

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.

AGING IN PLACE HOW TECHNOLOGY IS PUSHING THE COST OF LIVING AT HOME LOWER

There is a significant cost difference between moving to a retirement community or long-term care facility and hiring professionals to provide care services in your own home. Technology is starting to chip away at this cost difference providing consumers with more options with respect to care.

We Prefer to Age in Place

According to a 2017 AARP study, 90% of people plan to age in their homes.ⁱ Why? Our home often reflects who we are. We raised kids there. We have pets there. We ran a business from there. Linked to our home are often our most powerful memories.

Other key reasons why we want to stay? Privacy, routines and freedom. We want to do what we want, when we want. Simple things like cooking or visiting the local cafe can become more difficult when living in a retirement community. If our spouse is at home with us, the thought of breaking the daily routine together is inconceivable.

Another major factor is that most seniors who are in average or better health feel young and fully capable. As per a 2009 Pew Research study, 60% of adults 65 and older feel younger than their age and only 3% feel older than their age.ⁱⁱ

The Key Disruptors of the “Home Care” Industry

The aggregation of care services is a key change in recent years. Care.com and ElderCare.com are leading the way in Canada. These online directories help families find affordable senior care. For a monthly fee, users can peruse a vast number of caregiver profiles that include a list of qualifications, services offered, cost of service, availability and ratings and reviews of their previous stints of care work. The average cost of services is between \$15 and \$25 an hour. This lower price point relative to an established full service care company makes aging in place possible for more seniors. It is important to keep in mind that there are fewer protections considering the caregiver is self-employed and not an employee of a large corporation.

The Risks of Aging in Place

While the reasons for aging in place are compelling, there are downsides. Loneliness is a major issue of aging in place. While the past and many memories lay at home, the future of living at home may look very different. Perhaps the kids or close friends are no longer nearby. You may be better to create new memories in a retirement community with those who share similar interests. Aging in place can come with greater health risks. Hiring in-home care helps but is not as robust as the alternative. Another major cost (possibly) of aging in place is preparing your home to meet your needs as you age. We will explore the topic of age-related home renovations in more detail in future.

Current Rates & Data

Govt of Canada

90 day	1.66%
1 year	1.79%
2 year	1.77%
5 year	1.79%
10 year	1.88%
30 year	2.14%

U.S. Treasury

90 day	2.42%
1 year	2.50%
2 year	2.53%
5 year	2.47%
10 year	2.55%
30 year	2.66%

Canada Prime Rate

3.95%

U.S. Prime Rate

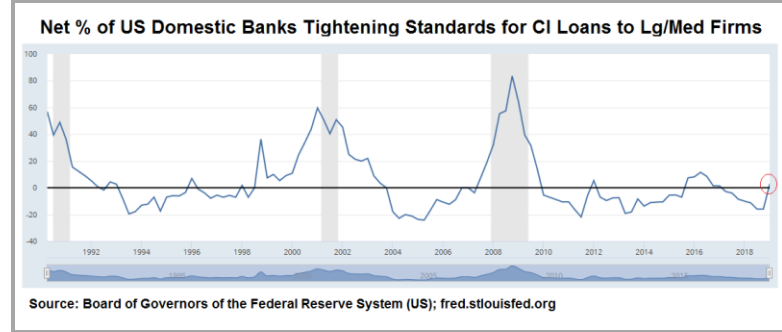
5.50%

Exchange Rates

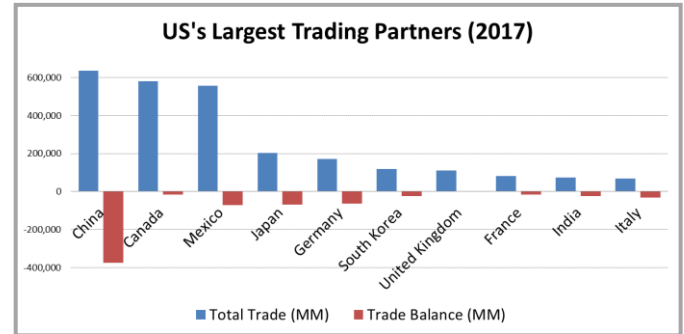
CAD/USD	0.752
USD/EUR	1.129
JPY/USD	110.5

ECONOMIC TIDBITS LATEST US BANK LENDING SURVEY WEAK & TRUMP APPEARS TO LIGHTEN UP ON CHINA

• Last month we highlighted that US bank lending was deep in expansion territory in Q3. In Q4, we saw the greatest tightening in US bank lending since the US government shutdown in late 2011. The downshift in US bank lending was likely the result of temporary factors (i.e. US government shutdown, trade uncertainty) and does not reflect the true health of the US economy.



• In classic Trump style, after months of affirming that March 1 was a hard deadline for US-China trade talks, Trump stated that the deadline is flexible if a deal was “close”. Global markets rallied as the threat of additional tariffs eased. The US currently has tariffs on \$250 billion worth of Chinese goods and has threatened an additional \$267 billion in tariffs and to raise tariff rates if a deal is not reached.



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

Renewable Energy Stocks Trading at a Historically Narrow Premium Relative to Traditional Utilities

- **Boralex Inc. (BLX)** is an idea related to this theme.
- **Boralex** is a renewable power company with operations in Canada, the US and France. Boralex is heavily weighted toward wind power generation. Boralex trades at ~13x trailing EV/EBITDA, a slight premium to renewable energy peers, and a historically narrow premium relative to traditional utilities. Boralex is in the middle of a significant production ramp up and as a result has a higher than average debt load and a lower than average dividend to support this growth. If equity markets continue to rebound from their recent decline and credit spreads continue to narrow, Boralex is poised to outperform peers as its perceived risk profile declines. Boralex’s value should be uncovered as it brings new production online.

Key risk points: Boralex operates in a sector with long-term contracts that specify power prices and other important variables but the significant debt obligations required to build large renewable projects makes Boralex susceptible to general credit conditions and investor sentiment. While Boralex’s significant debt obligations results in an above average risk profile, this risk is partly mitigated by its largest shareholder being Caisse de depot et placement du Quebec (the asset manager for the Quebec Pension Plan) which should ensure capital markets access over time. Government policy can greatly affect the future profitability and growth outlook for the renewable energy sector.

JEANNINE’S TIP O’ THE MONTH Client Online Access

Do you know how versatile client online access can be? Would you like to have access to your tax documents before they reach you by mail? If you have not already signed up for online access, I encourage you to do so.

Having online access does not mean you will lose paper statements and documents. What it does mean is you will have access to a password protected and secure website to review and retrieve your documents.

Want to learn more about how to sign up and what is available for doing so? Please reach out to us, we love to hear from you!

This newsletter has been brought to you by Steele Wealth Management

Brian Steele, CA, CPA, CFA | Jeannine Campbell | Laura Prust, CIM, CPCA
Kelly Edmonds | Matthew Bell, CFA

Phone: (519) 883-6030 Toll-Free: 1 (877) 642-6408

Email: steelewealthmanagement@raymondjames.ca

Address: Unit 1, 595 Parkside Drive | Waterloo, Ontario | N2L 0C7

Website: www.steelewealthmanagement.com

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ⁱ Can You Afford to Age in Place? AARP, 2017

ⁱⁱ Growing Old in America: Expectations vs. Reality, Pew Research Center, 6/29/09.

Any bond, debenture or preferred share ratings listed within this newsletter are those of DBRS (Dominion Bond Rating Service).

All rates mentioned within this newsletter are as of February 15, 2019, unless otherwise stated. Rates have been sourced from Bloomberg. All stock information has been sourced from Market-Q.

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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.