



FOR INCOME-SEEKING INVESTORS

Why have a traditional income portfolio, when you can have an intelligent one?!

Why Own a Bond? – The major segment of a traditional portfolio.

- Safety of principal.
 - Contract to repay at specific date.
 - Ranks ahead of equity on balance sheet.
- “Fixed” income.
 - Constant, regular payments.
 - Predictable, reliable cash flow.
- Highly marketable – often large government issues.
- Traditional, comfortable feeling with public.
- Wide variety of issuers.
- Wide choice of terms to maturity.
- Some choice of “features”.
 - Convertible
 - Redeemable
 - Real return
- Favourable tax treatment if capital gains.

Why Own a Dividend Paying Stock or Trust Unit? – One segment of traditional?

- Predictable, if the company is high quality.
 - Usually a mature company, in a stable industry, with modest growth potential, and excess cash flow – not needed for internal use.
- Growth potential of income stream – not fixed / capped – hedge against long term inflation.
- Good marketability, if the company is high quality; pricing is transparent.

- Wide variety of companies and industry sectors.
- No fixed maturity date – can go on paying long term.
- Some choice of “features”.
 - Preferred.
 - Convertible preferred.
- Favourable tax treatment on dividends.

Why Own a Dividend Paying Stock, Not a Bond? – 100% intelligent portfolio.

- Properly researched; equally safe capital.
- Properly researched; equally safe cash distributions.
- Equal variety of choices of companies and industries.
- No finite term, of principal or cash flow.
- Growth potential of dividend vs. fixed interest rate – hedge against inflation.
- Favourable tax treatment of dividends.
- Capital gain potential long term.

P.S.

- Dividend yield offered by the market usually reflects risk, and pays for same.
- Interest rate on bonds highly subject to macro-economic influences whereas dividends on stocks represent a more individual / specific, micro-economic analysis.
- Now is not the time for bonds, if you believe that global stimulus packages will ultimately lead to inflation (and how much lower could government rates go – nowhere to go but up).

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