

Notes from the Bridge

CANACCORD Genuity
Wealth Management

Benson
Private Wealth

Issue 17

Friday, May 11th, 2018

Markets in general have started to work themselves higher as we move into the later stages of earnings season. But, as we now move into the seasonally weaker summer period, there is a lot to be excited about given the current trend of economic data.

We continue to get “Twitter Bombs” and snap announcements out of the White House, but those are resulting in increasingly less and less of a market reaction. While they make for good headlines, what ultimately drives the market is currently positive. There will always be spikes in volatility to take advantage of, especially now with the positive influences of global economic and corporate earnings growth remaining in place.

One of the areas that I expect to reassert itself in the eyes of investors is energy. The Canadian energy sector, which has been hugely out of favour for the past couple of years becoming vastly under-owned, is now seeing a resurgence of earnings growth. Earnings growth that I see remaining strong throughout the year as global oil prices trend higher.

Staying focused on those companies who have quietly gone about using their now higher cashflows to increase production at historically discounted prices, or reduce debt, should prove very rewarding. Patience will be required, as it will take time for the pendulum to swing back in their favour. But as the reality of steadily higher energy commodity prices amid now declining North American inventory levels begins to take hold, I expect the market’s gaze to return in earnest.

What makes the current environment exciting for me as an investor, is that many of these companies currently trade at significant discounts to their historical norms, and are valued at levels reflecting much lower than current commodity prices. Certainly, I am not suggesting that all oil and gas companies are “cheap”, because some are not. However, there are a few very well-run companies that I would consider to be gems.

Take for example, **Vermillion Energy** or **Torc Oil & Gas**, and for full disclosure I personally own both. Vermillion is larger and more internationally focused, while Torc is medium sized and purely Canadian. Both continue to grow their production base, have been prudent stewards of their capital, and recently increased shareholder dividends. While strong management is key to any investment, I especially like it when my dividends go up.

For those whose tolerances make it appropriate to have a more diversified approach to owning Canada’s energy sector, the proliferation of ETFs and other actively managed funds make it relatively easy to find the most suitable option. But either way, when I look to the future (as unknown as it is), I can’t help but see a lot of positives with respect to holding a bit more energy that I used to.

Erik Benson, CFA, CIM

Investment Advisor &
Portfolio Manager

Lori Kennedy

Investment Advisor Assistant

Jena Karmali

Business Development Associate

Strategic Partners

Paul Marion, CLU, CHS

Managing Director, Wealth
Management – Canada
Canaccord Genuity Wealth &
Estate Planning Services Ltd.

Anne Jackson, BBA, CMA

Wealth & Estate Planning
Specialist

Canaccord Genuity
Wealth Management
P.O. Box 10337
2200 - 609 Granville Street
Vancouver, BC V7Y 1H2

T: 604.643.7345
TF: 1.800.663.1899
F: 604.601.5966
E: erik.benson@canaccord.com

As we all know, market rotations are a process that take time and this one should be no different. But as that pendulum swings back towards Canada's under-owned energy sector, those companies that are delivering strong shareholder value, such as the two I have mentioned, could very well reward those with the patience to wait.

Please feel free to share my commentary as I am always looking to work with new people.

To close this week, a proud parent moment. My daughter Tessa graduated from the Architectural Sciences Program at BCIT. Her graduating project was submitted to the Canadian Green Building Council's national competition, where she received first place, winning the Andy Kesteloo Memorial Student project award. Congratulations Tessa.

Erik Benson, CFA, CIM
Benson Private Wealth

TODAY'S STOCK WATCH

S&P/ TSX Composite	15,983
Dow Jones Indus. Avg.	24,831
S&P 500	2,724

Canadian/US Dollar	\$0.7817
US/Canadian Dollar	\$1.2789
Euro / Canadian	\$1.5273

Gold	\$1319.20
Silver	\$16.70
Copper	\$3.11

Brent Crude Oil	\$76.99
WTI Crude Oil	\$70.82
Natural Gas	\$2.56

CANACCORD Genuity
Wealth Management

Benson
Private Wealth

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.

The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.

Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY