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Internet WEALTH builder

GROWTH PORTFOLIO CONTINUES RISE

By Gordon Pape, Editor and Publisher

We created the IWB Growth Portfolio in August 2012 with an initial value of $10,000. After eight and a half years, we're showing an average annual compound rate of return of almost 28%.

That's far better than we ever imagined when the portfolio was created (we were looking for about 12%). But always remember, this is a high-risk approach to investing. It is 100% exposed to the stock market, with a focus on momentum plays. So, it should only be used by readers with higher risk tolerance.

Here are the stocks that make up the current portfolio, with an update on how they have performed since our last review in late August. Prices are as of the afternoon of Feb. 17.

Continued on next page...

IN THIS ISSUE

Next issue:
March 1, 2021

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IWB GROWTH MODEL PORTFOLIO HOLDINGS

Waste Connections (NYSE: WCN). The stock traded as high as US$111.04 in November but has since retreated. Because of timing we received just one dividend, of US$0.205 per share.

Alimentation Couche-Tard (TSX: ATD.B, OTC: ANCUF). This stock has been a big winner for us, but it slipped badly in the latest six-month period, losing $5.64 per share. The shares went into a dive after the French government derailed a $20 billion bid by Couche-Tard to take over grocery giant Carrefour. At present, there is no other likely takeover target in sight, and this is a company that grows by acquisition.

WSP Global Inc. (TSX: WSP, OTC: WSPOF). This international engineering and technology firm is one of the companies that could benefit from a U.S. infrastructure stimulus plan. The stock is up $27.90 since the last review. It hit an all-time high in January. We received two dividends totaling $0.75 per share.

Shopify (TSX, NYSE: SHOP). Ottawa-based Shopify continues its amazing run, with the stock up $408.28 since the last review. The company has been one of the major beneficiaries of the growing trend to online shopping that has been fueled by the pandemic. The gain since we added the company to this portfolio is now 2,253%.

Pfizer (NYSE: PFE). We added this pharmaceutical giant to the portfolio a year ago, based on its strong position in the race for a coronavirus vaccine. The premise turned out to be correct, in the sense that Pfizer and its German partner BioNTech were the first to have their vaccine approved in North America. But the billions of dollars in orders the companies have received have done nothing to boost Pfizer's share price, presumably because the vaccine is being made available at cost or close to it. The shares are down $3.11 since the last review.

Amazon.com (NDQ: AMZN). Amazon paused in its upward march as the shares pulled back by $125.51 in the latest six-month period. I suspect the retreat is only temporary, however. Market dynamics are working in the company's favour.

Apple Inc. (NDQ: AAPL). Apple shares split 4 for 1 shortly after our last review. That means we now own 80 shares of this high-tech giant. The stock has not shown much movement recently as the market consolidates but Apple still remains a long-term growth opportunity. We received two dividends of US$0.205 each.

Costco (NDQ: COST). We added Costco to the portfolio at the time of our last review in August. The shares are up more than US$13 since, plus we received a special dividend of US$10 per share in December.

United Parcel Service (NYSE: UPS). This is the world's largest package delivery company and is on the leading edge of new delivery technologies, especially in the healthcare sector. We added it to the portfolio in September 2019 at US$118.85 The stock did well over the summer but has stalled since the last review, with a gain of just US$2.20. We received one quarterly dividend of US$1.01.

Cash. We received interest of $16.18 on our cash holdings at Motive Financial.

Continued on next page...

YOUR QUESTIONS

Green ETF

Q – Can you recommend a green ETF? I currently hold Greenlane Renewables (TSX-V: GRN) which has done well but has a narrow focus. I am looking for an ETF that cuts across many forms of renewable technology. – Pierre G.

A – Most green ETFs focus on energy. In the past couple of years, we've seen some new Canadian entries with a much broader mandate, especially from Blackrock Canada, but these haven't been around long enough to establish a meaningful track record.

Perhaps the oldest sustainable ETF in Canada is the iShares Jantzy Social Index ETF (TSX: XEN). But many green investors don't like it because it owns positions in several major fossil fuels companies, including Canadian Natural Resources and Suncor. Plus, its returns are unimpressive. It lost 1.2% over the year to Jan. 31 and has an average annual compound rate of return of less than 4% since it was launched in 2007. I suggest a better choice is the awkwardly named iShares MSCI KLD 400 Social ETF (NYSE: DSI). It holds a broad portfolio of ESG stocks and has performed well, with a 10-year average annual compound rate of return of 13.2% to the end of January.

Continued on page 14…

IWB Growth Portfolio (a/o Feb. 17/21)

Here is how the portfolio stood as of the afternoon of Feb. 17. Commissions are not considered. The U.S. and Canadian dollars are treated as being at par but obviously gains (or losses) on the American securities are increased due to the exchange rate differential.

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Dividends Retained	Gain/ Loss %
WCN-N	5.6	45	$84.48	$3,801.60	$98.06	$4,412.70	$56.92	+17.6
ATD.B	7.0	140	$8.32	$1,164.10	$38.98	$5,457.20	$178.03	+384.1
WSP	13.4	90	$27.00	$2,430.29	$116.26	$10,463.40	$129.11	+335.9
SHOP-T	23.6	10	$78.71	$787.10	$1,849.09	$18,490.90	0	+2,253.1
PFE	8.0	180	$35.38	$6,368.40	$34.94	$6,289.20	$271.80	+ 3.0
AMZN	8.5	2	$2,042,76	$4,085.52	$3,316.34	$6,632.68	0	+62.3
AAPL	13.3	80	$30.43	$2,434.07	$130.38	$10,430.40	$302.44	+340.9
COST	9.1	20	$344.27	$6,885.40	$357.40	$7,148.00	$228.00	+ 7.1
UPS	10.2	50	$118.45	$5,922.50	$161.10	$8,055.00	$250.00	+40.2
Cash	1.3			$977.66		$993.84		
Total	100.0			$34,856.64		$78,373.32	$1,416.30	+117.4
Inception				$10,000.00				+697.9

Comments: After a huge gain last summer/fall, the portfolio returned to a more normal performance, adding 8.1% in the latest review period. We had disappointing results from Waste Connections, Pfizer, and Alimentation Couche-Tard but those were more than offset by huge contributions from Shopify and WSP Global.

The total gain over eight and a half years stands at 697.9%. That's an average annual compound growth rate of 27.68%. That's well ahead of our target.

Changes: We will sell our position in Pfizer. If the stock didn't get a boost from its impressive vaccine roll-out, nothing is ever going to budge it. With retained dividends, we have $6,561 to invest.

We will also sell Waste Connections. It's a sound company but not really a high-growth story anymore. That adds another $4,469.62, for a total of $11,030.62 to reinvest.

We will put that money into the shares of a disruptive technology ETF, which has been doing very well. It's the ARK Innovation ETF (NYSE: ARKK), managed by Catherine Wood who has become one of the brightest new stars on Wall Street. The fund invests in companies that are

Continued on page 5...

Growth portfolio—continued from page 4...

involved in the development of new products or services, technological improvements, and advancements in scientific research. Special focus is placed on DNA technologies, industrial innovation in energy, automation and manufacturing, the next generation of internet technologies, and systems that make financial services more efficient. Top holdings in the portfolio include names like Tesla, Roku, Square Inc., Teledoc Health, and Zillow Group. This is high-risk/high-reward territory but that's what the Growth Portfolio is all about.

This ETF has a very impressive record. It gained 152.5% in 2020 and shows an average annual rate of return of 36.4% since its inception on Oct. 31, 2014.

The units were trading on Feb. 17 at US$151.93. We will buy 75 units for a total cost of US$11,394.75. We will take $364.13 from cash to make up the difference.

The rest of the portfolio remains the same.

After the ARKK purchase, our total cash is $1,717.29. We will keep the money at Motive Financial, which now pays 1.55% on its Savvy Savings Account.

IWB Growth Portfolio (a/o Feb. 17/21)

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

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Dividends Retained
ARKK	14.5	75	$151.93	$11,394.75	$151.93	$11,394.75	$0
ATD.B	6.9	140	$8.32	$1,164.10	$38.98	$5,457.20	$178.03
WSP	13.3	90	$27.00	$2,430.29	$116.26	$10,463.40	$129.11
SHOP-T	23.5	10	$78.71	$787.10	$1,849.09	$18,490.90	0
AMZN	8.4	2	$2,042,76	$4,085.52	$3,316.34	$6,632.68	0
AAPL	13.3	80	$30.43	$2,434.07	$130.38	$10,430.40	$302.44
COST	9.1	20	$344.27	$6,885.40	$357.40	$7,148.00	$228.00
UPS	10.2	50	$118.45	$5,922.50	$161.10	$8,055.00	$250.00
Cash	0.8			$629.71		$629.71	
Total	100.0			$35,733.44		$78,702.04	$1,087.58
Inception				$10,000.00			

A SPAC PRIMER

Associate Publisher Richard Croft joins us this week with some insights into a new investing phenomenon, SPACS, Richard has been in the investment business for more than 40 years and is the founder of R.N. Croft Financial Group. As a global portfolio manager and option specialist, his focus is helping investors clarify their goals and risk tolerances, leading to an appropriate risk-adjusted portfolio. He can be contacted at rcroft@croftgroup.com

SPAC is the acronym for "Special Purpose Acquisition Company." These are publicly traded entities that have no operations, no assets – other than a war chest of cash – and one stated business plan which is to eventually buy another company. Not much of an investment thesis when viewed in those terms.

SPACs are typically formed by a group of managers called sponsors. The sponsors generally have expertise in a particular industry or sector. They raise funds from other investors and use the money to acquire an existing, privately held company. Think of it as a high-stakes version of Shark Tank. Only in this game, the SPAC sharks are seeking out new ventures rather than new ventures seeking out the SPAC sharks.

The value proposition is that SPACs provide a platform where individual investors can play the role of the venture capitalist. They can ride the coattails of successful sponsors who make early-stage investments in private companies, nurturing them through puberty, and eventually providing an exit strategy with an initial public offering (IPO).

SPACs have captured nearly $2 trillion (figures in U.S. dollars) in new investments from retail and institutional investors (figures in U.S. dollars). Their popularity can be traced to name recognition of sponsors (e.g., entrepreneurs and hedge-fund managers like Bill Ackman), celebrity investors (Richard Branson, Michael Jordan), mutual fund companies like Fidelity and T. Rowe Price, and investment banks like Morgan Stanley, Credit Suisse, and Goldman Sachs.

In 2020, SPAC issuance intensified with 127 SPAC IPOs totaling nearly $385 billion. That was well above 2019 numbers, which included 59 issuances totaling $230.5 billion. Most likely the pandemic-induced stay-at-home investment crowd contributed to the 2020 surge of new SPAC IPOs.

Following the herd does not diminish their value as an investment and portfolio diversifier. Because SPACs focus on private equity investments, they are excellent diversifiers during periods of market turbulence. SPACs simply do better during market declines because

Continued on page 7...

SPAC—continued from page 6...

private equity investments are not subjected to daily mark to the market valuations.

For new businesses considering the IPO route, SPACs offer an interesting alternative. A typical IPO requires multi-page disclosures through a prospectus filing, numerous roadshows to showcase a company to prospective institutional investors, and setting a release date on which success or failure will partially hinge on whether stocks are up or down on that day.

SPACs streamline the process with a cash infusion from a single investor, mentorship, and simplified disclosure requirements. Rather than multiple legal parties negotiating with issuers and underwriters at the same time, the SPAC is usually the only party at the table with the issuer. Deals can move faster and more efficiently.

Investing in SPACs

Investing in a new SPAC can be difficult. Usually the major hedge funds, mutual funds, and other deep-pocketed institutional investors get first dibs at a new SPAC offering. That is not necessarily a bad thing. Early SPAC investors typically do not know how the sponsor will spend the money. In fact, many sponsors do not have a specific target in mind, which means that the initial investors are relying on the sponsors' reputation in the hope of snagging a good investment.

Some SPACs raise funds through their own IPO and as such are listed on a major exchange. That does not mean the listed SPACs have a target company in mind or are simply looking for potential deals, a process that can take as long as two years to consummate. If the SPAC cannot find a good deal, it is liquidated, and the money, presumably, is returned to the shareholders.

These risks are what make SPACs vulnerable and why investors should limit their portfolio exposure to 10% or less. The potential is that a SPAC will acquire a company with solid upside, take it public, and the SPACs share price will skyrocket. At this point, investors can cash out, or hold on for longer-term gains.

SPAC positives

Successful SPACs are excellent portfolio diversifiers. They play the role of private equity, which is how large pension funds diversify their holdings. They are relatively inexpensive in that they can generally be purchased for less than $50 per share.

SPACs invest in up-and-coming industries such as tech or consumer discretionary. Rather than taking a shot in the dark on a tech startup, which is not likely to be available, SPAC investors can access the sponsor’s expertise to get in on the ground floor.

Exchange traded SPACs can be purchased by individual investors. While it may be difficult to access a SPAC at the IPO price, investors can usually buy in the secondary market at a price close to the IPO offering.

SPAC negatives

When investing in a SPAC you are buyinginto a blind investment trust. Having

Continued on page 8...

SPAC—continued from page 7...

no idea who the target company is or whether one is even on the radar, makes any offering impossible to evaluate.

The period between your initial investment and the sponsors' deployment of capital to a target company can be long. Your initial investment could sit idle for up to two years in an escrow account. If there is no acquisition, your funds are returned, but idling capital for that long may be painful.

The historical performance of SPACs is mixed. A July 2020 study by Goldman Sachs analyzed performance of 56 SPACs – primarily in the technology, industrials, energy, and financial segments – that "merged" with their target companies beginning in January 2018.

During the one-to-three-month period following the acquisition, the average SPAC outperformed the S&P 500 by 1% and 11% respectively. Longer term – three, six, and twelve month intervals – the average SPAC underperformed the S&P 500. At best, this analysis is anecdotal given the disruptive biases related to the pandemic.

RICHARD CROFT'S SPAC RECOMMENDATIONS

I am recommending two SPAC investments, one issued by Pershing Square – Bill Ackman's company – and the other an exchange traded fund (ETF) that holds a basket of SPACs and participates in new IPOs. A secondary consideration is that both SPAC investments are listed on the New York Stock Exchange and both have a reasonably liquid options market to hedge bets while waiting for capital to be deployed.

Pershing Square Tontine Holdings

NYSE: PSTH *Closed Friday at $29.91*

Recommending a SPAC that has, at the time of writing, not brokered a deal and then to pay 50%+ premium over the initial US $20 per share IPO price seems a stretch. PSTH is sitting on a large horde of cash – hence the $20 per share NAV – but trades at a premium based on Bill Ackman's celebrity status and track record. The belief is that he will find a three or four bagger deal that will make the premium paid worthwhile.

The other side of this recommendation are the options that can be used to manage the cash flow on this investment. For example, the March 35 call options (option expires on March 19, 2021), were trading at $3.30 per share at the time of writing. This means you could buy PSTH at $30.20 and sell the March 35 calls at $3.30, which would reduce your cost for

Continued on 9...

PSTH—continued from page 8...

the initial investment to $26.90 ($30.20 less $3.30 = $26.90). If the SPAC finds a hot deal, it will likely rise sharply, which will mean you are capped on the upside at $35 per share. However, in that scenario, you would earn a six-week return of 30.1% ($35 strike price divided by $26.90 net investment, minus 1 = 30.11%)

Having options on the underlying SPAC helps manage through the negative impact of having idle cash inside the SPAC sitting in an escrow account.

Either buying PSTH outright and holding until a deal is consummated or buying shares and selling March 35 calls against all or part of the underlying position is a judgement call based on your unique circumstances. There is no bad decision.

Strategy 1 – PSTH Buy and Hold

Buy: Pershing Square Tontine Holdings (PSTH)

Strategy 2 – PSTH Covered Call

Buy: Pershing Square Tontine Holdings (PSTH) at $30.20

Sell: PSTH March 35 calls at $3.30

Trade Date:	16-Feb-21				Units	Price		Totals
Buy	Pershing Square Tontine Holdings				100	30.20		3,020.00
Sell	PSTH	March	35	calls	100	3.30	-	330.00

The Outcome as of	March 19, 2021	(Expiration Date)				
Share Price Above	$ 35.00	30.11%	*	349.68%	**
Share price unchanged	$ 30.20	12.27%	*	142.46%	**
Downside Break Even	$ 26.90			-10.93%	

* Actual Return over time period

** Annualized return

SPAC and New Issue ETF

NYSE: SPCX Closed Friday at $32.20

SPCX is the first actively managed SPAC ETF. SPCX provides investors with exposure to a broad portfolio of SPACs with the familiar attributes of an exchange traded fund's diversity, tax-efficiency, and liquidity.

SPCX also has options that can be used to manage cash flow. However, SPCX options are not as liquid as I would like and the premium one might get is far less than we see on individual SPACs. As such, the covered call strategy is not as effective when applied to SPCX.

Action now: Buy SPCX at $32.20 per share.

RICHARD CROFT'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

First Trust Dow Jones Internet Index Fund

NYSE: FDN *Originally recommended on July 30/18 (#21828) at $140.20. Closed Friday at $238.36. (All figures in U.S. dollars.)*

SELL HALF

Background: This is an ETF play on the FAANG stocks (Facebook, Apple, Amazon, Netflix and Google). Approximately 50% of FDN's portfolio is invested in these companies and they have been pandemic success stories.

Performance: These stocks have made serious gains during lockdowns, which is being reflected in the price. If you bought this on the original recommendation (July 2018) you have earned 74% on your capital.

Key metrics: The fund was launched in 2006 and today has assets under management of $11.4 billion. It has been an outstanding performer, with a 10-year average annual rate of return of more than 20%. It was up 49.5% in the latest 12-month period. Distributions are paid only twice a year and are minimal; this is purely a capital gain play. The management expense ratio is 0.52%.

Comments: I still like FDN but no one has ever entered a poor house by taking a profit. Depending on your circumstances I would suggest you sell half your position and hold the remainder to capture any further gains.

Action now: Sell half.

BMO Covered Call Canadian Banks ETF

TSX: ZWB *Originally recommended on Jan. 15/18 (#21803) at $19.76. Closed Friday at $18.45.*

HOLD

Background: This ETF invests in stocks of the six largest Canadian banks and writes covered call options to generate additional income on top of the dividend payments.

Performance: The units have steadily moved higher in recent months and are now back to about the same level as a year ago, just prior to the March crash.

Key metrics: The fund was launched in January 2011. The five-year average annual compound rate of return is 10.6% (to Jan. 31), but it has not done as well recently, with a one-year gain of only 2.9%.

Comments: We were early on this one as banks have lagged since the September 2018 initial recommendation. However, they have begun to catch fire in the last six months despite ultra-low interest rates, which negatively impacts the spread banks

Continued on page 11…

ZWB—continued from page 10...

earn on their loan portfolios.

Your funds have not been stagnant as ZEB pays a monthly dividend of $0.085 per unit, to yield 5.5%. More importantly, since the beginning of the pandemic, the Canadian government has not allowed Canadian banks to increase their dividends or initiate any stock buybacks. Because of that Canadian banks are awash in cash, with capital ratios more than twice normal levels. I suspect once the government loosens these restrictions, probably by the third quarter 2021, banks will substantially increase their dividends and will restart their stock buyback programs. That should provide some serious long overdue upside well into 2022.

Action now: Hold.

Global X US Infrastructure Development ETF

CBOE: PAVE *Originally recommended Feb. 17/20 (#22007) at $17.82. Closed Friday at $22.80. (All figures in U.S. dollars.)*

HOLD

Background: PAVE seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the U.S. Infrastructure Development Index. This index is designed to measure the performance of U.S. listed companies that provide exposure to domestic infrastructure development.

Performance: The units have been steadily moving higher since the crash of last March and are now trading near their all-time high. We are up almost 28% since the original recommendation.

Key metrics: This is a relatively new fund, having been launched in 2017, but it already has about $1.3 billion in assets under management. It is coming off a strong year, with a gain of 22.7% to the end of January. It's an equal-weighted fund, with 101 positions over a wide range of holdings. The MER is 0.47%. Distributions are paid semi-annually but are negligible.

Comments: PAVE is a play on the massive $1.7 trillion infrastructure bill that President Biden and the Democrats want to pass. It invests in companies that will benefit from infrastructure spending.

Action now: Hold.

iShares China Large Cap ETF NYSE: FXI

Originally recommended on Jan. 21/19 (#21903) at $41.37. Closed Friday at $53.61. (All figures in U.S. dollars.)

HOLD

Background: This ETF tracks the performance of the FTSE China 50 Index, which comprises the country's largest companies.

Performance: After falling to a low of $33.10 in March, the fund has rebounded strongly and is now trading at its highest level since the fall of 2007. It's up 29.6% since it was first recommended.

Key metrics: The ETF was launched in 2004. It now has $4.3 billion in assets under

Continued on page 13...

GORDON PAPE'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

TFI International Inc.

TSX: TSX, NYSE: TFII

Originally recommended by Tom Slee on June 11/12 (#21220) at C$17.49, US$17.06. Closed Friday at C$91.26, US$72.40.

HOLD

Background: This Montreal-based company is a North American leader in the transportation and logistics industry. It operates across Canada, the United States, and Mexico offering package and courier service, truckload and less than truckload haulage, logistics, and other services.

Performance: The shares have been moving steadily higher this month, first on news that the company is buying UPS Freight and last week on a strong earnings report.

Recent developments: The company released fourth-quarter and year-end results on Feb. 8. For the quarter, TFI reported revenue of just over $1.1 billion, up from $989 million in the same period of 2019. That's an increase of 13.4%. Note that the company has switched its reporting from Canadian to U.S. dollars. The company listed on the New York Stock Exchange last year.

Adjusted net income was $93.4 million ($0.98 per share, fully diluted) compared to $60.1 million ($0.72 a share) in the prior year.

For fiscal 2020, revenue was about $3.8 billion, down slightly from $3.9 billion in 2019. Adjusted net income was $299.8 million ($3.30 per share) compared to $253.6 million ($2.97 per share) in the prior year.

Net cash from continuing operations was $610.9 million during 2020 compared to $500.5 million in the prior year. The 22% increase was due to stronger operating performance, reduction of interest payments as a result of lower debt levels, and contributions from acquisitions.

Dividend and buybacks: In December, the board of directors approved a 14% increase in the quarterly dividend to C$0.29 per share (C$1.16 a year). The stock yields 1.3% at the current price. The company continues to buy back shares, spending $38 million on repurchases in 2020.

Outlook: Continues to be strong. The UPS deal has not closed yet and will be accretive to revenue and earnings when it does.

Action now: Hold. Buy on weakness.

BCE Inc.

TSX, NYSE: BCE

Originally recommended on Dec. 14/08 (#2844) at C$21.30, US$17.06. Closed Friday at C$55.00, US$43.54.

BUY

Background: BCE is Canada's largest communications company, providing a comprehensive suite of broadband, mobile, landline, and cable communication services to residential and business customers through Bell Canada and Bell Aliant. Bell Media is the company's multimedia arm, with assets in television, radio, and digital media. Television assets include the CTV television network and many of the country's most-watched specialty channels.

Performance: The shares have been stuck in a range of $54-$56 for the past six weeks.

Recent developments: BCE reported fourth quarter and year-end financial results this month, with small declines in both operating revenue and adjusted earnings.

For the quarter, operating revenue was $6.1 billion, down 2.8% from just under $6.3 billion in the same period last year. Full year results show operating revenue of $22.9 billion, down 3.8% from $23.8 billion in 2019.

Adjusted net earnings for the fourth quarter were $731 million ($0.81 per share), down 6.8% from $784 million ($0.86 per share) in the prior year. On a per share basis, the decline was 5.8%. For fiscal 2020, adjusted earnings were $2.7 billion ($3.02 per share) compared to $3.1 billion ($3.46 per share) in 2019.

The company projected revenue growth of 2-5% in 2021 and adjusted EPS growth of 1-6%.

Dividend: The company announced a 5.1% increase in its quarterly dividend to $0.875 per share ($3.50 per year), effective with the April payment. Based on that increase, the stock yields 6.4% at the current price.

Outlook: BCE appears on track to resume modest growth this year.

Action now: Buy for yield and modest long-term capital gains.

FXI—continued from page 11...

management, down from $4.6 billion in February. It has been very strong so far in 2021, up almost 14% for the year as of the time of writing. The MER is 0.74%.

Portfolio: The fund holds 50 stocks. The largest positions are in Meituan, Tencent Holdings, Alibaba, and JD.com.

Comments: China provides us with a glimpse of what re-opening and normalization will look like. The Chinese economy rebounded quickly from their pandemic induced coma and looks to grow in the middle single digits through 2021 with a further pickup in 2022. FXI plays into this story.

Action now: Hold.

TC Energy Inc.

TSX, NYSE: TRP

Originally recommended by Yola Edwards on April 23/06 (#2616) at C$34.07. Closed Friday at C$56.39, US$44.68.

BUY

Background: TC Energy is one of North America's major pipeline companies, with 92,600 km of natural gas pipelines and 4,900 km of oil pipelines. It also owns or has interests in 10 power generation facilities with combined capacity of approximately 6,000 megawatts.

Performance: The share price isn't moving much from a narrow band around the $55 mark.

Recent developments: The Calgary-based company reported fourth-quarter and year-end results that beat expectations. Comparable earnings for fourth quarter of fiscal 2020 were $1.1 billion ($1.15 per share), compared to $970 million ($1.03 per share) in 2019. For the full year, comparable earnings were $3.9 billion ($4.20 per share). Total earnings were the same as the prior year but earnings per share improved from $4.14 for 2019.

"Comparable earnings per share improved by 1.5% compared to what was a record 2019 while comparable funds generated from operations of $7.4 billion were 4% higher," said new CEO Francois Poirier. "The increases reflect the strong performance of our legacy assets and contributions from approximately $5.9 billion of growth projects that entered service in 2020."

The company warned that it will report a large non-cash charge in its 2021 first quarter relating to the cancellation of its Keystone XL project by President Biden on Jan. 20.

Dividend: TC Energy is raising its dividend by 7.4% to $0.87 per quarter ($3.48 per year). The increase bumps up the yield to 6.2%. It's the 21st consecutive year that the company has raised its dividend.

Outlook: The Keystone cancellation removes the biggest single project from the company's calendar and frees up cash for other growth opportunities down the road.

Action now: Buy for yield.

Q&A—continued from page 3...

This fund is about as far away from green energy ETFs as you're likely to find. Less than 2% of the portfolio is in energy stocks. About a third of the assets are in technology, with Microsoft, Facebook, and Alphabet the leading positions. You'll also get exposure to major companies like Visa, Tesla, Walt Disney, and Procter & Gamble. The MER is very low, at 0.25%. – G.P.