



The Sunday Investor

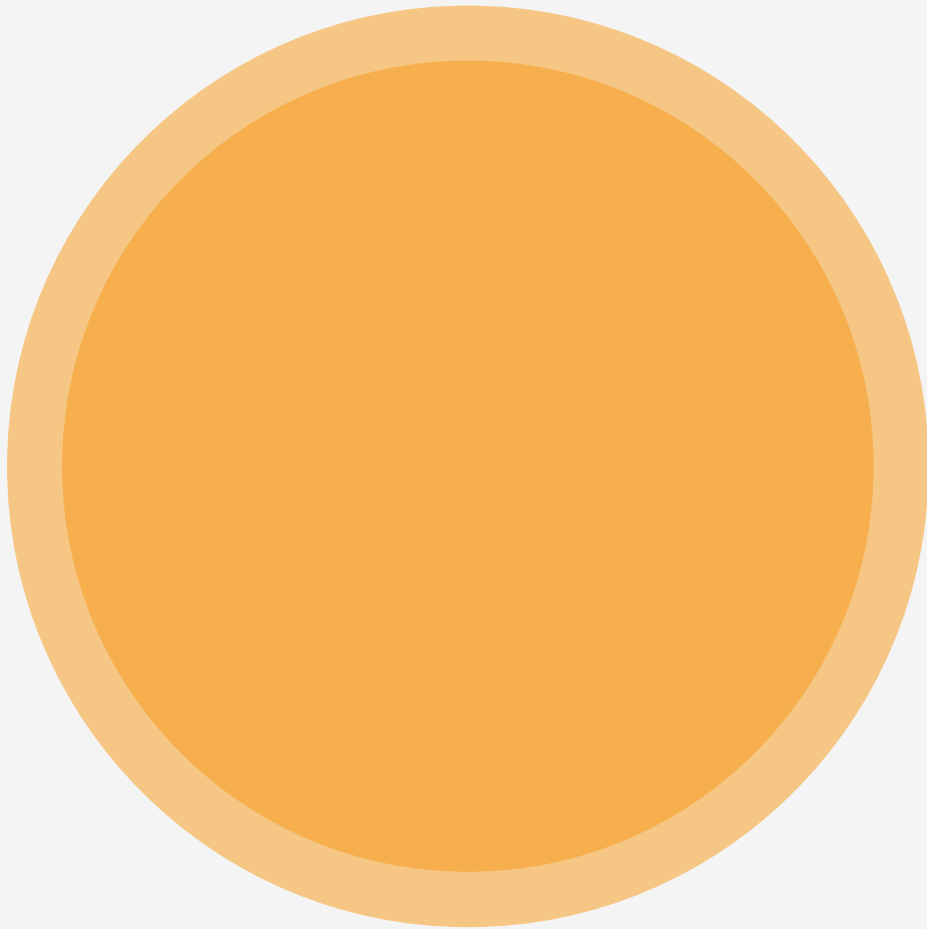
Week 45: Ending November 6, 2020

S&P/TSX Composite Index Recap

By The Sunday Investor

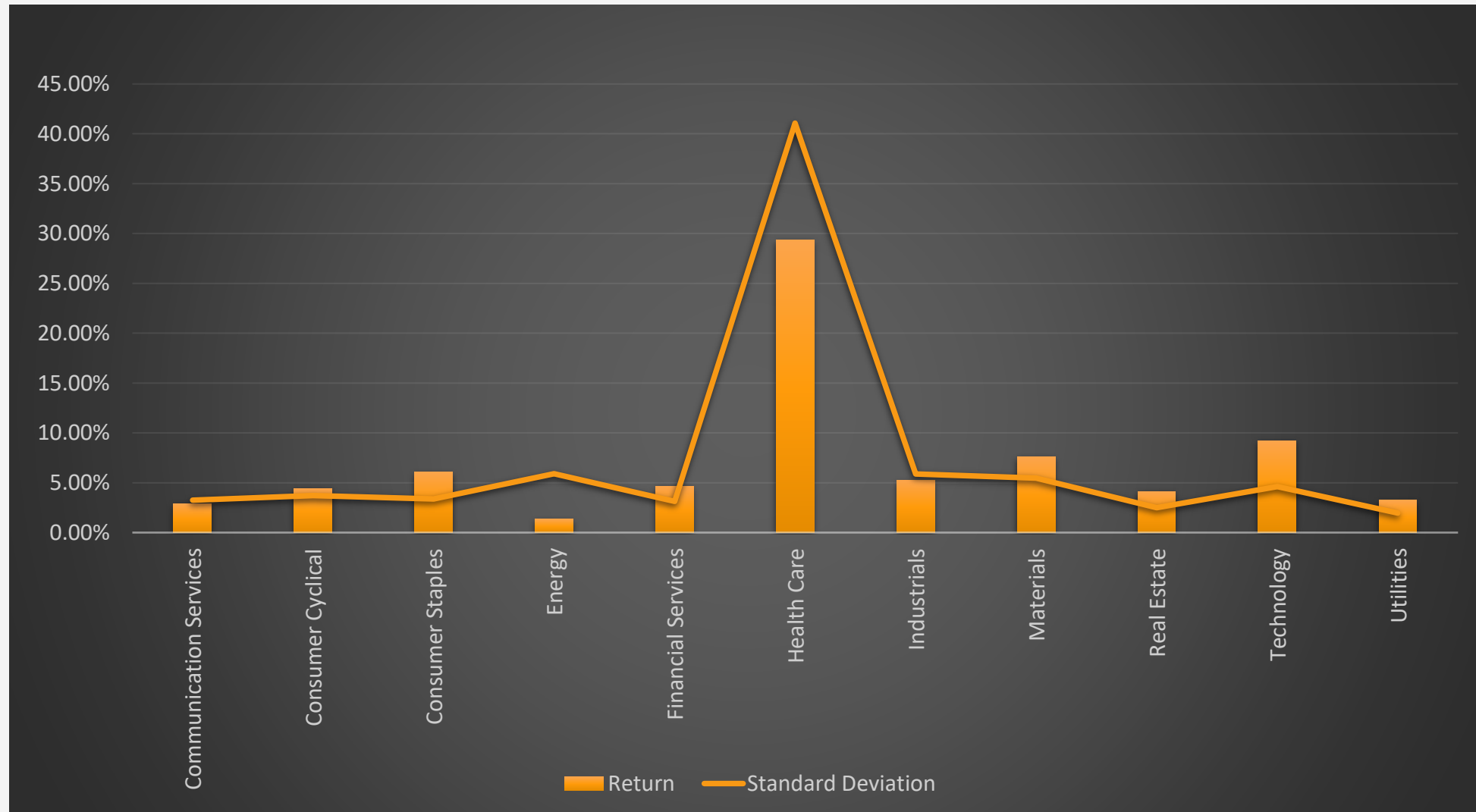
The S&P/TSX Composite Index gained 702 points, or 4.51% to close at 16,283 in what was almost a complete reversal of last week's losses. While all sectors were up for the week including about 85% of stocks, it was the gains in the Technology sector (9.21%) and the Materials sector (7.58%) which powered the average TSX stock to gain 5.88% on average - the best performance since the first week of June. Financials and Energy gained 4.67% and 1.37% respectively while Consumer Staples bounced back with a 6.08% gain after spending four consecutive weeks in the red.

The price of U.S. WTI Crude Oil gained back \$1.69 close at \$37.46 while the discount on Western Canadian Select lowered a dollar to \$9.48 and closed at \$27.98. The Canadian - U.S. dollar pair jumped 2.05% and is now down 0.47% year to date. Gold also gained along with stocks, up \$73 to \$1,952. Volatility significantly increased this week, with the standard deviation of returns increasing from 4.56% to 10.76%, though most of the increase can be attributed to the outsized performance of cannabis stocks (Aurora Cannabis was up 137%, for example). Volatility climbed in the U.S. too as investors had some pretty strong reactions to President-elect Joe Biden winning the election. Historically, a Democratic-run White House has underperformed from November to February and then outperformed Republican presidents for the remainder of their terms - we'll see if that pattern holds this time around. Thanks for reading, and have a great week!



WEEKLY RETURN & RISK BY SECTOR

Returns are calculated as a simple average, not based on market-capitalization. Risk is considered to be population standard deviation of returns.



DIVIDEND GROWTH WITHOUT EARNINGS GROWTH? A BAD IDEA

You can't have dividend growth without the earnings growth to back it up. Since dividends are paid out of earnings, this should go without saying, but it's easy to get caught up in the hype when a company increases its dividend by double digits. You want to project that number forward for at least a few more years and calculate what your future dividends will be but what you should really be asking first is simply: can the company afford to do this?

In my mind, there are two main types of dividend increase announcements. The first happens when a company generally accomplishes its goals for the last year or so. The earnings are there to support a dividend increase, and shareholders are more or less **expecting** it. It may even be part of the company's stated dividend policy and an analyst may have touched on it on one of the recent quarterly earnings calls.

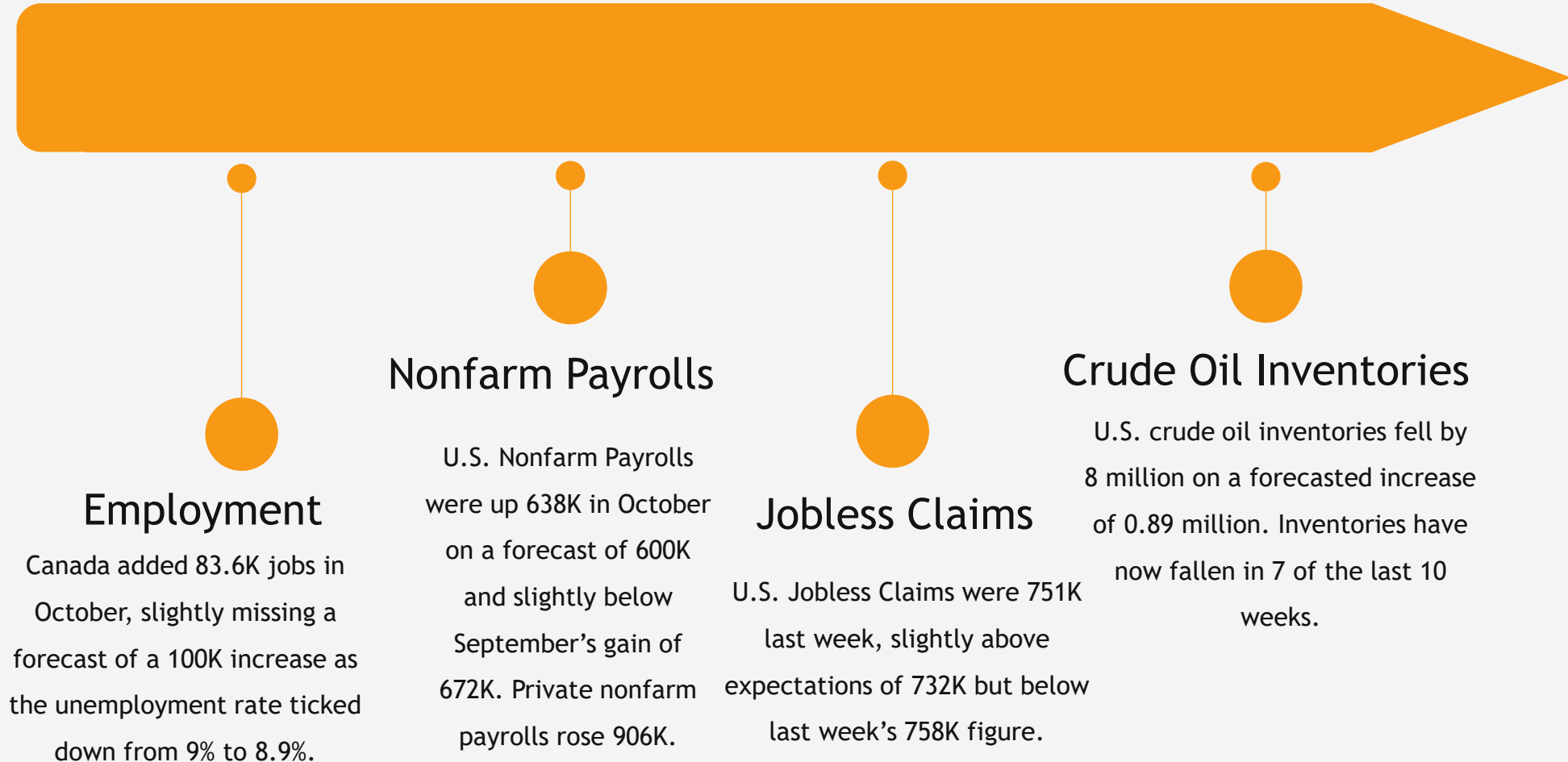
The second type happens despite a company's lackluster performance over the past couple of periods. These types of dividend increases are more to do with keeping the dividend increase trend going and appeasing a group of shareholders who have come to rely on the increase. As a result, the company's payout ratio steadily increases while company management hopes their fortunes will turn around before they have to start taking out loans or issuing new shares to fund the dividend. This is not the type of company you want to be in the weeds with.

One of the main jobs a dividend investor has is determining the sustainability of a company's dividend. Common ratios include the payout ratio, the cash dividend payout ratio, and various debt measures including the debt to EBITDA ratio. While useful, I have a much simpler method - pick a time frame and calculate the company's compound annual growth rate (CAGR) for earnings and dividends. 3Y and 5Y periods are a good starting point. If earnings are increasing at a faster rate than dividends, this is a good sign - the company has some wiggle room and can comfortably increase their dividends and still have some cash left over. If dividends are increasing faster than earnings, however, it's worth doing a deeper dive. If you chose a one year period, check the 3Y and 5Y as well to see if the same problem persists. It may just be a timing issue, so it's better to back it up by doing a little extra digging.

In Canada, we have the Dividend Aristocrats which are a group of about 80 companies that have increased their dividends for five consecutive years. In the U.S., the requirements are stricter - ten years for Dividend Achievers, and 25 years for Dividend Aristocrats. Don't underestimate the pressure these companies are under to keep their status. It matters a lot to them and can sometimes result in some bad decision making. My suggestion is to make sure you understand why a company is increasing their dividends first. It's not the size of the increase that matters, it's the sustainability of the increase that matters most.

LAST WEEK'S ECONOMIC NUMBERS

A quick summary of the most important economic releases for the week.



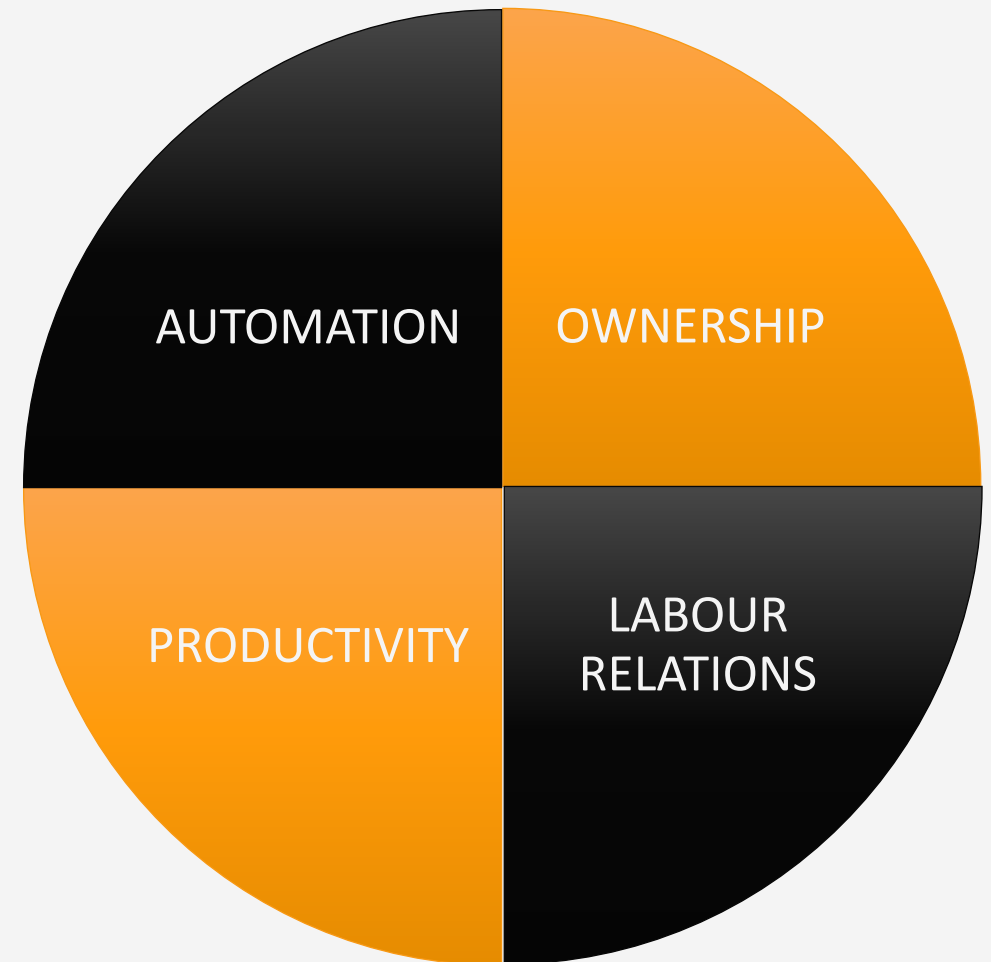
LABOUR CONDITIONS: WHAT IS IT, AND HOW CAN IT AFFECT A STOCK PRICE?

Yesterday, Loblaw Companies Limited presented a final offer to its Newfoundland grocery store workers in an effort to end an 11-week-old strike. Sobeys and local chain Coleman's have been reaping the rewards of less competition ever since, and while Loblaw Companies may not care that much about a province with total sales of only about 1/5th of Ontario (a rounding error, [says a university professor](#)), it isn't a good look for Canada's largest grocer.

I tell you this story as it has caused me to revisit the importance of assessing an industry's labour conditions before investing. Here are four questions you can consider in order to do this.

The first is if there is **potential for automation** on a large scale. If a company is showing signs that it is willing and able to replace workers with machines, wage demands from workers aren't so important anymore. The company becomes less sensitive to wage changes and more sensitive to keeping pace with technological changes. Is that a good thing? It depends on the company, I suppose.

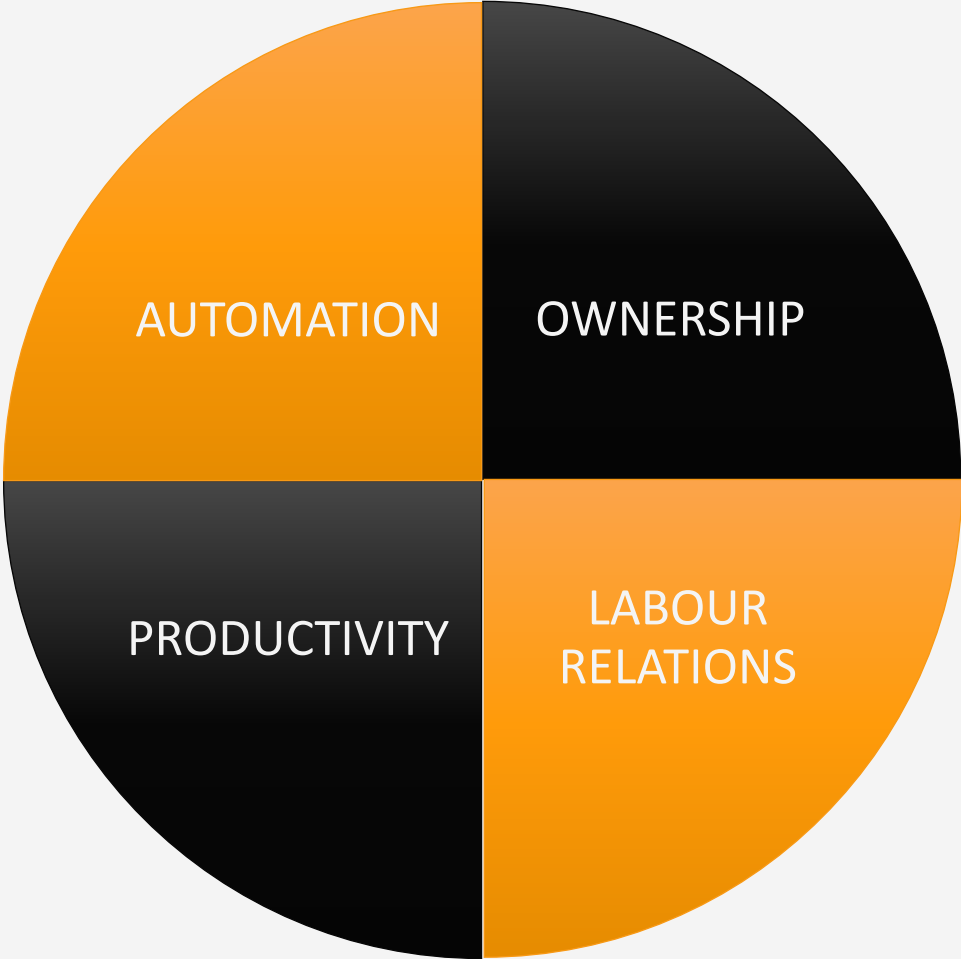
The second thing to look at is the relationship between company management and the workers - in other words, **labour relations**. How easily can unions strike? Have they went on strike before? How has that affected not only the financial statements but employee morale? Using the example above, sure it's not a big deal if workers at 11 grocery stores in Newfoundland go on strike, but what if this happened in Ontario?



The third question you can ask is if there are any **stock ownership opportunities** for regular, non-executive level employees? [In Deloitte's 2018 annual Employee Stock Purchase Plan Trends Survey](#), 94% of those who do offer an ESPP said it is done in order to attract and retain talent, to align the interests of its employees with its shareholders, or both. It makes sense that employees will be more motivated if they have some skin in the game. Happy employees are more productive employees, and they're also less likely to go on strike!

And finally, try and find out if **labour productivity** is increasing or decreasing. Economists can calculate a country's labour productivity by dividing the total output by the total number of hours worked - you can do something similar with an industry or an individual company. For example, sticking with the grocery store theme I've calculated that Kroger's productivity rate (as measured by Revenue per Employee) has increased by 1.98% per year for the last five years, while sales have increased by 2.17%. Costco's productivity rate has increased by 2.32% with sales increasing 7.03% annually. By this simple measure, Costco is more efficient.

None of the things I've mentioned here should all of a sudden change your approach for how you pick stocks - they are merely extra things you can think about that I hope will make you a better investor. For me, it's important to understand how a company makes money and what kinds of things they are focused on. If management has shown they care little about their own employees and aren't willing to align the company's goals with its workers goals, that's a bad HR strategy in my book. And it's only a matter of time before the market catches on. Hope this helps!



UPCOMING EARNINGS RELEASES

McDonalds, Baidu, DR Horton, Disney, and Cisco are also reporting in the U.S!



CANOPY GROWTH

Canopy Growth is due to release its quarterly earnings report on November 9. Analysts are expecting EPS of -0.37..



AIR CANADA

Air Canada is due to release its quarterly earnings report on November 9. Analysts are expecting EPS of -2.88.



BROOKFIELD ASSET MANAGEMENT

Brookfield Asset Management is due to release its quarterly earnings report on November 12. Analysts are expecting EPS of 0.60.



EMERA

Emera is due to release its quarterly earnings report on November 13. Analysts are expecting EPS of 0.65.



TRACK MY CANADIAN EQUITY PORTFOLIO

Low risk. Better returns than Index Investing.

YEAR-TO-DATE

My portfolio is up 3.48% year-to-date compared with the benchmark ETF's iShares S&P/TSX Capped Composite (XIC) -2.08% for an outperformance of 5.56%.

CORE STOCKS

Weighted at 58% of my portfolio, these ten stocks include Metro, Canadian Apartment Properties REIT, Boyd Group, Fortis, and Franco-Nevada Gold. This group of stocks are up 12.09% on average this year (10.24% weighted average).



MID-TIER STOCKS

With a higher concentration of Energy and Airline stocks, this group is looking to get back into recovery mode and is slightly trailing the Index, down an average of 3.36% for the year (or -5.14% weighted average).

SPECULATIVE STOCKS

Excluding the outliers of Whitecap Resources and Exchange Income Corporation, this group has partially recovered from its March lows. As a group they are averaging a 8.54% loss; without the two mentioned above, a loss of 0.37%.

For a complete weekly tracker, go to www.thesundayinvestor.ca/portfolio-tracker



WEEKLY STOCK RETURNS

The next section includes the weekly returns for all ~230 S&P/TSX Composite Index stocks. I have organized the stocks by sector and included their ticker and industry as well.

Scroll through the lists and check out how your holdings performed in comparison to their competitors. For a more interactive version, check out the [Subscribers Area](#) on [The Sunday Investor](#) website and download the [Weekly Tracker](#) file which includes the weekly stock returns for all of this year.



Communication Services

Symbol	Company	Industry	Return
BCE	BCE	Telecom Services	-1.14%
CCA	Cogeco Communications	Telecom Services	-0.73%
CJR.B	Corus Entertainment	Media - Diversified	7.95%
QBR.B	Quebecor	Telecom Services	7.18%
RCI.B	Rogers Communications	Telecom Services	2.29%
SJR.B	Shaw Communications	Telecom Services	2.51%
T	TELUS	Telecom Services	2.37%





Consumer Cyclical

Symbol	Company	Industry	Return
ATZ	Aritzia	Apparel Stores	0.55%
BYD	Boyd Group	Personal Services	4.44%
DOO	BRP	Recreational Vehicles	3.56%
GOOS	Canada Goose Holdings	Apparel Manufacturing	1.11%
CTC.A	Canadian Tire	Specialty Retail	4.36%
CCL.B	CCL Industries	Packaging & Containers	5.02%
CGX	Cineplex	Media - Diversified	5.11%
GIL	Gildan Activewear	Apparel Manufacturing	-1.12%
GC	Great Canadian Gaming	Gambling	5.85%
ITP	Intertape Polymer Group	Packaging & Containers	3.76%
LNR	Linamar	Auto Parts	5.79%
MG	Magna International	Auto Parts	10.19%
MRE	Martinrea International	Auto Parts	6.48%
MTY	MTY Food Group	Restaurants	8.96%
NFI	NFI Group	Auto Manufacturers	4.51%
QSR	Restaurant Brands International	Restaurants	1.42%
RCH	Richelieu Hardware	Home Furnishings & Fixtures	4.41%
ZZZ	Sleep Country Canada Holdings	Specialty Retail	1.72%
TOY	Spin Master	Leisure	15.27%
TCL.A	Transcontinental	Publishing	-1.27%
WPK	Winpak	Packaging & Containers	2.75%



Consumer Staples

Symbol	Company	Industry	Return
ATD.B	Alimentation Couche-Tard	Grocery Stores	10.70%
PRMW	Primo Water	Beverages - Soft Drinks	8.98%
DOL	Dollarama	Discount Stores	6.84%
EMP.A	Empire Company	Grocery Stores	6.11%
WN	George Weston	Grocery Stores	5.98%
JWEL	Jamieson Wellness	Consumer Packaged Goods	12.12%
L	Loblaw Companies	Grocery Stores	0.42%
MFI	Maple Leaf Foods	Packaged Foods	3.63%
MRU	Metro	Grocery Stores	5.50%
PBH	Premium Brands Holdings	Packaged Foods	6.22%
SAP	Saputo	Packaged Foods	0.52%
NWC	The North West Company	Grocery Stores	5.94%





Energy (1/2)

Symbol	Company	Industry	Return
ALA	AltaGas	Oil & Gas Midstream	2.96%
ARX	ARC Resources	Energy	-0.76%
BTE	Baytex Energy	Oil & Gas E&P	15.00%
CNQ	Canadian Natural Resources	Oil & Gas E&P	0.75%
CVE	Cenovus Energy	Oil & Gas Integrated	7.11%
CPG	Crescent Point Energy	Oil & Gas E&P	-3.01%
ENB	Enbridge	Oil & Gas Midstream	-2.42%
EFX	Enerflex	Oil & Gas Equipment & Services	2.51%
ERF	Enerplus	Oil & Gas E&P	-7.85%
FRU	Freehold Royalties	Oil & Gas E&P	3.52%
FEC	Frontera Energy	Oil & Gas E&P	-3.72%
GEI	Gibson Energy	Oil & Gas Midstream	-10.09%
HSE	Husky Energy	Oil & Gas Integrated	7.00%
IMO	Imperial Oil	Oil & Gas Integrated	3.95%
IPL	Inter Pipeline	Oil & Gas Midstream	-3.54%
KEY	Keyera	Oil & Gas Midstream	-4.55%
MEG	MEG Energy	Oil & Gas E&P	-0.41%
MTL	Mullen Group	Oil & Gas Equipment & Services	2.12%
PXT	Parex Resources	Oil & Gas E&P	0.23%
PKI	Parkland Fuel	Oil & Gas Refining & Marketing	16.87%
PSI	Pason Systems	Oil & Gas Equipment & Services	0.00%
PPL	Pembina Pipeline	Oil & Gas Midstream	-3.98%



Energy (2/2)

Symbol	Company	Industry	Return
PSK	PrairieSky Royalty	Oil & Gas E&P	5.14%
SES	Secure Energy Services	Oil & Gas Equipment & Services	3.36%
VII	Seven Generations Energy	Oil & Gas E&P	-4.66%
SCL	ShawCor	Oil & Gas Equipment & Services	0.92%
SU	Suncor Energy	Oil & Gas Integrated	1.66%
TRP	TC Energy	Oil & Gas Midstream	-3.49%
TOU	Tourmaline Oil	Oil & Gas E&P	12.11%
VET	Vermilion Energy	Oil & Gas E&P	3.34%
WCP	Whitecap Resources	Oil & Gas E&P	2.47%





Financial Services (1/2)

Symbol	Company	Industry	Return
AD.UN	Alaris Equity Partners	Credit Services	3.83%
BMO	Bank of Montreal	Banks - Global	2.58%
BNS	Bank of Nova Scotia	Banks - Global	2.10%
BAM.A	Brookfield Asset Management	Asset Management	9.07%
CM	Canadian Imperial Bank Of Commerce	Banks - Global	1.94%
CWB	Canadian Western Bank	Banks - Regional - Canada	2.65%
CIX	CI Financial	Asset Management	3.03%
ECN	ECN Capital	Credit Services	6.06%
EFN	Element Fleet Management	Credit Services	5.58%
EQB	Equitable Group	Banks	8.16%
FFH	Fairfax Financial Holdings	Insurance - Property & Casualty	9.19%
MIC	Genworth MI Canada	Insurance - Specialty	-0.43%
GWO	Great-West Lifeco	Insurance - Life	3.72%
HCG	Home Capital Group	Specialty Finance	5.80%
IAG	iA Financial	Insurance - Diversified	12.26%
IGM	IGM Financial	Asset Management	7.52%
IFC	Intact Financial	Insurance - Property & Casualty	5.28%
LB	Laurentian Bank of Canada	Banks - Regional - Canada	2.63%
MFC	Manulife Financial	Insurance - Life	4.26%
NA	National Bank of Canada	Banks - Global	4.88%
ONEX	ONEX	Asset Management	1.20%
POW	Power of Canada	Insurance - Life	5.32%



Financial Services (2/2)

Symbol	Company	Industry	Return
RY	Royal Bank of Canada	Banks - Global	3.84%
SLF	Sun Life Financial	Insurance - Diversified	6.43%
TRI	Thomson Reuters	Capital Markets	9.42%
X	TMX Group	Financial Exchanges	-1.39%
TD	Toronto-Dominion Bank (The)	Banks - Global	1.26%





Health Care

Symbol	Company	Industry	Return
APHA	Aphria	Drug Manufacturers	19.53%
ACB	Aurora Cannabis	Drug Manufacturers	136.99%
BHC	Bausch Health Companies	Drug Manufacturers	-1.14%
WEED	Canopy Growth	Drug Manufacturers	22.21%
CRON	Cronos Group	Drug Manufacturers	38.90%
EXE	Extendicare	Long-Term Care Facilities	2.55%
HEXO	HEXO	Drug Manufacturers	41.98%
GUD	Knight Therapeutics	Drug Manufacturers	0.37%
SIA	Sienna Senior Living	Long-Term Care Facilities	2.76%





Industrials

Symbol	Company	Industry	Return
ARE	Aecon Group	Engineering & Construction	4.43%
AFN	AG Growth International	Farm & Construction Equipment	1.55%
AC	Air Canada	Airlines	7.40%
ATA	ATS Automation Tooling Systems	Diversified Industrials	12.97%
BAD	Badger Daylighting	Engineering & Construction	-11.12%
BBD.B	Bombardier	Aerospace & Defense	5.36%
CAE	CAE	Aerospace & Defense	3.69%
CNR	Canadian National Railway	Railroads	3.60%
CP	Canadian Pacific Railway	Railroads	4.77%
CJT	Cargojet	Integrated Shipping & Logistics	10.84%
CHR	Chorus Aviation	Airlines	2.73%
EIF	Exchange Income	Airlines	4.33%
FTT	Finning International	Industrial Distribution	12.24%
MSI	Morneau Shepell	Staffing & Outsourcing Services	4.06%
RBA	Ritchie Bros. Auctioneers	Business Services	21.73%
RUS	Russel Metals	Industrial Distribution	3.78%
SNC	SNC-Lavalin Group	Engineering & Construction	3.27%
STN	Stantec	Engineering & Construction	-1.10%
TFII	TFI International	Trucking	4.33%
TIH	Toromont Industries	Industrial Distribution	6.23%
WCN	Waste Connections	Waste Management	5.04%
WSP	WSP Global	Engineering & Construction	4.65%



Materials (1/2)

Symbol	Company	Industry	Return
AEM	Agnico Eagle Mines	Gold	4.05%
AGI	Alamos Gold	Gold	7.31%
BTO	B2Gold	Gold	5.48%
ABX	Barrick Gold	Gold	5.61%
CCO	Cameco	Industrial Metals & Minerals	-3.79%
CFP	Canfor	Lumber & Wood Production	10.33%
CAS	Cascades	Paper & Paper Products	3.17%
CG	Centerra Gold	Gold	17.10%
CHE.UN	Chemtrade Logistics Income Fund	Specialty Chemicals	10.12%
ELD	Eldorado Gold	Gold	12.10%
ERO	ERO Copper	Copper	10.89%
FR	First Majestic Silver	Silver	12.91%
FM	First Quantum Minerals	Copper	1.11%
FNV	Franco-Nevada	Gold	8.22%
HBM	Hudbay Minerals	Copper	16.14%
IMG	IAMGOLD	Gold	2.66%
IFP	Interfor	Lumber & Wood Production	12.72%
IVN	Ivanhoe Mines	Industrial Metals & Minerals	11.83%
K	Kinross Gold	Gold	7.45%
KL	Kirkland Lake Gold	Gold	4.56%
LIF	Labrador Iron Ore Royalty	Steel	2.04%
LUN	Lundin Mining	Copper	7.08%
MAG	MAG Silver	Silver	14.75%



Materials (2/2)

Symbol	Company	Industry	Return
MX	Methanex	Chemicals	-1.19%
OSB	Norbord	Lumber & Wood Production	0.14%
NG	NovaGold Resources	Gold	7.97%
NTR	Nutrien	Agricultural Inputs	-4.15%
OGC	OceanaGold	Gold	8.62%
OR	Osisko Gold Royalties Ltd	Gold	8.59%
PAAS	Pan American Silver	Silver	13.82%
PVG	Pretium Resources	Industrial Metals & Minerals	5.85%
SSL	Sandstorm Gold	Gold	8.74%
SEA	Seabridge Gold	Metals & Mining	10.44%
SVM	Silvercorp Metals	Metals & Mining	15.92%
SSRM	SSR Mining	Gold	9.04%
SJ	Stella-Jones	Lumber & Wood Production	3.21%
TECK.B	Teck Resources	Industrial Metals & Minerals	9.14%
TXG	Torex Gold Resources	Gold	16.82%
WDO	Wesdome Gold Mines	Metals & Mining	-3.11%
WFT	West Fraser Timber Co.	Lumber & Wood Production	14.50%
WTE	Westshore Terminals Investment	Coal	5.68%
WPM	Wheaton Precious Metals	Silver	7.31%
YRI	Yamana Gold	Gold	4.86%



Real Estate (1/2)

Symbol	Company	Industry	Return
AP.UN	Allied Properties REIT	REIT - Office	3.00%
AIF	Altus Group	Real Estate Services	5.91%
AX.UN	Artis REIT	REIT - Diversified	8.63%
BEI.UN	Boardwalk REIT	REIT - Residential	5.34%
BPY.UN	Brookfield Property Partners	Real Estate Services	-0.59%
CAR.UN	Canadian Apartment Properties REIT	REIT - Residential	3.92%
CSH.UN	Chartwell Retirement Residences	REIT - Healthcare Facilities	7.43%
CHP.UN	Choice Properties REIT	REIT - Retail	4.90%
CIGI	Colliers International Group	Real Estate Services	3.42%
CUF.UN	Cominar REIT	REIT - Diversified	10.56%
CRR.UN	Crombie REIT	REIT - Diversified	2.31%
CRT.UN	CT Real Estate Investment Trust	REITs	3.05%
DIR.UN	Dream Industrial REIT	REIT - Industrial	4.23%
D.UN	Dream Office REIT	REIT - Office	4.17%
FSV	FirstService	Real Estate Services	5.23%
GRT.UN	Granite REIT	REIT - Industrial	3.96%
HR.UN	H&R REIT	REIT - Diversified	3.32%
IIP.UN	InterRent REIT	REIT - Residential	7.31%
KMP.UN	Killam Apartment REIT	REIT - Residential	2.87%
NWH.UN	NorthWest Healthcare Properties REIT	REIT - Healthcare Facilities	2.63%
REI.UN	RioCan REIT	REIT - Retail	1.74%
SRU.UN	SmartCentres REIT	REIT - Retail	0.19%



Real Estate (2/2)

Symbol	Company	Industry	Return
SMU.UN	Summit Industrial Income REIT	REIT - Industrial	4.23%
TCN	Tricon Capital Group	Real Estate Services	1.83%





Technology

Symbol	Company	Industry	Return
BB	BlackBerry	Communication Equipment	5.69%
CLS	Celestica	Contract Manufacturers	8.81%
GIB.A	CGI	Information Technology Services	3.51%
CSU	Constellation Software	Software - Application	12.44%
DSG	Descartes Systems Group	Software - Application	8.13%
ENGH	Enghouse Systems	Software - Application	6.69%
KXS	Kinaxis	Software - Application	3.83%
LSPD	Lightspeed POS	Software	20.91%
OTEX	Open Text	Software - Application	10.38%
REAL	Real Matters	Software	10.14%
SHOP	Shopify	Software - Application	10.85%





Utilities

Symbol	Company	Industry	Return
AQN	Algonquin Power & Utilities	Independent Power Producers	3.22%
ACO.X	ATCO	Utilities - Diversified	-0.08%
BLX	Boralex	Independent Power Producers	3.92%
BEP.UN	Brookfield Renewable Partners	Independent Power Producers	6.72%
CU	Canadian Utilities	Utilities - Diversified	-0.66%
CPX	Capital Power	Utilities - Regulated Electric	6.10%
EMA	Emera	Utilities - Diversified	3.48%
FTS	Fortis	Utilities - Regulated Electric	3.57%
H	Hydro One	Utilities - Regulated Electric	1.86%
INE	Innergex Renewable Energy	Independent Power Producers	3.04%
NPI	Northland Power	Independent Power Producers	3.78%
SPB	Superior Plus	Utilities - Diversified	2.11%
TA	TransAlta	Independent Power Producers	5.06%
RNW	TransAlta Renewables	Independent Power Producers	3.11%



DISCLAIMER

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