



Mark Bunting
Publisher

COVER STORY

WHY DREAM HARD ASSET IS 'UNIQUELY DIVERSIFIED' AND HAS 25% UPSIDE



ALEAFIA COULD GAIN NEARLY 180% AS EXPERIENCED MANAGEMENT TEAM GIVES IT ADVANTAGE



MEDMEN HAS FIRST MOVER STATUS AND A STRONG BRAND IN CANNABIS RETAIL IN THE U.S.



WHY THIS SECTOR ETF IS SET FOR ANOTHER SOLID SEASONAL MOVE

CAPITAL IDEAS DIGEST



DREAM HARD

'Uniquely Diversified' Residential Player Has 25% Upside

Tale of the Tape

Dream Hard Asset Alternatives Trust

Ticker: TSX:DRA.UN

Market Cap: \$501 million

Dividend Yield: 5.8%

One-Year Return: 26%

Projected One-Year Return: 25%

"ECHELON WEALTH PARTNERS HAS STARTED COVERAGE ON DREAM HARD WITH A "BUY" RATING AND A PRICE TARGET OF \$8.25, WHICH GIVES THE SHARES A PROJECTED ONE-YEAR RETURN OF ABOUT 25%, INCLUDING THE CURRENT DIVIDEND YIELD OF 5.8%".

Mark Bunting, publisher, Capital Ideas Media

Pension funds love hard assets. So does private equity, and public companies that act like private equity such as Brookfield Asset Management.

Hard assets can include real estate, ports, power stations, highways, bridges, pipelines. The kind of investment that can produce steady, predictable income and preserve capital.

This week, we focus on an owner of residential real estate. This company likes hard assets so much it calls itself **Dream Hard Asset Alternatives Trust** (TSX:DRA.UN). It's part of the Dream family of companies.

Echelon Wealth Partners has started coverage on Dream Hard with a "buy" rating and a price target of \$8.25, which gives the shares a projected one-year return of about 25%, including the current dividend yield of 5.8%.

This is a name to offset some of your riskier growth investments whereby you sock it away, collect the monthly dividend and sleep soundly. There's a dream pun in their somewhere but I'll refrain.

Instead, let's get to some excerpts from Echelon's report on Dream Hard written by Managing Director and Head of Real Estate Research, Frederic Blondeau, and analyst Stephan Boire. (Echelon Wealth has done investment banking business with Dream Hard within the last 12 months):

Dream Hard Asset Alternatives Trust (DRA) is a Toronto-based unincorporated open-ended trust, more specifically a mutual fund trust, that was created in 2014 and offering exposure to four segments:

- 1) Income property real estate;
- 2) Private real estate lending;
- 3) Investments in renewable power;
- 4) Ownership of equity and participating mortgage investments in real estate development project.



SOURCE: DREAM HARD, GOOGLE MAPS

“DRA’s management expects to deploy approximately two-thirds of its capital toward its development activities, of which the targeted levered internal rate of return (IRR) is anticipated to be in the range of 15-20%”.



“Dream Hard’s strategy was focused on recycling projects at low yields into projects with higher expected long-term growth and returns. Today, DRA’s proposition combines both yield and growth potential”.

Echelon Wealth Partners

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DRA is also Dream Unlimited Corp.’s (TSX:DRM) development institutional partner in some specific projects, involving an active development component for DRM. As at May 7, 2018, DRM (through Dream Asset Management Corporation - DAM) owns a 14.8% interest in DRA.

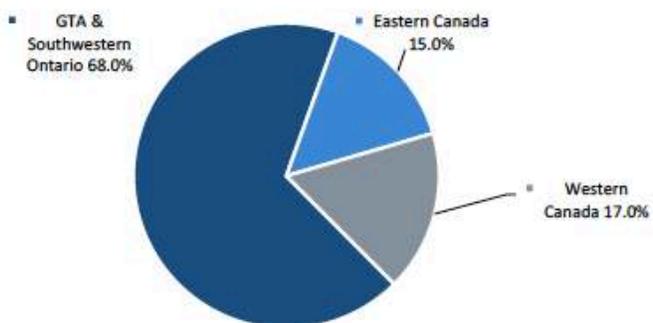
(Editor’s note: Echelon points out that DRA is taxed differently than real estate investment trusts (REITs) and mortgage investment trusts (MICS) and believes that DRA “is in an enviable position to potentially benefit from niche real estate opportunities, possibly subject to relatively limited competition”.)

Company Overview

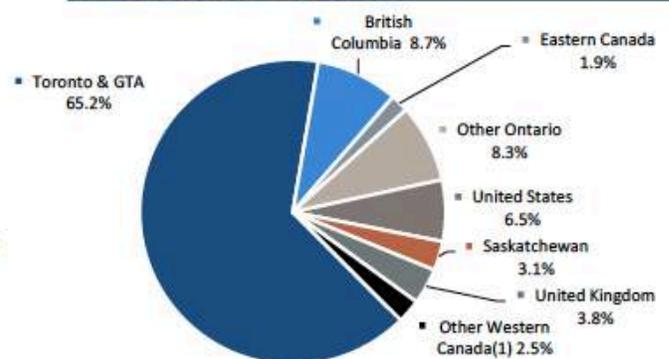
Dream Hard Asset Alternatives is a Trust that has dramatically evolved since its inception in 2014. Between 2014 and 2017, management has been able to successfully reposition the trust’s portfolio through both extensive disposition and acquisition programs.

DRA’s strategy was focused on recycling projects at low yields into projects with higher expected long-term growth and returns. Today, DRA’s proposition combines both yield and growth potential.

As at December 31, 2014



As at March 31, 2018



The Trust's relative valuation levels are compelling at the moment, taking into account the conservativeness of DRA's balance sheet.

We note that approximately 65% of DRA's portfolio is exposed to Toronto.

DREAM HARD ASSET ALTERNATIVES TRUST (TSX:DRA.UN | 1 YEAR CHART



HIGHER HIGHS

The research of Capital Ideas contributor Fabrice Taylor shows that stocks hitting 52-week highs have a tendency to keep moving higher, often for extended periods. Taylor gets a lot of his investment ideas by analyzing companies on the 52-week high list. Here is our weekly look at some stocks that have hit 52-week highs:



▶ OLYMPIA FINANCIAL GROUP INC. | TSX:OLY ONE YEAR CHART



▶ DESCARTES SYSTEMS GROUP INC. | TSX:DSG ONE YEAR CHART



▶ CANADA GOOSE HOLDINGS INC. | TSX:GOOS ONE YEAR CHART



INITIATIONS



Mackie Research analyst Greg McLeish initiated coverage of **Aleafia Health Inc.** (TSXV:ALEF) with a “buy” rating and a target price of \$1.75, which gives the stock 178% upside.

Aleafia Health operates Canada’s largest physician-led referral-only clinics for medical marijuana and started trading on the Venture Exchange in late March after a merger with Canabo Medical.

“Physicians registered with the company’s affiliate clinics have access to a vast medical cannabis database, derived from over 40,000 patients” Mr. McLeish added in his report.

“As an additional assurance in the delivery of quality treatments, Aleafia Health owns two state-of-the-art cultivation facilities that will grow a refined set of medical cannabis strains tailored to meet the specific needs of its patients.”

“Aleafia has an experienced management team comprised of experts that have served in senior positions in government, law enforcements and emergency services which gives the company an advantage particularly when it comes to treating first responders.”

According to S&P Capital IQ, Mr. McLeish is the only analyst currently covering Aleafia Health.

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Cormark Securities analyst Jesse Pytlak initiated coverage of **MedMen Enterprises Inc.** (CSE:MMEN) with a “buy” rating and a target price of \$6.00 per share, which implies a projected return of 28% over the next 12 months.

MedMen is at the forefront of this emerging cannabis sector as they are a full scale cannabis company that operates across the supply chain.

“MedMen has introduced an upmarket retail experience that is bringing cannabis into the mainstream and has turned the company into one of the most recognized brands in the industry” Mr. Pytlak added in his report.

“Legal cannabis sales are projected to reach over \$8 billion in 2018, and we see a long-term pathway to \$50 billion which puts cannabis on pace to be one of the fastest growing sectors in the US.”

“The company has used its first mover advantage and local zoning restrictions to carve out a defensible footprint, strategically locating in markets that have significant barriers to entry and outsized demand potential.”

“Regulated sales in California and Nevada are well underway and New York’s medical program continues to add new patients. This leads us to our forecast of 2019 revenue of \$293 million and EBITDA of \$67 million.”

According to S&P Capital IQ, Mr. Pytlak is the only analyst currently covering MedMen Enterprises.



Upgrades

- ▶ **Wesdome Gold Mines Ltd. (TSX:WDO)** has been upgraded to “strong buy” from “buy” by Industrial Alliance Securities analyst George Topping. He has a target price of \$5 per share which projects returns of over 100%. The consensus on the Street is \$4.13.
- ▶ **Ivanhoe Mines Ltd. (TSX:IVN)** has been upgraded to “buy” from “speculative buy” by Canaccord Genuity analyst Dalton Baretto. Mr. Baretto has lifted his target price to \$8.25 from \$7, which suggests a return of 192%. The consensus is \$7.02.
- ▶ **First Quantum Minerals Ltd. (TSX:FM)** has been upgraded to “action list buy” from “buy” by TD Securities analyst Greg Barnes. Seeing plenty of upside, Mr. Barnes lifted his target price to \$30 from \$25 therefore projecting a return of 43%. The consensus is \$22.63.
- ▶ **Aecon Group Inc. (TSX:ARE)** Was our cover story a few weeks ago. It’s been upgraded to “strong buy” from “outperform” by Raymond James analyst Frederic Bastien. Mr. Bastien remains confident in the company after the blocked takeover by a subsidiary of China Communications Construction Co. He has a target price at \$20.50 which implies a return of 31% and the consensus is \$18.75.

Downgrades

- ▶ **Mediagrif Interactive Technologies Inc. (TSX:MDF)** has been downgraded to “hold” from “buy” by Desjardins Securities analyst Maher Yaghi after weak Q4 organic growth. He has cut his target price to \$13 from \$14 and the consensus is \$13.50.
- ▶ **Nighthawk Gold Corp. (TSX:NHK)** has been downgraded to “hold” from “speculative buy” by Canaccord Genuity analyst Tom Gallo. Mr. Gallo sharply cut his price target to \$0.55 from \$1 and the average on the Street is currently \$1.06.
- ▶ **Suncor Energy Inc. (TSX:SU)** has been downgraded to “sector perform” from “outperform” by AltaCorp Capital analyst Nicholas Lupick. He has a target price set at \$53 and the consensus is \$56.89.
- ▶ **Cobalt 27 Capital Corp. (TSXV:KBLT)** has been downgraded to “reduce” from “buy” by GMP Securities analyst Anoop Prihar. He has a target price of \$10.90 and the consensus is \$15.25.



MEA CULPA

We were pleased on Monday when **Arizona Mining (TSX:AZ)**, a cover idea from April 10, got a takeover offer from an Australian company for the 83% of the zinc miner it didn't already own. The deal amounted to a 55% premium from the date of our article. Nice.

Not so nice has been the stock performance of **NuRAN Wireless (CSE:NUR)**, which was a top idea in the March 27, 2017 Digest. Subscriber Bill Grubb is kind when he says the company's story of providing wireless service to rural and remote areas of developing nations is a good one, but that we featured it a bit early. NuRAN was trading around \$0.27 at the time of the article, which turned out to be the peak for the stock. It now sits around \$0.14.

NuRAN has a partnership with Facebook and still has some promise. We recently interviewed the vice-president of sales and marketing for NuRAN, Francois Letourneau. He says 2018 is an inflection year for the company, where revenue will accelerate as it lands new contracts. **Click on the [link](https://youtu.be/eNJuh30CoFg) to watch or copy and paste <https://youtu.be/eNJuh30CoFg>. Scroll to 16:55.**

SPEAKING by Dwight Galusha

setyourstop.com

The old investing adage “sell in May and go away” doesn’t always hold true. As we enter the dog days of summer, sector rotation is showing up on seasonal cue as the consumer staple stocks consistently outperform the TSX index between the months of May and October. Below is a chart of the **Consumer Staples ETF** (TSX:XST) which shows that over the last three and a half years, price action has been building a massive symmetrical triangle continuation pattern which coincides with a major volume by price accumulation bar.

What has me excited is the tight trading range of bullish candles that has formed a rounded bottom pattern during the last five-months. This bullish price action is being confirmed by volume. Technically, as a symmetrical triangle develops and the trading range contracts, volume should start to decline. This refers to the calm before the storm, or the tightening consolidation before the breakout. As I often point out, periods of low volatility are often followed by high volatility.

