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RRSP SHAKE-UP

By Gordon Pape, Editor and Publisher

One of the greatest mistakes people make with their RRSPs is to make a contribution and then forget about it. Think of the money you put into your plan as a seed. It's not going to grow unless you provide the tender loving care needed to make that happen.

That means choosing appropriate investments and then reviewing the plan at least once every six months to ensure it's on track. If the investment climate changes, it may mean you have to pivot on some of your investments to keep pace.

The investment climate has in fact changed dramatically in the past six months. We've moved into a period of rapidly increasing inflation, with the probability of rising interest rates for the rest of 2022 and perhaps beyond.

That means we must make some changes in our model RRSP portfolio to adapt to the new situation.

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CELEBRATING 25 YEARS OF BUILDING WEALTH
25th ANNIVERSARY

RRSP—continued from page 1...

Our RRSP Portfolio, which marks its 10th anniversary this month, stood its ground in the latest six-month period, despite tumbling bond prices and weakness in the tech sector. But standing pat isn't our goal. We are aiming to build a large pool of capital to draw on in retirement. For some people, an RRSP will be the only pension plan they ever have.

This portfolio was launched in February 2012. It has 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.

Almost 30% of the portfolio is in bonds and cash. The balance is in growth-oriented assets that offer exposure to the Canadian, US, 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.

On the next page 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. 10.

Here is how the RRSP Portfolio stood as of Feb. 10. Commissions have not been factored in and Canadian and US currencies are treated at par for ease of tracking.

IWB RRSP Portfolio (a/o Feb. 10/22)

Security	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Income	Gain/ Loss %
PMIF	7.3	220	$19.87	$4,371.20	$19.47	$4,483.40	$82.08	+ 4/4
XBB	9.8	200	$33.04	$6,608.21	$30.24	$6,048.00	$409.18	- 2.4
XCB	3.4	100	$21.04	$2,104.00	$20.78	$2,078.00	$192.10	+ 7.9
CVD	3.2	110	$18.20	$2,002.50	$17.95	$1,974.50	$66.91	+ 1.9
AGG	3.6	20	$113.32	$2,266.40	$109.62	$2,192.40	$118.38	+ 2.0
HTA	11.5	420	$12.56	$5,277.00	$16.97	$7,127.40	$188.96	+38.6
XMS	7.9	150	$28.19	$4,228.50	$32.64	$4,896.00	$227.14	+21.2
ZLB	9.9	150	$31.43	$4,714.50	$40.67	$6,100.50	$415.50	+38.2
ZLD	4.0	100	$24.04	$2,404.00	$24.61	$2,461.00	$178.00	+ 9.8
BEP.UN	10.6	150	$19.59	$2,939.06	$43.45	$6,517.50	$536.96	+140.0
BIP.UN	15.1	120	$26.00	$3,119.68	$77.64	$9,316.80	$448.79	+213.0
FTS	6.7	70	$57.67	$4,050.90	$59.28	$4,149.60	$72.80	+ 4.2
BCE	6.5	60	$65.07	$3,904.20	$66.48	$3,988.80	$304.92	+10.0
Cash	0.5			$338.00		$354.91		
Totals	100.0			$48,328.15		$61,688.81	$3,241.72	+34.4
Inception				$25,031.92				+159.4

PIMCO Monthly Income ETF (TSX: PMIF). This global bond fund continues to slide, dropping $0.64 in the latest period. We received distributions of just over $0.39 per unit.

iShares Canadian Universe Bond Index ETF (TSX: XBB). This ETF tracks the performance of the total Canadian bond universe including government and corporate issues. Bonds are not doing well and with interest rates poised to rise the short-term outlook is poor. The units declined $1.76 since the last review. We received distributions of $0.395 per unit.

iShares Canadian Corporate Bond Index ETF (TSX: XCB). This fund invests exclusively in corporate issues. It was added to the portfolio in February 2019. In the latest period, it lost $1.17 per unit. We received monthly distributions totaling $0.331.

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. The units lost $0.70 in the latest period, but we received distributions of just over $0.41 per unit.

iShares Core U.S. Aggregate Bond ETF (NYSE: AGG). This ETF aims to replicate the returns of the total US bond market. It was added in 2019 to give us more exposure to American bonds. The units took a big hit in the latest period and are down $6.03. We received distributions of $0.967.

Harvest Tech Achievers Growth and Income ETF (TSX: HTA). The fund invests in an equally weighted portfolio of 20 large cap tech companies such as Apple, Cisco, and Adobe. The managers write covered call options to generate income. The units lost three cents over the latest six months, but that was a good showing as tech stocks have been selling off. We received $0.42 per unit in distributions.

iShares Edge MSCI Minimum Volatility USA Index ETF (CAD-Hedged) (TSX: XMS). XMS invests in low-beta US stocks such as Coca-Cola, Visa, McDonalds, and Verizon. Low beta means they are less sensitive to broad market movements and, in theory, less risky. The fund posted a small loss of $0.29 in the latest six months. Quarterly distributions totaled $0.167 per unit.

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's up a modest $0.49 since the last review, and we received two quarterly distributions for a total of $0.49.

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 lost $1.72 in the latest period. Distributions totaled $0.30 per unit.

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 and solar). Green energy stocks have been in the stock market doghouse for the past year, as oil stocks surged. The units dropped $4.99 in the latest period. We still have a good long-term profit on this, and green energy will eventually recover.

Brookfield Infrastructure Partners LP (TSX: BIP.UN, NYSE: BIP). This limited partnership invests in infrastructure projects around the world. The units have fared much better than BEP.UN, gaining $7.72 in the latest six months. We received two distributions of US$0.51 each.

Fortis Inc. (TSX, NYSE: FTS). We added this utility stock to the portfolio in August, as we sold our positions in the Brookfield corporate spin-offs. We gained a total of 4.2%, including dividends, in the last six months.

BCE Inc. (TSX, NYSE: BCE). BCE continues to show strength and the stock gained $2.76 in the latest period. We received two quarterly dividends of $0.875.

Interest. We invested $2,706.39 in the EQ Bank Retirement Savings Plan, paying 1.25%. We received $16.91 in interest.

Comments: The bond sector hurt our results, as all our fixed-income funds lost ground. Brookfield Renewables also continued to slide. We had decent gains from BCE, BIP, and Fortis, which was added to the portfolio last August.

The net result was a small gain of 0.89% for the six-month period. Over the ten years since the portfolio was launched, we have a total return of 159.4%. That's an average annual growth rate of 10%, well above target.

Changes: RRSPs should contain a reasonable percentage in bonds, which offer long-term stability and provide a cushion if the stock market crashes. But many people are frustrated by the fact that bond prices have been falling in the face of higher interest rates and are likely to continue to do so.

I am going to try partially to address this problem by making some moves that will allow us to retain our fixed income exposure while reducing the loss potential. I'm also going to make a fundamental equity change.

For starters, we'll sell our positions in PMIF, XCB, and AGG. Although it's not related to the fixed income sector of the portfolio, we'll also sell HTA, as tech stocks have lost momentum for now. That will give us $16,462.72 to reinvest.

We will add 130 units of the iShares 0-5 Years TIPS Bond Index ETF (TSX: XSTP) at a cost of $40 per unit. Total expense is $5,200. This is a new ETF that invests in short-term US Government inflation protected notes. They pay a low rate of return, but both the face value and the interest increase as inflation rises. This is a defensive position. I do not expect much in the way of total return, but the fund offers downside portfolio protection.

We will also buy 280 units of the iShares S&P/TSX Canadian Preferred Share Index ETF (TSX: CPD). This is a more aggressive move, but most Canadian preferreds are now rate reset issues, which tend to rise as interest rates move higher. That means there could be some capital gains potential here, on top of the attractive 4.2% yield. The units are trading at $13.86. We will buy 280 of them, for a cost of $3,880.80.

Our biggest move will be to add a bank ETF to the portfolio. Bank stocks tend to do well in periods of inflation and rising interest rates so we will buy 170 units of the BMO S&P/TSX Banks Equal Weight Index ETF (TSX: ZEB). They are trading at $42.46, so our cost is $7,218.20.

That leaves $163.72, which will be added to our cash balance.

The only other move we will make is to add 10 units of BEP.UN while the price is down. The cost is $434.50, leaving retained earnings of $102.46.

The new cash balance (including retained income) is $2,744.33. We will keep it in the EQ Bank Retirement Savings Plan, which is still paying 1.25%.

See page 6 for the revised portfolio. I'll review it again in August.

IWB RRSP Portfolio (revised Feb. 10/22)

Security	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Income
XSTP	8.3	130	$40.00	$5,200.00	$40.00	$5,200.00	$0
XBB	9.6	200	$33.04	$6,608.21	$30.24	$6,048.00	$409.18
CVD	3.1	110	$18.20	$2,002.50	$17.95	$1,974.50	$66.91
CPD	6.2	280	$13.86	$3,880.80	$13.86	$3,880.80	$0
ZEB	11.5	170	$42.46	$7,218.20	$42.46	$7,218.20	$0
XMS	7.8	150	$28.19	$4,228.50	$32.64	$4,896.00	$227.14
ZLB	9.7	150	$31.43	$4,714.50	$40.67	$6,100.50	$415.50
ZLD	3.9	100	$24.04	$2,404.00	$24.61	$2,461.00	$178.00
BEP.UN	11.1	160	$21.08	$3,373.56	$43.45	$6,952.00	$102,46
BIP.UN	14.9	120	$26.00	$3,119.68	$77.64	$9,316.80	$448.79
FTS	6.6	70	$57.67	$4,050.90	$59.28	$4,149.60	$72.80
BCE	6.4	60	$65.07	$3,904.20	$66.48	$3,988.80	$304.92
Cash	0.9			$518.63		$518.63	
Totals	100.0			$51,223,68		$62,704.83	$2,225.70
Inception				$25,031.92			

? YOUR QUESTIONS Premium Income Fund

Q - My daughter is in grade 11, and I've been gradually shifting her RESP holdings to GICs as she approaches university. I'm finding it very difficult to put any more into GICs at the current rates. I'm using ZWU and ENB as relatively safe choices, paying decent dividends. I have stop limit orders on them so that I can't lose the initial investment.

I now need to move more money out of active stock trading and am confused by Premium Income Corp. A (TSX: PIC.A). It is currently paying a whopping dividend over 9%. Generally, I see big yield as a red flag, because they usually happen when a stock drops. But this stock seems to have been paying such a dividend for a long time, and the stock is rising. Too good to be true? Could you address the sustainability of its dividend yield? – Mel B.

A – Premium Income Corp. is a split share security, managed by Mulvilhill Capital Management. It invests in the shares of Canada's Big Six banks, splitting them into common and preferred. Mulvihill charges a management fee of 0.9%.

The preferred version trades under the symbol PIC.PR.A. It's the first security to receive any dividends paid by the banks, to a limit of $0.215625 per quarter, or $0.8625 annually. At the time of writing, the shares were yielding 5.5%. The market price of the preferreds may occasionally fall when bank stocks falter, but generally

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VOLATILITY RETURNS

By Richard Croft, Associate Publisher

The “picture-is-worth-1,000-words” metaphor is well-suited to illustrate the performance of financial markets during January. Early declines, most notably within the tech heavy Nasdaq 100 index, were followed by sharp rallies. These were described by pundits as take your pick: a reversion to the mean or a bull fake out. The late-stage rally in the Nasdaq prevented it from recording the worst January in its history.

Indices	31-Dec-21	31-Jan-22	Pct Change
S&P 500 Index	4,778.73	4,515.55	-5.507%
Nasdaq 100 Index	15,741.56	14,239.88	-9.540%
Dow Jones Industrial Average	36,398.02	35,131.86	-3.479%
S&P TSX 60 index	21,222.84	21,098.29	-0.587%
Russell 1000 Growth ETF	307.14	279.06	-9.142%
Russell 1000 Value ETF	168.08	163.95	-2.457%

Most interesting was the performance of growth versus value stocks as measured by iShares Russell 1000 Value ETF (NYSE: IWD) and the iShares Russell 1000 Growth ETF (NYSE: IWF).

What makes this poignant is the fact that Growth has been dramatically outperforming Value for the past three years (see accompanying chart), spurred on by low interest rates and quantitative easing programs by central banks. Given the central banks’ change in sentiment, value stocks have become more attractive.

Central banks are transitioning away from programs that stimulate economic activity to policies that slow inflation expectations. Analysts expect the US Federal Reserve to raise rates three to seven times during 2022 in an effort to normalize ultra-low interest rates by imposing a series of telegraphed rate hikes. While I expect we’ll be in the lower range of those rate forecasts, any increases will have the biggest impact on growth stocks that tend to be more leveraged.

The other factor supporting the value thesis is the cease-and-desist Fed speak underpinning

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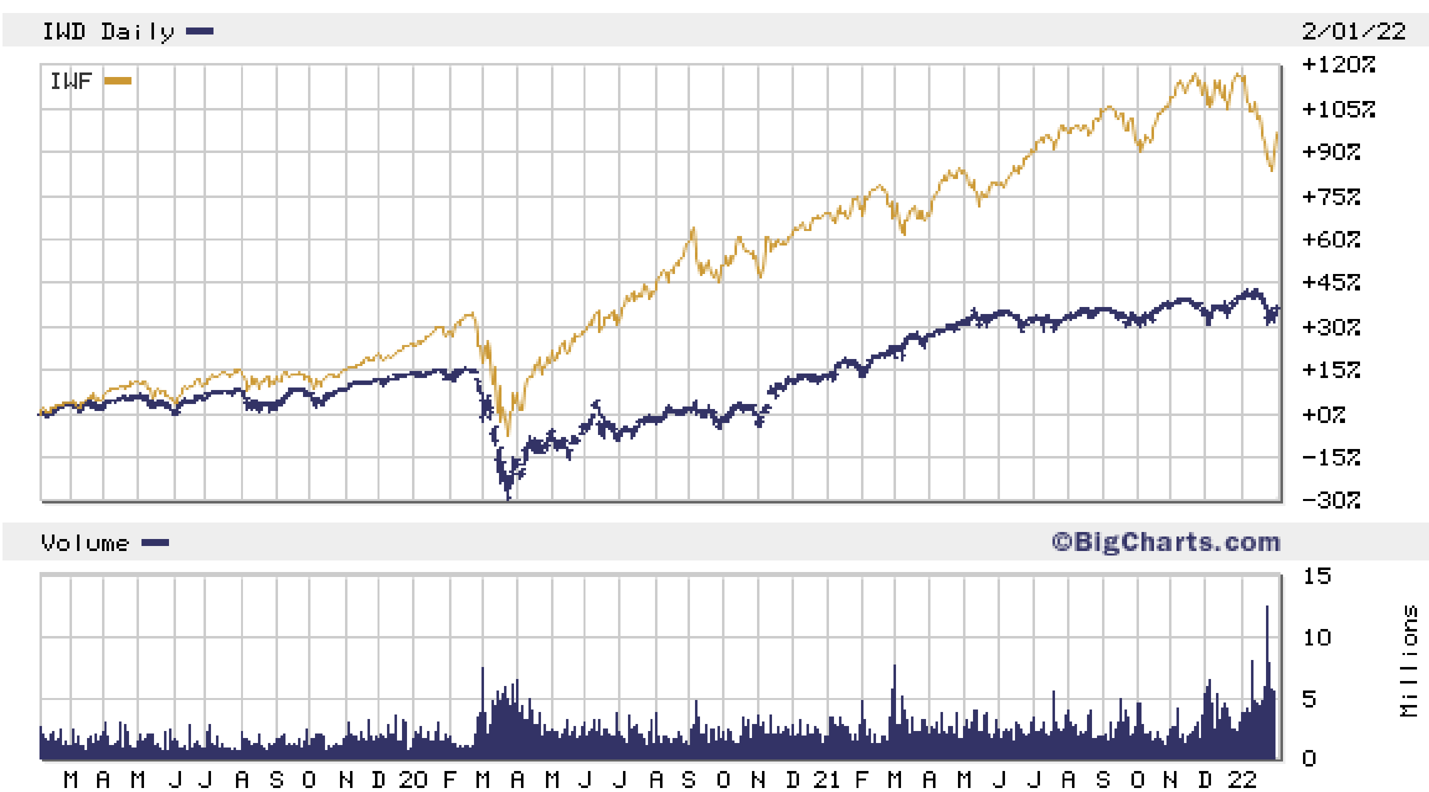

Volatility—continued from page 7...

the quantitative easing programs. The intent over the next eighteen to thirty-six months is to normalize its balance sheet by retiring current holdings when they mature. This is a dramatic change in policy which plays directly into the value camp, having the biggest impact on banks and insurance companies.

During periods like this, the market is susceptible to volatility spikes. This is the one area where advisory firms who are expert in option strategies can provide above average risk-adjusted returns for investors.

The option market measures risk quantified by the volatility associated with the underlying security. In simple terms, spikes in volatility lead to higher option premiums, which benefits option writing strategies.

Consider the numbers. Suppose we have an average stock trading at $100 per share and we are selling a three-month $105 call option. This strategy, referred to as covered call writing, limits the upside to the strike price of the call option. So, if the stock rises above $105 per share, we are obligated to sell the shares at the $105 strike price. We forfeit any gains above that level.

On the positive side, we gain downside protection from the sale of the call option. Any premium received offsets the purchase price of the underlying stock. Measuring the benefits of downside protection against upside limitations is the benchmark one must employ to ascertain the appropriate time to utilize the strategy.

In the last quarter of 2021 where the implied volatility for the average stock was about 30%, we would have received $3.93 in premium from the sale of that hypothetical three-month call option. Today for that same option, we would receive $5.87 in premium income (see accompanying table).

In a growth environment, the limitations on upside potential are greater than the benefits of downside protection afforded by the sale of the call option. In the current environment, where we have above average volatility and the prospect for limited upside, the downside protection more than offsets the upside limitations.

I believe that covered call writing, which is widely used in my approach to investment management, will be the appropriate strategy for 2022. This will be especially true if financial markets ebb and flow, ending the year with single-digit performance, which is the consensus estimate among analysts.

In summary, the ideal time to employ covered call writing is when the upside boundaries are defined during a period of heightened volatility. Unfortunately, 90% of money managers do not have the wherewithal to deal in options and prefer to manage risk by shifting their asset mix.

Altering the portfolio's asset mix to dampen volatility means increasing the weight in bonds and cash while reducing exposure to equities. However, cash pays virtually nothing in the current environment and, while increasing exposure to bonds might dampen volatility, it will not likely generate positive returns. In a rising rate environment, bond prices will decline, which will negatively impact your bottom line.

Recommendations

Last week, contributing editor Glenn Rogers recommended buying shares of Ford Motor Co. (NYSE: F). Now, let me suggest a way to improve your profit potential on the stock using the covered call strategy I've outlined.

If you read Glenn's article, you'll be aware that Ford is a value play in the electric vehicle space. Now that may seem an odd point of view given the sell-off the stock has experience since the beginning of the year (see chart). However, much

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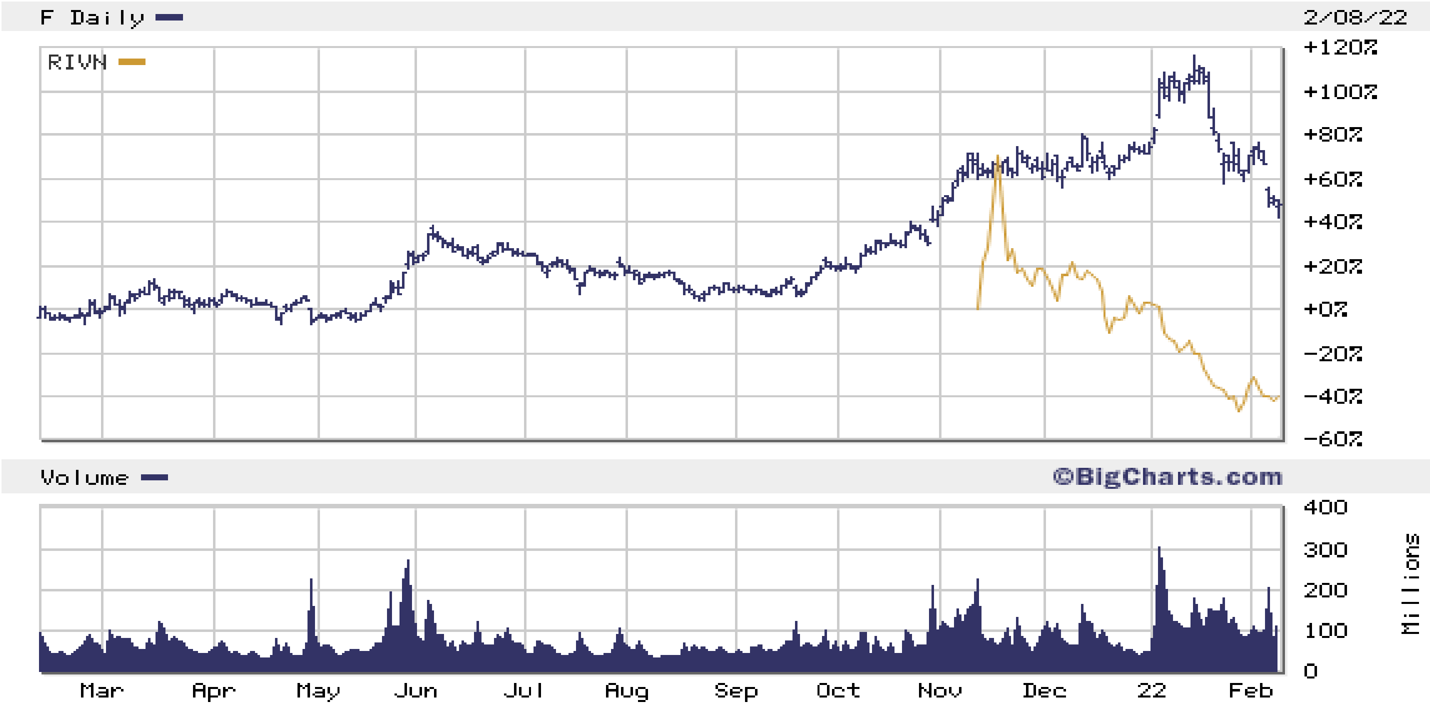
Call TFV	**$ 3.93**	**$ 5.87**
Stock	100.00	100.00
Strike	105.00	105.00
Days to Expiry	90	90
RFR	0.25%	0.25%
Dividend	-	-
Volatility	**30.00%**	**40.00%**



Volatility—continued from page 8...

of that sell-off was driven (pardon the pun) by Rivian Automotive Inc. (NDQ: RINV), the electric truck maker in which Ford holds a 10%+ stake.

RIVN shares fell 40% when Ford decided to manufacture its own brand of battery electric vehicles (BEVs) rather than ride the coattails of an up-and-coming BEV manufacturer. Ford and Rivian became competitors rather than partners, which dramatically impacted the value of Ford's stake in Rivian. Hence the year-to-date sell-off.

From a value perspective – ex the Rivian stake – Ford shares are trading at a below market price to earnings multiple of 8.5 (Tesla trades at 93 times forward earnings), with a dividend yield of 2.2%. If you believe, as do some analysts, that by 2030 Ford will be the largest BEV manufacturer, then this company looks like one of the best long-term value plays in the market.

I'm not sure I would go that far. However, I do think the share price has limited downside – given the year-to-date sell-off – and by selling slightly out-of-the-money calls against the shares, traders could earn a double-digit return over the next eight months. The strategy is set out in the following table.

Associate Publisher Richard Croft has been in the investment business for more than 40 years. 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.

Trade Date:	February 09, 2022				Units	Price	Totals	
Buy	Ford				1,000	18.00	18,000.00	USD
Sell	Ford	September	19.00	calls	10	2.00	(2,000.00)	USD
	Per Share Dividend				0.10			
	Number of Dividend Payments				2			

Outcomes	September 16, 2022				
	Share price above		19.00	20.25% *	33.76% **
	Share price unchanged		18.00	13.92% *	23.21% **
	Downside Break Even	$	15.80		
	* Actual Return over time period				
	** Annualized return				

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 $189.37. (All figures in US dollars.)*

HOLD /SELL

Background: FDN holds major stakes in the mega-tech space, notably among the FAANG+ stocks – Facebook (now Meta), Apple, Netflix, Google (now Alphabet), and Microsoft.

Performance: The units have been in a downward slide since November, although they staged a small rally recently. I advised selling half at $227.59 at the time of my last update in December for a profit of 62%.

Key metrics: The ETF was launched in June 2006 and has assets under management of more than $8 billion. The MER is 0.51%.

Portfolio: Amazon.com is by far the largest position at 10.5% of total assets. The only other top five position that is not a FAANG+ stock is Cisco Systems at 5.35%.

Discussion: These are the best of the best growth names, and the longer-term outlook remains positive. However, there will continue to be volatility among the mega-cap tech stocks, which will have an outsized impact on FDN.

As mentioned, we have taken half profits on the initial position so your adjusted cost base should be south of $60 per unit. If you can withstand the volatility, I would Hold the position. If not, then sell and move into some value alternatives.

Action now: Hold/Sell.

Global X U.S. Infrastructure Development ETF

NYSE: PAVE *Originally recommended on Feb. 17/20 (#22007) at $17.82. Closed Friday at $26.19. (All figures in US dollars.)*

HOLD

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

Performance: The fund has been volatile over the past year, but the broad trend is up. At the time of my last update in August, I advised taking half profits at $26.68 for a gain of just under 50%.

Key metrics: The fund was launched in March 2017 and has assets under management of about $5 billion. The MER is 0.47%.

Portfolio: The ETF has 103 holdings which are basically equal weighted. Top five positions include Nucor, Deere, Emerson Electric, Sempra Energy, and CSX.

Discussion: We already have a nice profit here, so this becomes a good choice for a covered call strategy, as follows. The example is based on Feb. 9 prices.

Action now: Hold and implement the covered call strategy outlined.

Trade Date:	February 09, 2022				Units	Price	Totals	
Buy	PAVE				1,000	27.00	27,000.00	USD
Sell	PAVE	June	28.00	calls	10	1.00	(1,000.00)	USD
	Per Share Dividend							
	Number of Dividend Payments							

Outcomes	June 17, 2022				
	Share price above		28.00	7.69% *	21.94% **
	Share price unchanged		27.00	3.85% *	10.97% **
	Downside Break Even	$	26.00		
	* Actual Return over time period				
	** Annualized return				

Meta Platforms Inc. NDQ: FB

SELL

Originally recommended as Facebook on June 22/20 (#22024) at $238.79. Closed Friday at $219.55. (All currency figures in US dollars.)

Background: Meta Platforms is the new name for Facebook. It is a giant in the social media world, controlling four of the seven most popular sites: Facebook, Messenger, Instagram, and WhatsApp.

Performance: The stock plunged 26% on Feb. 3 after the company reported earnings that came in below consensus estimates and offered a dismal growth forecast for the current quarter. The company had already been under pressure and the report was the last straw for investors. It was the biggest one-day loss in FB's history.

Discussion: Fortunately, I advised taking half profits at $359.37 in my August update, for a gain of 50%. Meta may recover, but it will take time and your money will be better used elsewhere.

Action now: Sell the balance of your position.

BMO S&P/TSX Equal Weight Banks Index ETF

HOLD

TSX: ZEB *Originally recommended on Sept. 17/18 (#21833) at $30.05. Closed Friday at $42.39.*

Background: ZEB is a sector-based exchange traded fund that holds a more or less equal weighting in the six major Canadian banks.

Performance: The units have been trending up for the past year and are currently near their all-time of $43. We have a gain of 41% since my initial recommendation in 2018.

Key metrics: The fund was launched in October 2009 and has $2.7 billion in assets under management. The MER is 0.28%.

Portfolio: The big banks. TD is the largest position but they're all within 3-1/2 percentage points of one another.

Discussion: As you know, I remain positive on the outlook for Canadian banks to deliver upside performance and increased dividends. On the latter point, I expect them to increase dividends on a semi-annual basis over the next three to five years. ZEB pays a monthly distribution that will likely increase in the second half of 2022.

Action now: Hold.

GORDON PAPE'S UPDATES

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

CGI Group TSX: GIB.A, NYSE: GIB

HOLD

Originally recommended on Aug. 19/12 at C$24.42, US$24.66. Closed Friday at C$106.94, US$83.88.

Background: Montreal-based CGI is the one of the largest independent information technology and business process services firms in the world. The company, founded in 1976, delivers an end-to-end portfolio of capabilities, from IT and business consulting to systems integration, outsourcing services, and intellectual property solutions. It employs about 78,000 professionals in offices and delivery centres across the Americas, Europe, and the Asia Pacific region. It reported revenue of $12.1 billion in fiscal 2021.

Performance: The stock hit an all-time high of $116.88 last summer but has been treading water since. We have a gain of 338% since the original recommendation in August 2012.

Recent developments: CGI reported its first quarter 2022 results with a beat on profits but a small shortfall on revenue estimates. Highlights included:

- Revenue of $3.09 billion, up 2.4% year-over-year or 6.8% in constant currency.
- Net earnings of $367.4 million, for a margin of 11.9%.
- Diluted earnings per share of $1.49, up 12.9% year-over-year.
- Cash from operating activities of $484.3 million, representing 15.7% of revenue.
- Bookings of $3.6 billion, for a book-to-bill ratio of 116.5%.
- Backlog of $23.58 billion or 1.9x annual revenue.

"CGI is off to a strong start in fiscal 2022 with accelerating revenue growth, strong bookings, and double-digit EPS accretion," said CEO George D. Schindler. "With a net increase of 6,000 employees year-over-year, our plan remains to deliver revenue growth and double-digit EPS accretion for the year."

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TFI International Inc. TSX, NYSE: TFII

HOLD

Originally recommended by Tom Slee on June 11/12 (#21220) at C$17.49, US$17.06. Closed Friday at C$136.46, US$107.07.

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 dipped to the $120 range in late January but have rallied since. The stock is up 680% since it was first recommended.

Recent developments: The stock moved higher following the release of fourth quarter and year-end results that beat expectations.

Revenue for the final quarter of 2022 came in just over $2.1 billion, a huge jump of 91% from about $1.1 billion in the same quarter of the previous year. For the full year, the company reported revenue of $7.2 billion, almost double the $3.8 billion in 2020. Note that TFI reports in US dollars.

Fourth quarter net income was $144.1 million ($1.52 a share, fully diluted) compared to $86.3 million ($0.91 a share) in the prior year. For the full 2021 fiscal year, TFI earned $664.4 million ($6.97 per share). That was ahead by 141% from net income of $275.7 million ($3.03 a share) in 2020.

Net cash from operating activities was $855.4 million during 2021 compared to $610.9 million in the prior year. The 40% increase was due to stronger operating performance and contributions from acquisitions, such as UPS Ground Freight, now rebranded as TForce Freight.

Dividend and buybacks: TFI raised its quarterly dividend by 17.4% to $0.27 per share ($1.08 per year) effective with the December payment. The stock yields 0.8% at the current price. The company spent $198.2 million on share repurchases in 2021.

Truckers' protests: The company's CEO, Alain Bedard, said on Tuesday that the mandate that truckers must be vaccinated for cross-border travel has had no effect on the company or its business.

"We have a few drivers who still say no, but we just keep them in Canada," he said.

The vaccine mandate was the original trigger for the truck convoy that is now occupying Ottawa, and which has led to protests at several border crossings.

He said the biggest issue for TFI is people sick with COVID, especially in the US.

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CGI—continued from page 13...

Dividend and buybacks: The stock does not pay a dividend. However, the board approved the renewal of the company’s Normal Course Issuer Bid for the purchase for cancellation of up to 18.8 million Class A subordinate voting shares over the next 12 months. That represents approximately 10% of the company's public float.

Outlook: The company is doing well, but revenue growth in the single digits is not inspiring.

Action now: Hold.

TFI—continued from page 14...

Outlook: The company is doing well and the addition of TForce Freight has been a major contributor to the strong gains in revenue and profits. Mr. Bedard said last month, which was not included in the latest financial statements, was “the best January ever for the company”.

However, February could be a different story if the border blockades continue and/or escalate.

Action now: Hold until the border situation clarifies.

Questions—continued from page 6...

they trade in the $15 range, which was the original issue price. There is little upside, but little risk either. The dividend is secure.

Excess payouts accrue to Premium’s A shares, which trade in Toronto as PIC.A. They benefit from the growth in the value of the underlying bank shares and any increase in the dividend payouts from those shares. Since the banks are now aggressively raising dividends after being constrained for two years by the Office of the Superintendent of Financial Institutions, we could theoretically see an increase in PIC’s dividend. There’s no guarantee of that, however.

According to the Mulvihill website, the A shares currently pay $0.20 per quarter ($0.80 annually), to yield 9.3% based on the price of $8.63 at the time of writing. The distribution looks safe, but the A shares can be volatile at times. The original issue price was $10, but they dropped as low as $3.14 in October 2020 according to the TMX website.

It appears the dividend yield is sustainable for both classes of shares. I don’t think there is much downside risk to the price of the A shares currently, but these are uncertain markets and we have seen volatility in the past.

Since you’re investing for an RESP where the money will be needed within a few years, the preferreds are the lower risk choice – although you are sacrificing some yield. – G.P.