

MCMURTRY INVESTMENT REPORT

McMurtry Investment Report Portfolios (January 2017)

	Income		Growth	
Cash	EQ Bank - High Interest Savings (2.0% current rate)		EQ Bank - High Interest Savings (2.0% current rate)	
Bonds	iShares XSB Short Term iShares XFR Floating Rate iShares CBO 1-5 Ladder Corp iShares CLF 1-5 Ladder Gov't		iShares XSB Short Term iShares XFR Floating Rate iShares CBO 1-5 Ladder Corp iShares CLF 1-5 Ladder Gov't	
Preferreds	<i>Security</i>	<i>Dividend Yield %</i>	<i>Security</i>	<i>Dividend Yield %</i>
	Horizons Active Mgt. Pfd HPR	4.30	Horizons Active Mgt. Pfd HPR	4.30
Common Stocks	<i>Security</i>	<i>Dividend Yield %</i>	<i>Security</i>	<i>Dividend Yield %</i>
<i>Financials</i>	Royal Bank RY TD Bank TD Sun Life SLF JP Morgan JPM US Bank of America BAC US Manulife MFC Firm Capital FC	3.65 3.32 3.26 2.23 1.36 3.09 6.80	Royal Bank RY TD Bank TD Sun Life SLF JP Morgan JPM US Bank of America BAC US Manulife MFC Visa V US First Data FD US	3.65 3.32 3.26 2.23 1.36 3.09 0.85 0.00
<i>Energy</i>	Freehold FRU Whitecap WCP Crescent Point CPG Inter Pipeline IPL	3.39 2.30 1.97 5.47	Freehold FRU Whitecap WCP Crescent Point CPG	3.39 2.30 1.97
<i>Materials</i>	Agnico Eagle AEM	0.94	Agnico Eagle AEM Aphria APH HudBay Minerals HBM Trevali Mining TV Roxgold ROG.V	0.94 0.00 0.00 0.00 0.00
<i>Industrials</i>	WSP Global WSP Canadian Pacific CP	3.36 1.04	WSP Global WSP Canadian Pacific CP ZCL Composites ZCL Moog MOOG.a US	3.36 1.04 2.47 0.00
<i>Consumer Discretionary</i>	Home Depot HD US Sleep Canada ZZZ Stanley Black and Decker SWK US	2.06 2.08 2.02	Home Depot HD US Sleep Canada ZZZ Stanley Black and Decker SWK US Dollarama DOL	2.06 2.08 2.02 0.41
<i>Telecom</i>	BCE BCE	4.70	BCE BCE	4.70
<i>Consumer Staples</i>	Alimentation Couche Tard ATD.b Loblaws L Pepsico PEP US	0.59 1.47 2.88	Alimentation Couche Tard ATD.b Loblaws L Pepsico PEP US Mondelez MDLZ US	0.59 1.47 2.88 1.71
<i>Technology</i>	Apple AAPL US Microsoft MSFT US Cisco CSCO US	1.97 2.51 3.44	Apple AAPL US Microsoft MSFT US Shopify SH Facebook FB US Alphabet GOOGL US	1.97 2.51 0.00 0.00 0.00
<i>Utilities</i>	Fortis FTS	3.86	Fortis FTS	3.86
<i>Healthcare</i>	Johnson & Johnson JNJ US Walgreen Boots WBA US United Health UNH US Bristol-Myers Squibb BMY US CVS CVS US	2.78 1.81 1.54 2.67 2.53	Johnson & Johnson JNJ US Walgreen Boots WBA US United Health UNH US Bristol-Myers Squibb BMY US CVS CVS US IBB Biotech ETF IBB US	2.78 1.81 1.54 2.67 2.53 0.19
<i>Real Estate</i>	Cdn Apt. REIT CAR.un Chartwell REIT CSH.un Pure Industrial PUR.un	3.98 3.83 5.58	Cdn. Apt. REIT CAR.un Chartwell REIT CSH.un Pure Industrial PUR.un	3.98 3.83 5.58

Reasons for my Portfolio Changes

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Financial Writer
January 5, 2017

After my proposed changes to the December portfolios, I remain overweight Financials, Industrials, Consumer Discretionary and Technology. I am market weight materials and healthcare and underweight telecom, consumer staples, real estate and utilities. I have a slight underweight in energy.

For both the Income and Growth portfolios, I have added a 5% weight to the Horizons Active preferred ETF and reduced bonds by the same amount. The largest component of this actively managed ETF is invested in rate reset preferreds that benefit from raising interest rates. This ETF provides a current yield of 4.3%.

In the financial sector, I have added Manulife to both portfolios with its attractive dividend yield of over 3%. Rising interest rates greatly enhance the profitability of insurance companies.

Apart from modestly increasing the sector weight, I have made no other changes to the Energy sector.

I have increased the materials weight to market and have added Trevali Mining, a Canadian pure zinc producer. Zinc has the best supply / demand fundamentals of all the base metals.

In the industrials sector, I have modestly increased the sector weight and also added Canadian Pacific and Moog, a US defense contractor. CP has the most commodity exposure of the North American rails and continues to benefit from their tight operating cost controls. Adding Moog provides exposure to the highly lucrative US defense business that is expected to grow sharply under the new Republican administration. Lastly I removed Stella Jones that is experiencing some material problems in their railway tie business.

In the consumer discretionary sector, I have added both Dollarama and Sleep Canada and have removed Glentex, Aritzia and Time Warner. I am taking profits in Glentex, a US auto parts company and in Time Warner as well. Trump recently indicated his dislike with the proposed AT & T acquisition of Time Warner. I made a direct switch from Aritzia into Sleep Canada and have added the fast growing Dollarama to my portfolios. Both Sleep Canada and Dollarama have very strong same store sales numbers and do not face serious competition from online companies like Amazon. I have slightly reduced my sector weight, but remain overweight the group.

No changes were made to the telecom sector.

I have added Loblaws to the consumer staples area, but remain underweight the group.

I slightly reduced my sector weight in technology, but remain overweight. I removed CGI as it is fully valued at current levels.



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No changes were made in the utilities sector.

No changes in the real estate sector except that I have reduced the weight.

Finally I have maintained market weight in the healthcare sector, but have made several changes.

I switched out of Anthem into United Health. The former is in the middle of a merger with Cigna and if the deal does not go through, Anthem will be required to pay a \$1.5 billion breakup fee.

United Health is growing faster than Anthem and has been a frequent critic of Obamacare. This is likely to put the company in a favourable light with Trump. I have also added CVS, a major US drug retailer, after its recent share price decline following some market share erosion to Walgreen Boots. The share price decline overreacted on the downside to this negative news and at current prices provides a buying opportunity.

McMurtry Investment Report - Sector Weights (January 2017)

Equity Sector Weights (%)				
Sector	My Weight	TSX Comp	S&P 500	50/50
Financials	29.10	35.00	14.80	24.90
Energy	13.50	21.40	7.60	14.50
Materials	7.30	11.80	2.80	7.30
Industrials	13.00	8.90	10.30	9.60
Consumer Disc.	10.00	5.00	12.00	8.50
Telecom	1.00	4.80	2.70	3.75
Consumer Staples	4.00	3.80	9.40	6.60
Technology	12.50	2.70	20.80	11.75
Utilities	1.00	2.80	3.20	3.00
Real Estate	1.50	3.00	2.90	2.95
Healthcare	7.10	0.60	13.60	7.10
Totals	100.00	99.80	100.10	99.95

McMurtry Investment Report - Asset Mix (January 2017)

Asset Mix - Income and Growth Portfolios		
%	Income	Growth
Cash	32.50	22.50
Bonds	10.00	5.00
Preferreds	5.00	5.00
Equities	52.50	67.50
CDN	26.25	33.75
US	26.25	33.75

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