidated operating revenue was $3.5 billion, up 3.8% from the same period a year ago. Growth was driven by higher wireless and wireline data services revenue.

Net income was $437 million ($0.71 per share), an increase of 2.9% on a per share basis over last year's first quarter. Adjusted net income was $453 million ($0.75 per share), a 2.7% increase on a per share basis.

The numbers showed that growth in wireless revenue is slowing significantly. Revenue in this sector increased by $34 million or 1.4%. In last year's first quarter, revenue growth was 4%.

Wireline revenue, by contrast, showed a significant gain of $95 million (6.4%) over the previous year. Data services revenue was the biggest contributor, up 12%. The company also reported an increase of 17,000 in TV additions, an indication that cord-cutting (dropping cable reception) is slowing.

Dividend: The company announced a dividend

Continued on page 7…

Gordon Pape's updates – continued from page 6…

increase of 3.2% to $0.5625 per quarter ($2.25 per year), effective with the July payment. It marks the second increase in the past six months for a total advance of 7.1% since July 2018.

Telus also announced it is targeting ongoing semi-annual dividend increases, with the annual increase in the range of 7-10% from 2020 through to the end of 2022.

Action now: Buy.

Descartes Systems Group (TSX: DSG, NDQ: DSGX)

Originally recommended on Oct. 29/17 (#21739) at C$37.83, US$29.45. Closed Friday at C$54.56, US$40.50.

Background: Descartes specializes in business software designed to facilitate logistics, financial controls, inventory, customs clearance, and freight tracking. Customers include transportation firms, manufacturers, distributors, retailers, customs brokers, and government agencies. The company is based in Waterloo, Ontario.

Performance: The shares have moved steadily higher this year and recently touched an all-time high of $55.01 in Toronto.

Recent developments: Descartes announced fourth-quarter and year-end results for the 2019 fiscal year, ending Jan. 31. For the full year, the company posted record revenue of $275.2 million, up 16% from $237.4 million in fiscal 2018. (Descartes reports in U.S. dollars and all figures are based on GAAP principles.)

Net income was $31.3 million ($0.40 per share, fully diluted), up 16% from $26.9 million ($0.35 per share) in fiscal 2018.

Adjusted EBITDA was $93.9 million, up 16% from $80.8 million last year.

Acquisition: On February 12, Descartes acquired substantially all of the assets of the businesses run by the Management Systems Resources Inc. group of companies. The company is a provider of software solutions and services to automate customs, trade, and fiscal compliance processes including denied and restricted party screening processes and export licensing.

The purchase price for the acquisition was approximately C$330 million, which was funded from a combination of drawing on the company's existing credit facility and issuing to the sellers 300,000 Descartes common shares from treasury.

Dividend: The stock does not pay a dividend.

Action now: Buy.

GAVIN GRAHAM'S UPDATES

Loews Inc. (NYSE: L)

Originally recommended on May 1/11 (#21117) at $44.26. Closed Friday at $51.78. (All figures in U.S. dollars.)

Background: Loews is a conglomerate that shares some of the same characteristics as Warren Buffet's Berkshire Hathaway. It has a controlling interest (90%) in an insurance company (CNA), as well as 53% of driller Diamond Offshore. It owns 100% of Boardwalk Pipelines, plastic container maker Consolidated Container, and Loews Hotels.

Performance: Loews stock is essentially flat over the last year, despite the fact the company bought back over 20.3 million of its shares in 2018 for $1 billion.

Recent developments: Loews reported 2018 net income of $636 million ($1.99 per share), down almost 50% from $1.16 billion ($3.64 per share) in 2017.

Like Warren Buffet, the Tisch family, who run Loews, would rather have a lumpy 15% return than a smooth 10%. The vagaries of the insurance markets mean that CNA's earnings vary a lot from year to year. It generated an underwriting loss due to higher catastrophe losses in 2018 against a profit the year before. That, combined with lower investment income and continuing losses from Diamond Offshore, resulted in the decline. The $200 million benefit from the tax reforms in 2017 also contributed to the swing.

Continued on page 8…

Gavin Graham's updates – continued from page 7…

By way of contrast, in the first quarter of this year (to March 31), Loews made $394 million ($1.27 per share), up 34.4% from the year before. Higher earnings from CNA and Boardwalk, plus higher investment income, offset continued losses at Diamond.

Dividend and buybacks: Loews pays a dividend of $0.0625 quarterly for a 0.5% yield. The company continues to aggressively buy back its shares at well under book value (the shares trade at about a 20% discount to the book value of $63.69). In the first quarter of this year, the company purchased another 7.8 million shares for $369 million.

Action now: The sideways movement of Loews over the last two years has left the stock selling at a deep discount to its book value. That in turn understates the true value of CNA, which also sells at a discount to book value. The stock remains a Buy.

BMO Asian Growth & Income Fund (GGF120)

Originally recommended on Dec. 1/13 (#21347) at $12.37. Closed Thursday at $21.01.

Background: BMO Asian Growth & Income is managed by San Francisco-based Asian specialist Matthews. The fund had $665 million in assets under management (AUM) at the end of December. It is designed to give investors a lower volatility exposure to Asia-ex Japan markets through investing in dividend-paying Asian stocks or U.S. dollar denominated convertible bonds issued by these companies. Due to the income generated by these investments, the fund, even after its 2.6% management expense ratio (MER), provides a small amount of income but more importantly, it dampens the volatility often experienced in emerging markets.

Performance: The fund gained 20% to the end of 2017, despite Asian markets being unsettled by the slowdown in China in 2016 and the threat of a possible tariff war. With the sell-off in emerging markets in 2018 due to rising U.S. interest rates, and the strengthening of the U.S. dollar, it fell 3%. That demonstrated its ability to fall less than the index in down markets due to its income characteristics. The fund has subsequently recovered and is up 12% so far this year.

Recent developments: The fund has major exposure to financials with top holdings including AIG's Asian insurance subsidiary AIA, United Overseas Bank in Singapore, and HDFC in India. Consumer stocks like Chinese ecommerce play Tencent and LG Household are also key positions. Other holdings of note are healthcare stocks in South Korea, property issues such as Ascendas REIT, and technology with chip maker TSMC, Samsung Electronics, Broadcom, and Advantech.

Action now: This fund remains a lower risk way to play the Asian emerging markets. This means that it will lag when markets are rising strongly, as in 2017, but out-perform in down years like 2018. With the rebound this year, slower growth in China, and the rising tensions over U.S. tariffs, it becomes a Hold.

HOUSEKEEPING

The following securities have been deleted from our on-line Recommended List. Sell advisories were issued some time ago so this notice is for record-keeping purposes only.

Beutel Goodman Corp/Provincial Active Bond Fund: Recommended Jan. 22/12 by Gordon Pape at $5.39. Sold Feb. 24/13 at $5.31.

Black Creek International Equity Fund A Units (CIG11118): Recommended Sept. 8/13 by Gordon Pape at $18.12. Sold Feb. 25/19 at $19.54.

BMG BullionFund: Recommended Aug. 14/11 by Gordon Pape at $14.73. Sold Feb. 9/15 at $9.84.

Dynamic Power American Growth Fund: Recommended Jan. 16/11 by Gordon Pape at $8.11. Sold Feb. 24/13 at $8.41.

Franklin Bissett Canadian Equity Fund: Recommended Feb. 24/13 by Gordon Pape at $77.74. Sold Oct. 5/15 at $84.61.