

24 February 2014

Investment Funds Research

## INVESTMENT FUNDS FLASH

### Not Rated

(Remains Unchanged) (Priced at close 21/02/14)

Rating nature Relative  
Rating benchmark S&P/TSX Composite TR Index

#### Key data

Price	C\$17.79
Est NAV	C\$26.43
Est discount	(32.7)%
Price Target	n/a
Market Cap	C\$372.2m
52-week range	C\$14.84-18.55
52-week discount avg.	(29.7)%
Historic div. yield	4.4%
Sector	Investment Funds
Stock codes	CGI CN / CGI LN
Gearing	29.2%
Last published research	3 December 2013

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## Canadian General Investments

### Quarterly dividend up 50%, migrating to a new policy

The recently announced increase in Canadian General Investments (CGI) quarterly dividend from CAN 8c to CAN 12c represents the first stages of the articulation of a new dividend policy designed to provide “greater reliability as to their expected dividend income”.

The statement’s reference to “steady to rising quarterly dividends” is welcome and may well help reposition the fund as investors become better informed about the implications of the new policy. Overall, the tone is one of a steady migration rather than dramatic change with the trend becoming clear over the next couple of years.

- The broad strategy looks to be one of de-emphasising the historically volatile annual special dividend in favour of the quarterly dividend and an emphasis on growing the cash value of the dividend over time rather than targeting a specific yield.
- Repeating our view from our research note in December 2013, we believe that the successful implementation of a clearly articulated and attractive dividend policy should open the fund to a wider investor base and fundamental revaluation over the medium term.
- Separately, we note that the fund’s financial reporting is migrating to IFRS and as a result the presentation will change substantially.

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**Distribution of investment ratings for equity research (as of 27 Sep 13) Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)**

Overall Global Distribution (Banking Client*)			Buy	Expected to produce a total return of 15% or better in the next 12 months
Buy	Hold	Sell	Hold	Fairly valued: total return in the next 12 months expected to be $\pm 10\%$
60% (37%)	30% (8%)	10% (0%)	Sell	Stock is expected to decline by 10% or more in the next 12 months

\* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients

**Investment Funds Research Rating Tariff**

Relative Return (12 month outlook*)			Absolute Return (12 month outlook)		
Buy	Hold	Sell	Buy	Hold	Sell
>3%	-3 to +3%	<-3%	>10% total shareholder return	5% to 10% total shareholder return	<5% total shareholder return

\*Measured on a total shareholder return basis

Note corporate Investment Fund stocks are not rated

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