



The Internet Wealth Builder

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

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RRSP PORTFOLIO UP 15%

By Gordon Pape, Editor and Publisher

The last day to contribute to RRSPs for the 2019 tax year is fast approaching, so this is a good time to review the IWB RRSP Portfolio, to provide some guidance on where to invest.

This model portfolio was launched eight years ago, in February 2012, with two main objectives: to preserve capital and to earn a higher rate of return than you could get from a GIC. The original value was \$25,031.92.

About a third of the portfolio is in bonds and cash. The balance is in growth-oriented assets that offer exposure to the Canadian, U.S., and international equity markets. The portfolio contains a mix of ETFs, stocks, and limited partnerships so readers who wish to replicate it must have a self-directed RRSP with a brokerage firm.

These are the securities currently in the portfolio with comments on how they have performed since the last review in August. Results are as of the afternoon of Feb. 19.

PIMCO Monthly Income ETF (TSX: PMIF). This fund invests in a portfolio of global bonds and pays monthly distributions. It was added in February 2018 at \$19.83. The unit value has moved higher in recent months, as interest rates have fallen. We received distributions of \$0.448 a unit for the period, including a large December payment of over \$0.20.

iShares Canadian Universe Bond Index ETF (TSX: XBB). This ETF tracks the performance of the total Canadian bond universe including government and corporate issues. The fund edged up \$0.13 since the last review plus we received distributions of \$0.442 per unit.

iShares Canadian Corporate Bond Index ETF (TSX: XCB). This fund invests exclusively in corporate issues, as opposed to XBB, which covers the entire Canadian bond universe. It was added to the portfolio in February 2019. So far it has performed well, with a total one-year return of 8.2%. That's very good for a bond fund, but not sustainable.

iShares U.S. High Yield Bond Index ETF (CAD-Hedged) (TSX: XHY). This fund tracks the performance of the U.S. high-yield bond market. It was added to the portfolio in February 2019 and generated a total return of 8% in the twelve months since.

iShares Convertible Bond Index ETF (TSX: CVD). This fund invests in bonds that can be converted into common stocks under certain conditions. It offers a play on the stock market while providing cash flow as well. It was also added in February 2019 and is ahead 6.8% since.

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RRSP – continued from page 1...

iShares Core U.S. Aggregate Bond ETF (NYSE: AGG). This ETF aims to replicate the returns of the total U.S. bond market. It was added last August to give us more exposure to American bonds. The total return to date is a modest 2.3%.

First Asset Canadian REIT ETF (TSX: RIT). There are several good REIT ETFs available, but we chose this one in February 2019 because it has the broadest diversification. The timing was good – REITs have performed well in a falling interest rate environment and we have a total twelve-month return of 20.6%.

iShares Edge MSCI Minimum Volatility USA Index ETF (CAD-Hedged) (TSX: XMS). XMS invests in low-beta U.S. stocks such as Coca-Cola, Visa, McDonalds, and Verizon. Low beta means they are less sensitive to broad market movements and, therefore, less risky. We added it to the portfolio last August and it is doing well so far with a six-month gain of 9.6%.

BMO Low Volatility Canadian Equity ETF (TSX: ZLB). This ETF invests in a portfolio of large-cap Canadian stocks that have a low beta history. It was among the many new securities added in February 2019 and has done well so far with a one-year gain of 19.5%.

BMO Low Volatility International Equity Hedged to Canadian Dollar ETF (TSX: ZLD). This ETF focuses on

international stocks and is hedged to Canadian dollars, so the currency risk is removed. It was added to the portfolio a year ago. This ETF gained \$2.30 in the latest six months and we received two distributions of \$0.14 each.

Brookfield Renewable Energy Partners LP (TSX: BEP.UN, NYSE: BEP). This Bermuda-based limited partnership owns a range of renewable power installations (mainly hydroelectric but also some wind), mostly in North and South America. Renewable energy stocks continue to be in high demand and the unit price is up \$26.34 since the last review. We received two distributions totaling US\$1.03 per unit. The partnership announced a 5% distribution increase, effective with the next payment.

Brookfield Infrastructure Partners LP (TSX: BIP.UN, NYSE: BIP). This limited partnership invests in infrastructure projects around the world. It has been the best performer in the portfolio for some time and gained \$13.27 in the latest period. We received two distributions totaling US\$1.005. The distribution will go up by 7% effective with the next payment.

Interest. We invested \$1,673.76 in a high interest savings account. We received \$23.43 for the period.

Here is how the RRSP Portfolio stood as of Feb. 19. Commissions have not been factored in and Canadian and U.S. currencies are treated at par for ease of tracking.

IBW RRSP Portfolio (a/o Feb. 19/20)

Security	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Income	Gain/Loss %
PMIF	7.2	200	\$19.83	\$3,966.00	\$20.20	\$4,040.00	\$293.80	+ 9.3
XBB	5.2	90	\$32.35	\$2,911.11	\$32.47	\$2,922.30	\$125.19	+ 4.7
XCB	3.9	100	\$21.04	\$2,104.00	\$22.12	\$2,212.00	\$63.60	+ 8.2
XHY	3.5	100	\$18.96	\$1,896.00	\$19.43	\$1,943.00	\$104.30	+ 8.0
CVD	3.3	100	\$18.16	\$1,816.00	\$18.57	\$1,857.00	\$83.30	+ 6.8
AGG	4.1	20	\$113.32	\$2,266.40	\$114.43	\$2,288.60	\$28.98	+ 2.3
RIT	5.3	150	\$17.30	\$2,595.00	\$20.06	\$3,009.00	\$121.50	+20.6
XMS	16.3	300	\$28.19	\$8,457.00	\$30.70	\$9,210.00	\$61.32	+ 9.6
ZLB	9.8	150	\$31.43	\$4,714.50	\$36.72	\$5,508.00	\$126.00	+19.5
ZLD	4.8	100	\$24.04	\$2,404.00	\$26.75	\$2,675.00	\$56.00	+13.6
BEP.UN	16.1	120	\$30.62	\$3,673.82	\$75.65	\$9,078.00	\$191.90	+153.2
BIP.UN	19.7	150	\$23.05	\$3,457.65	\$73.91	\$11,086.50	\$728.15	+241.7
Cash	0.8			\$421.02		\$444.45		
Totals	100.0			\$40,682.50		\$56,273.85	\$1,984.04	+43.2
Inception				\$25,031.92				+132.7

Comments: For the second six-month period in a row, every security in the portfolio showed a profit. The two Brookfield partnerships were the driving forces, with their unit prices jumping on announcements that both will

create mirror-image Canadian corporations listed on the TSX, which will provide tax advantages to Canadians investing in non-registered accounts.

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RRSP – continued from page 2...

But while they were the main engines, the supporting cast held up well, pushing the portfolio to a six-month gain of 15.2%.

In the eight years since this portfolio was launched, the average annual gain is 11.14%. That continues to be well ahead of our target, which is to outperform GICs.

Changes: Why mess with success? Because the portfolio is becoming over-weighted to the two Brookfield partnerships, that’s why. They have been terrific investments for us, but together the now account for 35.8% of the total assets. That makes me uncomfortable. So, we will sell 20 units of BEP.UN for a total price of \$1,513. That will reduce our position to 100 units.

We will also sell 30 units of BIP.UN for \$2,217.30, leaving us with 120 units.

That gives us \$3,730.30 to re-invest. We will use the money to buy 60 shares of BCE at \$65.07, for a total cost of \$3,904.20. We will use \$173.90 from cash to make up the difference.

We will also buy 10 more units of PMIF at \$20.20 for a cost of \$202. That will bring our total to 210 and reduce the retained earnings to \$91.80.

The new cash balance (including retained income) is \$2,052.59. We will invest this in a Renaissance High Interest Savings Account, which is RRSP eligible. The current rate is 1.6%.

Here is the revised portfolio. I’ll review it again in August.

IWB RRSP Portfolio (revised Feb. 19/20)

Security	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Income
PMIF	7.5	210	\$19.85	\$4,168.00	\$20.20	\$4,242.00	\$91.80
XBB	5.2	90	\$32.35	\$2,911.11	\$32.47	\$2,922.30	\$125.19
XCB	3.9	100	\$21.04	\$2,104.00	\$22.12	\$2,212.00	\$63.60
XHY	3.4	100	\$18.96	\$1,896.00	\$19.43	\$1,943.00	\$104.30
CVD	3.3	100	\$18.16	\$1,816.00	\$18.57	\$1,857.00	\$83.30
AGG	4.1	20	\$113.32	\$2,266.40	\$114.43	\$2,288.60	\$28.98
RIT	5.3	150	\$17.30	\$2,595.00	\$20.06	\$3,009.00	\$121.50
XMS	16.3	300	\$28.19	\$8,457.00	\$30.70	\$9,210.00	\$61.32
ZLB	9.8	150	\$31.43	\$4,714.50	\$36.72	\$5,508.00	\$126.00
ZLD	4.7	100	\$24.04	\$2,404.00	\$26.75	\$2,675.00	\$56.00
BEP.UN	13.4	100	\$30.62	\$3,062.00	\$75.65	\$7,565.00	\$191.90
BIP.UN	15.7	120	\$23.05	\$2,766.00	\$73.91	\$8,869.20	\$728.15
BCE	6.9	60	\$65.07	\$3,904.20	\$65.07	\$3,904.20	0
Cash	0.5			\$270.55		\$270.55	
Totals	100.0			\$43,334.76		\$56,475.85	\$1,782.04
Inception				\$25,031.92			

VIRUS NEWS MORE WORRISOME

By Gordon Pape

The SARS outbreak in 2003 cost the global economy an estimated \$40 billion.

The Covid-19 virus could inflict a lot more economic damage than that. At this point, no one knows how much.

It’s already killed more people than SARS and there is no sign it’s slowing down.

Last week, Kristalina Georgieva, the new head of the International Monetary Fund, called the virus “the most pressing uncertainty” for the already fragile global economy.

“It is a stark reminder of how a fragile recovery could be threatened by unforeseen events,” she said.

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Virus news – continued from page 3...

In the past 10 days, we've learned of a number of developments that underline the economic impact the spread of the virus is having. They include:

- A warning from Apple that it will fall short of its revenue estimates for the current quarter because of the effect of the outbreak on both production and sales in China.
- Japan said its economy risks slipping into recession because of the impact the virus is having on production and tourism.
- Apparel manufacturers Nike, Under Armour, Puma, and Adidas expect big drops in sales growth because of widespread store closures in China.
- Car sales in China fell off a cliff, dropping 92% in February.
- Alibaba CEO Daniel Zhang said the coronavirus will have a "significant impact" on the company.
- Airlines are facing a significant drop in revenue and profits as flights to China are cancelled.

- The Wall Street Journal reported Norwegian Cruise Lines cancelled all Asian trips until the end of September. Royal Caribbean Cruises said the outbreak will cut US\$0.65 off its earnings per share this year.

And all this is just the tip of the iceberg.

So far, North American stock markets have tried to look beyond the outbreak, although some nervousness was starting to show up at the end of last week.

Meantime, we're seeing a surge in the price of gold, always considered a safe haven during times of crisis. As of Friday afternoon, the precious metal was trading at about US\$1,645. That's its highest level since early 2013.

Unless a miracle happens, it appears the economic impact of the virus is going to worsen before things start to improve. No one knows how long that will be, but central banks are watching the situation closely and some, China in particular, have already moved to apply financial stimulus. If the situation worsens, expect more rate cuts and monetary easing.

Readers should review their portfolios and ensure they are properly positioned for a market correction. It may not be severe – so far U.S. investors seem remarkably sanguine. But at this stage nothing should be taken for granted.

RYAN IRVINE REVIEWS THREE PICKS

Contributing editor Ryan Irvine joins us this week with updates on three of his picks. Ryan is the CEO of KeyStone Financial (www.KeyStocks.com) and is one of the country's top experts in small-cap stocks. He is based in the Vancouver area. Here is his report.

Ryan Irvine writes:

This month we update two cash-rich, dividend paying Canadian small-cap stocks and provide a quick update on our most recent IWB recommendation – a profitable, dividend-paying alternative energy stock that has already jumped 40% in 2020!

Let's get right to it.

Sylogist Ltd. (TSX-V: SYZ, OTC: SYZLF)

Originally recommended Sept. 18/17 (#21734) at C\$8.83, US\$6.90. Closed Friday at C\$9.58, US\$7.01.

Background: Sylogist is a technology innovation company which, through strategic acquisitions, investments, and operations management, provides intellectual property solutions to a wide range of public sector customers.

The company publishes mission-critical software products that satisfy the unique and sophisticated functionality requirements of public sector entities, non-profit organizations, educational institutions, government agencies as well as public compliance driven and funded businesses. Sylogist delivers highly scalable, multi-language, multi-currency software solutions, which serve the needs of an international clientele.

Sylogist currently has over 1,000 customers worldwide that range in size and operational complexity. The vast

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majority are located in the USA and Canada. Most of Sylogist's customers are on annual contracts, which automatically renew. Given the nature of the company's product offering and the importance to its customers, the average customer life is more than 10 years. Some customers have been using the company's software for several decades. The historical customer retention rate is over 90%.

The company's software products, in addition to being an accounting foundation, allow customers to analyze their data to uncover trends, identify causes, measure the information's significance to their organization, and make timely decisions that improve their operations. Sylogist's experienced services team supports the deployment of its infrastructures to new and existing customers to aid them in fully leveraging the benefits of the company's infrastructure and to gain significant efficiencies.

Performance: After hitting a high of \$14.76 in November 2017, the stock has been in a lengthy slide.

Recent developments: The company recently released its results for the first quarter of fiscal 2020 (to Dec. 31). Here are the highlights.

- Core recurring revenue increased 6% to \$6.9 million or 78% of total revenue.
- Total revenues were lower at \$8.8 million, compared to \$9.4 million the year before.
- Gross profit margin was 77%, up from 76% in the first quarter of fiscal 2019.
- Restructured executive compensation with one-time payout, gave rise to a loss before income tax of \$8.6 million (-\$0.27 per diluted share), compared to earnings of \$0.12 per share last year.
- Adjusted EBITDA rose 16% to \$5.2 million (\$0.22 per share), compared to \$4.5 million (\$0.20 per share) in the same period last year.
- Adjusted EBITDA margin was 59%, compared to 48% in the first quarter of 2019.
- Adjusted working capital was \$40.8 million (\$1.71 per share), compared to \$1.45 per share last year, an increase of 18%.

Conclusion: As we expected heading into 2019 absent an acquisition, Sylogist took a step back in terms of revenue growth (-1.5%) versus the 16% topline growth posted in 2018. The company did make further efficiency gains, reducing its employee base by 20%, while simultaneously improving operating margins. This allowed the company to post increased adjusted EBITDA of 4% for the year and 31% in the fourth quarter. The

adjusted EBITDA gains continued into the latest quarter, with 16% growth.

Sylogist currently holds approximately \$41 million (\$1.74 per share) in cash, a figure which will grow through 2020. Management stated that the company continues to be a prudent custodian of shareholder capital and has resisted engaging in an acquisition trend of buying revenue that has little prospect of generating cash flow in the medium term, or at all, without significant follow-on investment. Growing revenue in the absence of tangible prospects of growing cash flow is not Sylogist's investment thesis. We would agree with the overall theme behind this sentiment.

Sylogist reported an 86% increase in acquisition related expenses to \$316,000 last year. The company's acquisition efforts did not yield results in fiscal 2019 despite making offers on several targeted opportunities. Coming out of the 2020 first quarter, Sylogist reported that it continues to be aggressive in pursuing acquisitions that meet its thesis. We note the company booked another \$176,000 in acquisition related costs in the quarter, showing the management is active in this area.

Whether the company makes an accretive acquisition, we do believe it will deploy the significant resources it has on hand to grow on a per share basis long term. In the interim, we note that key managers have been actively buying shares in Sylogist since the start of 2020, and the stock pays patient investors a 4.3% dividend to wait.

We do not see significant organic growth near term. But we note the solid increase in SaaS (software as a service) revenues in the fourth quarter and into the 2020 first quarter, the company's strong balance sheet, and continued dividend increases. We put a fair value assessment at \$12.75 on the stock, which is based on a justified price-to-2019 adjusted EBITDA of 15 plus \$1.75 per share in cash. This equates to a 35% increase from the current trading price.

Given management's lack of interaction with investors generally, the company does not check off all our boxes, but we continue to see value in the business as one of 15-25 stocks in a growth and dividend growth stock portfolio.

Action now: We maintain our rating at Buy. The shares are relatively illiquid, and we recommend investors use limit orders in the \$9.00-\$9.75 range.

Dynacor Gold Mines Inc. (TSX: DNG, OTC: DNGDF)

Originally recommended on Feb. 12/18 (#21807) at C\$1.93, US\$1.56. Closed Friday at C\$1.89, US\$1.40.

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Three picks – continued from page 5...

Background: Headquartered in Montreal, Dynacor's activities consist of the production of gold and silver from the processing of purchased ore and the exploration of its mining properties located in Peru.

The company purchases its ore from government registered producers in various regions of Peru and then processes it at its wholly owned milling facility to produce gold and silver, which is sold internationally at market prices. Dynacor also owns the rights on three mining properties, which are in the exploration stage. This includes its flagship exploration gold, copper, and silver prospect, the Tumipampa property. It does not have any properties in commercial production.

Performance: The shares dropped as low as \$1.50 in November but have recovered since as gold prices have risen.

Recent developments: Dynacor's third-quarter results showed total tonnes processed increased by 17% from 22,615 in 2018 to 26,421 in 2019. Gold production increased by 11% from 19,982 to 22,230 ounces. The variance is mainly due to lower grades of the ore processed compared to 2018.

This level of production represents approximately 50% of management's revised production guideline for the second half of 2019. For the first time, the company's production exceeded the daily available capacity of 300 tonnes per day (tpd), maintaining an average of 318 tpd in September. The company also increased its level of ore inventory to approximately 15 days of production at the end of September. Management's target was to continue increasing this level until the end of the year in order to mitigate the negative effects of the rainy season on the 2020 first-quarter supply.

Total sales were \$33.7 million compared to \$24.4 million in the same period of 2018, driven by a higher gold price as well as the increase in gold ounces sold.

The company reported quarterly income of \$2.3 million (\$0.06 per share) compared to \$0.7 million (\$0.02 per share) for the same period in 2018. Note that Dynacor reports in U.S. dollars.

The quarterly increase in net income compared to 2018 was driven by higher gross operating margin (\$2 million) but was partially offset by an increase in income taxes (-\$0.6 million).

During the quarter, the market price of gold averaged \$1,474/oz compared to \$1,213/oz in the same period of 2018. In 2019, prices increased by roughly 12%. As of Feb. 19, the price stood at \$1,614/oz, a five-year high. This increased gold price has contributed to strong

operational performance for the company, helping to increase the amount of ore that miners are producing for Dynacor to process. If the price of gold moves higher or remains in the current range, this trend should continue. The opposite is also true.

Near-term negative: On Dec. 27, Dynacor reported that the Peruvian customs authorities retained shipments (2,650 ounces from Dynacor) of December gold exports for control procedures. Authorities have retained exports and requested at least three gold exporting companies, including Dynacor, to submit supporting documents relating to their gold production.

Management expects the review to be favourable and its exports of gold to immediately resume upon clearance from the authorities. Notwithstanding the current situation, Dynacor has continued to operate normally; however, it doesn't anticipate generating any income from exports of gold in December.

Subsequently, management reported that as at the end of 2019, Dynacor had accumulated non-exported production of approximately 8,500 ounces, including the shipment of 2,650 ounces, which is still retained for control procedures by the Peruvian customs authorities. Exports resumed in January.

As a result, while production will be up, we expect fourth-quarter financial results to be significantly weaker as compared to 2018. Of the 24,352 ounces produced, only the 15,500 ounces produced in October and November were available for sale, as the roughly 8,500 ounces produced in December were not available to be exported. The costs associated with the production were incurred, but the associated revenues were not generated, which puts a significant drag on profitability in the quarter.

The first quarter of 2020, typically the slowest season of the year (rainy season) will be the benefactor as roughly 5,850 ounces produced in the fourth quarter will be pushed ahead. Additionally, the 2,650 ounces held by Peruvian customs authorities, assuming they are released, could also impact first quarter 2020 revenue, providing two significant one-time windfall cash flow events.

Conclusion: Uncertainty regarding the retained 2,650 ounces is clouding what would have been a record year in terms of profitability, dividend growth, and throughput at the company's Veta-Dorada plant in Peru. While grades have been lower year-over-year, Dynacor processed quarterly record volumes and completed its 34th consecutive quarter of profits, tripling its net income.

While we tread very lightly in commodity-based businesses, the stock appears to offer some speculative

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Three picks – continued from page 6...

value at present if the company operates to management's expectations going forward. It offers a unique exposure to gold without the typical significant deposit-specific risk seen with traditional junior gold producers. It is on the higher end of our risk scale, given its exposure to the price of gold.

Over the past 12 months, Dynacor's adjusted earnings were roughly US\$0.15 (C\$0.20) per share, giving it a trailing p/e in the discounted range of 8.8. This multiple has decreased due to increasing operational performance in the most recent quarter (exceeding management forecasts) coupled with a falling share price. The company's trailing EV/EBITDA is also low at a multiple of roughly 3.4.

If the company maintains current earnings levels and we apply what we believe to be a fair value of 11 times earnings as well as add back the \$0.41 per share the company has in net cash, we arrive at a fair value in the range of \$2.60. Valuation near term presents challenges, as the unexpected gold shipment delay and resulting one-time lack of sales will impact fourth-quarter results negatively. This should be a one-time event, producing a very strong subsequent quarter, but the market's reaction to the near-term uncertainty is typically difficult to judge.

We continue to commend management for the dividend implementation and creating value for shareholders, even while they await more economically favourable quarters. The company continues to be a solid income-producing investment with a strong balance sheet and good cash flow. It is well-positioned to take advantage of the gold price appreciation. Additionally, the company has initiated a share buy-back program, repurchasing 1.2 million common shares (approximately 3% of total shares outstanding). After increasing its quarterly dividend by 50% in November to C\$0.015 per share, the stock currently yields 3.5%.

While it is difficult to predict how the market will react to an unfortunately weak up-coming fourth quarter report, the Peruvian customs issue should be resolved positively.

Action now: With a strong balance sheet (C\$0.41 per share in cash), low valuations, and the potential for reasonable growth in 2020 if gold holds in this range or moves higher, Dynacor offers decent speculative value in 2020. As such, we reiterate our speculative Buy rating on the stock.

Polaris Infrastructure Inc. (TSX: PIF)

Originally recommended on Sept. 9/19 (#21932) at \$13.50. Closed Friday at \$16.67.

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 projects, also located in Peru.

Performance: Polaris jumped 40% to start 2020 and remains a solid growth pick in the alternative energy space.

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.

Relative to peers, the company trades at an attractive valuation multiple around six times cash flow, maintains a healthy balance sheet, and pays an attractive dividend (4.6%). Successful execution of its growth strategy will provide substantial upside potential to the stock price over the next 1 to 3 years.

Action now: With the recent jump in its share price, Polaris is flirting with our near-term fair value of \$17.65. Given the fact we see a step-up in terms of growth as the company's new projects come online in Peru in the second half of 2020 and the re-rating of alternative energy valuations, we maintain our long-term Buy on the stock.

GORDON PAPE'S UPDATES

Brookfield Asset Management (TSX: BAM.A, NYSE: BAM)

Originally recommended on April 6/97 (#9713) at C\$4.09 (split-adjusted). Closed Friday at C\$90.00, US\$68.08.

Background: Brookfield Asset Management has more than 100 years of history of owning and operating assets with a focus on real estate, renewable energy, infrastructure, and private equity. Total global assets under management are worth \$545 billion.

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Performance: The shares hit an all-time high of \$90.72 earlier this month before pulling back a few cents.

Recent developments: The company recently reported fourth-quarter and year-end results and they included some good news for investors, including a dividend increase and a stock split, even though profit was down.

Net income for the quarter was \$1.6 billion (\$0.74 per share), down from just over \$3 billion (\$1.87 per share) in the final quarter of 2018. For the full year, earnings were \$5.4 billion (\$2.60 per share) compared to \$7.5 billion (\$3.40 per share) in the prior year. Note that the company reports in U.S. currency.

Stock split: The company announced a 3 for 2 share split, which will take the form of a stock dividend. This means you'll receive one share of Brookfield stock for every two shares you own now. Brookfield said the move is being made "to ensure its shares remain accessible to individual shareholders and to improve the liquidity of the

shares". The split will take effect April 1 for shareholders of record on Feb. 28.

The stock dividend will not be taxable in either Canada or the U.S., although any cash received for fractional units will be.

This will be the fifth 3 for 2 stock split since we first recommended Brookfield back in 1997. If you had purchased 100 shares back then, you will have 759 shares once this split is completed.

Dividend: Brookfield is increasing its quarterly dividend by 12%, to US\$0.18 (US\$0.72 a year), effective with the March 31 payment. This is on a pre-split basis; the post-split rate will be US\$0.12 per share.

Outlook: This global conglomerate continues to impress with its management expertise and investing skills. This is one of the best performing stocks on our list.

Action now: Buy.

YOUR QUESTIONS

Start an RRSP at 70?

Q – I'm 70 years old and never had an RRSP. Is it advantageous or practical to contribute now? – L.M.

A – Maybe. It depends on how much you can contribute and your tax bracket.

Since you have never had an RRSP, you must have a lot of accumulated contribution room. If you are in a reasonably high tax bracket, you could generate a big refund for the 2019 tax year by opening an RRSP before the end of the month and contributing several thousand dollars to it. You will have to convert to a RRIF next year when you turn 71, but the money in the plan will be tax-sheltered until it's withdrawn.

If you're in a 40% tax bracket and have \$25,000 to contribute, that will give you a \$10,000 refund on your 2019 taxes. So yes, in this case it's worth the effort.

On the other hand, if you're in a low tax bracket and don't have a lot of money available, I would suggest contributing to a TFSA instead. There's no tax deduction, but the money will be tax-free when it is withdrawn. And there's no age limit. You can keep on contributing to a TFSA until you die. – G.P.

RRSP contribution

Q - I am 68 years old with \$44,000 of unused RRSP room. My taxable income is less than \$47,000 for this year. I believe that any taxable income is taxed at 15% plus provincial taxes. Would it be wise to use up this \$44,000 in unused RRSP contributions, thereby getting tax relief for the next three years and creating a larger RRSP to invest wisely with? By the way, subscribing to Internet Wealth Builder, The Income Investor, as well as ETF/Mutual Finds Update has made me a much better investor. For this I wish to sincerely thank you and your staff. – William H.

A – An RRSP contribution will certainly give you some tax relief, but perhaps not as much as you would expect. Your marginal tax rate in Ontario this year is 24.15%, but as soon as you deduct \$3,000 for an RRSP contribution it will drop to 20.05% according to EY's online tax calculator. Of course, any contributions and the profits made on them will be taxable when they are withdrawn. In your case that process will begin in four years, at age 72.

If that scenario works for you, go ahead. Alternatively, you may consider putting some of that money into a TFSA, presuming you have contribution room. There will be no tax deduction, but any withdrawals will be tax-free. - G.P.