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CORRECTION: In last week's update on Enbridge, I wrote that we should look for dividend increases in the 10% range over the next few years. In fact, the company recently announced guidance for dividend increases in the range of 5-7%. My apologies for the error. – G.P.

BLACKROCK BATTLES CLIMATE CHANGE

By Gordon Pape, Editor and Publisher

The world's largest money manager is introducing major changes to its investment standards in a bold move to combat climate change – and you could be affected.

The company is New York-based BlackRock Inc., which has about US$7 trillion worth of assets under management. If you own any iShares ETFs, you are a BlackRock client.

In a letter to clients signed by the members of the company's Global Executive Committee, the company says it is taking steps to make "sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies".

By going this route, the company says it believes it can provide better risk-adjusted returns to investors.

Starting this year, the company plans to offer sustainable versions of its flagship model portfolios. "These models will use environmental, social, and governance (ESG)-optimized index exposures in place of traditional market cap-weighted index exposures. Over time, we expect these sustainability-focused models to become the flagships themselves," the company says.

Among the initial first moves will be exiting positions in thermal coal producers, which the company says are highly carbon intensive and becoming increasingly less economically viable.

"With the acceleration of the global energy transition, we do not believe that the long-term economic or investment rationale justifies continued investment in this sector," the letter says. "As a result, we are in the process of removing from our discretionary active investment portfolios the public securities (both debt and equity) of companies that generate more than 25% of their revenues from thermal coal production, which we aim to accomplish by the middle of 2020."

BlackRock is also developing analytical tools to stress-test companies and portfolios for different carbon-pricing scenarios and to analyze the climate risks posed by various companies.

BlackRock's actions come amidst growing evidence that climate change is having a significant economic impact. Last Thursday, the McKinsey Global Institute released the results of a year-long study that

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projects average temperatures will increase from 1.5-5C in many parts of the world, including Canada, by 2050. By comparison, since the 1880s the planet's average temperature has risen 1.1C.

The report projects that global warming could make parts of India too hot for outdoor labour, losses from flooding could devalue exposed homes in Florida by $30 to $80 billion, or 15-35%, and the annual probability of a 10% or more reduction in yields for wheat, corn, soy, and rice in a given year is projected to increase from 6% to 20%.

BlackRock is a huge and influential company, but it faces major challenges in trying to combat the climate change problem. A large proportion (66%) of BlackRock's assets under management are index-based, investing in the S&P 500, the Dow, the S&P/TSX Composite, Nasdaq, etc. These indexes contain many companies that are not carbon friendly, including some of the world's biggest fossil fuel producers. BlackRock will have to wrestle with how to cope with that reality.

So, the company is going beyond launching sustainable portfolios to engage directly with the leaders of the world's major corporations and index providers, trying to move them towards more sustainable practices.

In a separate letter directed to other CEOs, BlackRock's chairman and CEO Larry Fink writes that "climate change has become a defining factor in companies' long-term prospects".

He poses these questions: "Will cities, for example, be able to afford their infrastructure needs as climate risk reshapes the market for municipal bonds? What will happen to the 30-year mortgage – a key building block of finance – if lenders can't estimate the impact of climate risk over such a long timeline, and if there is no viable market for flood or fire insurance in impacted areas? What happens to inflation, and in turn interest rates, if the cost of food climbs from drought and flooding? How can we model economic growth if emerging markets see their productivity decline due to extreme heat and other climate impacts?"

BlackRock is using its investment clout to pressure companies whose boards of directors are not performing to what it deems to be acceptable standards. In 2019 the company voted against or withheld votes from 4,800 directors at 2,700 different companies over sustainability issues.

"As we approach a period of significant capital reallocation, companies have a responsibility – and an economic imperative – to give shareholders a clear picture of their preparedness," he concluded.

"And in the future, greater transparency on questions of sustainability will be a persistently important component of every company's ability to attract capital. It will help investors assess which companies are serving their stakeholders effectively, reshaping the flow of capital accordingly.

"But the goal cannot be transparency for transparency's sake. Disclosure should be a means to achieving a more sustainable and inclusive capitalism. Companies must be deliberate and committed to embracing purpose and serving all stakeholders – your shareholders, customers, employees, and the communities where you operate. In doing so, your company will enjoy greater long-term prosperity, as will investors, workers, and society as a whole."

These are noble goals, but not everyone is convinced. Saturday's Wall Street Journal featured a lead editorial speculating that Mr. Fink may be auditioning for the job of Secretary of the Treasury in an Elizabeth Warren cabinet.

The Journal also pointed out that climate change projections are still an inexact science. What if the predictions are wrong? "Mr. Fink wants to make businesses plan for unknown temperature increases as well as climate regulations that are even less certain," the paper says.

One thing is clear. This debate, like the Earth's temperature, is going to get hotter.

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A GOOD WEEK FOR TRADE, BUT…

By Gordon Pape

The trade wars eased last week as two major developments helped to calm markets.

On Wednesday, the U.S. and China signed the long-awaited phase one of their new trade deal.

The next day, the U.S. Senate overwhelmingly approved the USMCA, the trade deal that will replace NAFTA. It now goes to President Trump for signature. Canada is the only country that has not ratified the deal but that is expected soon.

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Apart from all this, The Wall Street Journal reported on Friday that some leading indicators are projecting an uptick in world trade. China's export freight rates have jumped to the highest level since 2015 while the price of copper, often a predicter of global trade, has risen more than 7% in the past two months.

So, does this mean we're out of the woods on the trade wars? Not by a long shot.

There are still a lot of major unresolved issues between the U.S. and China, including the role of state-owned companies, cyber security, environmental protection, and intellectual property theft. It is unlikely phase two will be signed before the November presidential election. Meantime, tariffs remain in place on some $370 billion worth of Chinese exports to the U.S., about three-quarters of the trade between the two countries. That is raising the cost to Americans of everything from raw materials to sports equipment and clothing. The average tariff rate is 19.3%.

Those tariffs will likely remain in place for at least the next year and perhaps longer, causing a lot of grief not only for consumers but for manufacturers, steel companies, and the chemical industry.

Meantime, the President and his staff are preparing for an escalating trade war with the European Union over subsidies to Airbus and the imposition of a digital tax on American tech giants like Google and Facebook.

Last fall, the U.S. imposed a 25% tariff on certain types of wines and various liquors, notably Scotch. The price impact of that is already being felt in American bars and liquor stores. Now the administration is seriously considering raising the rate to 100% and extending it to more products. Wine enthusiasts are up in arms, but so far Washington isn't backing away.

And this goes beyond wine sales. Mr. Trump is looking at a 25% tariff on German automobile imports, which would be terrible news for an already weak German economy.

So, the trade wars aren't over by any means. In fact, they may be about to get hotter, despite last week's progress. Two steps forward, at least one step back.

RYAN IRVINE'S UPDATES

Contributing editor Ryan Irvine joins us this week with updates on several of his picks. 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:

This week we have four updates, including a quick review of the best performing stock over the last decade (congrats to all IWB readers who have owned it based our recommendation).

Boyd Group Services Inc. (TSX: BYD, OTC: BFGIF)

Originally recommended on Aug. 29/10 (#20131) at C$5.50, US$5.20. Closed Friday at C$222.95, US$155.64.

Background: 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, as well as in 27 U.S. states under the trade name Gerber Collision & Glass.

The company is also a major retail auto glass operator in the U.S. with locations across 31 U.S. states under the trade names Gerber Collision & Glass, Glass America, Auto Glass Services, Auto Glass Authority, and Autoglassonly.com.

Boyd also operates Gerber National Claims Services (GNCS), which offers glass, emergency roadside aid, 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.

Performance: Boyd capped off 2019 by more than doubling once again, pushing its Canadian publicly listed best gain to 4,247%. Since we recommended it in the IWB, it is ahead 3,953%.

Recent developments: As of the start of this year, the company completed its transition from an income trust to a corporation. It now operates under the name Boyd Group Services Inc., with the ticker symbol BYD on the Toronto exchange.

Dividend: The shares pay $0.046 per month ($0.552 per year) to yield 0.24%.

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Conclusion: The year just ended was a tremendous one for the company. It delivered solid same-store-sales-growth (SSSG) and strong M&A (merger and acquisition) activity, while benefitting from a significant foreign exchange tailwind.

Over the long term (3-5 years plus forward) we continue expect Boyd to outperform, given the solid basket of potential M&A targets (both multi-store-operations and single stores) and compelling industry drivers, which support a need for scale in collision repair services. For example, increasing vehicle repair complexity/cost and increasing preference by the insurers to consolidate their direct-repair program volumes, motivate them to focus on high-quality repair providers with a national presence, such as Boyd.

Having said this, Boyd now trades with a premium multiple, which more appropriately reflects the company's positive attributes. Boyd should report a solid fourth quarter, but growth expectations should be tempered by slight foreign exchange headwinds and continued technician capacity constraints.

Near-term we see Boyd trading at close to fair value in its current range. One year to 18 months forward we see a fair value in the range of $225.

Action now: We are shifting our near-term rating to Hold. We maintain our Buy (half position) long-term rating for clients with a 3-5 year holding period.

Polaris Infrastructure Inc. (TSX: PIF)

Originally recommended on Sept. 9/19 (#21932) at $13.50. Closed Friday at $13.86.

Background: Polaris Infrastructure is engaged in the operation, acquisition and development of renewable energy projects in Latin America. Currently, the company operates a 72 MW geothermal project located in Nicaragua and a 5 MW run-of-river project in Peru. The company is also completing the construction of another 28 MW of run-of-river project, also located in Peru.

Performance: The stock took a drop in December, briefly falling below $11 at one point. However, it has since rallied strongly.

Recent developments: Financial performance was lower in the third quarter compared to the previous year, as a result of short-term cyclical steam power fluctuations at the San Jacinto facility as well as higher costs associated with the development and financing of new projects in Peru.

Revenue and cash flow were moderately higher for the first nine months of the year compared to the same period in 2018.

The company completed construction of the El Carmen and 8 de Agosto projects in October. El Carmen commenced commercial operations in November. Start up at 8 de Agosto was delayed due to technical issues which the company expected would be resolved by year end.

Balance sheet: Polaris ended the third quarter with total debt of $169.9 million (the company reports in U.S. dollars) and cash of $40.1 for a net debt balance of US$129.8 million. The company had a net debt-to-EBITDA (adjusted) multiple of 2.2 times and debt-to-equity ratio of 0.88.

Dividend: The stock pays a quarterly dividend of $0.20 a share ($0.80 annually), to yield 5.8%.

Outlook: Polaris's strategy is to continue to produce free cash flow from the San Jacinto projects, which will be used to diversify into new power projects and geographic regions, pay dividends, and reduce debt. For the first nine months of 2019, Polaris generated operating cash flow of $31.7 million, of which $10.8 million was allocated to debt repayment, $7.1 million to dividends, and the remainder invested in the hydro projects in Peru.

Polaris has provided the following pro-forma (estimated) financial targets based on continued stable production at San Jacinto and the full commercial production at the 8 de Agosto and El Carmen.

EBITDA	$70 million (approx.)
Cash Flow from Operations	$40 to $45 million
Cash Flow per Share	$2.40 to $2.50
Free Cash Flow (FCF) per Share	$1.90 to $2.00

Valuation: Over the last 12 months, Polaris has reported cash flow from operations of $39.7 million ($2.38 per share) and adjusted EBITDA of $59.3 million. The company currently trades at a price-to-cash flow multiple of 3.6 times and an enterprise value-to-EBITDA multiple of 4.6 times (calculated using CDN/US exchange rate of 0.7598). Polaris's shares trade at a substantial discount largely due to risks associated with project and country concentration. Notwithstanding these risks, we believe that the company is attractively valued at the current price and we are maintaining our fair value assessment of C$17.65 per share.

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Conclusion: We continue to see strong upside potential in Polaris based on the continued stable production and cash flow from the San Jacinto facility and the advancement of the company's new projects in Peru. A potential upcoming catalyst to the stock price will be when the 8 de Agosto and El Carmen facilities reach full production, which the company anticipates by the second quarter. Commercial production at these facilities should result in a meaningful increase in cash flow as well as an improved geographic diversification.

Polaris produces significant free cash flow from its current operations, which it plans to use to further grow its power generation portfolio through acquisition and development. The company is considered to be higher risk due to its exposure to a single project (San Jacinto) in Nicaragua. The stock price has been volatile since our recommendation and we expect this to continue in the near term.

Notwithstanding these risks, the company trades at a very attractive valuation multiple around four times cash flow, maintains a healthy balance sheet, and pays an attractive dividend. Successful execution of its growth strategy will provide substantial upside potential to the stock price over the next 1-3 years.

Action now: We are maintaining our Buy rating with a minimum three-year time horizon and fair value assessment of C$17.65 per share.

Enghouse Systems Limited (TSX: ENGH, OTC: EGHSF)

Originally recommended on March 7/11 (#21109) at C$4.55 (split adjusted). Closed Friday at C$51.75, US$40.11.

Background: The company separates its operations into two business segments: The Interactive Management Group (IMG) and the Asset Management Group (AMG).

The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency, and manage customer communications across the enterprise. Core technologies include contact center, attendant console, interactive voice response, dialers, agent performance optimization, and analytics that support any telephony environment, deployed on-premise or in the cloud. Its customers include insurance companies, banks and utilities as well as high technology, health care, and hospitality companies.

The Asset Management Group provides a portfolio of products to telecom service providers, utilities, and the oil and gas industry. Its products include operations support systems (OSS), business support systems (BSS), mobile value-added services (VAS) solutions, as well as data conversion services. The Asset Management Group also provides fleet routing, dispatch, scheduling, communications, and emergency control center solutions for the transportation, first responders, distribution and security sectors.

Performance: The stock traded in a narrow range for most of 2019 but in early November it began a strong upward move that has carried it to its highest level in three years.

Recent developments: Revenue in fiscal 2019 increased to record $385.9 million compared to $342.8 million in the 2018 fiscal. That included revenue of $219.6 million from hosted and maintenance services, an increase of 14.9%.

Operating expenses were $155.1 million for the year compared to $136.2 million in fiscal 2018 as the savings related to operating cost synergies were offset by the incremental costs related to acquired operations.

Results from operating activities were $112 million compared to $103.2 million last year, a 13.9% increase. Operating expenses include special charges of $1.2 million compared to $0.4 million last year and reflect the costs related to acquisition restructuring.

Net income for the year was $70.8 million ($1.29 per share, fully diluted), compared to $57.7 million ($1.06 per share) in the prior year, an increase of 22.7%. Adjusted EBITDA for the year was $115.6 million ($2.10 per share) compared to $106 million ($1.94 per share) last year, an increase of 9%.

Acquisition: On Jan. 2, Enghouse acquired Dialogic Group. This strengthened the company's position in the enterprise video and unified communications market segment by adding multi-media processing applications and capabilities, as well as providing infrastructure solutions to facilitate the evolution to 5G networks. Dialogic will be integrated into Enghouse's IMG segment and is expected to compliment and provide cross-selling opportunities with the company's recent video acquisition, Vidyo.

The purchase price was approximately $52 million, subject to certain adjustments. Dialogic's 2020 revenue is expected to contribute $58 million to $63 million to Enghouse's consolidated revenue. Management has communicated that Dialogic currently has an EBITDA margin of approximately breakeven.

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Enghouse's two most recent sizable acquisitions, Vidyo and Espial, held similar EBITDA profiles at close to breakeven at acquisition. Management was able to aggressively cut costs, remove non-profitable revenue streams, and close in on target EBITDA margins within two quarters. We expect a similar path with Dialogic but do note that both Vidyo and Espial had already engaged in efficiency plans just prior to being acquired, so the Dialogic process may take a bit longer. Dialogic is expected to contribute a significant positive EBITDA margin by the second or third quarter of 2020.

Following the Dialogic acquisition, KeyStone estimates Enghouse has just under $100 million in cash on hand. Given the strong free cash flow generation we expect in 2020, the company should have plenty of cash available for further growth acquisitions.

Conclusion: Enghouse is currently trading at 41.6 times adjusted earnings over its last 12 months, which appears expensive. The share price is up over 1,000% since our original IWB recommendation. The company's continued multiple expansions have been due to consistent growth (proven track record from management) and continues to be assisted by a healthy tech market combined with a lack of good alternative Canadian tech stocks.

If we use enterprise value to account for the company's large cash position, Enghouse's trailing 12-month EV/EBITDA is a more reasonable 20.78.

Based on expected revenue contribution and EBITDA margins from the recent acquisitions, we expect Enghouse to achieve EBITDA of $147 million in 2020. This growth may be weighted towards the second half of the year as Dialogic margins rise due to more complete integration. This represents 27% growth over 2019, and further growth potential exists due to significant cash on hand and strong cash flow generation. We believe Enghouse will experience continued EBITDA growth in 2021 in the 18%-20% range.

Enghouse's estimated EV/EBITDA in 2020 is in the range of 19. Despite Enghouse's better growth (albeit from acquisitions) this is a slight discount to its Enterprise Software peer group, which trade in the range of 20 times EV to expected 2020 EBITDA.

We see fair value for Enghouse in the range of 21 times 2020 estimated EV/EBITDA or in the range of $58.15 over the next 12 months. Looking at a slightly longer horizon, we forecast $174 million EBITDA in 2021 and, using a valuation multiple of 20 times estimated EV/EBITDA 2021, a fair value in the range of $65.35 through 2021.

Action now: We are upgrading our near-term rating to Buy and maintain our long-term rating at Buy with a 3-5 year holding period.

Aritzia Inc. (TSX: ATZ, OTC: ATZAF)

Originally recommended on April 8/19 (#21914) at C$18.24, US$13.67. Closed Friday at C$24.71, US$19.10.

Background: Aritzia is a vertically integrated, innovative design house of exclusive fashion brands. Aritzia conceives, creates, develops, and sells a strategic mix of women's fashion products directly to clients. The company's multi-brand portfolio and product mix affords the business enhanced flexibility to address evolving fashion trends and enables Aritzia to appeal to clients across multiple life stages, resulting in strong client loyalty.

Performance: The shares began a sharp upward move in December and recently hit an all-time high of $25.16.

Recent developments: Fiscal 2020 third-quarter revenue increased by 10% to $267.3 million compared to $242.9 million the year before. Analysts had expected $266.2 million.

Comparable sales growth of 5.1% was driven by momentum in the e-commerce business as well as a positive performance across the boutique network. Net revenue growth also reflects the addition of three new boutiques and four expanded or repositioned boutiques.

Adjusted EBITDA increased by 2.4% to $58.4 million, or 21.9% of net revenue in the quarter, compared to $57.1 million, or 23.5% of net revenue in the prior year. This was primarily due to the factors discussed above.

Net income increased by 6.8% to $34.8 million compared to $32.6 million the year before. Adjusted net income per diluted share increased by 3.2% to $0.32 from $0.31 in the third quarter of fiscal 2019. Analysts were looking for $0.31 this year.

Conclusion: Aritzia's reported numbers were better than expected and drove the stock to new highs. Aritzia is currently in a position of net cash, and that is prior to accounting for analysts' forecasts for free cash flow well in excess of $100 million in fiscal 2021 and 2022.

Management states that they are taking a conservative approach to the balance sheet. We expect this to continue, but we do anticipate an increasing return of capital to shareholders, potentially through smaller share buy-backs.

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While we expect some EPS growth near term, it will likely be muted in the fourth quarter by temporary cost headwinds. But it appears investors are willing to look past this and focus on revenue growth, prior to what is expected to be positive operating leverage commencing in fiscal 2021 and accelerating thereafter. Over the next 2-4 years, the company should be positioned to return to higher levels of EPS growth than we saw in the last quarter.

The stock is now trading at 26.3 times its current fiscal year's expected earnings. This is a premium to its retail peer group, which trades in the range of 24.5 times this year's expected earnings. However, we would argue that a premium is justified, particularly given the increased strength of the company's balance sheet relative to its peers.

Looking one year forward, given its expected growth, Aritzia trades at 21.2 times fiscal 2021 expected earnings, which is in-line with its peers. We estimate that alongside a strong cash build, U.S. expansion and continued online success should drive annual EPS growth in the range of 15-22% over the next 3-4 years. This is above average growth and justifies an equivalent to slightly above average multiple on the stock. As such, our target 12-18 months forward price based on 21 times our 2022 expected earnings is $26.50 or roughly 7% higher than its current range.

Dividend: The stock does not pay a dividend.

Action now: Near term (over the next six months), we rank Aritzia as a Hold, given the strong move in its share price. For participation in the retail segment, we maintain our long-term rating at Buy for investors looking 2-4 years forward. Aritzia is well run, building cash, and should continue to outperform over the long term.

GORDON PAPE'S UPDATES

Shaw Communications (TSX: SJR.B, NYSE: SJR)

Originally recommended on Feb. 3/08 (#2805) at C$20.53, US$20.64. Closed Friday at C$26.69, US$20.42.

Background: Shaw Communications is a Calgary-based diversified communications company, serving 3.2 million customers in Alberta and British Columbia. Its services include broadband internet, WiFi, wireless (Freedom Mobile), and video products and services. Shaw Business Network Services provides business customers with internet, data, Wi-Fi, telephony, video, and fleet tracking services.

Performance: The stock continues to trade in the $25-$28 range. Don't expect a breakout anytime soon.

Recent developments: On Jan. 13, Shaw announced 2020 first quarter results (to Nov. 30) and they were largely in line with analysts' estimates.

Consolidated revenue increased by 2.1% to $1.38 billion and adjusted EBITDA was up 8.1% year-over-year to $588 million, the company said.

Wireless service revenue increased 18.1% over last year as Freedom Mobile continued to expand its customer base, including net postpaid additions of approximately 67,000 customers in the quarter. This is a remarkable success story when you consider the intense competition Freedom Mobile is facing as a late arrival to the wireless sector.

"We continue to demonstrate consistent execution across our business units and remain focused on our growth segments including Wireless, Business, and Broadband," said CEO Brad Shaw. "As the competitive landscape in wireless continues to intensify and evolve, our positioning in the market remains strong. Freedom Mobile's reputation of providing high quality and affordable wireless services, not just during the highly competitive holiday period, but every day, resonates well with customers and through the introduction of Freedom Home Internet, we have reinforced our dual brand strategy that enables us to effectively segment the broadband market."

Free cash flow was $183 million compared to $163 million in the prior year. The increase was largely due to lower capital expenditures and cash taxes.

Net income was $162 million ($0.31 per share) compared to $186 million in the first quarter of fiscal 2019. The decrease of $24 million was primarily due to $23 million in equity income recorded in the first quarter of fiscal 2019, attributable to the company's investment in Corus Entertainment Inc. This investment was disposed of in the third quarter of fiscal 2019.

Dividend and buybacks: The stock pays a monthly dividend of $0.09875 ($1.185 per year) to yield 4.4%. The

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company repurchased and cancelled about $25 million worth of class B non-voting shares since the latest normal course issuer bid began in November.

Outlook: The company continues to make progress in the highly competitive wireless market, but Shaw will always be a second-tier player in that space. The stock offers an attractive yield, but the capital gains potential is limited.

Action now: Hold for yield.

JPMorgan Chase & Co. (NYSE: JPM)

Originally recommended by Tom Slee on Feb. 3/13 (#21305) at $47.85. Closed Friday at $138.17. (All figures in U.S. dollars.)

Background: JPMorgan Chase & Co. is a leading global financial services firm with assets of $2.7 trillion and operations worldwide. The firm is a leader in investment banking, financial services, commercial banking, financial transaction processing, and asset management.

Performance: The stock continues to move up and recently hit an all-time high of $141.10 before pulling back.

Recent developments: Falling interest rates are normally bad news for bank profits but JPM and some other big U.S. banks are bucking the trend.

Last week, JPM reported fourth-quarter revenue of $29.2 billion, up from $26.8 billion in the same period of 2018. Net income was $8.5 billion ($2.57 per share) compared to $7.1 billion ($1.86 per share) the year before. For the full year, the company reported record net income of $36.4 billion ($10.72 per share).

CEO Jamie Dimon cited "a high level of geopolitical challenges" as a cause of concern. He said that overall global growth stabilized "albeit at a lower level" and there was some improvement on the trade front.

He said U.S. consumers continue to be in a strong position, which contributed to growth of 5% in average deposits and a 10% increase in credit card volume.

The bank reported a return on equity of 15% for the full year. Book value per share is $75.98, up 8%. Basel III common equity Tier 1 capital is $188 billion. The ratio is 12.4%.

Dividend and buybacks: The stock pays a quarterly dividend of $0.90 per share ($3.60 per year) to yield 2.6%. During the fourth quarter, the company spent $6.7 billion on share repurchases.

Outlook: As Mr. Dimon pointed out, global growth is slowing. So far, however, the strength of the American economy and U.S. consumers have more than offset that concern. JPM remains our top choice among U.S. banks.

Action now: Buy.

YOUR QUESTIONS

Invest now?

Q - I'm retired with a pretty solid dividend portfolio built over 30 years. My millennial children are looking to start building their own portfolios but they (and I) fear this is a poor time to start investing with the looming prospect of recession and possible severe market dives. Buying a house may also be on the horizon in a year or two. Current dips in the markets do not present confidence for investing hard earned cash and GICs return so little. What would be a prudent thing to do? – Sheila P.

A – If a house purchase is on the horizon, the prudent course would be for the children to protect their assets from a market correction. Most economists predict there will not be a recession in 2020 but U.S. indexes are at record highs and we're sure to have a pull-back at some point. If your children were taking a long view, that shouldn't be a major concern, in fact it would represent a buying opportunity. But a house in the short-term forecast changes the equation.

I suggest they keep the money in a CDIC insured high-interest savings account. Laurentian Bank is currently offing 3.3% on digital accounts. You'll also find good rates at Motive Financial, EQ Bank, and Oaken Financial. – G.P.

TIPS

Q – Is there a Canadian equivalent to U.S. TIPS? - Jacques B.

A – According to Investopedia, TIPS is short for Treasury Inflation-Protected Security. These are U.S. Treasury bonds that are indexed to inflation. The principal value of TIPS rises as inflation rises. In Canada, these are called real return bonds.

Blackrock offers the iShares Canadian Real Return Bond Index ETF, which trades under the symbol XRB. It has done well recently, with gain of 7.62% in 2019. However, average annual results since inception in December 2005 are an insipid 3.69%. The management expense ratio is 0.39%. – G.P.