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33rd Year of

# The Prophetable Investor

*"Because you are buying just a small piece (of a company) doesn't mean you should approach the purchase any differently than if you were buying the entire company" - Janet Lowe*

## Year to Date returns June 30, 2022

TSX	Down 11.1%
Dow Jones	Down 20.6%
NASDAQ	Down 29.5%
S&P 500	Down 20.6%
Gold	Down .9%
Oil (WTI)	UP 40%
<b>Basket</b>	<b>Down 2.77%</b>

## GIC Rates as of 07/21/2022

1 Year GIC	4.10%
2 Year GIC	4.50%
3 Year GIC	4.54%
4 Year GIC	4.73%
5 Year GIC	4.73%

## Market Update

Inflation has been the main topic of discussion for markets and market valuation. In Stéfán Marion's economic discussion sent July 20, he points to indications that inflation may be peaking. I would agree. Markets seem to have bounced off the lows of mid June. June stood out as the worst performing month of the year with North American indices down between 8.4 % (S&P 500) and 9% (TSX).

The bump in interest rates makes fixed income investing worth a closer look with GIC and bond rates the best we have seen in recent memory. I have added suggested fixed income ideas that many clients already own in portfolios. I continue to like companies involved in power and energy production and I look at the sell-off in the bank stocks as an accumulation opportunity.

## Thinking outside the Basket...

If you want to have cash available on short term notice, GIC's cashable after thirty days are offering rates in the range of 2%.

One year good quality corporate bonds are also yielding in the range of 4%.

Here are a couple ideas on the higher yielding short term debentures:

Surge Energy 6.75% Convertible debenture due June 30, 2024. Priced at 101 to yield 6.18% to maturity. The debenture is convertible into the shares at \$19.13

Rogers Sugar 5% Convertible debentures due December 31, 2024.. Priced at par to yield 4.99% to maturity.. Convertible into the shares at \$8.26.

North American Construction Group 5% Convertible debentures due March 31, 2026. Priced at 98 to yield 5.6%. Convertible into the shares at \$26.25.

Preferred Share considerations:

With rates rising and weakness in price, I believe there is value in the Preferred share space. Preferred shares also have the advantage of paying out tax advantaged dividend income in non-registered accounts.

Royal Bank Series S Preferred - Currently paying out \$1.20 per share and priced at 23.90 at time of writing for a 5% yield. The preferreds will re-set on Feb. 24, 2024 at the five year Canada bond yield plus 2.38%. The bank may redeem the shares at \$25 at that time.

Capital Power series K . Currently pays \$1.4375 per share to yield 5.75% with shares at par. The dividend rate will re-set at 415 basis points over 5 year Canada bond yields on June 30, 2024 and carry a floor of 5.75% yield.

Fairfax Financial Series M - Dividend of \$1.2508 gives a current yield 5.80% on a price of 21.55. Shares to re-set at 398 BP over 5 yr Canada on March 31, 2025

**Disclaimer:**

I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial. National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada.

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