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# When everything else goes pear-shaped, investors can always count on death and taxes

*Portfolio manager David MacNicol is getting much more defensive in his stock selection, with a greater focus now on dividend payers. Here are his picks*



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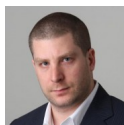


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JONATHAN RATNER

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The U.S. economy continues to be the strongest in the developed world, which has many investors comfortable putting their money there.

But some recent data indicate things are looking a little more problematic, at least in the short run. For example, the latest jobs report came in well below expectations, and the two previous numbers were revised lower.

David MacNicol, president and portfolio manager at Toronto-based MacNicol & Associates Asset Management, notes that everyone is waiting for some direction on interest rates from the U.S. Federal Reserve.

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MacNicol and his team, who manage approximately \$200 million in assets for about 200 families, along with another \$200 million in assets under advisement, are starting to think another form of quantitative easing in the U.S. could be around the corner.

“The Fed doesn’t have the ability to lower rates anymore, and they missed their window for raising rates, so there could be some new twist in terms of easing,” he said.

As a result, MacNicol is getting much more defensive in his stock selection, with a greater focus now on dividend payers.

He is also starting to see gold stick its head out again, particularly the junior miners.

“The market is looking forward to what could be happening with interest rates, inflation and unrest around the world,” MacNicol said. “We’re starting to see support come into physical gold, and the junior miners will benefit the most.”

The portfolio manager is just starting to add gold exposure, preferring a basket such as the **Market Vectors Junior Gold Miners ETF** (GDJXJ/NYSE). He expects to move on to individual mid- and large-cap names until he has a weighting of 10 per cent for physical gold and producer stocks.

MacNicol believes the biggest problem for the U.S. economy is that its currency is too strong, something he expects will continue, making it harder for exporters and emerging markets, which still do a lot of their trade in U.S. dollars. That’s why he prefers companies with a domestic focus since they are less sensitive to the currency.

**Amaya Inc.** (AYA/TSX) is a top-five holding that doesn’t pay a dividend, but its underlying business is growing rapidly and it essentially controls 70 per cent of the online poker market.

“Institutions are finally starting to turn their attention to gaming as part of the entertainment business,” MacNicol said, noting that others will follow New Jersey’s decision to grant the company a licence. “The tax revenue that states are waiting for is there for the taking.”

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**Park Lawn Corp.** (PLC/TSX-V), meanwhile, pays a dividend and the Toronto-based cemetery operator's management team has made a big growth push in recent years. It now requires that the businesses they acquire also have crematoriums, as that option gains popularity.

"Management has a recipe when they buy into a business and the dividend has been growing securely," MacNicol said, adding that the death rate is expected to significantly rise in the next few decades as the population ages.

Another holding, **Input Capital Corp.** (INP/TSX-V), is similar to some of the precious-metal streaming companies MacNicol owns, except it's in the canola business.

The company, which has been in the portfolio since it was a private company, already has 79 streaming contracts, but there are more than 10,000 farmers in Canada that could qualify for such contracts, so the opportunity is very attractive for MacNicol.

He noted that Input offers farmers the capital required to improve their systems by purchasing machinery and other forms of modernization in exchange for a percentage of their revenues.

"In the past, this was only available through small bank loans, but now they have the available capital," MacNicol said. "We expect continued growth from this name."



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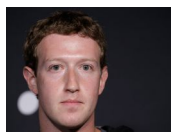
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