



WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

Welcome to the Long Weekend

NBF Dividend All Stars 2023 – update Feb 13, 2023

National Bank analysts collectively cover ~300+ TSX-listed equities, of which more than half offer investors income in the form of dividends or distributions. We put together a portfolio that contains 16 of NBF's favourite yield ideas, the group spanning a variety of industries, sizes and liquidity, but sharing three investment criteria:

1. Dividend/distribution yield of approximately 5% or greater;
2. Low risk of the current payout proving unsustainable / dividends ideally growing; and
3. Generally positive bias regarding the prospects of the company and/or share price.

NBF DIVIDEND ALL-STARS 2023 PORTFOLIO					
Equity	Ticker	Share/Unit Price	Dividend / Distribution	Yield	Analyst
Alaris Equity Partners	AD.UN	\$18.15	\$1.36	7.5%	Evershed
Allied Properties REIT	AP.UN	\$28.47	\$1.80	6.3%	Kornack
Capital Power	CPX	\$43.26	\$2.32	5.4%	Kenny
Choice Properties REIT	CHP.UN	\$14.57	\$0.74	5.1%	Woolley
CT REIT	CRT.UN	\$15.92	\$0.87	5.5%	Woolley
Dexterra Group	DXT	\$5.64	\$0.35	6.2%	Evershed
Dream Industrial REIT	DIR.UN	\$14.46	\$0.70	4.8%	Kornack
Dream Residential REIT	DRR.U	US\$8.50	US\$0.42	4.9%	Kornack
DRI Healthcare Trust	DHT.U	US\$5.30	US\$0.30	5.7%	Leno
Exchange Income	EIF	\$53.24	\$2.52	4.7%	Doerksen
IGM Financial	IGM	\$41.73	\$2.25	5.4%	Gloyn
Keyera Corp.	KEY	\$30.98	\$1.92	6.2%	Kenny
KP Tissue	KPT	\$10.08	\$0.72	7.1%	Evershed
Secure Energy Services	SES	\$8.03	\$0.40	5.0%	Kenny
Telus	T	\$27.25	\$1.40	5.2%	Shine
Topaz Energy	TPZ	\$19.98	\$1.20	6.0%	Payne
Average				5.7%	

Source: NBF, Bloomberg; Priced as of February 10, 2023

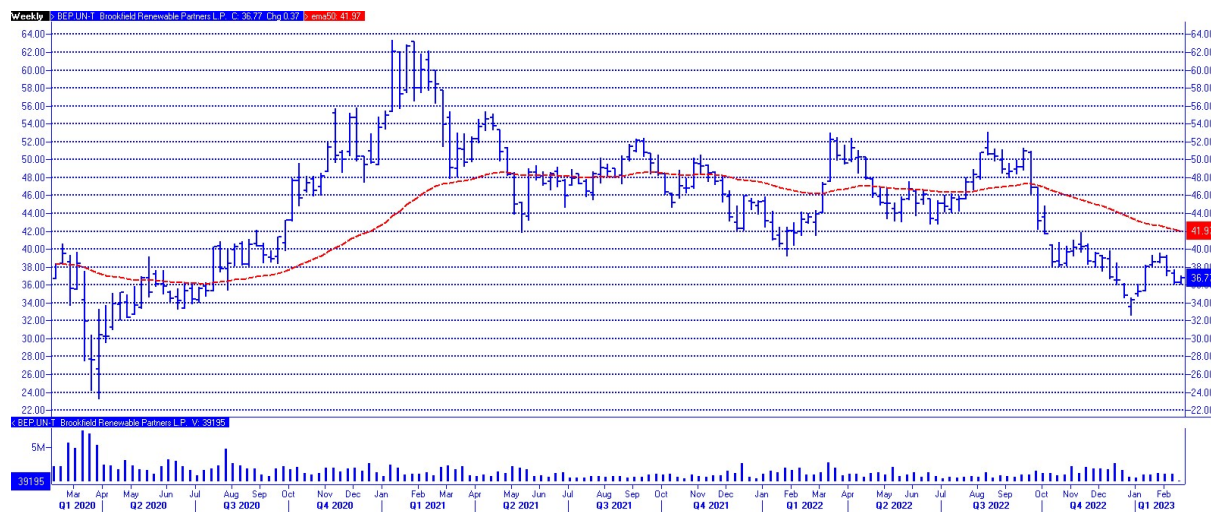
Full report link:

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=8d6c6f83-3a3a-4243-a53b-d5285efdf3a2&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

NOTES: The Hilberry Canadian Dividend Growth portfolio differs from the above. Our model holds two names only from the above list, being Capital Power and Telus

DISCLOSURE: From the above list, I own Capital Power and Telus personally, hold it personally for family members and for clients account over which we have trading authority. We have traded in both securities within the past 60 days.

Brookfield Renewable Energy Partners (BEP.UN-TSX-\$36.77) weekly - 3 yrs.



Green & Clean Tech dominated the investment news cycle in Q1/2021. The \$64 Q1/2021 spike on the above chart reflected the mad rush into Environment, Social and Governance (ESG) stocks. It turns out green electrical power generators are...SURPRISE!...electrical power generation utility companies. Green tech power was, and is, mostly to be built. How exciting! New opportunities everywhere.

Uhm, yes...but...investors forgot that utility company's must borrow heavily FIRST to build that exciting infrastructure. Governments commonly subsidize all utilities, Green ones more so, and agree to buy the resulting power. Subsidized outlay and subsidized revenue. What's not to like?!

Uhm, yes but...while the resulting business model is (mostly) secure, governments, who are the only customer, 'contract' (restrict) that revenue stream to small annual increases over very long periods. In this sense utilities resemble bonds with an inflation clause. Those contracts for power are ultimate at the whim of politicians who must be re-elected. BC Hydro is a classic case. As Kathleen Wynn's Ontario Liberals relearned, increasing Mrs. McGillicuddy's monthly power bill paves a path to the political boneyard. Politicians will sacrifice shareholders over voters every...single...time.



The up-front cost slope is steep and the repayment slope is gradual. Increases in borrowing costs work against utility companies. Green ones are not insulated from this risk. As the above chart shows **'It's not easy being green' – Kermit the Frog.**

We held a position in Brookfield prior to the above period. Our first BUYs were in April/2014 around \$26 per share, split-adjusted. In Q1/2021 we were net sellers bracketing the Jan 29, 2021 record high of \$63.20. Our best sell prices were around \$51 in late March/2021. We further trimmed our holdings in Jan/2023. While our residual average portfolio cost is approximately \$40.85, our previous sales have cut our client's net out-of-pocket cost well below the current prices. We're pondering Brookfield again.

PROS: The price is down. Brookfield has executed well, acquiring assets at good prices, while proving to be savvy sellers too. They understood the flood of government money would pop 'green' assets, and rode the wave. They've understood and played the ESG trend well being a Canada's institutional go-to green/ESG.

CONS: The ownership is complex. Corporate moves between subsidiaries can be opaque (see the article link below). The parent company **Brookfield Corp** (see below) appears to be divesting from the sector. Do they know something or is that just coincidental/opportunistic selling?

Brookfield Renewable Partners is within a family of companies controlled by **Brookfield Corporation (BN-TSX/NYSE)**. Brookfield's history shows complex asset ownership restructurings, transfers between controlled entities, specialist loan structures and tax-driven strategies. The result is control of underlying assets while extracting parent company dollar skin in the game. Makes me nervous.

As the following Feb/2020 article notes, the history of Brookfield includes Peter Bronfman's entity Pagurian Corp. The Bronfman family no longer controls Brookfield. The brain trust behind many of the corporation's moves includes Mr. Cockwell who remains part of the company

"At the centre of the transaction was Pagurian Corporation, which was controlled by executives including Cockwell and shared its name with a species of crab that, having no shell of its own, steals the exteriors of dead snails."

Can't make this stuff up.

'Inside Brookfield's empire, a complicated jigsaw of \$500 billion in assets spread across the world' – Financial Times via Financial Post Feb 13, 2020

<https://financialpost.com/financial-times/inside-brookfields-empire-a-complicated-jigsaw-of-500-billion-in-assets-spread-across-the-world>

We're watching this one closely.

About that pending collapse of the UK thing... (courtesy WSJ Daily Shot 14-Feb-2023)

The United Kingdom: The FTSE 100 is about to breach 8k for the first time.

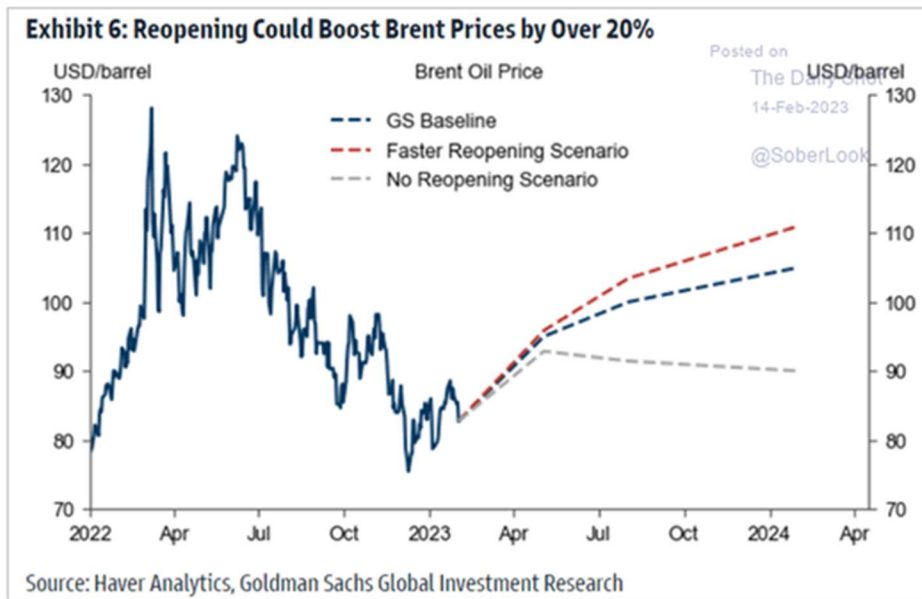


Why we remain 'long' conventional energy stocks

Putin 'has already lost the energy war he started': EC President von der Leyen – S&P Global

(may require free online registration)

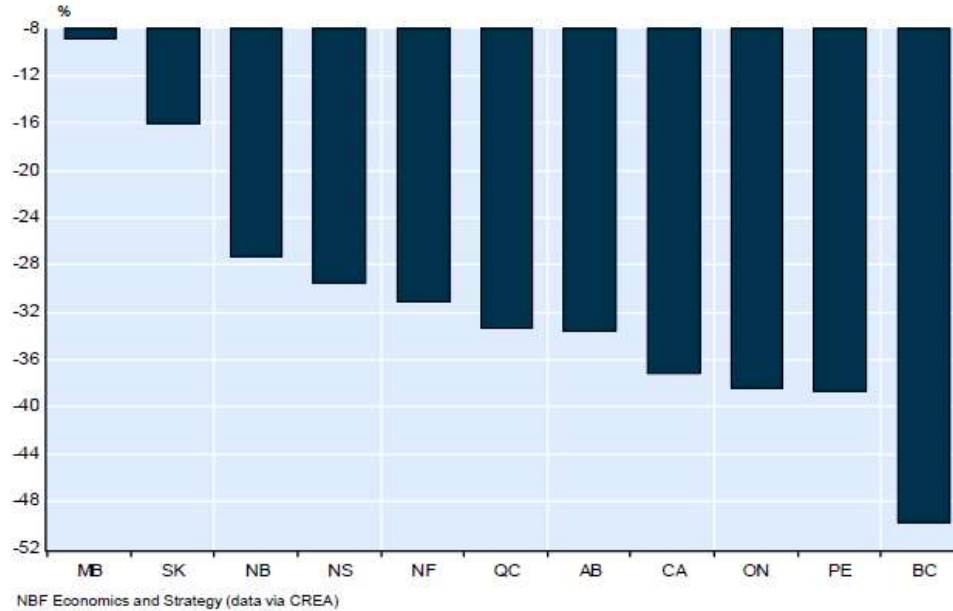
<https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/021523-putin-has-already-lost-the-energy-war-he-started-ec-president-von-der-leyen>



CANADA: Home Sales continued their downward trend in January

At **-49%**, BC saw the largest drop in sales. Note, sales not prices.

7. Canada: Annual home sales variation in January
Annual variation (%)



Full report here.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=59a22fff-a382-4cea-be2a-625b79889ab3&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

Readers please note: Due to a comparative lack of volume and how residential property gains are taxed and reported here, Canada has no equivalent to the **US Case-Schiller House Price Index**. That index plots US residential 'same house sales'. IE what an individual house traded for recently vs. what that same house sold for the last time it traded hands. In Canada prices are simply averaged for each neighborhood. If one very expensive house sells in a neighborhood of otherwise modest houses, the 'average price' will be affected. The reverse is also true. Most Canadian property data aggregators attempt to adjust for these changes via a 'benchmark price. In the US private residence capital gains are taxable and reported to the IRS by the local registrar. The data is very clean. In Canada the information is sourced from the real estate industry, is not as consistent in all areas and can be less accurate. I do not mean to imply Canadian property data is false or misleading. It simply is a different series of data points. As US news and notions play heavily in the Canadian investment landscape, Canadian property investors should consider these differences.

With the above caveates, I wouldn't be surprised to see prices moderate in BC.

You can follow the Victoria Real Estate Board's (VREB) sales and price data here.

<https://www.vreb.org/historical-statistics#gsc.tab=0>

Average prices in Victoria are up:

https://www.vreb.org/media/attachments/view/doc/2022_historic_average_selling_price_graphs/pdf/2022_historic_average_selling_price_graphs.pdf

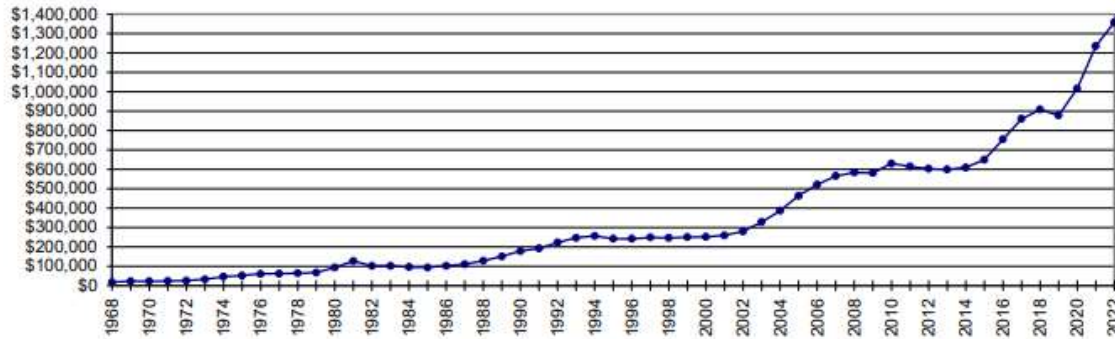
Historic Average Selling Prices

Historic average selling prices for the three main property types

December 2022

Produced: 02-Jan-2023

Single Family Home (Greater Victoria Only)



The latter chart says prices often surge, then go sideways, rarely declining much. History says, the sharper the uptick, the longer the flat spell. Prices have roughly doubled since 2016. One would expect somekind of slowdown. Perhaps a modest retracement. For conventional home owners who've been at it for awhile, **none of this is a disaster in the making.**

We've had calls with clients who took on mortgages in 2021-22. Those who opted for interest rates based on floating rate calculations have seen significant cost increases. One example was a monthly payment on condo rising from \$890 to \$1,400. The building strata cost also increased sharply. The total hit to the client's income was over \$600 increased monthly condo payment cost per month, a meaningful difference to him. The good news is we expect short-term rate hikes to moderate this year then decline.

For areas outside Victoria, check the Vancouver Island Real Estate Boards (VIREB) stats page

VIREB Stats webpage link: <https://www.vireb.com/index.php?page=20>

VIREB Stats for Jan/2023:

https://www.vireb.com/assets/uploads/01jan_23_vireb_stats_package_64852.pdf

Prices in the Cowichan Valley are down -3.8% over the past 12 months.

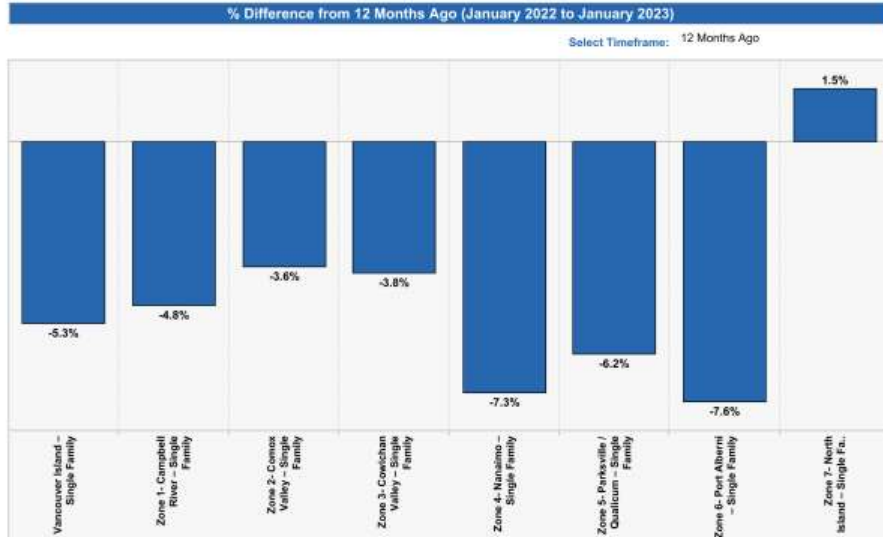


SINGLE-FAMILY BENCHMARK PRICE AND HPI

MLS® Home Price Index

[Click here to learn more](#)

- 1. Area Group
Vancouver Island (+ areas)
- 2. Property Type
- Single Family
- 3. Area/Property Type Selection
Multiple values



MLS® Home Price Index

[Click here to learn more](#)

HPI or Benchmark Price

- HPI
- Benchmark Price

Value or percent change

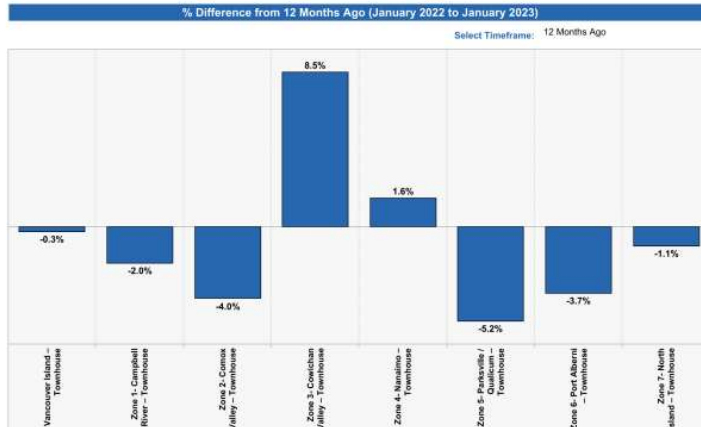
- Value
- Percent change

TOWNHOUSE BENCHMARK PRICE AND HPI

MLS® Home Price Index

[Click here to learn more](#)

- 1. Area Group
Vancouver Island (+ areas)
- 2. Property Type
- Townhouse
- 3. Area/Property Type Selection
All



MLS® Home Price Index

[Click here to learn more](#)

HPI or Benchmark Price

- HPI
- Benchmark Price

Value or percent change

- Value
- Percent change

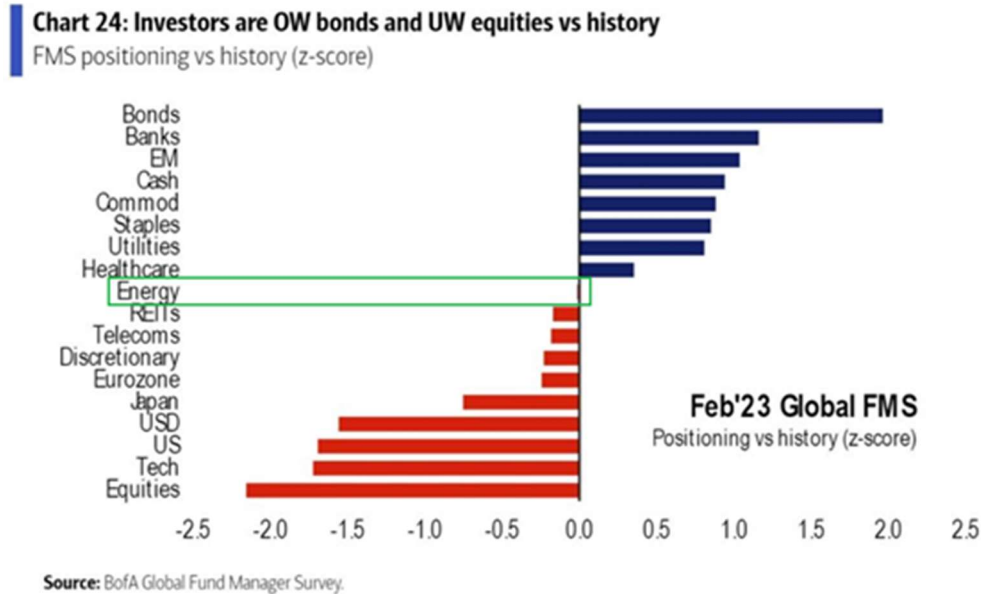
Cowichan Townhouse prices (middle bar 2nd-chart) are **+8.5%** vs. declines on most of the Island. This may be partially explained by a raft of new construction locally at higher prices than in the past. This doesn't necessarily mean all condo's are more expensive. None of the declines are dramatic.



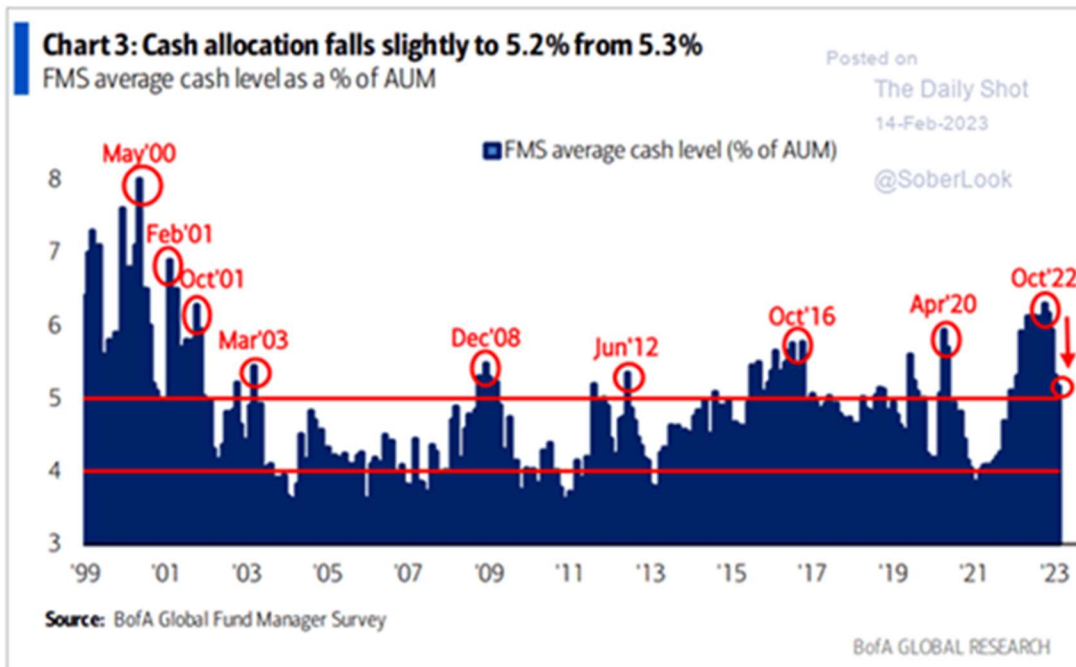
Recognize Extremes Feb/2023: Big Money Investor psychology

Bank of America Global Fund Manager Survey for Feb, 2023. Positioning vs. history.

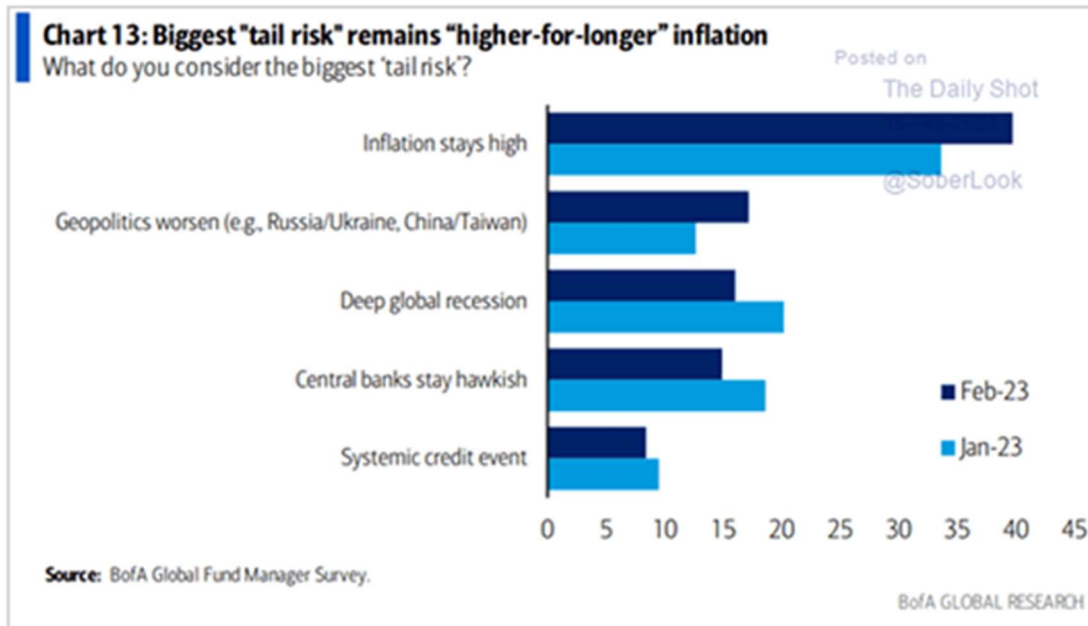
Big Money is underweight equities and over-weight bonds.



Cash allocation Remains well above average. Trending lower?



Big Money thinks biggest risk is inflation. That worry is high & up in February.



Investor risk appetite is well below average.



CONCLUSION: Big Money is bummed. Many empty chairs in the auction.

Big Money opened wide and swallowed the FAANG story-stocks in Nov/2021...and took a 50%+ drubbing in 2022. FANG darling Kathy Wood's ARC Innovation ETF dropped 81% from its 2021 highs into the Nov/2022 lows. It's only been 3 months since the FAANGs (maybe) bottomed. Many investors are still punch-drunk, licking their wounds. They're not feeling frisky yet. It's still winter in the Northern Hemisphere. Spring will come. Big money will come with it. After stampeding out of the auction house, the herd will rush to reclaim their seats.



There's still time to buy solid dividend payers. This doesn't mean stock prices can't fall – they always can. Our belief is the worst of the unwinding of COVID-19 extreme money flood is past. For Bond investors, we suspect the big upward move in short-term yields is back to something like normal. We moved our maturities out. We're NOT way out at the long end. Our investment stance runs contrary to Chart 24 above. We're more invested in equities and less invested in bonds than the average. We're leaning towards Canada.

Canadian and US financial markets will be closed for respective holidays on Monday.

Have a Great Long Weekend

Steve & Anna Hilberry

FOR THE RECORD February 17, 2023

DOW INDUSTRIALS:	33,675
S&P 500:	4,058
S&P/TSX COMP:	20500
WTI:	\$76.38
LOONIE IN \$USD:	\$0.7418 \$US

© NATIONAL BANK FINANCIAL. All rights reserved 2019.

[Terms of use](#) [Confidentiality](#) [ABC's of security](#)

The information contained herein was obtained from sources we believe to be reliable, but is not guaranteed by us and may be incomplete. The opinions expressed are based on our analysis and interpretation of this information and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed herein are those of the author and do not necessarily reflect those of National Bank Financial.

The securities or investment sectors mentioned herein are not suitable for all types of investors. Please consult your investment advisor to verify whether the securities or sectors suit your investor's profile as well as to obtain complete information, including the main risk factors, regarding those securities or sectors. This document is not a research analysis produced by the Research Department of National Bank Financial.

National Bank Financial is a subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX).

Sent by

Montreal office
National Bank Financial
Wealth Management
1155 Metcalfe 5th Floor
Montreal, Quebec H3B 4S9
Phone: 514 879-2222

Toronto office
National Bank Financial
Wealth Management
130 King Street West Suite 3200
Toronto, Ontario M5X 1J9
Phone: 416 869-3707



Regulated by
Investment Industry Regulation
Organization of Canada

