



# VERITAS JOURNAL

YOUR WEEKLY UPDATE ON ALL THINGS VERITAS – VOLUME I

January 10, 2020

**Welcome back and best wishes for 2020,**

We've made some changes to our weekly Veritas Journal. If you're getting it for the first time, it provides additional insight on the week, as well as links to all the reports we published. We send it Fridays. We've also stopped publishing the weekly Veritas Viewpoint, and merged the best of it into the Journal. For instance, below, you'll find a link to the Sector Rating Pages, providing a helpful snapshot of each analyst's sector coverage. We have more improvements coming in 2020. As always, we like hearing feedback and suggestions from you. Thanks for reading – [Scott Adams](#)

## V-List lessons from 2019

Veritas started the V-List 15 years ago as a way to highlight our most actionable Buy ideas – back then, we were (mostly) known for our bearish calls on big names. The list was also a good way to track how our top Buy calls and our accounting-based analysis were performing for our clients.

The V-List is a model portfolio, so it is before fees, money-flow weightings, liquidity constraints and other real-world trading considerations. But as they say, picking good stocks is an important first step. Over the years, we've put a lot of thought and energy into the V-List, and so far, so good.

## V-List Performance

	2019	Since Inception*
V-List Portfolio	32.77	11.46
S&P/TSX Composite	22.84	7.37

\*V-List Inception Date: October 31, 2004

The graphic below summarizes our V-List picks in 2019, comparing the performance of the calls with the S&P/TSX Composite during their holding period.

We held 7 stocks for the full year in 2019	We sold 12 stocks we held entering 2019	We added 11 stocks we held to the end of 2019	We traded into and out of 4 other stocks during 2019
TransAlta Canadian Natural Res. Granite REIT Enbridge George Weston Quebecor Metro	CP Rail Capital Power Husky Energy Allied Properties Open Text Sun Life Financial Waste Connections CGI Group Shaw Premium Brands Hydro one Enerplus	Cogeco Air Canada Manulife Financial WSP Global Maple Leaf Foods Canadian Utilities TC Energy Cenovus Killam Apt REIT Telus Waste Connections	The Stars Group Kinder Morgan Canada New Flyer Maple Leaf Foods
<b>29.9% avg TR</b> <b>(+7.1% vs TSX)</b>	<b>9.1% avg TR</b> <b>(-2.3% vs TSX)</b>	<b>15.0% avg TR</b> <b>(+8.2% vs TSX)</b>	<b>11.6% avg TR</b> <b>(+6.9% vs TSX)</b>

A few takeaways from the V-List in 2019:

- The best performance came from stocks we felt comfortable holding for the full year.
- You can make money on Canadian stocks without touching bank stocks.
- Sticking to a strong sell discipline and keeping an eye out for new opportunities is key.
- If you think you have a good value stock, the chances are that a bigger fish thinks so too. See Stars Group and Kinder Morgan Canada, which were both takeouts.

### **Making our clients smarter**

We have a lot of accounting-focused training planned for 2020, including more REIT discussions with Howard. In his last STREIT Smarts call, he discussed how some REITs include so-called incremental density in their NAVs. For those of you who missed the call or his notes on the call, this is unbuilt real estate. Or in other words, it is real estate that is not even under construction yet.

Howard heard back from a couple more REITs since his call in December. This table summarizes which REITs use this practice and which don't.

### ***Use of Incremental Density among Development-Oriented REITs***

	Includes Incremental Density in IFRS NAV?	Veritas Estimate of Incremental Density: % of Q3-F19 NAV
Allied	Y	4.2%
FCR	Y	8.7%
Riocan	Y	1.7%
Choice Properties	N	0%
Crombie	N	0%
CT REIT	N	0%
Smartcentres	N	0%

*Source: Company Reports and Veritas*

Of course, this accounting detail alone doesn't define whether a REIT is a good one to own or not. Howard has a [BUY on Allied](#) as well as a [BUY on Crombie](#), which is more conservative in this area.

Please reach out to [Howard](#) to discuss, [listen to a replay](#) of the call or see [his deck from the call](#). There is a lot more detail in his deck, including recommendations for how investors should deal with incremental value and any debt associated with it in their REIT valuations.

Thanks for reading and have a great weekend,

Scott Adams

### **What's new from the past week:**

#### **REPORTS PUBLISHED**

[Shopify Inc. \(SHOP\) - Is Shopify the Next Amazon? - Sell](#)

#### **FLASHES PUBLISHED**

[Bank of Nova Scotia \(BNS\) - New Disclosures in the New Year - Sell](#)

[Brookfield Property Partners L.P. \(BPY\) - WSJ: Coal in BPY's Retail Stocking? - Sell](#)

[Maple Leaf Foods Inc. \(MFI\) - Alleged Price-Fixing of Bread: Is There Liability at MFI? - Buy](#)

[Maxar Technologies Ltd. \(MAXR\) - Maxar De-levers by Selling MDA - Sell](#)

[Rogers Communications Inc. \(RCI.b\) - Five 5G Takeaways from Rogers - Buy](#)

## **RATING PAGE UPDATES**

[Bank of Nova Scotia \(BNS\) - Sell](#)

[Brookfield Property Partners L.P. \(BPY\) - Sell](#)

[Maple Leaf Foods Inc. \(MFI\) - Buy](#)

[Maxar Technologies Ltd. \(MAXR\) - Sell](#)

[Rogers Communications Inc. \(RCI.b\) - Buy](#)

[Shopify Inc. \(SHOP\) - Sell](#)

[Sector Rating Pages: A summary of each's analyst's coverage](#)

[The V-List](#)

[V-List Monthly Update - January 2020](#)

[Accounting Vigil DECEMBER 2019: Lease Accounting Hits the Energy Sector Too](#)

## **Veritas Investment Research Corporation**

TD West Tower, 100 Wellington Street W, Suite 3110, PO Box 80, Toronto, ON M5K 1E7

T 416.866.8783 | F 416.866.4146 | [www.veritascorp.com](http://www.veritascorp.com)



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**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**

**2019** - #1 BANKS, #2 REITS, #2 COMMUNICATION SERVICES, #3 MEDIA, #6 OVERALL TOP STOCK PICKER

**2018** - #3 COMMUNICATION SERVICES

**2017** - #1 COMMUNICATION SERVICES, #1 CHEMICALS & UTILITIES, #4 OVERALL TOP STOCK PICKER

**2016** - #3 OVERALL TOP STOCK PICKER

**2015** - #1 BANKS, #2 OVERALL TOP STOCK PICKER

**2014** - #3 BANKS

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