internet WEALTH builder

Vol. 27 No. 43
December 5, 2022

Editor and Publisher: Gordon Pape
Associate Publisher: Richard N. Croft

BUY AND HOLD WORKS

By Gordon Pape, Editor and Publisher

One of the worst mistakes investors make is overtrading. It fattens brokerage commissions while quickly gobbling up your money.

That's why I created the IWB Buy-and-Hold Portfolio ten and a half years ago. I wanted to show readers that buying high-quality stocks and sticking with them through both bull and bear markets could generate good returns and save money on commissions. The performance over the years has proved the point: an average annual compound rate of return of 11.73%.

The portfolio has one basic goal – invest in great stocks and then hold on to them, no matter what the market is doing. The underlying thesis is that the long-term trend of the markets is up. If you own good stocks, they'll move with it.

The portfolio consists mainly of Canadian and US blue-chip stocks that offer long-term growth potential. It also has a bond ETF holding. The original weighting was 10%

Continued on page 2...

CELEBRATING 25 YEARS OF BUILDING WEALTH
25th ANNIVERSARY

Next issue Dec. 12

Buy and Hold—continued from page 1...

for each stock with the bond ETF starting with a 20% position. That has now been reduced because equity increases have outpaced the bond market.

I used several criteria to choose the stocks. These included a superior long-term growth profile, industry leadership, a good balance sheet, a history of dividend increases, and relative strength in down markets.

The objective is to generate decent cash flow (all the stocks but one pay dividends), minimize downside potential, and provide slow but steady growth. The target rate of return was originally set at 8% annually.

These are the securities we hold with comments on how they performed since my last review in June. Prices are as of the afternoon of Dec. 1.

IWB BUY & HOLD PORTFOLIO SECURITIES

iShares Canadian Universe Bond Index ETF (TSX: XBB). It's been a long time coming but we're finally starting to see a turnaround in the bond market. XBB units are up $0.67 since the time of our last review in late June. That's not a lot, but it's better than the consistent losses we experienced earlier this year. We received distributions totalling $0.398 per unit.

BCE Inc. (TSX, NYSE: BCE). BCE shares scored a modest gain of $1.64 during the latest six-month period. Because of timing we received one dividend during the period for a total of $0.92 per share.

Brookfield Asset Management (TSX: BAM.A, NYSE: BAM). Brookfield shares are recovering after taking a big hit at the start of the year. The stock gained just over $5 in the latest period. We received two dividends for a total of US$0.28 a share.

CN Rail (TSX: CNR, NYSE: CNI). CN has been a strong performer for us, but the shares slipped in the first half of the year. They've made an impressive comeback since, however, with a gain of $30.59 since our last review. Because of timing we received one dividend payment of $0.733 a share.

Enbridge (TSX, NYSE: ENB). Enbridge shares continued their slow but steady advance in the latest period. The shares are ahead $1.99 since the June update. We received two quarterly dividends of $0.86 each.

Toronto Dominion Bank (TSX, NYSE: TD). The banks are starting to recover from their setbacks in the early part of the year. TD is up $7.78 since our June review, and we received two dividend payments of $0.89 each for a total of $1.78 per share.

Continued on page 3…

Buy and Hold—continued from page 2...

Alphabet (NDQ: GOOGL). The shares split 20-1 over the summer so we now own 160 shares at a much more manageable price. The split didn't halt the price decline, however, as the high-tech sector remains under pressure. This is the only stock in the group that does not pay a dividend.

UnitedHealth Group (NYSE: UNH). UNH is the top health insurer in the US and the number one performer in our portfolio, with a total return of over 400%. The shares gained US$37.10 (7.4%) since our last review. We received one dividend due to timing, for US$1.65 per share.

Walmart (NYSE: WMT). After a lacklustre first half this year, Walmart stock turned around and gained almost $30 a share in the latest period. We received one quarterly dividend of US$0.56 per share.

Cash. We moved our cash of $2,615.55 to a Wyth High Interest Savings Account, which paid 1.80%. We received $23.54 in interest.

IWB BUY & HOLD PORTFOLIO

Here is the status of the portfolio as of Dec. 1. The Canadian and US dollars are shown at par, but obviously the US holdings are doing better thanks to the strength of the greenback. Trading commissions are not factored in, although in a buy and hold portfolio they are not significant in any event.

IWB Buy and Hold Portfolio (a/o Dec. 1/22)

Symbol	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Earnings	Gain/ Loss %
XBB	9.1	510	$31.43	$16,031.80	$28.05	$14,305.50	$415.53	-8.2
BCE	8.0	195	$47.46	$9,255.29	$63.82	$12,444.90	$218.57	+36.8
BAM.A	14.8	370	$17.00	$6,289.25	$62.69	$23,195.30	$178.29	+271.6
CNR	12.7	115	$47.64	$5,478.15	$172.75	$19,866.25	$163.86	+265.6
ENB	7.0	200	$42.24	$8,448.85	$54.96	$10,992.00	$495.60	+36.0
TD	10.6	180	$44.21	$7,958.15	$91.79	$16,522.20	$535.15	+143.4
GOOGL	10.3	160	$39.72	$6,355.92	$100.99	$16,158.40	$0	+154.2
UNH	15.4	45	$112.47	$5,061.15	$536.91	$24,160.95	$1,336.29	+403.8
WMT	11.8	120	$109.44	$13,132.40	$153.37	$18,404.40	$201.20	+41.7
Cash	0.3			$447.19		$470.73		
Total	100.0			$78,458.15		$156,520.63	$3,544.49	+104.0
Inception				$49,945.40				+220.5

Comments: The new portfolio value (market price plus retained dividends/ distributions) is $160,065.12. That compares to $147,368.42 at the time of the last review, for a gain of 8.6%.

All our securities, including the bond fund, posted gains during the period with the exception of Alphabet, which sold off with the rest of the tech sector.

Since inception, we have a total return of 220.5%. That represents an average annual compound growth rate over 10.5 years of 11.73%. That is well ahead of our 8% target.

Changes: This is a Buy and Hold portfolio, so I am not making any changes to our holdings. The bond ETF is finally showing signs of recovery.

We will use some of our retained earnings, as follows.

XBB – We will add ten units at a cost of $280.50. We now own 520 units, and our retained income is reduced to $135.03.

ENB – Enbridge continues to gain, so we'll buy another ten shares at $54.96 for a cost of $549.60. That will bring our position to 210 shares. The cost will eat up our retained earnings, so we'll take $54 from cash to make up the difference.

TD –We'll purchase another five shares at $91.79, for a cost of $458.95. We now own 185 shares and have retained earnings of $76.20.

We have cash and retained earnings of $2,726.17. CIBC is offering a special rate of 4.5% on new eAdvantage Savings Accounts, so we'll more our money there to take advantage of it.

Here is the revised portfolio. I will update it again in June.

IWB Buy and Hold Portfolio (revised Dec. 1/22)

Symbol	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Earnings
XBB	9.2	520	$31.37	$16,312.30	$28.05	$14,586.00	$135.03
BCE	7.9	195	$47.46	$9,255.29	$63.82	$12,444.90	$218.57
BAM.A	14.7	370	$17.00	$6,289.25	$62.69	$23,195.30	$178.29
CNR	12.6	115	$47.64	$5,478.15	$172.75	$19,866.25	$163.86
ENB	7.3	210	$42.85	$8,998.45	$54.96	$11,541.60	$0
TD	10.8	185	$45.50	$8,417.10	$91.79	$16,981.15	$76.20
GOOGL	10.2	160	$39.72	$6,355.92	$100.99	$16,158.40	$0
UNH	15.3	45	$112.47	$5,061.15	$536.91	$24,160.95	$1,336.29
WMT	11.7	120	$109.44	$13,132.40	$153.37	$18,404.40	$201.20
Cash	0.3			$416.73		$416.73	
Total	100.0			$79,716.74		$157,755.68	$2,309.44
Inception				$49,945.40			

RBC GOES BIG

By Gavin Graham, Contributing Editor

In October, global banking giant HSBC announced it was considering selling its Canadian subsidiary. Those operations make it the seventh largest bank in Canada with 130 branches, 770,000 clients, and $134 billion in assets.

HSBC, whose initials represent its original name, the Hong Kong and Shanghai Banking Corporation, has the majority of its assets and makes most of its money in Asia, primarily in Hong Kong and China but also in Southeast Asia. It had been under pressure from its largest shareholder, Chinese insurance company Ping An Insurance, to focus more on its profitable Asian operations.

Having sold its assets in Brazil, the USA, and France in the last few years, Canada was the last remaining major operation outside of the UK and Asia.

The announcement set off a contest amongst the Big Six Canadian chartered banks to acquire the operation. With approximately 2% of the country's banking assets, HSBC Canada represented the last and best opportunity to grow market share domestically on a big enough scale to make a difference.

From the beginning, it was apparent that a high price was likely for HSBC Canada, which had consistently been one of the most profitable operations for the bank.

CIBC and National Bank, the fifth and sixth largest banks, confirmed they had dropped out of the bidding process early in the game, reflecting the large number of extra shares they would have had to issue to pay for the acquisition.

Bank of Montreal and TD Bank were in the middle of major US acquisitions. BMO was paying $17.1 billion for California-based Bank of the West while TD was spending US$13.4 billion for Tennessee-based First Horizons, as well US$1.3 billion for investment bank Cowen & Co. Scotiabank was in the middle of replacing its CEO.

That meant the largest Canadian bank, RBC, appeared to be the most likely winner. By agreeing to pay $13.5 billion for HSBC Canada, the deal is the largest ever Canadian bank merger.

RBC has paid a generous price at 2.5 times HSBC's tangible book value, but in the opinion of CEO Dave McKay "It really does represent a once in a generation opportunity."

RBC estimates it can strip out 55% of HSBC's costs, around $740 million annually, within two years. While the deal will reduce RBC's equity capital Tier 1 ratio, as it will all be paid in cash, it will still leave the ratio above 12%, the minimum considered prudent by the authorities and the industry.

Continued on page 6...

RBC—continued from page 5...

It's ironic that the government's decision to ban financial institutions from implementing dividend increases and buying back shares during the pandemic helped enable RBC to make the deal. The spending prohibition allowed RBC to generate lots of additional capital, thus enabling it to pay such a high price for HSBC Canada.

RBC will rely on cost cutting in the short term to make the deal immediately profitable. RBC estimates it will earn about $1.4 billion annually in additional profit in 2024, about a 10% increase on its 2021-22 annual earnings. This doesn't take account of any cross-selling of its products to its new clients, approximately 40% of whom are regarded as affluent.

RBC believes HSBC Canada will give it "connectivity to the next generation of immigrants", according to Mr. McKay. Buying HSBC Canada "is not an asset strategy" he explained. "It is a client strategy at the end of the day and a client growth story."

The deal still must be approved by the Ministry of Finance and the Office of the Superintendent of Financial Institutions (OSFI). Assuming that permission will be granted, the deal is expected to close late in 2023.

Given that there is some overlap of branches and personnel, it remains to be seen how many job losses and closures will result. Only 17% of cost savings will come from the distribution side, according to the RBC presentation on the deal, and there are many vacancies at RBC to be filled. The combined organization will control approximately 23-24% of the Canadian banking market.

The purchase will enable RBC to increase its dominance in the highly profitable Canadian banking market and the additional market share shouldn't be an issue with the authorities.

Dividend: In other news, the bank announced an increase of four cents a share in the quarterly dividend, to $1.32 ($5.28 a year). The stock yields 3.9% at the current price.

Action now: RBC remains a Buy for its attractive valuation, increasing profits from a widening net interest margin (NIM) from rising interest rates, and a rising dividend. The shares closed Friday at C$134.21, US$99.64.

Gavin Graham has had a long and successful career in money management and is a specialist in international securities. He held senior positions in financial organizations in London, Hong Kong, and Toronto. He is a Trustee of the Royal Medical Foundation Investment Committee and Chief Strategy Officer SmartBe Investments (www.smartbeinvestments.com). He divides his time between Canada and the UK.

A NASTY YEAR FOR SMALL CAPS

By Ryan Irvine, Contributing Editor

Investing in small-cap companies is rarely comfortable. Volatility can be extreme. The high inflation and rising interest rate environment in North America is both unfamiliar and particularly concerning for the average investor. However, if history can be our guide, it is in times like these that smart and patient investors have the potential to position portfolios for meaningful long-term success.

There is no hiding from it: 2022 has been a nasty year for small and micro-cap stocks. The Russell 2000 Index is seen widely as a US small-cap market gage as it is composed of the smallest 2,000 stocks in the Russell 3000 Index. It is down 17.3% in 2022 and roughly -23% from November 2021.

The Nasdaq US Small Cap Index is off 18.17% year-to-date and the Russell Microcap Index is down roughly 20%.

For its part, S&P/TSX Venture Composite Index has dropped an incredible 36.33%, despite a strong performance from energy stocks.

And this is with a significant bounce from equities in November.

Any time you see any index down in the range of 20%, you are in a bear market. This is a historically bad year.

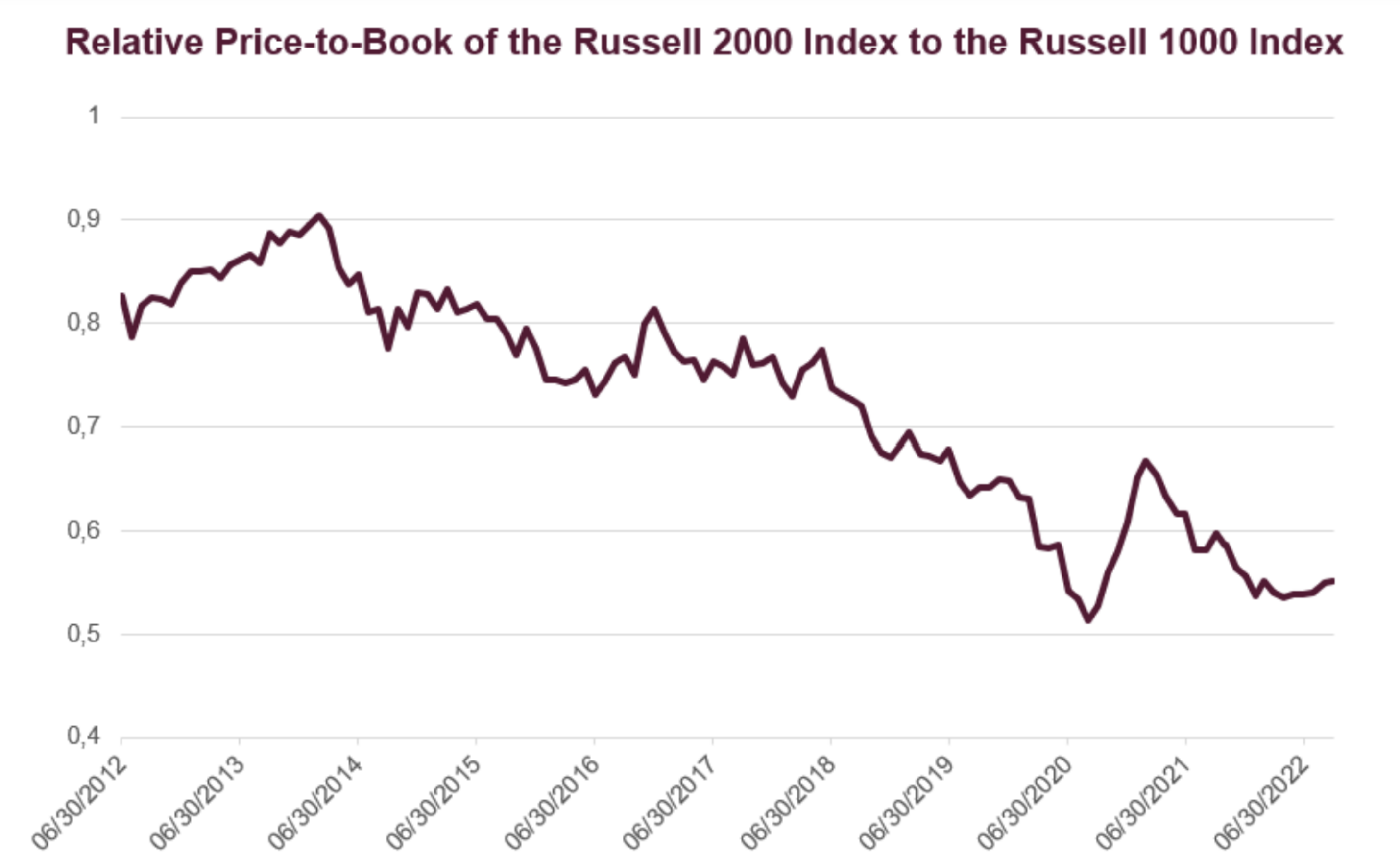
So, is now the time to pile into small-cap stocks? Let's look at the current broad valuations of smaller stocks relative to their large-cap brethren on a historical basis. As of the end of November, the median price-to-book ratio for the S&P SmallCap 600 Value Index (which would be closer to the area of the market we select from) is 1.38. For large-cap S&P 500 Index stocks, the median price-to-book ratio is 3.86. Dividing 3.86 by 1.38 gives us a relative price-to-book valuation of 2.79.

This relative valuation is above the historical average of 1.54 and the historical median of 1.49. Larger numbers reflect higher valuations for large-cap stocks relative to small-cap stocks. The data used dates to December 1998.

On the next page we'll take a look at the relative price-to-book multiple on the Russell 2000 Index (small to mid-cap) versus the Russell 1000 Index (large cap+) over the past 10 years.

We can also look at the price-earnings (p/e) ratio. The median price-earnings ratio for large-cap stocks is 19.69. Small-cap stocks have a median price-earnings ratio of 16.76. The current relative price-earnings valuation of 1.17 is above the historical average and median valuations of 1.05 and 0.99, respectively.

Continued on page 8…



Small caps—continued from page 7...

The price-to-sales (p/s) ratio tells a similar story. The median price-to-sales ratio for large-cap stocks is 2.28. Small-cap stocks have a median price-to-sales ratio of 0.83. The current relative price-to-sales valuation of 2.74 is above the historical average and median valuations of 1.53 and 1.46, respectively.

The valuation premium assigned to large-cap stocks relative to small-cap stocks has widened since 2016. Suffice it to say, the valuation pendulum has swung too far in one direction. Historically, the financial market pendulum swings back toward the centre, a concept known as reversion to the mean.

The timing of when this will occur and the magnitude by which it corrects is unknown. When the reversion occurs, the move is often swift and can catch even the most veteran observers off guard.

While the current divergence from the mean appears like an opportunity, there are several unique factors at play in today's environment. Not the least of these is the fact that peak valuations in November 2021 were the second highest ever (outside of the dot-com boom) in terms of the Shiller p/e. The markets require a bear period just to get back to historical norms. I noted in my last IWB piece that, despite the 20% market drop, the Shiller p/e remains above (14%) the 20-year average and

Continued on page 9…

Small caps—continued from page 8...

significantly (71%) above its all-time average. Facing uncertain economic times, multiples remain elevated, which is a risk. There is also a natural flight to the perceived quality of large-cap stocks versus small-cap stocks in times of uncertainty.

As such, we proceed with caution. We recommend against unprofitable or cash flow negative small and mid-cap stocks or those with above average leverage at present, even if they have strong growth. We believe it is the time to focus on value oriented small and mid-cap stocks with strong balance sheets and growth paths ahead over the next 2-5 years.

What we do know is that during similar environments in the past, two characteristics stand out:

- North American small-cap stocks have tended to outperform their larger counterparts during periods of heightened inflation and rising interest rates.
- Following periods of economic recession, North American small□cap stocks have generally led the market recovery—often going on to outperform larger companies over multiple years.

In the years following the dot□com collapse at the turn of the century, the last time small-cap stocks were priced as low relative to their larger counterparts, it was small-cap value stocks that led the way forward. It may get worse before it gets better, but there are quality opportunities presenting themselves.

Following is a new US Buy recommendation from our coverage.

Contributing editor Ryan Irvine is the CEO of KeyStone Financial (www.KeyStocks.com) and is one of the country's top experts in small-cap stocks. He is based in the Vancouver area.

BEAT THE PRICE INCREASE

Please note that the annual price of the Internet Wealth Builder will increase by $10 plus tax (4.2%) on Jan. 1, 2023. This is below the inflation rate, as keeping the price as low as possible has always been one of our priorities. You can beat the increase by renewing any time this month, no matter when your membership expires. Go to buildingwealth.ca/subscribe or call customer service toll-free at 1-888-287-8229.

RYAN IRVINE PICKS ENVELA CORP.

We do extensive research before recommending a stock. Envela Corp. (NYSE: ELA) meets our criteria and offers a solid degree of recession resistance. Here are the details.

Background: Envela is a "re-commerce" business that is based on the recycling or reselling of products, also known as "re-commerce". Envela has two segments: DGSE, which is business to consumer, and ECHG, which is business to business. The company has a market cap of $142.7 million. Figures are in US dollars.

DGSE encompasses Envela's gold, silver, bullion, jewelry, watch, and luxury item purchasing, reselling, and refurbishing business. The segment experiences seasonality during Christmas, Valentine's Day, and Mother's Day, as jewelry sales are generally higher. Envela has three current companies operating under the DGSE segment: Dallas Gold & Silver Exchange, Charleston Golden & Diamond Exchange, and Bullion Express. Two more are planned: ShoplyCo and Oxhead. The subsidiaries have physical retail locations in Texas and South Carolina. Additionally, the segment has wholesale transactions.

ECHG re-commercializes consumer electronics and IT equipment, as well as provides end-of-life recycling services for products. Envela has four companies operating under the ECHG segment: Echo Environmental, ITAD USA, Teladvance, and Avail Recovery Solutions.

Additionally, the company offers IT equipment for businesses looking to upgrade their software, hardware, and networking capabilities. During upgrades, the company provides the disposition of previous equipment, which is then used for its re-commerce operations.

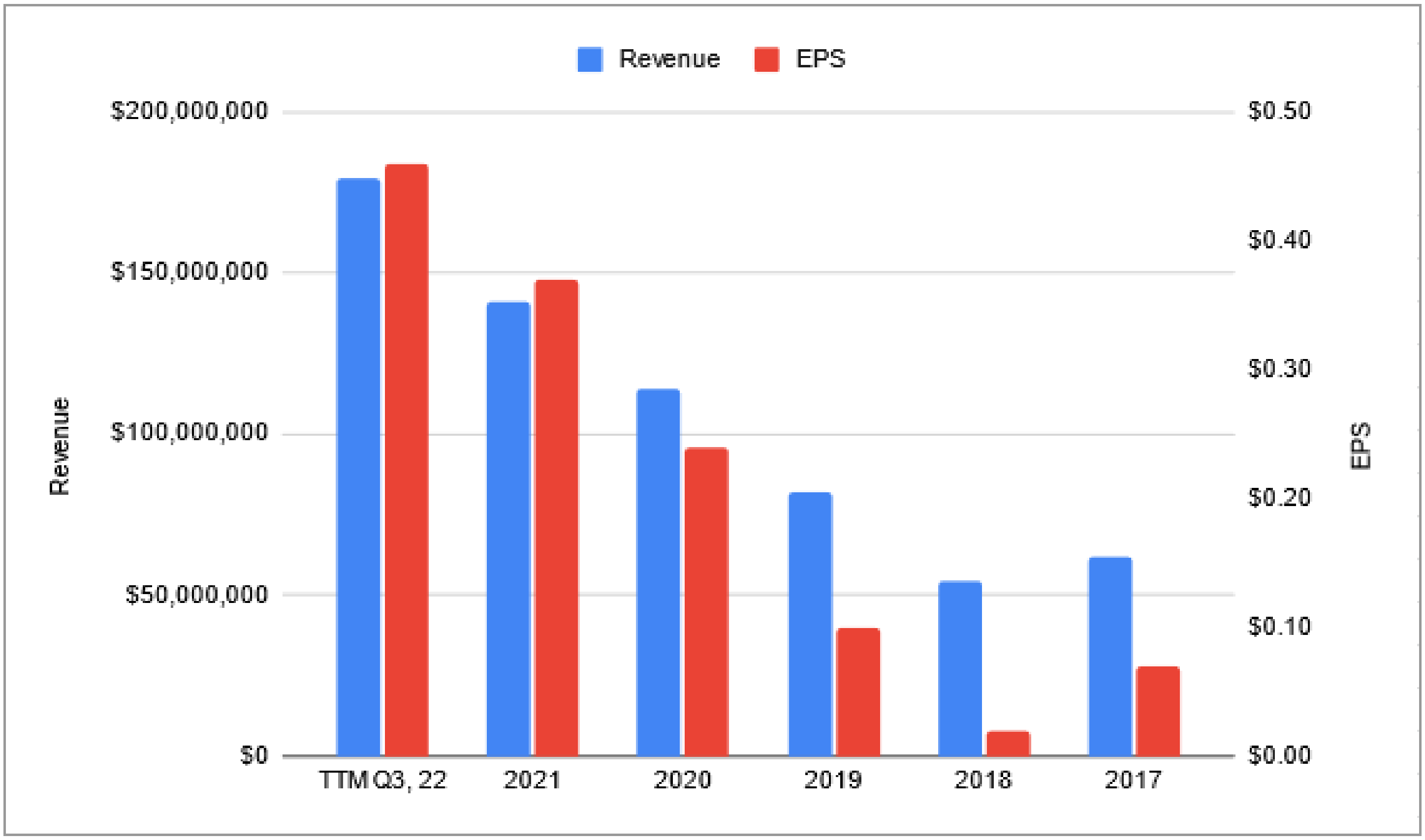
Performance: The stock topped $8 a share in August, then slipped back. It now appears to have stabilized at around $5.

Financial highlights: The following chart shows the company's five-year revenue and earnings per share growth.

For the third quarter, Envela increased revenue 20% to $45.2 million from $37.7 million in the same period last year. The company had a gross profit of $11.9 million, an increase of 47% from the prior year's $8.1 million.

DGSE, the company's B2C retail segment produced $30.4 million or 67.3% of the total revenue, an increase of 19% from the previous year. The segment's gross profit increased by 19% year-over-year to $3.7 million. Management is committed to growing the segment with physical and digital stores. This segment has long-term online potential as higher-priced goods requiring authentication are right in DGSE's sweet spot.

Continued on page 11...



Envela—continued from page 10...

ECHG, the company's B2B reuse, recycle, and re-commerce segment, produced $14.8 million or 32.7% of the total revenue, an increase of 29% over the prior year. The segment's gross profit increased 59% to $8.1 million. Gross margins were 54.9%, up from 41.4% a year ago, mainly due to the segment revenue mix with more IT Asset Disposition (ITAD) sales vs. lower margin recycling revenues. The ECHG segment can grow via acquisition and organically by expanding services and leveraging a larger footprint to service national accounts.

The company's reported net income increased by 7% to $3.32 million or $0.12 per share. The per share growth is higher on a normalized basis as the third quarter had two anomalies: a gain on forgiveness of a federal loan and a write-off of notes receivable. Normalized earnings would be approximately $2.4 million ($0.09 per share).

For the first nine months of the year, revenues increased by 39% to $135 million, gross profit increased by 53.5% to $33 million, and net income increased by 35% to $9.8 million ($0.36 per share).

Growth plan: The company pursues both organic and inorganic growth. The market is fragmented for both segments, allowing a significant number of potential acquisitions as well as regional expansion.

DGSE looks to add additional retail stores in the Dallas/Fort Worth and Mt. Pleasant areas as well as potential new

Continued on page 12...

Envela—continued from page 11...

markets in the coming year. The company expects to purchase additional properties for DGSE in the next 12 months.

ECHG grows through additional relationships as well as strategic acquisitions. The company plans to use cash from organic growth to provide capital for acquisitions.

Management takes an opportunistic but conservative approach to growth, meaning any acquisition or growth plan needs to create earnings in the near and long term. Management prefers the counterparty to be profitable from transactions, as recycling certain products or materials may be more expensive than standard waste disposal. If the counterparty is not profitable, it may cause the deal to be cut short. The downside of the overarching strategy is if opportunities within the company's strict criteria dry up, acquisition growth can lag for a period. Long term, a focus on profitable growth is a wise one, which we appreciate if executed well.

Valuation: Envela has a trailing p/e of 12 and a price to free cash flow of 9. The company has an EV/EBITDA ratio of 9. Near term, fair value is difficult given the fact we expect the company to grow earnings at roughly 20% in 2023, but we also expect the taxman to begin taking roughly 20% of those earnings with the businesses fully taxable.

We model the business growing earnings in the range of 20% on average for the next three years, giving a 2024 estimate in the range of $0.59-$0.60 per share. We believe a re-rating of the multiple is in order given the consistent EPS growth over the last five years. This combined with an eventual step forward in reported EPS, produces a fair value in the range of $6 near term based on flat reported EPS in 2023. We could see a step up in fair value through 2023 if management executes on its organic and acquisition-related growth plans through a potential recession.

Conclusion: Envela is a unique business which has created a significant turnaround over the past five years by focusing on its core competencies and operating almost exclusively within the more profitable and less risky segments of its markets.

Impressively, management has taken EPS from $0.02 in 2018 to an expected $0.49 in 2022. The company's tax losses will run off in early 2023 (tax rate expected to be 21%). This will make for tough reported earnings comparables through 2023 (against untaxed earnings in 2022). But if management continues to execute, we expect revenue and operating earnings growth in the range of 15-20% at minimum in 2023. Moving into 2024, reported earnings should accelerate meaningfully once again.

Given the fact the company is trading with a rather modest multiple of just under 10 times the 2023 expected EPS, it appears an opportune time to begin accumulating Envela's shares over the

Continued on page 14...

GORDON PAPE'S UPDATES

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

Tourmaline Oil Corp. TSX: TOU, OTC: TRMLF

BUY

Originally recommended by Michael Corcoran on Aug. 10/15 (#21529) at C$31.32, US$23.60. Closed Friday at C$79.30, US$58.82.

Background: Calgary-based Tourmaline is Canada's largest natural gas producer. Started in 2008, the company has assembled an extensive undeveloped land position with a large, multi-year drilling inventory and operating control of important natural gas processing and transportation infrastructure in three core long-term growth areas in the Western Canadian Sedimentary Basin.

Performance: The shares touched an all-time high of $84.33 in mid-September and have been trading in the $80 range since. They are up 153% from the original recommendation of $31.32.

Recent developments: Tourmaline reported a strong third quarter and rewarded shareholders with an increase in the regular dividend plus a special dividend on top of that.

The company reported revenue of $1.7 billion in the quarter, up 44% from $1.2 billion in the same period last year. For the first nine months of the 2022 fiscal year, revenue was $5.6 billion, a 77% increase from $3.1 billion last year.

Cash flow was just over $1 billion ($3.06 per diluted share) compared to $761 million ($2.32 per share) a year ago. For the nine months, cash flow was $3.5 billion ($10.18 per share), up from just under $2 billion ($6.33 per share) in 2021. Tourmaline generated free cash flow of $568.3 million in the third quarter.

The gain on the bottom line was spectacular. Third quarter profit was $2.1 billion ($6.11 per share). On a per share basis, that was ahead 455% from the same quarter last year, when the company made $361 million ($1.10 per share). Nine-month profit was $4.5 billion

Continued on page 14...

Tourmaline—continued from page 13...

($13.21 a share). Last year's numbers were just over $1 billion ($3.32 a share).

The company is benefiting from high commodity prices, expanding efficient operations, and long-term contracts to provide LNG (liquefied natural gas) to international markets.

Production was 481,897 boe/d (barrels of oil equivalent per day), within the guidance range of 480,000-485,000 boe/d.

Balance sheet: Tourmaline has kept its debt level low, which is benefiting the company during this period of rising interest rates, Net debt as of Sept. 30, was $564.6 million, well below the long-term net debt target of $1.0- $1.2 billion.

Dividend: Tourmaline announced a special dividend of $2.25 per share that was paid on Nov. 18. It was the fourth such dividend declared this year.

Beginning in the current quarter, the company will increase the quarterly base dividend by 11% to $0.25 ($1 per share annually).

Including the payments of both the Q4 special dividend and base dividend, the company will pay total dividends of $7.90 per share in 2022. That amounts to a yield of almost 10% based on the current share price.

Outlook: As long as oil and gas prices stay high, the good times will continue to roll. Tourmaline has an excellent record of sharing its gains with investors.

Action now: Buy.

Envala—continued from page 12...

next year. While the business is not without risk, it holds a higher-than-average degree of recession resistance, which is a bonus in the current environment.

At present, trading at just under 10 times the expected 2023 EPS, with a solid growth path ahead of the business looking 2-3 years forward, the stock appears to be in an attractive range for risk-tolerant clients to begin purchasing positions, looking at a minimum of 2-3 years holding period. We see a mid-term buying range of $4.50-$5.25. Be patient and place limit orders in that range over the next three months.

Action now: Buy. The shares closed Friday at $5.32.

Disclosures: *KeyStone and its employees own positions in ELA.*