More Bottom Line

... An Investment Update from the Retire First TM Team

Suite 101 4610 49th Ave Red Deer AB T4N 6M5 (403) 314 5553 (877) 314 5553

From the Desks Of:

Doug Allan Brad Lamash Chuck Blackburn Kate Allan Scott Loucks Todd Thiessen

World Index Report

Annual Compounded Returns as of 02/08/2018

1 year... 8.76% 3 year... 6.24%

5 year... 12.76% 10 year...6.21%

FX Report *All Prices as of 02/08/2018*

CDN/USD ...0.795 CDN/GBP... 0.569

CDN/EU...0.6481 CDN/AUD... 1.02

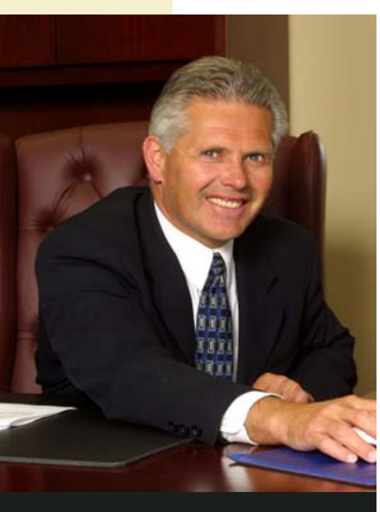
CDN/MXN... 14.97

CIPF Canadian Investor Protection Fund MEMBER

Top Picks

- ◊ Fiera Capital Corporation
- ◊ Russel Metals
- ◊ AG Growth International Debenture
- ◊ Exchange Income Debenture
- ◊ Polaris Infrastructure
- ◊ Go Easy Ltd. Debenture
- ◊ JPMorgan Chase & Co
- ◊ Air Canada
- ◊ Stelco Holdings
- ◊ Wildhorse Resource Development Corporation
- ◊ Lennar Corporation
- ◊ Apollo Global Equity, LLC

IIROC Investment Industry Regulatory Organization of Canada



Trump Adds the Octane By Doug Allan

Fiscal stimulus by way of tax cuts have historically been rare events. The tax cuts the US Republicans were able to get passed in December 2017 were of such magnitude, it would be fair to say this is a once in a generation opportunity. Reducing corporate taxes from 35% to 21% will allow the US market to move ahead by over 25% just on higher net after tax income alone in 2018. That doesn't include any other benefit from having more disposable income that also will stimulate growth. Rising long term interest rates can take some of the upside away. However, even if the net benefit is only 15%; it's still an amazing tailwind, which we rarely ever have the chance to enjoy.

In addition, the lower US dollar policy is stimulating higher real estate and stock prices in the USA. Despite the pressure on interest rates rising, we see this lower dollar trend continuing likely over the duration of the Republican controlled congress. A lower US dollar means higher commodity prices, which also will help fuel the Canadian dollar higher even if we lag on matching US interest rate increases.

Global GDP is now forecasted to approach 4% for both 2018 and 2019, a level we have not seen for a long time. With strong Global GDP and rising inflation potential, coupled with the lower US dollar, the return of the commodities should play out well in 2018. It certainly helps that commodity stocks are currently as cheap relative to regular stocks as they have been in history, matching their record low valuations that occurred during the technology bubble in the late '90s.

Sectors to avoid heading into 2018 in the back drop of rising interest rates will be the interest sensitive sectors that often carry big leverage and high dividends, like utilities and REITs. On the fixed income side, try and avoid the US currency and keep your maturities short is the best way to handle a tough situation.

With enthusiasm and speculation approaching record levels, the market is at extreme overbought levels currently. We believe; however, it's still too early to start the defensive shift into safety. We believe the right strategy is to buy global or US dominated cyclical stocks upon any market pullbacks; increasing your exposure to the USA wherever you can, despite the forecasted lower dollar. Lower taxes and decreasing regulation should keep the party going in the USA for the foreseeable future.

What Kind of Impact Will Electric Vehicles Have on Global Commodities? By Todd Thiessen

Currently electric vehicles (EVs) only have about 1% of the global market share worldwide. We are probably still years away from double digit demand, although several manufacturers have committed to creating their own EV. Certain prognosticators have suggested that we could see 16% global penetration of new vehicle sales by 2030 and maybe even 50% or better by 2040. Many of the big auto manufacturers have announced they are committed to their own version of an EV, not just the Teslas of the world. Volvo, for example, has declared that ALL of its cars after 2019 will be electric. Of course, these vehicles will have to be "charged" on a regular basis to operate but they will also consume many different materials to build the car itself. That begs the question: do we have enough of these rare materials to build all these electric vehicles?

Currently the battery industry uses about 42% of global cobalt production to create their lithium batteries. The rest of the global supply is used for super alloys, catalysts, and magnets that rely exclusively on the material. Here's the catch: approximately 97% of the world's cobalt supply comes as a by product of nickel or copper and most of it comes from mines in Africa. The Democratic Republic of Congo is said to hold about 60% of the world's cobalt. Tesla ambitiously has stated that they would like to be building 500,000 electric vehicles by 2018 and that their cobalt will come from North America. Canada and the US only produce 4% of the world cobalt supply clearly not enough to produce batteries for 500,000 vehicles.

Glencore Mining recently commissioned a study to measure the impact of moving away from internal combustion engines and towards EVs and the effect that this will have on metals markets. The entire supply chain was examined – from generation through to grid infrastructure storage and charging the vehicles out to the year 2030. According to the study; as early as 2020, when EVs might only make up 2% of new vehicle sales, metal demand becomes very significant. An additional 390,000 tonnes of copper, 85,000 tonnes of nickel and 24,000 tonnes of cobalt will be required. In 2030, with a new vehicle market share of 32%, 4.1m tonnes of copper; 1.1m tonnes of nickel and 314,000 tonnes of cobalt will be required.

The message here is that mining will be back in favour for decades to come. New mine finds will be critical to keeping this industry going. We haven't even addressed the strain on the power grid that this will create, which means decades of improvements coming there as well.

Oil Inventories in Disarray? By Chuck Blackburn

Oil inventories are released weekly and are a very short term and quite volatile indicator; but if you look at them through a longer-term lens on a monthly, quarterly, and annual basis they can be quite insightful. As we indicated back in September, the oil market was starting to trend higher and given all the different bullish metrics that were turning positive, it was looking like oil had finally put in its bottom and was starting to move higher quickly.

Our focus this time is specifically on oil inventories and the very bullish trading pattern they have demonstrated recently. Generally, oil inventories build in the first quarter and then draw down through the summer and the driving season (or 85% of the time they follow this pattern). Currently we are diverging from this traditional pattern as inventories have fallen for 10 straight weeks for the first time in 15 years at this time of season. This is only the 2nd time in 11 years they have fallen in January and inventories have fallen over 60M barrels over the last 4 months (this is only the 3rd time this has happened in almost 40 years) and they have fallen 20M barrels in January alone and this the first time that has happened since 1988. There are differing reasons for this tectonic shift in inventories; but when large events like this come along, if you trade in the energy arena you would be wise to take note and trade accordingly.

Important Tax Information

- TFSA limit for 2018 is $5,500, with a cumulative total of $57,500
- 2017 tax year RRSP deadline is March 1st
- T4RRSP, T4RIFs and T5s will be mailed no later than Feb. 28th and T3s March 31st
- If you signed up for e-documents, you will NOT receive tax slips in the mail.

It's Just the Way You Are Wired By Brad Lamash

There is always something to worry about, especially when it comes to investing. If you had to pick a realistic dollar figure that would work for your situation (i.e. $1 million), would you be at peace, calm and satisfied? Probably not.

Things are changing all the time. You have worked hard to get to your financial number and wish for a calm period with steady returns and dwindling volatility. That would be perfect, but we know the markets do not go upwards or downwards in a straight line. There is always something.

Like the situation we are in now where there has not been a market correction of 5% plus for some time. Since you have experienced corrections and shocks before like 1999-2001, 2008-09 and 2011; your mind is conditioned to react. If your mind has developed a certain behavior, then it won't matter how good things get for you if you have traditionally reacted negatively. Your mind will still find things to worry about and you will still be miserable. Perhaps even more so , because you have more to lose.

This is not a dismal conclusion being drawn here. Rather, it's a reminder that working on your mindset is more important than hoping for tranquility and searching for a finish line that does not exist. Therefore, we spend so much time and energy on figuring out your risk tolerance and investment objectives. The behavioral aspect of investing pays off when the markets themselves turn against us.

Income Ideas

Growth Ideas

TOP PICKS

Yield at a Reasonable Price (YARP) All Prices as of February 8th, 2018

For more ideas visit our Top 20 at www.retirefirst.com

Fiera Capital Corporation Debentures (FRZ.DB June 30 2018 $102.50) Fiera is currently the third largest publicly-traded independent asset manager in Canada with over $128 billion in assets under management. A recently recapitalized balance sheet means more growth through acquisitions are possible. The debentures are convertible at $18.85, which is over 50% from the current price. The solid asset base and the low debt ratios make this a solid fixed income holding with some upside potential possible. Current yield to maturity is approximately 4.25%.

Russel Metals (RUS $30.125) runs one of North America's largest metals distribution and processing firms focusing on steel products via three reporting channels-Metals Service Centers, Energy Products, and steel distributors. Looming Chinese steel tariffs into north America appear to show considerable upside for companies that can fill those voids. The current yield is approx. 4.9% at today's price.

Ag Growth International Inc. Debentures (AFN.DB.E 4.5% 31 Dec 2022 $99.75) Ag Growth, headquartered in Winnipeg, MB, is a leading manufacturer of grain handling equipment; including grain augers, belt conveyors, aeration equipment, and storage bins. AG Growth has operations in Alberta, Manitoba, Saskatchewan, Indiana, South Dakota, and Europe; and distributes equipment across approximately 1,400 dealers in North America. The current yield to maturity is around 4.5% at today's prices with some upside potential if the stock was to rise above $88 at anytime over the life of the bond.

Exchange Income Debenture (EIF.DB.H 5.25% June 30 2023 $100). EIF is a diversified, acquisition-oriented company focused on buying opportunities in the aviation, equipment and manufacturing sectors. This convertible debenture has the option to convert to stock at the price of $44.75, giving investors the ability to participate in the share price appreciation if it occurs. Current yield to maturity is just over 5%.

Polaris Infrastructure (PIF $19.86) is a renewable energy company focused in Latin America, generating 72MW at their geothermal plant in Nicaragua. They are currently drilling 2 new geothermal wells, which will produce an additional 5-10MW. They are considering drilling a third well, with announcement coming in the next couple weeks. The company has increased the dividend 4 times in the past 18 months for a 50% increase in total from where it was in mid-2016. The current yield is only 3.8% at today's share price, but we are expecting more increases in the future.

Goeasy Ltd. Debenture (GSY.DB July 31 2022 priced at $103) Goeasy is Canada largest lease-to–own company offering brand name furnishings, appliances, and electronics through their corporate or franchise stores. The growth in their core business has been solid as they expand into Quebec. The debentures are convertible to stock at the price of $44 at any time over the life of the bond. At the current debenture price, the yield to maturity is just under 5% approximately.

JPMorgan Chase & Co. (JPM $107.88 USD) is an American multinational banking and financial services holding company headquartered in New York City. It is the largest bank in the United States, the world's sixth largest bank by total assets; with total assets of US$2.5 trillion, and the world's second most valuable bank by market capitalization. It is also one of the largest asset management companies in the world, with US$2.5 trillion in assets under management and US$28 trillion in assets under custody and administration. We expect them to be a direct beneficiary of upcoming financial deregulation and a major benefactor of the recent tax cuts in the USA.

Air Canada (AC $24.00) is Canada's largest domestic and international airline. Air Canada is a founding member of the Star Alliance and operates major hubs at Toronto (Pearson),Montreal, Vancouver, and Calgary. They service 178 destinations primarily in Canada and the US with approx. 330 aircraft currently. The stock is cheap relative to US carriers. With debt coming down and solid capital allocation underway we think a multiple expansion may well occur in the next few quarters.

Stelco Holdings (STLC $23.32) is one of Canada's leading integrated steel companies. They have two facilities located in Hamilton and in Nanticoke, Ontario. These operations produce high quality value-added hot rolled, cold rolled ,and coated sheet steel products used in the construction, automotive, and energy industries across Canada and the United States. The union took over the company a decade or so ago and the new company is basically free of debt and all pension liabilities. We believe they will be major beneficiaries of looming Chinese steel tariffs.

WildHorse Resource Development Corp. (WRD $16.04 USD) Headquartered in Houston, Texas, is an independent oil and gas company currently focused on unconventional, onshore oil and gas reserves in the Eagle Ford Shale in East Texas and near the Terryville Complex in North Louisiana. With a strong balance sheet, we see them drilling approx. 30 wells per quarter over the next 12 months; which should provide ample room for a US firm where pipeline constrains, spring break up and poor natural gas prices at the wellhead are not a problem.

Lennar Corporation (LEN $59.11 USD) was founded in Miami, FL in 1954. Today, Lennar stands as one of the nation`s largest homebuilders, with recent market share representing nearly 5% of all U.S. new home sales. Lennar offers a wide variety of housing products and price points geared toward first-time, move-up, and active-adult homebuyers, with a differentiated "Everything's Included" marketing strategy. We see this as a great way to play the continuing recovery of the real estate market in the USA.

Apollo Global Equity, LLC (APO $32.03 USD) is an American private equity firm, founded in 1990. The firm, similar to Berkshire Hathaway, specializes in leveraged buyout transactions and purchases of distressed securities involving corporate restructuring, special situations, and industry consolidations. As of August 2017, Apollo managed over US$232 billion of investor commitments, making it the second largest US-based alternative asset management firm. Among the most notable companies currently owned by Apollo are Claire's, Caesars Entertainment Corporation, Novitex Enterprise Solutions, and Rackspace; among others.

Final thoughts..

Congratulations!

We are excited to report that Kate and her husband Adam had another baby boy in October. Angus Dean is Kate's third child and her third boy as life continues to get interesting for her. Everyone is doing great and we are looking forward to Kate returning to work late next year once the kids are a little older. Congratulations all around to Kate, Adam and their growing family.

CPP Will be There for You By Kate Allan

A 2016 survey concluded that 64% of working Canadians either don't know or don't believe CPP will be there for them when they retire.

There are 4 steps that the government has taken to make sure the CPP funds will be there for you.

1) Focused on speeding up the immigration of young, independent individuals, adding to the people paying into the pool

2) Trimmed benefits such as CPP, disability and the earnings base used to calculate pensions

3) The CPPIB was created in 1997 to oversee and invest the funds contributed to the CPP. Their mandate is to maximise returns without undue risk of loss.

4)They changed the pay -as- you go funding method. They gradually increased the contribution rates, to stabilize the pool of funds. The current rate is 9.9% and the rates will go up in 2019.

Does a Flattening Yield Curve Spell Trouble? By Scott Loucks

Over the years ,one of the most frightening charts to look at for equities investors is one of a flattening yield curve. Typically, investors fear the flattening yield curve as to them it signifies that the dreaded inverted yield curve is soon to follow. Normally rates are higher the longer you invest for. In other words, two-year rates are less than 5 or 10-year rates. A large differential between the two encourages people to invest their money long term, thereby stimulating the economy. When the rates go inverted (i.e. 2-year rates are higher than the 10-year rates) people quit investing longer term, which often leads to a recession. For those of you who don't know the last 7 recessions were preceded by an inverted yield curve, hence the fear in many investors when it begins to flatten.

Many as of late have been arguing; however, that a flatter yield curve is not necessarily a recessionary signal but a signal of greater market confidence in the near term. This can be the case if the 2-year yields are rising as expectations of a Fed rate rise loom. Thus, narrowing the spread is in fact not a negative event but a positive event as it is showing economic strength in the near term with the rising shorter-term yields. It is never really a problem until the curve starts to get inverted.

Constantly watching and being concerned about your equities based on the shape of the yield curve can be a very poor way to play the market. In the current bull market, many would have missed a huge amount of upside if they sold out at the first sign of the curve beginning the flattening cycle and would still be missing more upside as the S&P continues to hit new highs. As we know, nothing goes straight up but even with a pullback in the market and a flattening yield curve, this bull still wants to run. So pick your entry point on the pull back and enjoy one of the strongest bull markets we have seen even in a long time even with the yield curve getting flatter.

In the Community

Retire First is pleased to announce the increase for 2018 to the educational scholarships that we offer for students attending the Red Deer College. We currently offer two scholarships for Business admin students that we increased from $1250 each per year to $1500 each per year for 2018. In addition, we offer one scholarship for physical education students of $750 in 2018, up from $500 in 2017. We are proud to help young students further their education and hope the little bit we can offer will make their dreams a little easier to achieve.

Giving Back

Our staff was able to adopt a family through the Salvation Army's program, which supports families whose lives are affected by poverty, domestic violence, and unfortunate circumstances so they can enjoy the true spirit of the holiday season. There are times when the stress of life's circumstances becomes overwhelming and we were happy to provide some relief from financial and emotional strain.

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Canadian Addresses to:
Retire First Ltd.
Suite 101 4610 49th Ave
Red Deer, AB
T4N 6M5

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