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B U I L D I N G W E A L T H

THE INCOME INVESTOR

Volume 17, Number 20 | Issue #1920 | October 24, 2019

I N T H I S I S S U E

Big rewards from green energy 1

The U.K. on sale 2

This month's Top Picks: Atlantica Yield, UK iShares MSCI ETF 3

Gavin Graham's updates: Boralex, Fairfax Financial, Cogeco 5

Your Questions: Replacing Dream Global REIT 6

Gordon Pape's updates: PIMCO Monthly Income Fund, Summit Industrial Income REIT, Sienna Retirement Living 7

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Next update issue: November 14

Next regular issue: November 28

BIG REWARDS FROM GREEN ENERGY

By Gordon Pape, Editor and Publisher

Suddenly, a lot of people are jumping on the renewable energy bandwagon. Greta Thunberg has galvanized millions around the world to stage climate change demonstrations and demand that governments take strong and immediate action to reduce greenhouse emissions.

The most extreme activists would like to see the demise of the entire fossil fuels industry with the next decade. The more moderate segment understands this is not feasible but wants to see a more rapid devolution to renewable energy.

Over the years, *The Income Investor* has recommended several companies that specialize in renewables, and all have performed well. They include:

Brookfield Renewable Partners (TSX: BEP.UN, NYSE: BEP). This Bermuda-based limited partnership focuses mainly on hydroelectric projects and is also venturing into wind farms. Most of its assets are in North and South America and Europe. It was originally recommended in July 2009 at $16.62 and closed in Toronto on Oct. 18 at $56.08. The current yield is 4.9%.

TransAlta Renewables Inc. (TSX: RNW, OTC: TRSWF). TransAlta is a Calgary-based companies that operates renewable energy projects in Canada, the U.S., and Australia. The main emphasis is on wind farms (54% of generating capacity) followed by natural gas (41%), hydro (5%), and solar (1%). Fossil fuel opponents won't be pleased with the natural gas component, but gas is more climate-friendly than oil or coal. We recommended TransAlta Renewables in November 2014 at $12.12. It closed on Oct. 18 at $13.83 and the shares yield 6.8%.

Algonquin Power & Utilities (TSX, NYSE: AQN). Algonquin is a renewable energy and regulated utility company with assets across North America. It operates green energy assets including hydroelectric, wind, thermal, and solar power facilities, as well as sustainable utility distribution businesses (water, electricity, and natural gas) through its two operating subsidiaries, Liberty Power and Liberty Utilities. We recommended Algonquin in July 2016 at $12.45. It closed at $17.94 on Oct. 18. The yield is 4.2%.

Continued on page 2…

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Green energy - continued from page 1…

Innergex Renewable Energy (TSX: INE, OTC: INGXF). Innergex is based in Longueil, a suburb of Montreal, but its operations are international with facilities in Canada, the U.S., France, and Chile. This company is a climate activist's dream – it only uses renewable power: hydro, wind, and solar. Its assets include 67 operating facilities and seven projects in development. Net installed capacity is 2,338 megawatts. Innergex was recommended in July 2016 at $14.59. It closed on Oct. 18 at $15.87 and yields 4.4%.

Boralex Inc. (TSX: BLX, OTC: BRLXF). For details on this green energy company, see Gavin Graham's updates elsewhere in this issue.

As you can see, our portfolio of renewable energy stocks is doing very well. Today was are adding a new one to the list, **Atlantica Yield plc**, a London-based company that trades on Nasdaq under the symbol AY. See the Top Picks section for full details.

Follow Gordon Pape's latest updates on Twitter: http://twitter.com/GPUpdates

THE U.K. ON SALE

By Gavin Graham, Contributing Editor

The seemingly interminable debate over Great Britain's exit from the European Union (EU), colloquially known as Brexit, is apparently coming close to a final resolution. Almost three and a half years after 17.4 million Britons voted to leave the EU in June 2016, it is remarkable that Britain is still a member of the EU. The vote was a decisive 52%/48% split, with 1.2 million more voting to leave than to remain. It was the largest popular vote result in British history.

But at the time of writing, it is unclear whether Conservative Prime Minister Boris Johnson will be able to deliver on his promise to ensure that the country leaves the EU on Oct. 31, "no ifs or buts," as Mr. Johnson put it. This is because his government has lost its majority in Parliament, as 21 of his Conservative colleagues voted with the opposition, effectively delaying Brexit beyond Oct. 31 if no deal were reached before then.

In the usual EU fashion, last-minute all-night negotiations are underway to around the so-called Northern Ireland backstop – the mechanism designed to avoid a customs barrier between British Northern Ireland and the Republic of Ireland. Any solution that emerges will probably look pretty similar to former PM Theresa May's deal from a year ago, which was rejected three times by the U.K. Parliament.

The question is whether Mr. Johnson can carry the day by tweaking the deal. However, having already obstructed Mr. Johnson's efforts to date, it would be thoroughly characteristic of this most dysfunctional of parliaments to reject any deal he brings back. There is still the possibility of the U.K. leaving with no deal. But Mr. Johnson could then face a vote of no confidence, leading to a general election as the incompetent and unpopular opposition Labour leader Jeremy Corbyn seems unlikely to be able to form a government.

The problem, and the principal reason for the lengthy delays, is that two thirds or more of members of parliament across all parties are Remain supporters, despite earlier promises to respect the result of the referendum. This blatant disregard for the democratic process accounts for the extraordinary tactics that some MPS have resorted to, as party loyalties have been stretched, and in some cases completely broken by Brexit. It is apparent that the U.K. is in the midst of a major political realignment, with Leave and Remain positions on Brexit replacing capitalism and socialism as the issue that divides voters.

Both the Conservatives and Labour are under threat. About half of Labour's voters backed Leave but the party is now edging towards supporting Remain. A smaller, but very vocal, group of Conservatives reject anything but the softest of Brexits.

In May, election results to the European Parliament saw the pro-Leave Brexit party win 30.5% of the vote, almost the same as the pro-Remain Liberal Democrats and Green parties. Labour and Conservatives came a distant fourth and fifth with 11.8% and 8.8% of the vote, respectively. As Mr. Johnson accurately observed in July when he was chosen as Prime Minister, "If we kick the can (down the road) again, we (the Conservatives) will kick the bucket."

Continued on page 3…

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UK on sale – continued from page 2…

With voters so uncertain in their political loyalties, opinion polls vary widely. While some see a repeat of a hung parliament as in 2017, with the Conservatives as the largest party without a majority, others show a substantial win for Mr. Johnson, with as much as 100-seat majority, whether or not the U.K. has actually left the EU by Oct. 31. In this scenario, voters rebel against the pro-Remain majority in parliament, which has consistently thwarted Brexit.

Suffice it to say that the situation is so fluid and circumstances are changing so rapidly that several completely different results could emerge.

Whatever the outcome, my Top Pick this month, **UK iShares MSCI ETF** (see the Top Picks section, which follows, for more details), should do well regardless of what happens. This is because the stocks that comprise the FTSE 100 Index in the U.K. generate almost 70% of their revenues and earnings from outside the U.K., either by exports or through overseas subsidiaries. In effect, they are global companies that just happen to be headquartered and listed in the U.K.

However, the pessimism generated by the continuing Brexit debates, and the paralysis of Parliament, has led to the U.K. stock market underperforming since the referendum. As a result, it is now selling at large discount to equivalent major equity markets. Should a no-deal hard Brexit occur, the pound would undoubtedly fall, as happened after the Brexit referendum, but the non-sterling earnings of the FTSE 100 will act as a natural hedge.

If a deal is struck, both sterling and the index will rise sharply, as indeed occurred at the end of the week of Oct. 7, when it became apparent that perhaps a compromise was possible. In the meantime, the FTSE 100 provides a prospective yield on the most recent dividends, annualized at almost 5%, much of it not only generated but also paid in U.S. dollars.

TOP PICKS

Here are the top picks for this month. Prices are as of the close on Oct. 21.

Atlantica Yield plc (NDQ: AY)

Type: Common stock
Exchange: Nasdaq
Trading symbol: AY
Current price: $24.27 (all figures in U.S. dollars)
Entry level: Current price
Annual payout: $1.60 (forward 12 months)
Yield: 6.5%
Risk: Moderate
Recommended by: Gordon Pape
Website: www.atlanticayield.com

The business: Atlantica Yield is a sustainable total-return company that owns a diversified portfolio of contracted renewable energy, efficient natural gas, electric transmission, and water assets in North and South America, and certain markets in Europe, the Middle East, and Africa (EMEA). The company has 24 assets, comprising 1,496 MW of renewable energy generation, 300 MW of efficient natural gas, 1,152 miles of electric transmission lines, and 10.5 Mft3 per day of water assets.

Why we like it: Let's start with the yield. The shares currently yield 6.5%, and the company has a history of steadily raising its dividend. In fact, the payout has increased for nine consecutive quarters. The dividend is up 145% from this time three years ago.

This green energy and infrastructure portfolio is well diversified both geographically and in types of assets. The company is steadily increasing its cash available for distribution. Most of its revenue (75% in the first half of this year) is from renewable energy.

Financial highlights: First half results were profitable, but revenue and earnings were down from the same period last year. Revenue came in at $504.8 million, down from $513.1 million the year before. The company said this was primarily due to the depreciation of the euro against the U.S. dollar. On a constant currency basis, revenue for the first half would have been up 2.8% compared with 2018.

Profit for the first half was just under $17 million compared with $67.4 million in 2018. On the positive side, cash available for distribution (CAFD) was $94.5 million in the six-month period, a 5.3% increase compared with $89.7 million in the first half of 2018.

Continued on page 4…

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Picks – continued from page 3…

The company reported that production in the U.S. solar portfolio in the first half of 2019 was lower than in the same period of 2018, mostly due to lower solar radiation in the first quarter and scheduled maintenance stops that took longer than expected. Management said solar radiation has improved since the end of March, and production from the U.S. solar assets in the second quarter of 2019 was in line with the second quarter of 2018.

Risks: Renewable energy can be unpredictable at times, as the shortfall in solar production in the first quarter illustrates. If the sun doesn't shine and the winds don't blow, output drops. However, all renewable energy companies are subject to this kind of risk and are learning to cope with it.

This is not a large company. It's market cap of $2.45 billion puts it in the mid-cap range.

What others say: The stock got a boost when Zacks recently added it to its Buy list, citing an upward trend in earnings estimates as a key factor. Zacks is regarded as one of the top stock ratings services on Wall Street and is very stingy with its Buy ratings. The company has five categories of ratings, from Strong Buy (#1) to Strong Sell (#5). Atlantica Yield has been rated a #2 – Buy. Strong Buy ratings are given to only 5% of the companies that Zacks covers. Buy ratings are limited to the next 15%.

"The change in a company's future earnings potential, as reflected in earnings estimate revisions, and the near-term price movement of its stock are proven to be strongly correlated," the Zacks report said.

"The influence of institutional investors has a partial contribution to this relationship, as these big professionals use earnings and earnings estimates to calculate the fair value of a company's shares. An increase or decrease in earnings estimates in their valuation models simply results in higher or lower fair value for a stock, and institutional investors typically buy or sell it. Their transaction of large amounts of shares then leads to price movement for the stock.

"For Atlantica Yield, rising earnings estimates and the consequent rating upgrade fundamentally mean an improvement in the company's underlying business. And investors' appreciation of this improving business trend should push the stock higher."

Zacks estimates that Atlantica Yield will earn $0.78 a share this year, an improvement of 85.7% over 2018.

Distribution policy: The stock pays quarterly dividends with the next one due in December.

Tax implications: As this is a U.S. traded security, a withholding tax will be deducted from dividends paid to a non-registered account, TFSA, or RESP. There is no withholding tax on payments to an RRSP or RRIF.

Who it's for: This security is suitable for investors who are looking for U.S. cash flow and want to add more green stocks to their portfolios.

How to buy: The shares trade on Nasdaq with an average daily volume of over 300,000. Any broker can acquire them for you.

Summing up: Here's another high-yielding entry for your green portfolio.

Action now: Buy

UK iShares MSCI ETF (NYSEARCA: EWU)

Type: Exchange-traded fund
Exchange: NYSE Arca
Trading symbol: EWU
Current price: $32.14 (all figures in U.S. dollars)
Annual payout: $1.25
Yield: 3.9%
Risk: Medium
Recommended by: Gavin Graham
Website: www.ishares.com

ETF facts: With over US$2.2 billion in assets, this ETF invests in the UK's FTSE100 Index, which consists mostly of large-capitalization U.K.-based companies. The top 10 holdings comprise 46.5% of the total assets, with the largest sector weights being financials at 19.6%, consumer staples and energy at 16.8% and 16.3%, respectively, and health care and industrials at 11% and 10% each. Materials have an 8.6% weighting, but utilities, real estate. and technology are all underweighted, at 3% or less.

Top 10 companies include energy giant Royal Dutch Shell at 10.4%, global and emerging market bank HSBC at 6.9%, and energy major BP at 5.7%. Healthcare majors include AstraZeneca (5.2%) and GlaxoSmithKline (4.7%), while consumer staples include drinks maker Diageo (4.3%), British American Tobacco (3.7%), and food and personal care giant Unilever (3%). Diversified miner Rio Tinto has a 2.6% weighting in the index.

Continued on page 5…

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Picks – continued from page 4…

Financial highlights: The MER is a reasonable 0.47%. The ETF sells on a price/earnings ratio of 15.2 and a price/book ratio of 1.68, approximately 25% lower than the iShares Core S&P 500 ETF (NYSE Arca: IVV) p/e of 20.98 and half its p/b of 3.35. As already noted, EWU's trailing dividend yield is 3.9%, almost double the IVV's 2.1%. Annualizing the most recent semi-annual and quarterly dividends for its components raises the forecast yield to almost 5%.

One of the reasons for its relative cheapness, is that over the last five years the average annual compounded rate of return for EWU is flat compared with IVV's return of 10.8%. This is a reflection of the extremely low exposure of EWU to the high-performing technology and communications sectors, at 6% against 32% for IVV.

Why we like it: EWU offers a good complement to IVV, as it gives much larger exposure to economically sensitive sectors such as energy and materials but also to sectors with attractive defensive characteristics, such as consumer staples, healthcare, and industrials.

Action now: With sentiment towards the U.K. heavily negative due to the continuing Brexit uncertainty, the UK iShares MSCI ETF is cheap while providing a natural hedge against a hard Brexit. Its components provide global exposure, but it has underperformed other major indices over the last five years while giving a very attractive yield. Buy now.

GAVIN GRAHAM'S UPDATES

Boralex Inc. (TSX: BLX, OTC: BRLXF)

Type: Common stock
Current price: $22.19, US$16.78
Originally recommended: July 26/18 at $20.12, US$15.44
Annual payout: $0.66
Yield: 2.97%
Risk: Moderate
Recommended by: Gavin Graham
Website: www.boralex.com

Comments: Quebec-based Boralex develops and operates renewable energy power projects in Canada, the U.S., and France. The majority of the company's production comes from wind, accounting for 89% of its 1,942 MW capacity in 2018. Of the remainder, 8% of production is from hydro, 2% thermal, and 1% solar. Some 98% of its capacity is covered by long-term fixed-price contracts with an average length of 13 years.

When recommended last year, it had suffered from the selloff in renewable energy stocks due to the cancellation of some renewable projects (none of Boralex's) by the new Ford government in Ontario. As the majority of Boralex's capacity is located in renewable friendly jurisdictions in Quebec, the U.S., and France, this seemed an overreaction. Having fallen 28% last year, the stock is up 21% year to date in 2019, in line with the utilities index, and up 10% from our initial recommendation.

With the acquisition of 201MW of capacity in Quebec last fall for $215 million, a 68MW project awarded in France in April, and a 90MW project in Scotland, Boralex is on track for its target of 2,000MW by 2020.

Boralex forecasts adjusted earnings before interest, tax, depreciation & amortization (EBITDA) at $490-$510 million this year and over $500 million in 2020. For the second quarter ended June 30, adjusted EBITDA was $103 million. While adjusted funds from operations (AFFO) – the equivalent of EPS – was a depressed $59 million in 2018, this was due to very low wind speeds in France. With normal conditions this year, AFFO is anticipated to be nearer $85-$90 million.

Action now: Despite its rebound, Boralex is still well below its 2018 high of $28.40 and represents a lower-risk way to benefit from renewable energy while providing a reasonable yield that should rise with earnings. Buy.

Fairfax Financial Holdings (TSX: FFH, FFH.U)

Type: Common stock
Current price: $547.59, US$451.04
Originally recommended: Sep. 28/17 at C$622.87, US$515.00
Annual payout: $10.00
Yield: 1.83%
Risk: Moderate
Recommended by: Gavin Graham
Website: www.fairfax.ca

Comments: Fairfax is diversified insurance company run by the "Warren Buffett of Canada," highly experienced value investor Prem Watsa. Apart from its consistently profitable underwriting operations in North America such as Northbridge, OdysseyRe, and Crum & Forster, Fairfax bought global property, casualty and

Continued on page 6…

Gavin Graham's updates – continued from page 5…

specialty insurer Allied World for $4.9 billion in 2017 (all figures U.S. dollars), with OMERS and Alberta Investment Management (Aimco) investing $1 billion and $500 million respectively in the deal. Allied gives Fairfax exposure to the major insurance brokers and Fortune 1000 companies where it has less exposure. It also has separately listed subsidiaries investing in India and Africa. Having risen 20% from our initial recommendation, Fairfax has given back all of its gains and is now down 15%.

After a big increase in earnings to $1.74 billion ($64.98 per share) partially due to the Allied acquisition and partially to strong equity markets, Fairfax made only $376 million ($11.65 per share) in 2018, mainly because of the sharp drop in equity prices in the fourth quarter but also because of $750 million in catastrophe losses. Book value per share, which Fairfax (like Berkshire Hathaway) regards as the most useful measure of progress given the volatility of insurance company earnings, was down 4%, to $432.46 from its record high at the end of 2017.

With several of last year's major divestments being recycled into new ventures such as Toys 'R' Us Canada, Dexterra (the profitable Canadian operations of the bankrupt U.K. contractor Carillion), and AGT (the largest exporter of lentils and pulses), the outlook for value creation in the future appears good.

Action now: While Fairfax's value investing approach has been out of fashion for most of the past decade, the markets appear to be moving in its direction. In the meantime, and ignoring the short-term market volatility reflected in its earnings, the underlying insurance operations continue to be consistently profitable and generating cash. Buy.

Cogeco Inc. (TSX: CGO, OTC: CGECF)

Type: Common stock
Current price: $97.39, US$71.80
Originally recommended: April 30/15 at $54.14; US$45.60
Annual payout: $1.72
Yield: 1.77%
Risk: Low
Recommended by: Gavin Graham
Website: www.cogeco.ca

Comments: Cogeco Inc. is the holding company of the Audet family's cable and media group, with a controlling 31.8% stake in subsidiary Cogeco Communications (82% through multiple voting shares), the second-largest cable operator in Ontario and Quebec and the ninth-largest U.S. cable group.

Cogeco purchased Harron Communications' Metrocast cable and broadband assets in five Eastern U.S. states for $1.4 billion in January 2018, increasing its subscriber numbers by 40%, to 900,000, when added to its existing Atlantic Broadband network.

Cogeco has spent the last two years integrating and upgrading the acquisition. Only 8% of Metrocast's subscribers had access to fibre optic cable at the time of the acquisition compared with 48% in Cogeco's Canadian operations. Quebec's provincial pension system, the Caisse de dépôt, invested US$315 million for a 21% stake in the enlarged Atlantic Broadband.

Cogeco paid down its ratio of net debt to EBITDA to 2.8 times from 3.4 times after the Metrocast acquisition by selling its Cogeco Peer 1 IT hosting business for $720 million in mid-2019, generating an $82.4 million gain. As a result, its net profit for the third quarter ending May 31 was $185 million on revenues of $617 million. Diluted EPS was $3.68 per share, including $1.61 from the sale of Peer 1.

Cogeco Communications expects revenue for fiscal 2019 ending Aug. 31 to grow 6%-8%, and adjusted EBITDA to expand 8%-10%. It's projecting fiscal 2020 revenue to increase 2%-4% and adjusted EBITDA 2.5%-4.5%, excluding the effects of its recent Florida acquisition. The dividend has grown 11% annually over the last five years.

Action now: With a strong position in its respective cable and broadband markets, reasonable organic growth through value-added services such as TiVo and 1Gigabyte broadband, and increasing free cash flow generation, Cogeco remains a Buy.

YOUR QUESTIONS

Replacing Dream Global

Q – I hold Dream Global REIT (TSX: DRG.UN) in a TFSA and have been very happy with its yield and capital appreciation. I am debating selling before the sale to Blackstone goes through but am looking for ideas to

Continued on page 7…

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Questions – continued from page 6…

reinvest the proceeds in something somewhat equivalent in terms of yield. My current yield is about 4.6%, but as I've held it for 2+ years and reinvested the dividends, my yield based on purchase price is higher. Appreciate any thoughts you might have. – Robb H.

A – Two years ago at this time, Dream Global was trading at $11.24 and yielding 7.1%. There are a few Canadian REITs that yield more today – you can check the list at www.reitreport.ca. However, exercise caution with higher-yield entries – the market is telling us something.

One that you might want to look at is True North Commercial REIT (TSX: TNT.UN). I recommended it on Oct. 13, 2016, at $6.34. It was trading at $7.23 at the time of writing, with a current yield of 8.2%. Keep in mind that I rate this as higher risk.

If you want something less risky, but with a lower yield, look at Northview Apartment REIT (TSX: NVU.UN). It is trading at $29.44 to yield 5.5%. It has been on our Recommended List since 2004, so obviously we have a lot of confidence in it. – G.P.

GORDON PAPE'S UPDATES

PIMCO Monthly Income ETF (TSX: PMIF)

Type: Exchange-traded fund
Current price: $20.02
Originally recommended: Nov. 24/17 at $20.07
Annual payout: $0.715 (trailing 12 months)
Yield: 3.57%
Risk: Moderate
Recommended by: Gordon Pape
Website: www.pimco.ca

Comments: This is an actively managed ETF that invests in a portfolio of high-quality non-Canadian dollar bonds with a goal of maximizing current income while minimizing risk. PMIF.U is the U.S. dollar version.

My colleague Dave Paterson, Publisher and Editor of the *Top Funds Report* newsletter, follows this security closely and recently reported on some policy changes.

They include the addition of agency mortgage-backed securities to the portfolio, issued by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (Freddie Mac). GNMA issues are backed by the U.S. government. The others don't have that guarantee, but Mr. Paterson describes the default risk as "negligible."

He also notes that the fund's managers "have built liquidity concerns into the investment process. As a provider of liquidity in times of crisis, the fund can pick up higher-quality securities at very attractive yields. As we head into a potentially more volatile period, this may prove to be a solid strategy. In addition, the managers are also focusing on more defensive and more liquid parts of the bond markets."

The fund's market price does not move much – the 52-week trading range is between $19.29 and $20.23 per unit. But the monthly distributions vary considerably, from $0.201 last December to $0.023 in January. The September payment was $0.056 per unit.

This means that if steady cash flow is important to you, this is not a good choice. If that's not an issue, this is a top-quality global bond fund.

A reader asked how this fund compares in safety terms with the BMO Aggregate Bond Index ETF (TSX: ZAG). This is actually an apples-to-oranges comparison. ZAG is an all-Canadian fund, with a similar mandate to the iShares Core Canadian Universe Bond Index ETF (TSX: XBB), one of our long-standing recommendations. As already noted, PMIF is a global fund with virtually no exposure to Canada. For what it's worth, ZAG has shown slightly more volatility over the past 12 months, with a trading range from $14.95 to $16.43.

Action now: Buy.

Summit Industrial Income REIT (TSX: SMU.UN, OTC: SMMCF)

Type: Real estate investment trust
Current price: $12.80, US$9.77
Originally recommended: July 12/18 at C$8.84, US$6.98
Annual payout: $0.54
Yield: 4.2%
Risk: Moderate
Recommended by: Gordon Pape
Website: www.summitIIreit.com

Continued on page 8…

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Gordon Pape's updates – continued from page 7…

Comments: The units hit an all-time high of $13.49 earlier this month before pulling back to the current level. I am not concerned with this retreat; the entire REIT sector has been running ahead of itself, so a pullback was to be expected.

Summit reported second-quarter numbers that were in line with expectations. Funds from operations (FFO), a key measure of a REIT's performance, came in at $15.8 million ($0.148 per unit) compared with $9.5 million ($0.136 per unit) in the same period of 2018. For the first half of the fiscal year, FFO was $31.4 million ($0.302 per unit) compared with $19.3 million ($0.281 per unit) last year. Net operation income (NOI) for the quarter, another significant number, was $24.4 million, up from $14.5 million last year. For the first half, NOI was $48.7 million versus $29.3 million the year before.

Summit has been extremely active in making new acquisitions and issuing new shares to finance them. On Sept. 9, the REIT announced it is paying $15.9 million to acquire new Class A light industrial property totaling 121,456 square feet located in the YYC Logistics Centre, an industrial park under development adjacent to the Calgary International Airport.

A few days later, it was announced that the REIT is acquiring 100% of a brand-new single tenant light industrial property and 100% of a second recently constructed multi-tenant light industrial property totaling 431,930 square feet. These are located in a newly-created industrial park with frontage on The Hanlon Expressway near Highway 401 in Guelph, Ontario. Both properties are 100% occupied. Summit paid $57 million for the two properties, funded by its recently completed bought-deal equity offering that saw the REIT raise $130 million with the issuing of 1.56 million new units.

And there's more. In early October, the REIT spent $588 million to buy a portfolio of 37 light industrial properties in Alberta totaling over 3.3 million square feet of space. Of the total, 22 of the properties (1.8 million square feet) are in Edmonton, 14 properties (1.4 million square feet) are in Calgary, and one property is in Grand Prairie.

Management said this deal significantly increases the size and scale of Summit's portfolio, which now totals approximately 16.9 million square feet and $2.5 billion of asset value. To help pay for this big transaction, the REIT raised $230 million by issuing 17.8 million in subscription receipts at $12.90. Each receipt can be exchanged for a unit of the fund. Clearly, Summit's management is taking a very aggressive approach, which has results in a significant expansion of the portfolio combined with a massive share dilution.

So far, investors have reacted positively to all these moves. Until the recent pullback, the units have been on a steady upward trend. Despite a modest increase in the distribution in May, the yield is down to 4%.

Action now: Hold. All this activity is a lot to digest. Let's see how the numbers work out in the next few quarters.

Sienna Senior Living Inc. (TSX: SIA, OTC: LWSCF)

Type: Common stock
Current price: $19.41, US$14.90
Originally recommended: April 17/14 at C$11.93, US$11.01
Annual payout: $0.936
Yield: 4.8%
Risk: Higher risk
Website: www.siennaliving.ca

Comments: This company owns and operates a portfolio of 87 high-quality retirement and long-term care residences across Canada. It has about 12,000 employees.

Second-quarter results showed a small increased in revenue but a decline in earnings and adjusted funds from operations (AFFO). The numbers were in line with analysts' estimates.

Revenue for the quarter (to June 30) was just under $166 million compared with $162.1 million in the same period last year. Net income was $2.2 million ($0.034 per share, fully diluted), down from $3.5 million ($0.055 per share) in the year-before period. AFFO came in at $24.4 million ($0.368 per share) compared with $26.1 million ($0.40 per share) in 2018. Net operating income was $39.9 million, up 1.4% year-over-year.

Occupancy rates dropped from the year before, to 88.4% from 91.6% in 2018. The company said decreases in its retirement residence portfolio resulted from a combination of higher resident attrition rates in new properties acquired last year and ongoing oversupply in the Ottawa market. Other factors included a disruption associated with property upgrades, including a renovation at a retirement residence in British Columbia, and ongoing harmonization of the retirement platform in all residences. Occupancy in long-term care facilities remained high at 98.3%. The company announced a 2% increase in the monthly dividend, starting with the September payment. It's the second consecutive year the payout has gone up. The new monthly amount is $0.078 per share, or $0.936 per year, to yield 4.8%.

Action now: Buy. The shares hit a high of $20.35 during the summer but have since pulled back. This looks like a good time to enter if you don't have a position.