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WHAT TO DO NOW?

By Gordon Pape, Editor and Publisher

Stock markets continue to flounder as investors try to figure out where we are going economically. Volatility still reigns, with indexes posting big gains one day and then turning upside down the next.

What should you do in these circumstances? Some people have succumbed to fear and put all their assets in cash. Others are looking at overhauling their portfolios but aren't sure where to start.

One reader wrote last week: "I have increased my cash position from roughly 15-20% to about 35%. Given the market losses in March and subsequent recovery, I was wondering whether this is a good time to re-balance the portfolio with increased weight on stocks (vs. fixed income) or vice versa. Or should I maintain a cautious position overall and wait for a potential re-testing of the market lows?"

Good question, but one with no easy answers. However, let's look at some possibilities.

Although stocks have rebounded from the March lows, they are still a long way from the February all-time highs and the rally is very uneven. I believe we will test new lows in the next few weeks as more people come to realize how long and difficult the recovery is going to be.

It's almost certain that the second quarter is going to be the worst we've seen since the Great Depression, both in terms of GDP losses and skyrocketing unemployment. As those numbers emerge, more investors are going to lose heart and sell, sending indexes plunging.

The only thing that could change that outlook is if the U.S. economy opens up sooner rather than later. President Trump is pushing for that to happen. The obvious danger is a second wave of the coronavirus, which could force another shutdown. That would completely destroy any investor confidence that remains.

So, to return to our reader's question. What should your portfolio look like right now? Here are my suggestions.

Cash. Our reader has about 35% in cash. That's a reasonable target at this point in time. Cash won't earn you much of a return, but the risk is low and it provides ammunition to buy good companies at bargain prices if, as I expect, the markets do test new lows.

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Fixed-income. Many people were shaken by the sudden, unexpected plunge in bond ETF prices in March. The underlying reason appears to have been a liquidity issue. ETFs trade on stock exchanges and can be bought or sold in a minute. The bonds that make up the underlying portfolio, and whose cumulative valuation forms the ETF's net asset value, trade much less frequently. The result was that the high volume of sales orders for the ETFs pushed down prices to well below their net asset value.

The U.S. Federal Reserve Board quickly stepped in with a Quantitative Easing plan that went beyond Treasuries to include corporate bonds and fixed-income ETFs holding investment grade securities. The Bank of Canada has also introducing Quantitative Easing for the first time and last week extended the plan to include provincial bonds and investment-grade corporate issues. Those actions have restored a degree of stability to the credit market and to the ETFs that invest in it.

But the March shock has raised questions about whether using ETFs to hold fixed-income securities is safe. Preferably, it's better to buy high-quality individual bonds directly, but the bond market is extremely opaque and only experienced traders should go that route.

The rest of us will have to rely on mutual funds or ETFs for our fixed-income allocation. To reduce the risk, zero in on ETFs that invest in government-issued debt. The iShares Canadian Government Bond Index ETF (TSX: XGB) is a good choice. It's up 3.5% year to date, as of the time of writing. For a U.S. position, look at the iShares U.S. Treasury Bonds ETF (NYSE: GOVT), which invests in a portfolio of U.S. Treasuries with maturities of between one and 30 years (the effective duration is 6.91 years). It is ahead 8.1% year to date.

I suggest a fixed-income position of 20-25%.

Equities. This is a time to be very selective in your stock choices. Do not buy the broad indexes. We are seeing the classic example of a stock pickers' market. Some companies continue to perform relatively well, while others have fallen off a cliff. If you buy the indexes, those losers will drag you down.

Your goal at this point should be to focus on quality stocks that are holding up well, pay a sustainable dividend, and will be around long after COVID-19 is defeated. I'll have some specific suggestions next week.

My suggested equity allocation is 30-40%.

Gold. The price of gold has eased recently after passing US$1,700. I believe it will go higher as Quantitative Easing (which simply means printing money) erodes the value of the U.S. dollar. Some, but not all, gold stocks have soared (Franco-Nevada was up almost 30% for the year as of the time of writing). The widely traded SPDR Gold Shares were ahead 13.3%. I suggest a weighting of 5-10% in gold stocks or ETFs.

That's how I would re-balance a portfolio at this point in time. But the situation is highly fluid so stay on top of events and be prepared to act quickly.

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HOSPITALS TURN TO ROBOTS FOR COVID HELP

Contributing editor Adam Mayers is here this week with some insights on how technology is being used in the fight against COVID-19. Adam is a former Business Editor and investing columnist at The Toronto Star. His website is adammayers.com. He lives in the Toronto area. Here is his report.

Adam Mayers writes:

As global healthcare systems look for ways to cope with the COVID-19 pandemic, one place they are turning for help is robots.

These robots are far simpler and infinitely more helpful than the machines that threaten us in science fiction movies. But their simplicity is their virtue. They perform repetitive tasks flawlessly and perfectly, cleaning a patient's room in 10 minutes. They can also gather basic information, reducing high-risk contact between medical staff and patients.

For investors, it's an area to watch. As the pandemic washes over us, the need to contain infection, safeguard doctors and nurses, and do more with less is acute. This is why many well-known public companies are exploring robot technologies. Though robots are in their early stages, as their use in medical situations spreads their

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costs will fall. As their costs fall, the rate of adoption will rise, leading to new, better, and cheaper machines.

At Italian hospitals in Lombardy, robots are taking patients' temperatures and recording pulse rates. They relay that information to a nursing station. In Italy and elsewhere, robots use cameras to move around rooms, using ultra violet light to clean. They are doing a better job of it than the traditional chemical cleaners.

In some Chinese cities, robots are using an infrared thermometer to take the temperature of children before they enter a school.

Robots also present a broader opportunity. Advanced economies are facing age-related trends, which means fewer people to care for an older demographic. By 2031, when all the baby boomers will have reached 65, seniors will represent almost 25% of the total population, Statistics Canada says.

During the 2015 Ebola outbreak, the White House Office of Science and Technology Policy identified three broad areas where robotics can make a difference in healthcare. One was telemedicine and decontamination, where we now are seeing big advances. Another was logistics, including the delivery of goods where companies like UPS, Google, and FedEx are involved. A third was monitoring compliance with voluntary quarantines.

Cleaning and disinfecting

Hospitals are germ incubators and it is challenge keeping them clean. The Canadian Patient Safety Institute (CPSI), a Health Canada agency, notes that 8,000 Canadians die every year from hospital-acquired infections. Another 220,000 are infected. That's under normal circumstances.

A Danish company called UVD Robots shipped 2,000 hospital disinfection robots to China in February for use in Wuhan. The robot uses a pulsed light beam and cameras to detect the distance between objects and so move around them. It bathes surfaces with UV light which kills the germs and can shine UV light into areas that would normally go untreated. One example is the space behind a toilet.

Texas-based Xenex Robots, founded by two Johns Hopkins-educated epidemiologists, has a similar system that costs US$125,000 per unit and is installed in more than 500 hospitals globally.

Orion Star, a subsidiary of Cheetah Mobile Inc. (NYSE: CMCM), one of China's large mobile internet companies, is selling robots that can go into homes in quarantine. Once inside a house it can take temperatures and pulses and transmit the information to doctors who use it to make a diagnosis and remotely deliver medicines. This technology is similar to the Italian robots, which have a touch-screen face that allows patients to relay messages. The Chinese school robots can detect temperature with 99% accuracy from up to 3.5 metres, away using infrared technology.

Monitoring public safety

A police robot is being been deployed in Tunisia's capital of Tunis, to ensure residents are observing a lockdown. As reported by BBC News, if the robots see people out walking they approach and with police connected via audio and video ask for ID and why they are out.

A Chinese robot has been working at highway toll gates to monitor mask use and body temperatures with infrared thermometers. It also has an audio/video link to police.

Logistics and delivering drugs and food

UPS (NYSE: UPS) has been testing unmanned robot drones for years. Its first efforts were delivering time-sensitive drugs in remote parts of Ghana and Rwanda which have patchy road and air links. Early last year, UPS began testing drone delivery of blood and tissue samples between hospitals in Raleigh, North Carolina. In the fall, it received wider approval for a drone airline. The certification lets UPS fly as many drones as it wants, day and night, with cargo that weighs more than 25 kg (55 lbs.)

UPS rival FedEx (NYSE: FDX) has joined Alphabet (NDQ: GOOGL) spinoff Wing Aviation in a partnership with the Walgreens Boots Alliance pharmacy chain (NYSE: WBA). In October, FedEx made a residential delivery to a home in Christiansburg, Virginia.

As a response to COVID, Wing has expanded the number of items it will deliver to include bread from a local bakery and hot drinks from a local coffee shop. The range of Walgreens products has increased to include such things as toilet paper, diapers, medicines, toothpaste, and baby food.

Wing is part of Alphabet's "Other Bets" portfolio and received approval last year for the delivery of small packages. That came after 70,000 test flights and 3,000 deliveries in Australia.

UPS has a similar partnership with CVS Health Corp. (NYSE: CVS). The first flight was a drone delivery to homes near a CVS store in Cary, North Carolina. The prescriptions were lowered via a cable to a customer with limited mobility. In March, UPS said it is working with German startup Wingcopter to develop an electric drone with a range of 120 km (75 miles) and with a maximum speed of 250 kmh (150 mph).

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These examples are the early days of this technology. For now, the direct investable options are limited. Horizon Funds launched a Robotics and Automation Index ETF (TSX: RBT) in 2017 which has not performed well. The units peaked at $26.55 in January 2018 and fell steadily thereafter. They are down 29% from that high in the $19 range at the time of writing.

Logistics companies like FedEx, UPS, and tech companies like Google, Amazon, and Apple are all on the IWB recommended list. They offer a less risky way to participate in the trend as the world gets back to work. Engineering companies like ABB Ltd., (NYSE: ABB), updated two weeks ago by Gordon Pape, also stand to gain.

ADAM MAYERS'S UPDATES

UPS (NYSE: UPS)

*Originally recommended on July15/2019 (#21026) at $101.16. Closed Friday at $102.76***.** *(All figures in U.S. dollars).*

Background: UPS is the world's largest package delivery company, with a market capitalization of $87.6 billion. Its operations include a cargo airline, freight-based trucking, and 5,000 franchised UPS stores. In 2019, it had net income of $4.4 billion and revenues of $74 billion.

Performance: The shares are up slightly since their recommendation but down about 12% year-to-date. Most of the damage was in early March.

Discussion & outlook: UPS notes on its website that it transports more than 3% of global GDP every day and about 6% of U.S. GDP. It is a dominant, deep-pocketed player with a strong business in a highly competitive field. It sees itself as a technology company and is moving into new areas, including drone delivery.

First-quarter results, to be released on Apr. 28, will give us an insight into how COVID has affected its business. In the meantime, areas such as healthcare logistics have held up. UPS is working with the U.S. government – and globally with other governments – to transport COVID testing kits, personal protection equipment, and medical devices needed in support of public safety.

Dividend: UPS has increased its dividend every year since 2010. The latest was a 6% increase in December, effective with the March payment. The $4.04 annual dividend yields 3.93% and would appear safe.

Action now: Buy.

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

Originally recommended on June 10/19 (#21922) at $232. Closed Friday at $260.38. (All figures in U.S. dollars.)

Background: This ETF **is** focused on U.S. manufacturers in the medical device sector, many of whom are involved in manufacturing medical and surgical robots.

Performance: The ETF is up 12.2% since being recommended last year. It is up 22% since April 1, as the market has rebounded. It outperformed the broader market in line with the healthcare sector in general.

Portfolio: The ETF was launched in 2006 and has $4.6 billion in assets. It holds 56 stocks, but five holdings account for about half of its value.

The companies in this ETF are the biggest and most financially stable in the sector, with strong businesses that are diversified by geography and product line. Many have turned their resources over to the COVID fight.

The biggest is Abbott Labs (14%), which sells a range of generic drugs as well as medical devices, diagnostic tools, and nutrition products. Abbot has adapted a toaster-sized machine normally used to detect strep throat to test for COVID-19. It is apparently the fastest available, with positive results showing up within five minutes and negative results within 13 minutes.

Medtronic is the second largest holding (12%). It's a leader in surgical robots and is working with the U.S. government to ramp up ventilator production. By the end of June, it expects to make 1,000 ventilators a week.

The number three holding is ThermoFisher Scientific (12%), which is producing 100,000 COVID testing kits a day. Number four Danaher Corp. (5.5%) has received approval for a quick COVID test.

Key metrics: The ETF has a management fee of 0.43% and a modest trailing 12-month dividend yield of 0.4% Any distributions would be subject to U.S. withholding tax.

Outlook: These companies have enjoyed a strong rebound and are well positioned for gains in a post COVID world. But their customers may scale back purchases in the short term as they cope with the COVID fallout.

Action now: Hold.

TWO REIT WINNERS

Real Estate Investments Trusts (REITS) have been hard hit by the COVID-19 fallout, especially those that own shopping centres, office space, and commercial buildings.

Malls and stores are closed and offices empty as employees work from home. Many tenants aren't paying their rent. Investors also wonder whether the work-at-home trend will continue post-COVID.

Two types of REITs have bucked the trend because the pandemic has created more demand for their customers' services. One type houses data centres used by the likes of IBM and Google. The other is in healthcare sector, renting space for biotech research and biopharma and drug development.

Here are updates on two companies in these areas that were recommended last fall.

Digital Realty Trust Inc. (NYSE: DLR)

Originally recommended on Sept. 30/19 (#21935) at $128.89. Closed Friday at $149.20. (All figures in U.S. dollars.)

Background: Digital Realty is a giant in the data centre world with 210+ properties in 14 countries on five continents. The U.S. and U.K. are its top regions, but it has two Toronto area facilities in Markham and Vaughan.

Digital Realty has a market capitalization of $36.4 billion and about 21% of the global market share for data centres. The facilities are temperature-controlled with secure internet connections and high levels of data security. They capture the evolution of cloud computing and boast such clients such as IBM, Microsoft, Apple, Google, and Oracle.

Performance: Digital Realty's shares are up 15.8% since being recommended in September and 24.6% year-to-date. The company reported 2019 revenues of $3.2 billion with a net income of $579 million. It reports first-quarter 2020 results on Apr. 23.

Dividend: Digital Realty has raised its dividend in each of the past 15 years. Its latest increase was in March. The annual rate of $4.48 yields 3% at current prices.

Tax implications: Distributions received in a non-registered account or a Tax-Free Savings Account will be subject to a 15% withholding tax.

Recent developments & outlook: In March, Digital completed its acquisition of the Netherlands-based InterXion, which has 53 data centres in 11 European countries. The $8.4 billion purchase makes Digital the second largest European data provider.

Action now: Buy.

Alexandria Real Estate Equities Inc. (NYSE: ARE)

Originally recommended on Sept. 30/19 (#21935) at $153.10 Closed Friday at $155.31. (All figures in U.S. dollars.)

Background: Alexandria rents labs and offices to life science and technology companies. All its properties are in the U.S. with most clustered around universities. Tenants include Pfizer, Google, and Eli Lilly. About 36% of rental revenue is in the Boston area, 25% in San Francisco, and 16% in San Diego.

Performance: The shares are hit a high of $175 in early February, fell sharply in March, and have since recovered. The current price is slightly higher than the recommended price.

Recent developments: In February, Alexandria reported 2019 full year revenues of $1.5 billion, up 15% year-over-year. Free funds from operations were $783 million, 14.8% higher year-over-year. Current market capitalization is $18.6 billion.

Dividend: Alexandria increased its dividend by 3% with the December payment. The $4.12 annual payments yield 2.65% at current prices. Between 2010 and 2019, Alexandria increased its dividend 18 times, for an average of just under two per year.

Recent developments & outlook: The search for a COVID cure and related research is likely to increase demand for Alexandria's facilities. Co-president Dean Shigenaga said as much in a recent conference call, where he said he expected Alexandria's facilities to remain full, with demand for more space. He noted that Alexandria has a 10-year average occupancy rate of 96%. He said weighted-average lease term for its top 20 tenants is 11.6 years, providing a stable income stream going forward.

Action now: Buy

- end Adam Mayers

GORDON PAPE'S UPDATES

United Health Group Inc. (NYSE: UNH)

Originally recommended by Tom Slee on March 2/14 (#21409) at $76.01. Closed Friday at $290.56. (All currency figures in U.S. dollars.)

Background: UnitedHealth Group is the largest healthcare company in the world. It is divided into two segments, with UnitedHealth providing insurance coverage while Optum provides information and technology-enabled health services.

Performance: The shares briefly dropped to below $200 in the March plunge but have surged back this month.

Recent developments: The company released first-quarter results that beat expectations and says that, so far, it has been minimally affected by COVID-19. Revenue was up $4.1 billion over the same period last year, to $64.4 billion.

Net earnings were $3.52 per share and adjusted net earnings were $3.72. The company maintained its full year earnings per share outlook, forecasting net earnings of $15.45 to $15.75 per share and adjusted net earnings of $16.25 to $16.55. Management said it will continue to monitor the effect of COVID-19 across its business operations as the year progresses.

Dividend: The shares pay a quarterly dividend of $1.08 ($4.32 per year) to yield 1.5% at the current price. The dividend appears to be safe.

Outlook: The company's decision to maintain its profit outlook indicates management and the board do not feel that COVID-19 will have a serious impact on its operations. This is a company you should feel comfortable about holding in your portfolio. RBC Capital Markets has a target of $341 on this stock.

Action now: Buy.

J.B. Hunt Transport (NDQ: JBHT)

Originally recommended by Gordon Pape on April 6/20 (#22014) at $89.76. Closed Friday at $107.58. (All currency figures in U.S. dollars.)

Background: This company is in the freight transportation business, providing truckload, intermodal, and contract carriage facilities to customers across a diverse set of industries in the U.S., Canada, and Mexico. It has been in business almost 40 years and publicly traded since 1983. It specializes in handling imports through its "shore to door" service. Major customers include the Burlington Northern and Norfolk Southern railways.

Performance: The stock has been moving higher since I reinstated it as a Buy in early April.

Recent developments: As with UnitedHealth Group, first-quarter results came in ahead of expectations, although they were down marginally from the first quarter of 2019.

The company reported net earnings of $104.8 million ($0.98 per share, fully diluted) compared to last year's $119.6 million ($1.09 per share).

Operating income for the current quarter totaled $154.7 million versus $167.8 million for the same period a year ago. That included a $12.3 million charge for a one-time bonus to employee drivers and certain personnel at field operations and customer facilities, who "have kept the country's freight moving during the COVID-19 pandemic".

Dividend and buybacks: The company raised its quarterly dividend by two cents a share in February, to $0.27 ($1.08 annually), to yield 1% at the current price.

The company continues to buy back its stock, purchasing 798,000 shares for approximately $75 million in the quarter. As of the end of March, the company had $520 million remaining under its share repurchase authorization. I would be surprised if that allocation is used.

Outlook: Trucking is an essential service and one of the few businesses that is thriving in this environment.

Action now: Buy.

Gilead Sciences (NDQ: GILD)

Originally recommended on March 2/20 (#22009) at $69.36. Closed Friday at $83.99. (All figures in U.S. dollars.)

Background: Gilead is an American biotechnology company that researches, develops and commercializes drugs. The company focuses primarily on antiviral drugs used in the treatment of HIV, hepatitis B, hepatitis C, and influenza.

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Gordon Pape's updates – continued from page 6…

Performance: The stock took a big jump last week on a report of a successful clinical trial of an experimental drug.

Recent developments: A report in the medical journal STAT claimed that Gilead's drug remdesivir was effective in treating severely ill COVID-19 patients at the University of Chicago hospital. The drug was originally developed to combat Ebola and has not been authorized by the U.S. Food and Drug Administration.

The report of the successful test was released without authorization and Gilead was cautious about drawing any conclusions. The company did not issue a press release on the trial and told Reuters in an email that "the totality of the data needs to be analyzed in order to draw any conclusions."

Earlier, Gilead reported results from a clinical trial of 53 severely ill patients which found that 68% showed improvement when treated with the drug. The results were reported in The New England Journal of Medicine.

Outlook: It's too early to conclude that remdesivir will be an effective treatment for COVID-19 but these early results are encouraging, which is why the stock jumped.

Action now: Hold. We've seen a big price move since Gilead was recommended in March. The shares will probably pull back if we see several days with no news or, worse, negative news. Gilead is a solid company but right now investors are focused on one experimental aspect of its business.

PAUL BAMFORD'S UPDATES

Bombardier Series 4 Preferred Shares (TSX: BBD.PR.C)

Originally recommended by Tom Slee on March 8/04 (#2410) at $25.01. Closed Friday at $7.34.

Background: These are convertible preferreds that the company can exchange for common stock at any time.

Outlook: A conversion scenario now looks more plausible.

Bombardier has put a floor under the conversion price. That floor is $2, not $0.43, the recent trading price of the common shares. This means that, if the shares are converted at $7, the investor would receive only $7/$2 = 3.5 common shares. And the investor's holdings would then be valued at only 3.5 x $0.43 cents = $1.50. That would be a 78% decline overnight.

The advantage to Bombardier for converting is that it must pay dividends on the preferred, whereas there is no dividend on the common stock.

The company needs to preserve as much cash as possible these days (as evidenced by the plunge in the share price). That does not bode well for its underlying business, or the price of its common.

Action now: Sell.

RYAN IRVINE'S UPDATES

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

Originally recommended on Aug. 29/10 (#20131) at C$5.50, US$5.20. Closed Friday at C$181.84, US$127.02.

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.

Performance: The market crash hit this stock hard. The shares fell all the way from $231.52 to $125 in just a few days, although they have rallied since.

Recent developments: BYD recently reported fourth-quarter 2019 adjusted EBITDA of $84.1 million, 8% above consensus, reflecting better-than-expected sales from recently acquired locations. Adjusted EPS was $1.20, in line with consensus. However, in the near term these record numbers are of little consequence.

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Ryan Irvine's updates – continued from page 7…

On March 27, BYD reported that its business has been identified by the Cybersecurity and Infrastructure Security Agency in the United States as essential critical infrastructure. It is also on Ontario's list of Essential Workplaces.

To continue to offer the quality service customers, insurance clients, and government authorities are expecting from the company during this period of uncertainty, all locations remain open at this time; however, certain locations may be closed in the future to comply with local mandatory government orders or to address decreased customer demand.

While the first quarter of 2020 started well, since the company's March 18 news release BYD has experienced significant COVID-19 related reductions in demand and now estimates demand to be down in the range of 40% to 50% from normal levels. While management cannot yet draw conclusions about the duration of this lower demand, the company is responding by immediately beginning to implement temporary staffing reductions, which will take place over the next few weeks. To the extent that demand changes, either positively or negatively, staffing levels will be adjusted accordingly.

Outlook: We consider BYD to be at the higher end of the leverage spectrum. Net debt equal to nearly $900 million (28% of market cap) is not significant for a recession-resilient business like Boyd in almost any condition, except one where North America is on lock-down and driving drops by 50%+, as we are witnessing in the current crisis.

The company has a net debt-to-operating cash flow ratio of 3.4 meaning that at trailing cash flow levels, it would take the company 3.4 years to pay off its debt. In normal circumstances, this is not a problem, but in the near-term cash flow will be impaired.

BYD's strong client relationships, variable cost structure, and conservative financial strategy have positioned the company with financial flexibility. As many other companies have done, and out of an abundance of caution, BYD has fully drawn on available financing facilities, other than swing lines of US$40 million and an accordion feature of US$275 million. This provides significant available cash liquidity of approximately C$575 million.

In the long term BYD will continue to pursue accretive growth through a combination of organic growth as well as acquisitions and new store development. But the immediate focus is on preserving financial flexibility. Therefore, BYD will pause on closing and funding acquisitions and all non-essential capital expenditures near-term. These, and other measures already taken or available, position the company well to weather the uncertain impact of the economic fall-out of COVID-19.

Action now: The unprecedented circumstances make us cautious on what has been an excellent company to own long-term. BYD should be well positioned to purchase distressed shops coming out of this crisis. We will be monitoring the movement to shift the workplace online as a potential threat but see the company as a cautious long-term opportunity. Hold in the near-term and Buy (quarter position) for investors looking 2-5 years forward. The near-term results will be challenged.

Polaris Infrastructure Inc. (TSX: PIF)

Originally recommended on Sept. 9/19 (#21932) at $13.50. Closed Friday at $12.68.

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: The stock hit a high of $17.45 in February, just before the market crashed. It then dropped as low as $8.59 before rallying back.

Outlook: We view PIF as reasonably well positioned in the current environment (but reiterate our previous assessment of it as being a higher-risk stock).

PIF generates all its cash flow under a long-term contract. This has historically provided high stability and predictability of cash flow. The company also has a healthy balance sheet with reasonable debt ratios and $32 million in cash. The dividend payments are also well covered by current cash flow.

The main risk is that PIF generates over 90% of its cash flow from a single project in Nicaragua. The company recently commenced operations of two new projects in Peru, but that country has virtually shut down due to the crisis and it's uncertain at this time how this will impact these new projects.

Medium to long term, the regions in which PIF operates will continue to need electricity and PIF may have the opportunity to deploy some of its cash into a new acquisition while asset prices remain depressed.

Action now: We maintain our rating of speculative Buy.