

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations.

We believe Knowledge Pays and we want our knowledge to help pay for you.

INVESTMENT PROTECTION AT RAYMOND JAMES FINANCIAL

We believe that the financial integrity, strength and stability of Raymond James offer the most important protection for our clients. Raymond James Ltd. is Canada's largest **independent** investment dealer and its parent company, Raymond James Financial rivals Canada's big banks in some ways. For instance, **Raymond James Financial is larger than each of Canada's big banks are, based on assets under management (AUM)**. Below are some more facts detailing Raymond James Financial's size and scope (as of March 31, 2018).

Raymond James Financial (RJF: NYSE)

- Founded in 1962
- Market capitalization of ~US\$12 billion
- Over 3,000 branches worldwide (124 in Canada)
- Over 7,600 financial advisors worldwide (486 in Canada)
- Assets under management of US\$729 billion (CAD\$44 billion in Canada)
- Annual revenue of US\$7 billion in the twelve months ended March 31, 2018
- Component of Fortune 500 as well as the S&P 500 Index
- Has been consistently profitable in every quarter since 1987 (121 quarters straight), including all quarters in 2000/2001 and 2008/2009, unlike most peers

In addition to our size and scope, clients entrust Raymond James with their investment for a number of key reasons.

- **Safekeeping of Security Certificates** – Nearly all securities we hold on behalf of our North American clients are in electronic format at regulated Canadian depositories. This system minimizes the possibility of certificates being destroyed, lost or stolen, so it is the safest way for your securities to be held.
- **Implementation of Investment Safeguard Measures** – We safeguard our clients' fully paid and excess margin securities by segregating them from securities related to our corporate investing activities. This is standard practice for investment firms and a regulatory requirement set out by our primary regulator – the Investment Industry Regulatory Organization of Canada. This measure helps to ensure clients' investments are not subject to any risks related to an investment dealer's business activities.
- **Technological Security** – Our technological systems are monitored 24 hours a day, 365 days a year, for signs of tampering or unauthorized activity. We employ the use of encryption, virtual private networks, vulnerability testing and the latest anti-virus and firewall technology. Our systems are audited on a regular basis to verify their quality.
- **Industry-Wide Investor Protection** – The Canadian Investor Protection Fund (CIPF) provides coverage of the cash and securities we hold on your behalf. It is important to note that this covers losses arising only from firm insolvency issues, not market-driven investment losses.

Current Rates & Data

Govt of Canada

90 day	1.41%
1 year	1.76%
2 year	1.92%
5 year	2.03%
10 year	2.12%
30 year	2.17%

U.S. Treasury

90 day	2.00%
1 year	2.36%
2 year	2.60%
5 year	2.75%
10 year	2.85%
30 year	2.96%

Canada Prime Rate

3.70%

U.S. Prime Rate

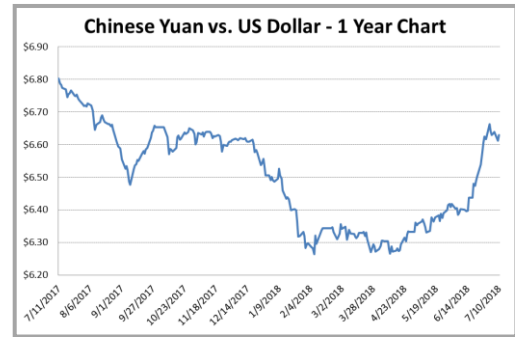
5.00%

Exchange Rates

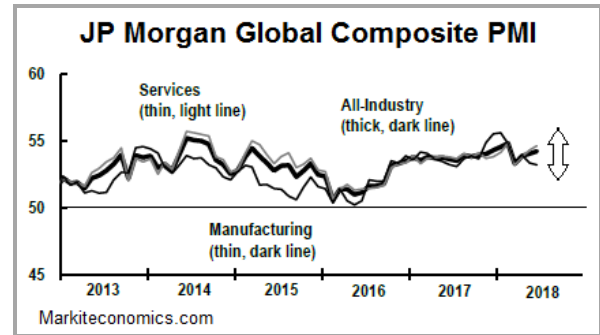
CAD/USD	0.758
USD/EUR	1.166
JPY/USD	112.9

ECONOMIC TIDBITS US-CHINA TRADE WAR OFFICIALLY BEGINS & TARIFFS HURTING GLOBAL EXPORTS

• On July 6, the US imposed tariffs on US\$34 billion in Chinese imports, with another US\$16 billion expected in future. China responded with tariffs on US\$34 billion in US imports and vowed to retaliate to future tariffs. Total tariffs announced to date, including the already established US metals tariffs and retaliations, amount to only ~0.1% of global GDP at this point, limiting their economic impact.



• While the dollar value of tariffs is beginning to add up, the economic consequences are quite limited. Tariffs are unsurprisingly having a greater effect on manufacturing activity than services activity, as seen by the divergence in the chart to the right, and are damaging the outlook for new exports more than new orders in general. New export orders have swung from high growth to stagnation since January.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Searching for Canadian Cyclical Stocks to Participate in Market Upside Without Paying Too Much

- **Linamar Corp (LNR)** and **Chemtrade Logistics (CHE.UN)** are two ideas related to this theme.
- **Linamar** is Canada’s second largest auto parts manufacturer behind Magna International. Linamar currently trades at ~4x trailing EV/EBITDA compared to Magna at ~6x, the biggest valuation discount in recent memory and lowest valuation for Linamar shares since mid-2016. Linamar typically trades within 0.5x-1.0x of Magna and the pair typically trades in the 5x-6x EV/EBITDA range. Linamar is our preferred choice relative to Magna due to its Canada-centric exposure and likely overblown NAFTA concerns.
- **Chemtrade** manufactures and markets industrial chemicals worldwide, particularly those used in mining, oil and gas extraction and pulp and paper production. Chemtrade faced operational issues during the past twelve months pushing its shares lower. Chemtrade is making progress toward fixing its operational issues. Meanwhile, economic tailwinds remain in place such as improving product pricing due to general industrial growth in North America as well as growing North American energy sector activity. Chemtrade trades at ~9x trailing EV/EBITDA, in line with its historical valuation but this is based on depressed product pricing and earnings. The shares should recover as earnings recover.

Key risk points: Both securities are highly cyclical and would likely come under pressure in a weak economic environment. Changes to trade policies could also negatively impact both securities.

JEANNINE’S TIP O’ THE MONTH Raymond James Cares Month 2018

Raymond James Cares Month 2018 showcased the hard work and generosity of our employees across the company.

Collectively we exceeded our 2018 goal by completing **2,878 volunteer hours in support of over 100 charities and non-profits** across the country. The hard work and generosity of over 500 employees and associates made positive impacts in our communities by volunteering time to charities and events, giving blood and donating food and clothing.

This newsletter has been brought to you by Steele Wealth Management

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As the investment products listed in this newsletter may not be appropriate for everyone, a recommendation would only be made following a personal review of an individual's portfolio and risk tolerance.