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GROWTH PORTFOLIO AVERAGES 25%

By Gordon Pape, Editor and Publisher

The Internet Wealth Builder covers a broad range of securities, reflecting the varying priorities of our members.

Some people are looking for safety, others for income, still others for maximum growth potential.

For the latter group, we created the IWB Growth Portfolio in August 2012 with an initial value of $10,000. It has performed very well, despite a setback in the last reporting period that covered the six months to March 6.

While the returns have been far in excess of our initial target of 12%, this is a risky portfolio, with 100% exposure to the stock market and a focus on momentum plays. So, it should only be used by readers with a high risk tolerance.

Here are the stocks that make up the current portfolio, with an update on how they have performed since our last review. Prices are as of the close on Sept. 26.

Waste Connections (NYSE: WCN). Collecting and disposing of garbage is not a glamourous business by anyone's definition but it's a profitable one. This stock was added to the portfolio in March. The shares are up US$3.80 since that time, plus we received dividends of US$0.32 per share, for a total return of 4.7% in a little over six months.

Alimentation Couche-Tard (TSX: ATD.B, OTC: ANCUF). This continues to be a big winner for us. The stock is up $5.72 since the last review in March. The quarterly dividend was raised by 25% to $0.125 effective with the March 27 payment.

WSP Global Inc. (TSX: WSP, OTC: WSPOF). This international engineering and technology firm saw its share price jump over $7 in the latest period. We received two dividends totaling $0.75 per share.

Shopify (TSX, NYSE: SHOP). Shopify stock went crazy over the summer, hitting a high of $543.76 at one point. Then reality set in and the shares pulled back to the current level. This is a great Canadian company but investors clearly overreacted. For accompany with no earnings it is still very expensive but at this level it is a more reasonable speculation. This stock does not pay a dividend.

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CGI Group (TSX: GIB.A, NYSE: GIB). CGI was added to the portfolio a year ago at a price of $85.56 per share. Based in Montreal, it is the fifth largest independent information technology and business consulting services firm in the world. After taking a hit last December, the shares have recovered well and gained $15.25 in the latest period. CGI does not pay a dividend.

Nike (NYSE: NKE). Nike is the world's leading manufacturer of sportswear. We added the stock last September at US$87.35 after an impressive growth spurt. The stock went into a slump almost immediately afterwards, falling as low as US$67.53 in December. It has since bounced back, gaining US$6.81 in the latest period. The next few months could be difficult, however, because of the U.S.-China trade war. We received two quarterly dividends of US$0.22 each.

Apple Inc. (NDQ: AAPL). This stock has been up and down all year. It dropped as low as US$173 in June but then recovered. Since our last review, it is up by US$44.85. This is normally not a volatile stock, but these are unusual times. We received two dividends for a total of US$1.54 per share.

UnitedHealth Group (NYSE: UNH). This stock has been in decline for the past year, dropping US$23.50 in the latest period, Politics has a role to play in this setback as several prominent Democratic candidates, including Elizabeth Warren and Bernie Sanders, are espousing the idea of Medicare-for-all. That would hit big insurers like UNH extremely hard. Despite that, the company continues to earn good profits and raised its dividend by 20% in June.

Cash. We received interest of $14.88 on our cash holdings in EQ Bank.

Here is how the portfolio stood at the close on Sept. 26. Commissions are not considered. The U.S. and Canadian dollars are treated as being at par but obviously gains (or losses) on the American securities are increased due to the significant exchange rate differential.

IWB Growth Portfolio (a/o Sept. 26/19)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Dividends Retained	Gain/ Loss %
WCN-N	8.9	45	$84.48	$3,801.60	$92.28	$4,152.60	$14.40	+ 4.7
ATD.B	12.4	70	$16.63	$1,164.10	$82.00	$5,740.00	$127.56	+404.0
WSP	14.2	85	$21.94	$1,988.49	$77.69	$6,603.65	$344.03	+249.4
SHOP-T	22.3	25	$78.71	$1,967.75	$415.72	$10,393.00	0	+428.2
GIB.A	11.2	50	$85.56	$4,278.00	$104.49	$5,224.50	0	+22.1
NKE	8.9	45	$87.35	$3,930.45	$92.17	$4,147.65	$39.60	+ 6.5
AAPL	9.5	20	$121.70	$2,434.07	$219.89	$4,397.80	$206.04	+89.1
UNH	11.6	25	$92.19	$2,304.86	$215.48	$5,387.00	$323.77	+147.8
Cash	1.0			$442.88		$457.76		
Total	100.0			$22,312.20		$46,503.96	$1,055.40	+113.2
Inception				$10,000.00				+375.6

Comments: All the stocks in the portfolio posted gains with the exception of UnitedHealth Group. In spite of its recent pullback, the biggest gainer was Shopify, which saw its share price jump by $165.82. The net result was a gain for the portfolio of 17.6% over the latest period.

The total gain over seven years stands at 375.6%. That's an average annual compound rate of return of 24.95%. I've said from the outset I don't believe this is sustainable, but seven years is a good test of the durability of this portfolio.

Changes: I have two concerns at this point. The first relates to UnitedHealth Group. This is a great stock and has done very well for us. However, the political threat hanging over it has caused investors to pull back and may not be resolved until the 2020 U.S. election, thus limiting its growth potential. Therefore, we will sell our position for a total of US$5,710.77, including retained dividends.

The second problem is the explosive growth of Shopify, which now accounts for 22.3% of the portfolio. That's much too high, especially for a high-tech company that has yet to make a profit. Again, Shopify is a great firm, but this is putting too many eggs in one basket. We will therefore sell 10 shares for a total of $4,157.20. This leaves us with $9,867.97 to reinvest (treating the two currencies at par).

With stock markets so high and valuations extended, finding replacements with above-average growth potential is not easy.

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Growth portfolio – continued from page 2…

But here are two companies with solid potential.

The first is Equitable Group (TSX: EQB), a Canadian mortgage lending service with a focus on entrepreneurs and recent immigrants. The company owns Equitable Bank, Canada's ninth-largest Schedule 1 bank, and has had great success with its new digital subsidiary, EQ Bank. The stock is up 71% so far this year, in contrast to the Canadian banking sector as a whole, which has been trending down. Despite the strong price increase, Equitable trades at a reasonable p/e of 9.71 (trailing 12 months). We will buy 40 shares of Equitable Group at $104 for a total cost of $4,160.

Our second choice is United Parcel Service (NYSE: UPS). It's the world's largest package delivery company (yes, even bigger than FedEx) and is on the leading edge of new delivery technologies, especially in the healthcare sector. The shares are up almost 26% this year and the stock yields a decent 3.2%. We will buy 50 shares at a price of US$118.45 for a total cost of US$5,922.50.

Our total investment is $10,082.50. I've dividend the investments so they almost directly mirror the currencies we received from our sales. We will take $214.53 from cash to make up the difference. That will leave our cash balance at $243.23. With retained dividends, our total cash is now $974.86. We will move our account to Motive Financial, where that money can earn 2.8%.

Here is the revised portfolio. I will review it again in March.

IWB Growth Portfolio (revised Sept. 26/19)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Dividends Retained
WCN-N	8.8	45	$84.48	$3,801.60	$92.28	$4,152.60	$14.40
ATD.B	12.3	70	$16.63	$1,164.10	$82.00	$5,740.00	$127.56
WSP	14.1	85	$21.94	$1,988.49	$77.69	$6,603.65	$344.03
SHOP-T	13.3	15	$78.71	$1,180.65	$415.72	$6,235.80	0
GIB.A	11.2	50	$85.56	$4,278.00	$104.49	$5,224.50	0
NKE	8.9	45	$87.35	$3,930.45	$92.17	$4,147.65	$39.60
AAPL	9.4	20	$121.70	$2,434.07	$219.89	$4,397.80	$206.04
UPS	12.6	50	$118.45	$5,922.50	$118.45	$5,922.50	0
EQB	8.9	40	$104.00	$4,160.00	$104.00	$4,160.00	0
Cash	0.5			$243.23		$243.23	
Total	100.0			$29,103.09		$46,827.33	$731.63
Inception				$10,000.00			

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REITS TAKE A GLOBAL HIGH-TECH TURN

Contributing editor Adam Mayers joins us this week with some insights into a new direction for REITs and what it means to investors. Adam is a former Business Editor and investing columnist at The Toronto Star. His website is adammayers.com. He lives in the Toronto area.

Adam Mayers writes:

Real estate investments trusts (REITs) are popular with income seeking investors because of the dividends generated by their underlying assets. In a Goldilocks parable, they are not quite stocks and not quite bonds, but offer just the right features of each.

When dividends and share growth are combined, REITs provide a greater return than most bonds and with less risk than stocks.

As interest rates have eased, with signals of more cuts to come, REITs have become more attractive relative to stocks. The Bank of Canada resisted pressure earlier this month to cut its key rate from 1.75%, but it may not hold out for much longer. Two weeks later, the U.S. Federal Reserve reduced its benchmark overnight lending rate to a target range of 1.75% to 2%. The cuts make REIT dividends that much more attractive and gave a boost to the sector.

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REITs – continued from page 3…

REITs were also in the news this month with a big takeover. The private equity firm Blackstone Group Inc. paid $3.3 billion for Dream Global REIT (TSX: DRG.UN). Dream Global has been publicly traded since 2011 and, though a Canadian REIT, focuses on properties in Germany and the Netherlands. Dream Global REIT was recommended as a Buy in our companion Income Investor newsletter in 2012.

Canadians tend to think of REITs in terms of office buildings and shopping centres and also tend to think local. But the impact of technological change – a force shaping every aspect of the economic landscape – is being felt here too and on a global level. So, looking outside the traditional offerings may provide investment opportunities.

One area where REITs are now a force is in storage facilities that house data for banks and insurance companies. Their customers are tech leaders such as IBM, Microsoft, AT&T, and major banks and insurance companies. These warehouses are places where they keep the servers that store information for cloud computing and data analysis.

A second area is the healthcare sector, in a way that blends technology with biotechnology research, biopharma, and drug development. These facilities store temperature-sensitive medicines and provide the labs and equipment for the research.

A third area is related to the growth of online shopping. REITs own the warehouses that store the goods to be shipped to a global marketplace. The Canada Pension Plan Investment Board (CPPIB), which invests on behalf of the CPP, is one of the largest owners of warehouse facilities in China.

The underlying philosophy remains the same: The assets of a REIT are buildings and equipment and they offer a defensive, diversified holding. Their prices move in different ways to stocks and their lease-based revenue stream is typically less volatile than the broader economy and also offers inflation protection.

What are REITs?

REITs were launched as an investment vehicle in the U.S. in 1960. They became popular in Australia in the 1970s and came to Canada in 1993. There are currently 38 REITs traded on the Toronto Stock Exchange. They invest in real estate in its many forms, though most have tended to be retail, industrial, and residential.

In all cases, they collect rent and, after covering costs, pay out most of what remains in the form of distributions. They offer small investors a way to own real estate in an easier, more liquid, and more diversified way than directly purchasing an income property. To cash out, you simply sell your shares.

Low interest rates and the REIT advantage

REITs become more attractive relative to stocks as interest rates fall, because the difference between their yield and the yield on bonds widens. A Government of Canada 10-year bond was yielding 1.1% at the time of writing. Half of the sovereign bonds in the Eurozone have a negative yield – in other words, investors get less back on maturity than they paid, with no interest in the meantime.

By comparison, as the time of writing, the Summit Industrial REIT (TSX: SMU.UN), an Income Investor recommendation, yields 4.09%.

As Gordon Pape mentioned last month, Canadian real estate investment trusts have done very well this year. So far in 2019, the S&P/TSX Capped REIT Index is up 19.3%.

Going global with REITs

The case for going global is the same one that favours investment diversification. Canada's REITs make up about 3% of the global total. So, there's lots of opportunity elsewhere.

REITs with high quality holdings and prime tenants can capture higher rents. They can also adjust to inflationary pressure by passing along higher costs, because leases, unlike bonds, include inflation adjustment clauses. Inflation also helps REITs retain their real value as inflation tends to increase the price of property.

Here are two Canadian REIT ETFs that take an international approach. These are not formal recommendations but for information purposes only.

Harvest Portfolios Global REIT Leaders Income ETF (TSX: HGR)

Closed Friday at $10.27.

Background: This fund was launched in 2017 and invests in an actively managed portfolio of between and 20 and 30 developed market real estate issuers.

Performance: This ETF has moved up steadily this year and is currently trading near its all-time high. Average annual return since inception in June 2017 is 6.84%.

Portfolio: Harvest has 57% of its assets in the U.S. Another 38% are in Europe, with France and Germany as the biggest components. Canadian holdings are 3%.

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REITs – continued from page 4…

A total of 27% of the holdings are industrial or residential REITs, with 16% in the healthcare sector, 11% in office, 10% in real estate, 7% in retail and the rest in miscellaneous.

Key metrics: The fund is quite small, with $4.9 million in assets. The average dividend yield as of Aug. 31 was 2.92%. The management fee is 0.85%. To reduce volatility, the fund writes covered call options on up to 33% of the holdings.

RBC Quant Global Real Estate Leaders ETF (TSX RGRE)

Closed Friday at $18.93.

Background: RBC Global Asset Management launched a similar product to Harvest in May 2017, a month earlier. It is also similar in size with $5.6 million in assets.

Performance: The average annual return since inception is 1.4%. The fund was down 1.9% in 2018 but is up 8.47% year-to-date.

Portfolio: The fund has fewer European holdings than Harvest and a large emerging markets component. It has not performed as well as Harvest. In geographic terms, its holdings are U.S. (44%), international excluding emerging markets (29%), emerging markets (18%), and Canada (8%). For broad international exposure, Harvest is the better choice.

Retail REITS make up 42% of the portfolio, diversified real estate is 17%, hotels and resorts are 12%, and healthcare is 11%.

Key metrics: RBC Quant Global has a higher dividend yield of 4.95% and a lower management fee of 0.55%.

ADAM MAYERS'S REIT RECOMMENDATIONS

I am recommending the following two REITs, which are traded in New York.

Digital Realty Trust Inc. (NYSE: DLR)

Closed Friday at $128.89. (All figures in U.S. dollars.)

Background: Digital Realty is a giant in the data centre world, with a market capitalization of $26.6 billion and about 21% of the global market share for data centres. These centres capture the evolution of cloud computing, artificial intelligence, and the Internet of Things.

The San Francisco-based company has been public since 2004. Its portfolio includes 210+ properties in 14 countries on five continents. It provides temperature-controlled facilities, with secure internet connections and high levels of data security for businesses interested in cloud computing and storage. The U.S. and U.K. are its top regions, but it also has two facilities in the Toronto area, one in Markham and the other in Vaughan. Its well-known clients include Microsoft, Facebook, IBM, Verizon, Oracle, and LinkedIn.

Performance: The shares up are 23.6% year-to-date.

Financials: In its latest trailing 12 months to June 30, Digital Realty had revenues of $3.61 billion and net income of $316.13 million.

In the three months to June 30, results were in line with expectations. Revenues were up 6% year-over year with net income down 40% to $60 million. Excluding-extraordinary items, second-quarter funds from operations (FFO) were 1% lower than a year earlier.

Recent developments: Digital continues to buy land in key global centres and build new facilities. In its second quarter, it bought 22.5 acres in Tokyo, Paris, and the Washington D.C. area. In July, it announced the purchase of a land parcel near Seoul, South Korea which will open as a data centre in 2021. In early September, Cloud House opened, its latest facility in the London Docklands digital corridor.

Dividends: Digital Realty is a dividend champion with increases in each of the past 14 years averaging 11% a year. Its latest increase in February brings the annual payout rate to $4.32, yielding 3.35% at current prices.

Distributions received in a non-registered account or a tax-free savings account will be subject to a 15% withholding tax.

Outlook: Digital Realty carries a moderate price to earnings ratio of 18.94, which reflects its prospects. As offsite data storage grows, it is well positioned to maintain its dominance. It has geographic diversification and, if the economy slows, few clients are likely to cut back by shutting their web and related online activities.

Action now: Buy.

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REIT recommendations – continued from page 5…

Alexandria Real Estate Equities Inc. (NYSE: ARE)

Closed Friday at $153.10. (All figures in U.S. dollars.)

Background: Alexandria has a narrow focus on American life science and technology companies, to whom it rents offices and labs. It tries to locate its properties around universities and its clients include pharmaceutical, biotechnology, medical device, and life science agencies, as well as technology companies. Tenants include Pfizer, Google, and Eli Lilly.

Alexandria has been a public company since 1997 and has a market capitalization at current prices of $17.37 billion. As of mid-2019, 36% of rental revenue was in the Boston area, 25% in San Francisco, and 16% in San Diego.

Performance: The shares are up 37.3% year-to-date on strong revenues and profit growth.

Financials: Revenues in the first six months, reported July 29, were $732.7 million, which was 13.6% higher than a year ago. Net income of $200.2 million was 8.2% higher. On a per share basis, income was 1.7% lower with more shares outstanding.

Funds from operations, a key measure for a REIT, was up 5.2%. The company noted that the weighted average length of its leases is 8.4 years with the top 20 tenants having an average 20-year term.

Dividends: Alexandria's high growth in the last decade has led to steady dividend increases. The last increase was in June and the $4 annual rate yields 2.61% at current prices. Between 2010 and 2019, there were 17 dividend increases, for an average of just under two per year.

Outlook: Alexandria has 37.1 million square feet of property. Roughly two-thirds are open with facilities, 4% are opening in 2019, and 6% in 2021 or 2022. Another 12% of its land is set aside for future projects.

Action now: Alexandria is benefitting from the application of new technologies in the healthcare sector, which is spurring new products and drugs. Its high p/e ratio reflects its prospects. Buy.

ADAM MAYERS'S UPDATES

iShares U.S. Medical Devices ETF (NYSE: IHI)

Originally recommended on June 10/19 (#21922) at $232. Closed Friday at $243.99. (All figures in U.S. dollars.)

Background: This ETF **is** narrowly focused on U.S. manufacturers in the medical device sector.

Performance: In the last decade, the fund has performed significantly better than the S&P 500. It has also been marginally better than the Dow Jones U.S. Medical Equipment Index, which it mirrors. The ETF is up 5.2% since being recommended in June and 20.9% in the last 12 months.

Portfolio: The fund holds 56 stocks, but five holdings account for about half of its value. Those five are the real reason for its strong performance.

The biggest is Abbott Laboratories (NYSE: ABT), which accounts for 13.74% of the total assets. Abbott sells a range of generic drugs as well as medical devices, diagnostic tools, and nutrition products such as Ensure and Similac. The company reported a 37% rise in profit in its second quarter. That was driven by demand for heart devices and its glucose monitoring system that uses sensors to measure blood sugar levels. Earnings per share were 36% higher.

Medtronic (NYSE: MDT) is the second largest holding at 12.68%. The company increased its dividend by 8% in June and its shares hit a new high at the end of July. This followed a fourth quarter that beat estimates, led by higher sales at its unit that makes surgical instruments used to treat hernia and kidney ailments. Medtronic has been building its minimally invasive and robotic surgery device business to ease the impact of rising competition in its cardiac and vascular unit that makes stents and heart pumps.

Key metrics: The ETF was launched in 2006 and has $4.2 billion in assets. It has a management fee of 0.43% and a modest trailing 12-month dividend yield of 0.23%. It also has a very high p/e ratio of 43.64, which says high growth expectations are built into the price. Any distributions would be subject to U.S. withholding tax unless they are received in an RRSP or RRIF.

Conclusion: This ETF is not suitable for income investors, but if you can live with market pullbacks, the underlying assets are gold standard. Increased longevity is creating demands on all aspects of healthcare. At the same time, new technologies such as robots and artificial intelligence are creating new processes and improving old ones. The companies in this ETF are well-placed to take advantage of them.

Action now: Buy for long-term growth.

GORDON PAPE'S ETF UPDATES

BMO India Equity Index ETF (TSX: ZID)

Originally recommended by Gordon Pape on April 10/17 (#21715) at $22. Closed Friday at $27.

Background: This ETF tracks the performance of 14 Indian stocks traded as American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) in New York and London. The 14 are blue chips, among the biggest and most financially stable Indian companies.

Performance: Adam Mayers reviewed ZID in May when it was trading at $28.48. It reached a high of $29.81 in June but since then it has pulled back to the current level. However, it is still on the plus side year to date.

Portfolio: The ETF has 46% of holdings in four banks: HDFC (15.8%), Axis (11.3%), ICIC (10.3%), and the State Bank of India (8.7%). Another 14.5% is held in conglomerate Reliance Industries, which is involved is everything from energy and textiles to retail and telecom. Larsen and Toubro (13.6%), a Canada Pension Plan Investment Board partner, is India's largest engineering firm.

Key metrics: The management expense ratio (MER) of 0.73% is on the high side. The fund was launched in January 2010 and has $183 million in assets under management.

Distributions: Payments are made annually. The trailing annualized distribution yield is 0.75%.

Outlook: India's economic growth is expected to taper off in 2019 according to FocusEconomics, as non-bank business investing dries up and global trade slows. The current estimates are for 6.5% growth this year, increasing to 6.9% in 2020. If this forecast is anywhere near accurate, expect this ETF to tread water for a while before resuming upward momentum next year.

Action now: Hold**.** This ETF is suitable for more aggressive long-term investors who want a position in one of the world's fastest-growing countries and who can handle volatility.

iShares MSCI EAFE Index ETF (CAD-Hedged) (TSX: XIN)

Originally recommended on March 18/13 (#21311) at $19.68. Closed Friday at $26.34.

Background: This ETF is the Canadian-dollar hedged version of a U.S. fund (NYSE: EFA) that tracks the MSCI EAFE Index, which covers Europe, Australasia, and the Far East. Most of the assets are invested in the U.S. version of this ETF.

Performance: After a rough year in 2018, we've seen a significant recovery this year despite the weakening global economy. As of the time of writing, the fund is up more than 16% year-to-date. As of the end of August, the five-year average annual compound rate of return had improved to 5.4%.

Portfolio: This ETF is highly diversified, with more than 1,000 underlying positions. The largest single position is in Nestle, but it only represents 2.34% of the total portfolio. No other stock has a position of over 1.5%.

Key metrics: The fund was launched in September 2001 and has $1.2 billion in assets under management. The MER is 0.48%.

Distributions: They are paid semi-annually, in June and December. The June payment this year was $0.374 per unit.

Outlook: The slowing world economy should have a negative impact on this fund although so far that has not been evident. However, I would not add to positions at this time.

Action now: Hold.

iShares Core S&P/TSX Capped Composite Index ETF (TSX: XIC)

Originally recommended on March 25/12 (#21212) at $19.58. Closed Friday at $26.52.

Background: This fund is designed to replicate the performance of the Capped S&P/TSX Composite Index, net of expenses.

Performance: The ETF is having a very strong year, up over 20% at the time of writing. That's a solid rebound from a loss of 8.8% in calendar 2018. Losses last year and in 2015 dragged down the five-year average annual compound rate of return to 4.1% (as of Aug. 31). The fund is up 35% since it was recommended, not including distributions.

Portfolio: The fund holds 233 positions with two banks topping the list: Royal Bank at 6.5% and TD Bank at 5.9%. No other company has a weighting of more than 4%.

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Gordon Pape's ETF updates – continued from page 7…

Key metrics: The fund was launched in Feb. 2001 and has $5.6 billion in assets under management. The management expense ratio is very low at 0.06%.

Distributions: Payment are made quarterly and have been recently running at about $0.22 per unit. The forward 12-month yield if this level were maintained would be 3.2%.

Outlook: The TSX recently touched a new record high but I think it's about to run out of steam.

Action now: Hold.

iShares Core S&P U.S. Total Market ETF (TSX: XUU)

Originally recommended on March 2/15 (#21509) at $20.42. Closed Friday at $29.72.

Background: This ETF tracks the entire U.S. market, including small, medium, and large cap stocks. It comes in both a hedged version (XUH) and an unhedged version (XUU). We have recommended XUU.

Performance: The fund did not have a great year in 2018, but it has made up for it this year, with a year-to-date gain of about 17% as of the time of writing. The three-year average annual return (to Aug. 31) is a very respectable 12.2%.

Portfolio: The fund invests in four U.S. ETFs, the largest of which are the iShares Core S&P 500 (51.3%) and the iShares Core S&P Total U.S. Stock (39.9%). The rest of the portfolio consists of small positions in Small Cap and Mid Cap ETFs and a limited amount of cash.

Key metrics: The fund was launched in February 2015 and has just over $1 billion in assets under management. The MER is a very low 0.07% so almost all your money is working for you.

Distributions: Payments are made quarterly and the amounts vary considerably. The latest was $0.138 per unit on Sept. 24. Over the past 12 months, distributions have totaled $0.376 per unit. If that were repeated this year, the yield would be 1.2% at the current price.

Conclusion: This is an all-stock ETF so returns will reflect what is happening in the U.S. equity markets. I regard it as a core long-term holding for anyone wanting on-going exposure to the broad U.S. market, however at this time I would hold current positions and wait for a market dip to buy in.

Action now: Hold.

Horizons Marijuana Life Sciences Index ETF (TSX: HMMJ)

Originally recommended on Jan. 15/18 (#21803) at $19.90. Closed Friday at $12.37.

Background: This ETF invests in a portfolio of cannabis stocks. It seeks to replicate, to the extent possible, the performance of the North American Marijuana Index, net of expenses. The Index is designed to provide exposure to the performance of a basket of North American publicly listed life sciences companies with significant business activities in the marijuana industry.

Performance: Unless you were early in and early out, the cannabis industry has been a major disappointment for investors. CannTrust has had its license suspended and no one knows whether the company will even survive. Canopy, the largest single player, keeps piling up losses and its founder was forced out as a result by major shareholder Constellation Brands. And those are just a few of the problems.

All of this has had a predictable impact on the price of this ETF. It has dropped, dramatically. As of the end of August, the units were down over 34% in six months and there is no relief in sight.

Portfolio: There are 63 stocks in the portfolio. The heaviest weightings are in Canopy Growth (10.1%), Aurora Cannabis (9.7%), Cronos Group (8.8%), Tilray (8%), and GW Pharmaceuticals (7.6%).

Key metrics: The fund was launched in April 2017 and was an instant hit with investors. But the excitement has long since faded. The last time we reviewed the fund, it had over $880 million in assets. Now that's down to $648 million. Given the performance, that's not a surprise. The ETF is very heavily traded, averaging over one million units per day. The management fee is high at 0.75%.

Distributions: Payments are made quarterly and can vary significantly. The June distribution was $0.20 per unit, down from $0.38 in March.

Outlook: I have said from the beginning this ETF is only suitable for aggressive investors who are willing to gamble on a fledgling industry that is having a lot of teething problems. The results bear out that warning. I don't think the problems are over yet so I suggest maintaining positions (if your stomach can take it) but not adding more at this time.

Action now: Hold.