Mark Bunting
Publisher

COVER STORY

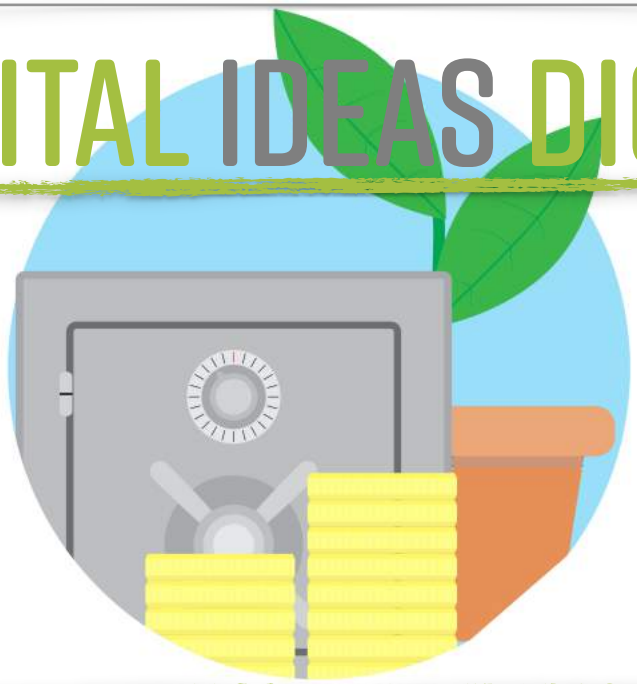
DREAM GLOBAL REIT PROVIDES SECURITY WHILE A MICRO-CAP PROMISES STRONG GROWTH

WHY IT'S OK TO PANIC…A LITTLE… AND PROTECT YOUR PORTFOLIO

SUPERIOR GOLD PLAY WITH EXPERIENCED MANAGEMENT TEAM COULD GAIN 137%

NEW BULLISH ANALYST COVERAGE AND A CHART BREAKOUT FOR SILVERCREST METALS

CAPITAL IDEAS DIGEST



One for Safety & One for Growth

REIT w/6% Yield and a Microsoft Partner w/329% Upside

TALE OF THE TAPE

Dream Global REIT

- Ticker Symbol: TSX:DRG.UN
- Market Cap: $2.6 billion
- Five-Year Return: 52%
- Projected Return: 24%

"DREAM GLOBAL REIT OFFERS CANADIAN INVESTORS A UNIQUE OPPORTUNITY TO GAIN EXPOSURE TO MARKETS WITH GREATER POTENTIAL FOR ACCRETIVE PER UNIT GROWTH AND CAPITALIZATION RATE COMPRESSION."

CIBC CAPITAL MARKETS

Mark Bunting, publisher, Capital Ideas Media

As investors lick their wounds from the recent drubbing, we're going to continue with the portfolio protection theme with one of our ideas this week. CIBC has started coverage of **Dream Global REIT** (TSX:DRG.UN).

But we also came across a very interesting, emerging cloud computing micro-cap company that we're presenting because there are always bull markets somewhere, it's a Microsoft partner, and a little speculative fodder is always fun.

Oh yeah, this stock has a projected return of as much as 329%.

Plus, this idea is based on research from Echelon Wealth Partners, whose analysts always do thorough deep dives on small tech companies.

Echelon's small cap picks between 2014 and 2018 returned a combined 90%, and their 2017 picks advanced 79%.

Admittedly, the five stocks we featured in January from Echelon are generally flat this year but we can overlook that.

We'll start with the safety play as we revisit Dream Global REIT, an idea we featured as a cover story in December of 2017. The units rose about 25% after that, not including the 6% dividend yield. Currently, DRG is trading about 17% higher since our article, including the yield.

CIBC has started coverage on this REIT with European exposure with an "outperformer" rating and a price target of $16, giving the units a projected one-year return of about 24%.

Here are some excerpts from CIBC's initiate report on Dream Global REIT, followed by hi-lights of Echelon's research on **Quisitive Technology Solutions** (TSXV:QUIS).

Company Overview

Dream Global REIT (DRG) is a Canada-based REIT that owns 243 properties, totalling 19.3 million square feet.

The REIT focuses on office and industrial properties in Western European markets, with a dominant presence in Germany, followed by the Netherlands and one property each in Austria and Belgium.

Broadly speaking, the REIT concentrates on strong markets characterized by low unemployment rates, declining vacancy rates and appreciating rents.

We expect solid organic growth from DRG, reflecting strengthening office fundamentals, combined with continued external growth through accretive acquisitions.

Compelling Fundamentals: DRG's focus is growing in markets at attractive points in the real estate cycle. The key segments of German and Dutch office markets are direct beneficiaries of the improving macro environment and are witnessing occupancy and rent growth.

"Founded by Mike Reinhart, Quisitive serves clients nationally with offices in Dallas, TX, Denver, CO, and Toronto, ON. Quisitive is one of only 35 companies nationally that Microsoft designates as a National Solution Provider."

Echelon Wealth Partners

"Quisitive's goal is to achieve a $250 million business in the next three years and a $500 million business in the next five years with 40% recurring revenue and 15% EBITDA margins."

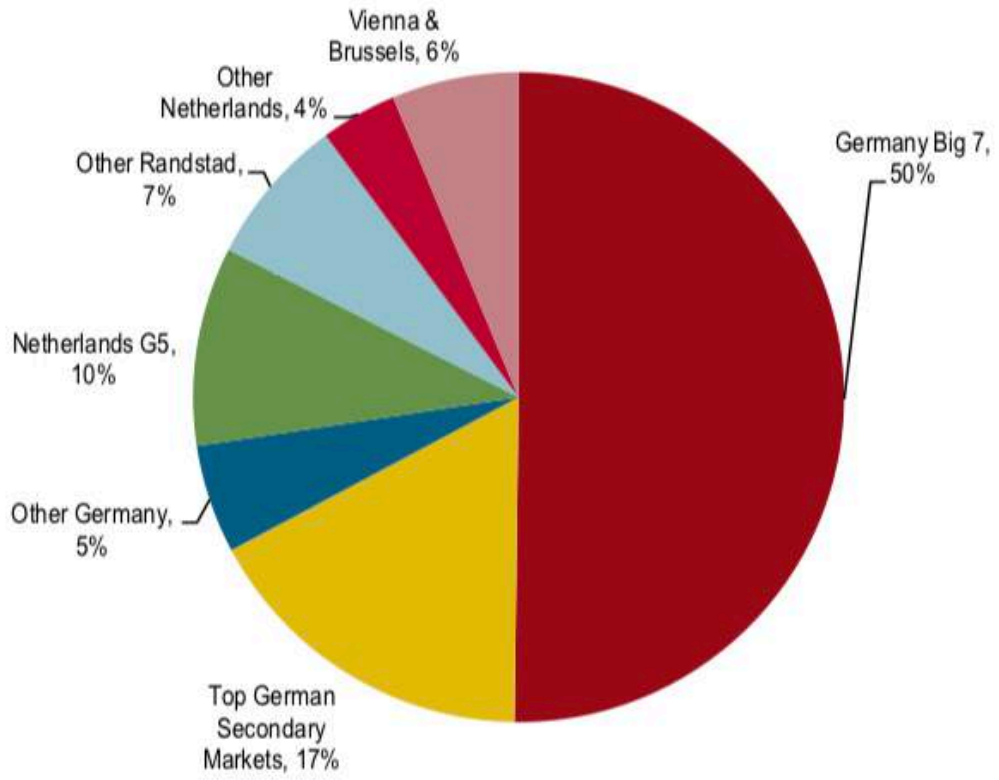
Echelon Wealth Partners

Attractive Acquisition Spreads: DRG is able to achieve large acquisition spreads over the cost of financing (up to 700 basis points (bps) vs. 370 bps for Canadian REITs), offering greater potential for accretive growth.

We estimate at current very low financing costs, DRG can deliver funds from operations (FFO)/unit accretion of up to 5%, well above the capacity of other large-cap REITs.

Attractive Investment Spreads: **DRG offers Canadian investors a unique opportunity** to gain exposure to markets with greater potential for accretive per unit growth and capitalization (cap) rate compression.

A European Footprint (% Of Fair Value)



Note: Germany Big 7 includes Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich, and Stuttgart. Netherlands G5 markets include Amsterdam, Utrecht, The Hague, Rotterdam, and Eindhoven.
The Randstad region is one of Europe's largest metropolitan regions and a conglomerate of large and mid-sized cities (Amsterdam, The Hague, Utrecht and Rotterdam included) and home to more than half the country's population
Source: Company reports and CIBC World Markets Inc.

(Cap rate is the rate of return on a real estate investment property based on the income that the property is expected to generate.)

Cap rates in top German office markets are ~70% of net operating income (NOI), and have compressed by 150 bps to 200 bps since the REIT's 2011 IPO.

The REIT's Dutch portfolio (30% of NOI) is valued at cap rates in the range of 7% to 8%, offering acquisition spreads of 600 bps to 700 bps, compared to ~370 bps in the Canadian commercial property market.

Embedded Rent Growth: More than 80% of leases are indexed to the consumer price index (CPI) and another ~13% have contractual rent steps, allowing for steady organic growth.

Dream Global's overall rent is ~5.4% below market rent, which in our view represents an opportunity for above-average NOI growth.

Capital Recycling Track Record: While maintaining acquisition momentum, Dream Global has also actively trimmed non-core assets, recycling capital into higher-quality assets.

Since IPO, the REIT has disposed of ~$550 million of assets, which has had the effect of improving portfolio quality, reducing tenant concentration and enhancing the rent profile.

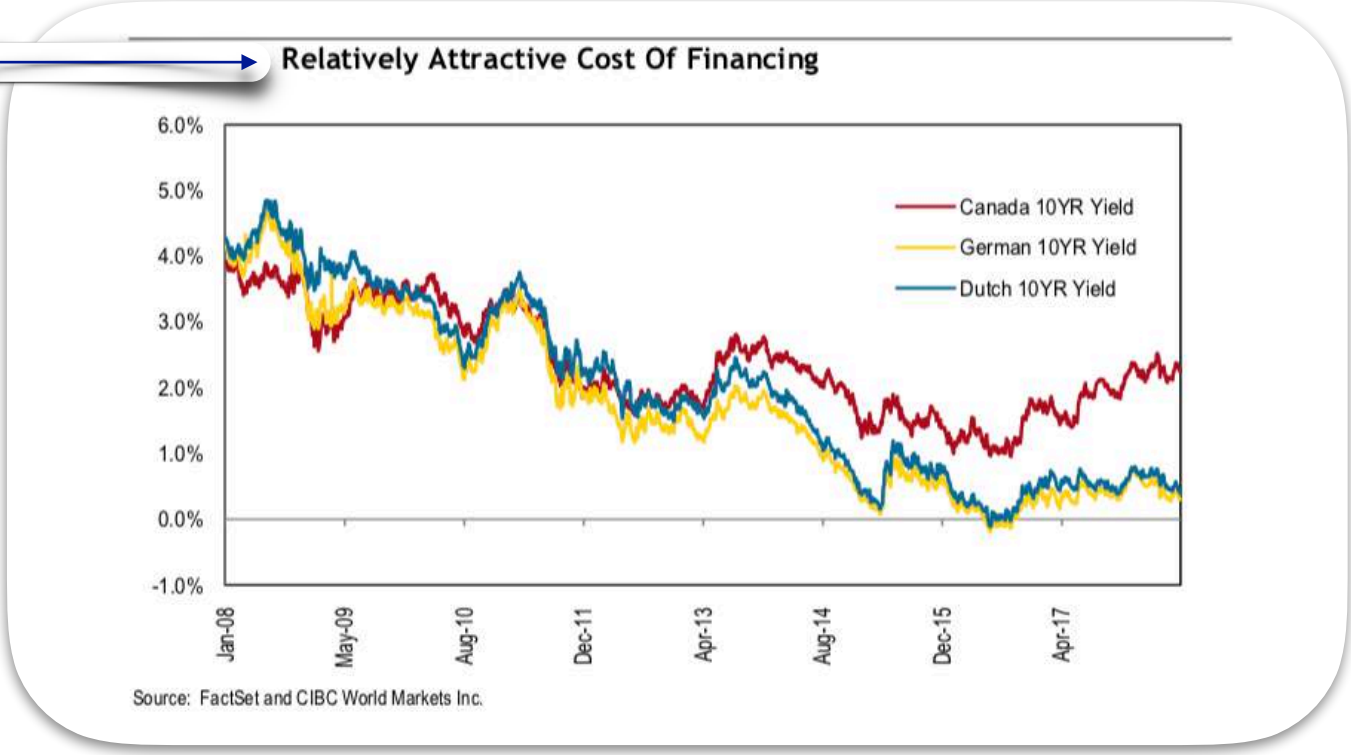
About 5% of assets are currently earmarked for disposition, offering further potential to recycle capital into higher-quality real estate.

Attractive Valuation: DRG trades at a ~4.7x FFO multiple discount to its closest peers, and ~10% below our net asset value (NAV) estimate.

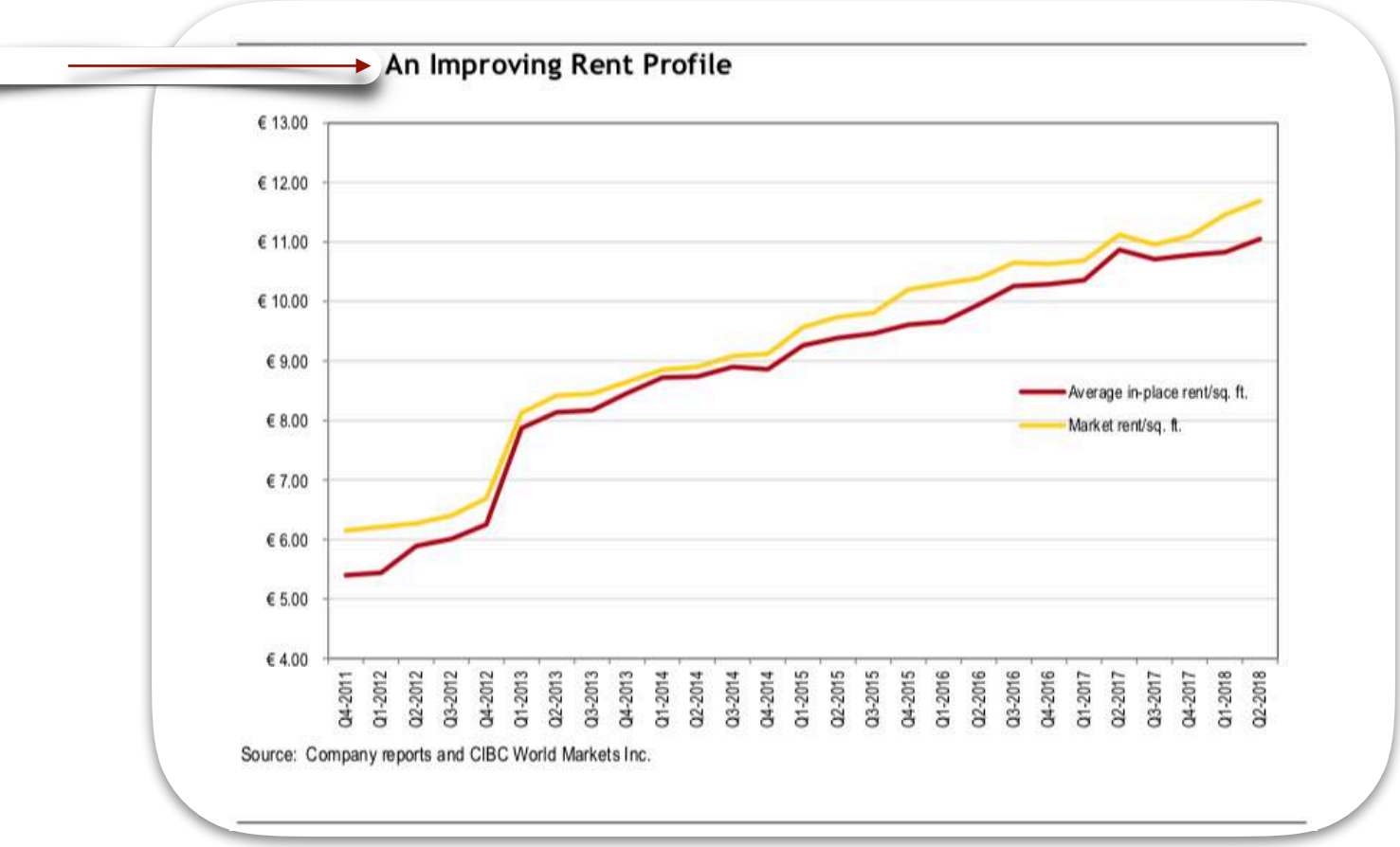
DRG yields ~6%, which offers a yield pickup of ~200 bps at comparable FFO payout ratios.

We believe fundamentals in Dream Global's markets are strong (and strengthening), and that while there might be derivative effects of Eurozone sentiment volatility, an investment in DRG units is an investment in some of the strongest markets in Europe.

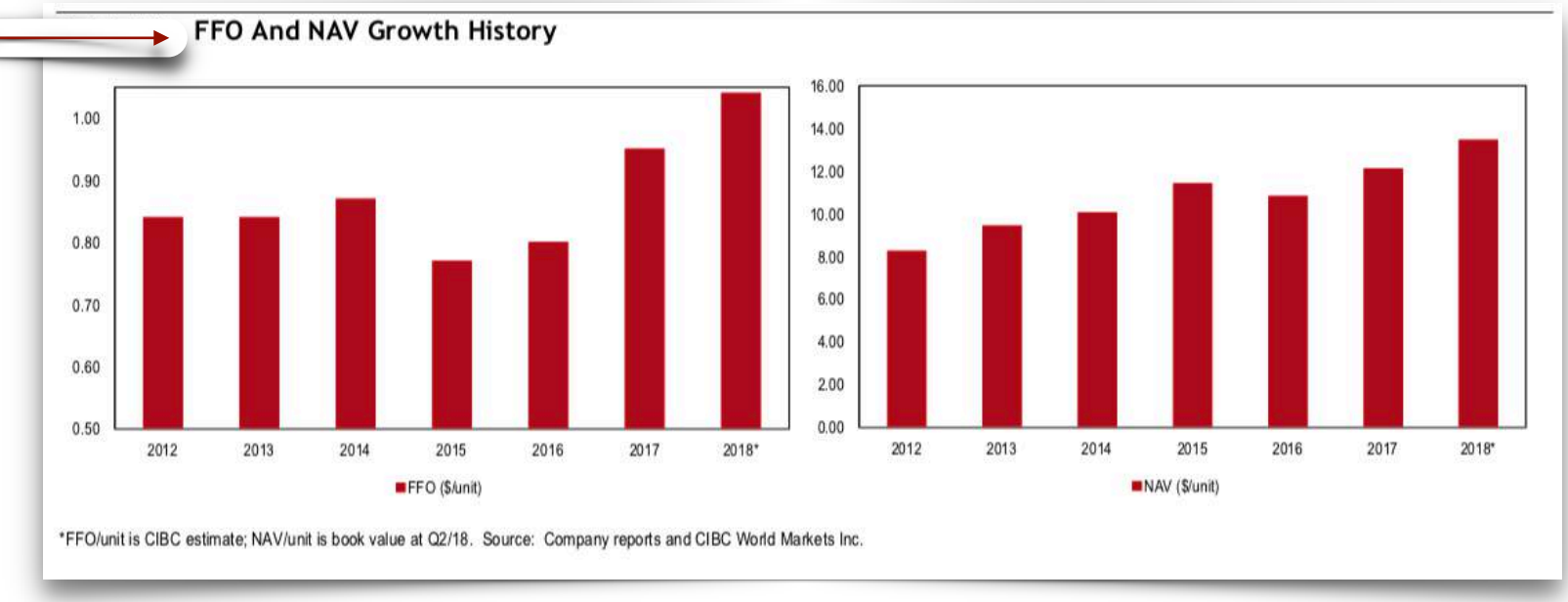
Dream Global has delivered steady FFO and NAV per unit growth, primarily reflecting accretive acquisitions that in turn reflect large-cap rate spreads over the cost of financing.



NAV has also benefited from NOI growth, cap rate compression and a favourable exchange rate. NAV/unit has grown by a five-year CAGR of 8% while, on average, large-cap REITs' NAV growth has been flat over the same time frame.



*Disclosure: CIBC has done investment banking business with Dream Global REIT within the last 12 months.



Dream Global Real Estate Investment Trust (TSX: DRG.UN) | 1 year chart

TALE OF THE TAPE
Quisitive Technology Solutions

- Ticker Symbol: TSXV:QUIS
- Market Cap: $21 million
- Q2 Revenue: +148% quarter-over-quarter
- Q2 Net Loss: $0.01 per share
- Projected Return: 329%

We are initiating coverage of **Quisitive Technology Solutions** as a Microsoft Azure/Blockchain opportunity with a "speculative buy" rating and $1.50 price target.

Quisitive is one of North America's premier Microsoft technology services providers innovating around cloud, AI, and blockchain.

Founded by Mike Reinhart, Quisitive serves clients nationally with offices in Dallas, TX, Denver, CO, and Toronto, ON. Quisitive is one of only 35 companies nationally that Microsoft designates as an National Solution Provider (NSP). **(Reinhart recently invested $300,00 into Quisitive.)**

Companies can only become part of this select group by demonstrating broad and deep technical acumen and successful client implementations.

As an NSP, Quisitive provides its customers with early access to new releases, specialized training, and a direct line to Microsoft.

Out of thousands of partners, Quisitive was selected as U.S. Partner of the Year Finalist in July at Inspire 2018, Microsoft's worldwide partner conference.

With its Microsoft alliance, dynamic leadership team, subject matter experts, experience and infrastructure, Quisitive is uniquely designed to scale in lock-step with Microsoft, as the enterprise ecosystem embraces digital transformation and continues to innovate around emerging technologies — Blockchain, AI, IoT —and the cloud.

Fuelled by its elite national partner status with Microsoft, Quisitive is poised to be a leader in solving complex business problems with these new technologies for its customers and will firmly establish its organization as the premier digital technology services business in North America. Quisitive is defining—even redefining—what it means to be the Microsoft Partner of the Future.

Quisitive introduced the Azure Accelerator Program, a proprietary assessment to help enterprise companies navigate and demystify cloud migration.

Quisitive is one of only a few key Microsoft partners in North America to drive the adoption of Microsoft Azure through Quisitive's unique Azure Accelerator Program.

Quisitive has developed a methodology to assist customers in understanding blockchain and helping them define use cases, develop proofs-of-concept (POCs), and build blockchain solutions for their business.

Quisitive's "Commonsense Blockchain Solution" gives customers a proven methodology to help them leverage blockchain technology in the enterprise.

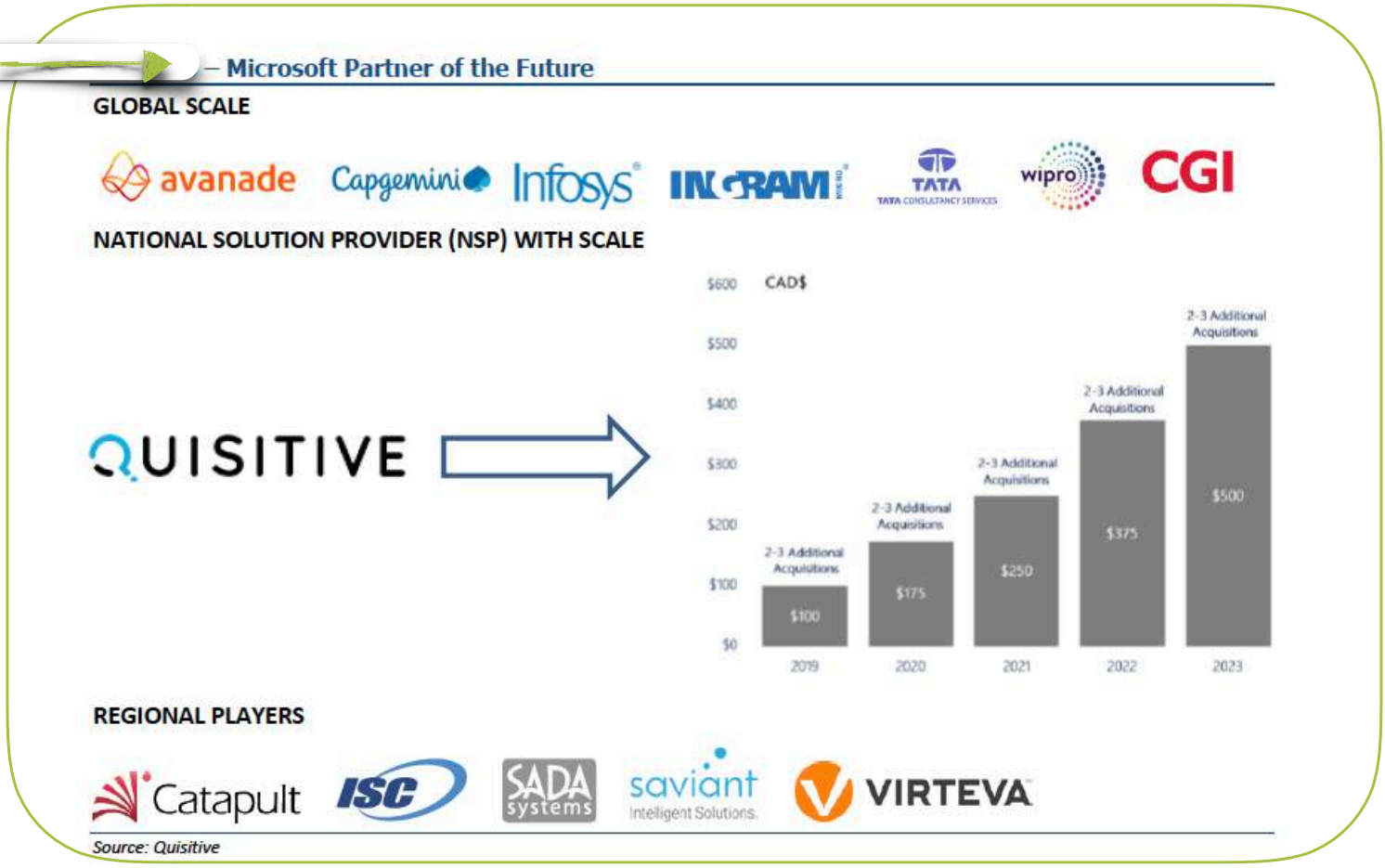
Microsoft Partner of the Future: Within a fragmented Microsoft partner channel, Quisitive is able to grow both organically and through acquisitions to become Microsoft's "Partner of the Future."

The goal is to become large enough to handle multi-million-dollar Microsoft Azure projects, and small enough to maintain the agility needed to develop unique and innovative solutions utilizing all the tools in the Microsoft Azure stack – including Blockchain, AI, and Internet of Things (IoT).

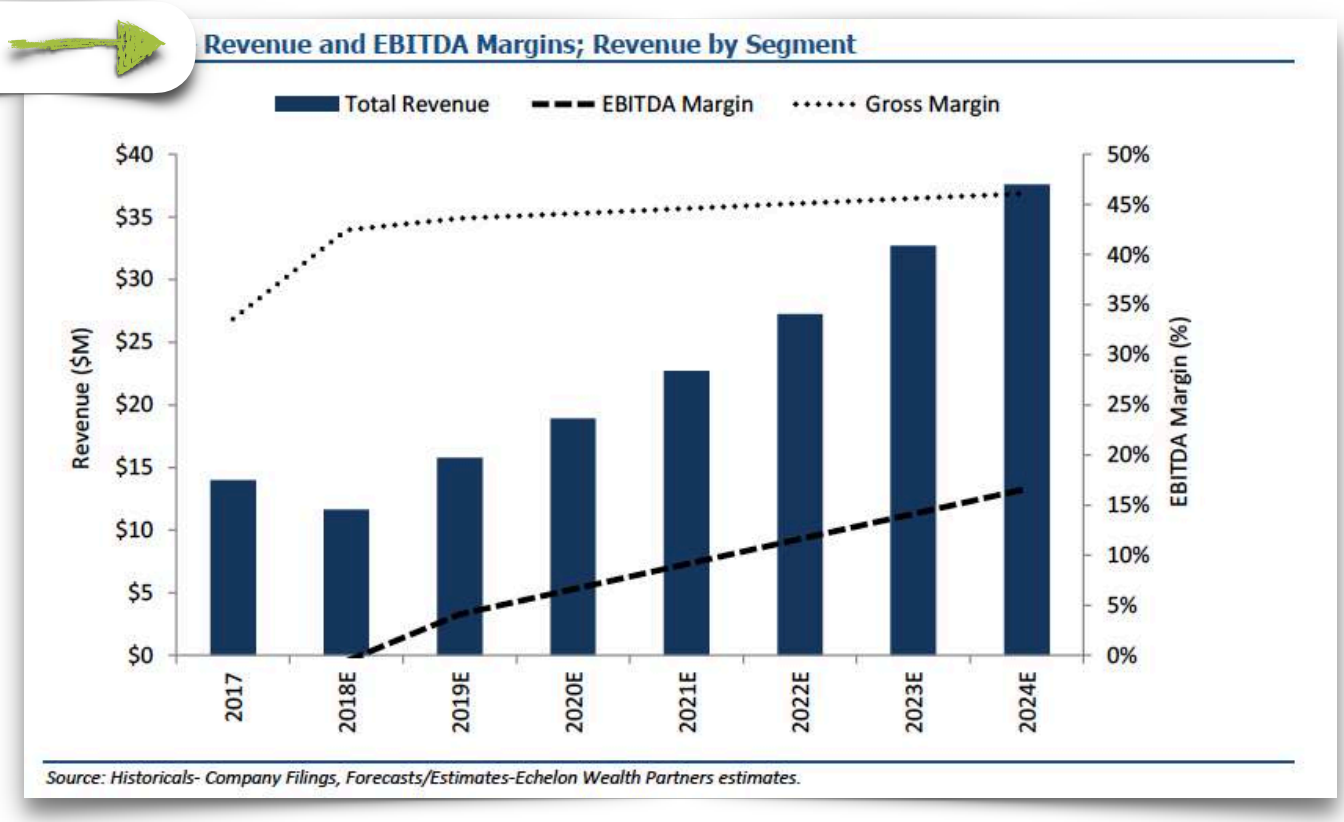
Quisitive's strategy of organic growth coupled with growth through acquisition will position it as a premier Microsoft scale-partner.

Quisitive's goal is to achieve a $250 million business in the next three years and a $500 million business in the next five years with 40% recurring revenue and 15% EBITDA margins.

We note that Phil Sorgen, Microsoft Corporate Vice President of U.S. Enterprise Commercial, has joined Quisitive's Board of Directors.



Immediate investments are being made to expand Quisitive's customer base, develop SaaS-based solutions, and execute a sound M&A strategy.



Quisitive Technology Solutions Inc.(TSXV: QUIS) | 1 year chart

WHY IT'S OK TO PANIC A LITTLE AND SEEK SAFETY

Excerpted from Barron's
by Jack Hough

If the Dow Jones Industrial Average were to drop, say, another 3,000 points in a hurry, would you dump everything? If so, consider quietly panicking now, just a little, while other investors are buying on the dips.

If your regular stock allocation is 60%, and market gyrations are making you nervous, perhaps take that number down to 50%. Don't go too low, and decide now on a schedule for returning to your regular allocation by, say, shifting a couple percent a year back to stocks over the next five years.

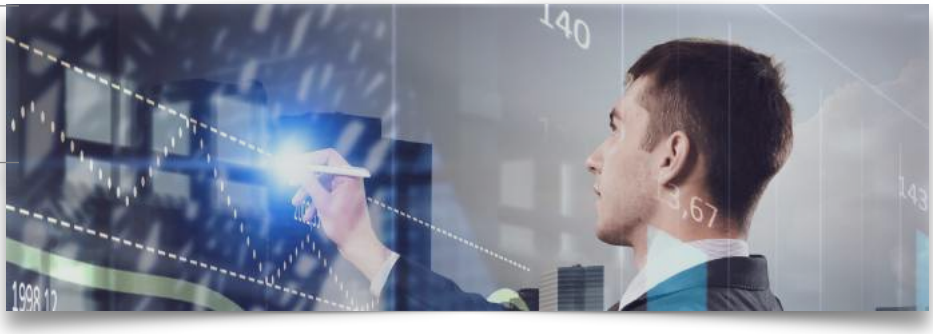
As for what to sell, if you own individual stocks, start with companies with high dividend yields but little dividend growth, and companies with little earnings now, and little expected soon, but plenty of promise for wonderful earnings down the road.

The first type of stocks tend to trade like bonds, falling as interest rates rise. The second, those future growers, have probably done exceptionally well in recent years, when interest rates were near zero, and the cost of waiting for growth stories to play out was low. But as rates rise, investors could become less patient for story stocks.

What to buy? Try nothing for a while, and soak up some of that savings account yield.

If the stock market soars next year, scold yourself only gently, because you sold only a little. And if our beloved bull rolls over and snorts its last breath, there will be no need to panic, because you will have already done so, and at the best possible time: before everyone else.

INITIATIONS



Laurentian Bank Securities analyst Ryan Hanley initiated coverage of **Superior Gold Inc. (TSXV:SGI)** with a "buy" rating and a target price of $1.75 which implies a return of 137%.

"With a growing production profile, further exploration potential, a strong balance sheet, and experienced management team, we believe that Superior Gold offers a compelling investment opportunity" Mr. Hanley added in his report.

"We believe that with Superior's Plutonic underground mine and recently commissioned Hermes open-pit, they remain well positioned as one of a very few number of 100koz+/year gold producers."

"Collectively, the Board of Directors and management own approximately 8.7% of the outstanding shares with Chris Bradbrook (CEO & President) being the largest shareholder with a 4.9% ownership stake."

"CEO & President Chris Bradbrook has 30 years of experience in the mining space with includes working with Kirkland Lake Gold, New Gold and Goldcorp."

"The company's balance sheet remains strong as they have just under $22 million in cash at the end of Q2/2018 which equates to ~38% of its current market capitalization."

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RBC Dominion Securities analyst Mark Mihaljevic initiated coverage of **SilverCrest Metals Inc. (CSE:GTII)** with an "outperform" rating and a target price of $5 per share which implies a return of 45%.

"We believe that SilverCrest's Las Chispas project in Mexico will emerge as one of the highest return projects in the space" Mr. Mihaljevic added in his report.

"The key factors that differentiate SilverCrest are the expected high-return and strong free cash flow."

"The project's economics will benefit from high grades, low capital intensity and exploration potential. We see upside in SilverCrest as the company delivers ongoing high-grade resource growth."

"SilverCrest is a potential takeover target with the Las Chispas' objects being a rare asset that combines potential production profile, mine life, cost structure and sittings in a mining friendly jurisdiction."

"The company's attractiveness is further enhanced given the dearth of comparable earlier-stage silver projects and given the project is also located within trucking distance of both Premier's Mercedes mine and First Majestic's Santa Elena mine."

Upgrades

- **Lundin Mining Corp. (TSX:LUN)** has been upgraded to "outperform" from "sector perform" by RBC Dominion Securities analyst Sam Crittenden. He has a price target of $8 per share, which gives the stock a projected upside of 53%.
- **Agnico Eagle Mines Ltd. (TSX:AEM)** has been upgraded to "buy" from "market perform" by Cormark Securities analyst Richard Gray. He has a target price of $60 per share, which implies a return of 33%.
- **Bombardier Inc. (TSX:BBD.B)** has been upgraded to "speculative buy" from "hold" by TD Securities analyst Timothy James. He has a target price of $5, which projects a return of 62%.
- **Aecon Group Inc. (TSX:ARE)** has been upgraded to "strong buy" from "buy" by Industrial Alliance Securities analyst Neil Linsdell. He has increased his target price to $23 from $19.50, which implies a return of 27%.

Downgrades

- **AltaGas Ltd. (TSX:ALA)** has been downgraded to "neutral" from "outperformer" by CIBC analyst Robert Catellier. He has cut his target price to $24 from $30.
- **Goldcorp Inc. (TSX:G)** has been downgraded to "market perform" from "buy" by Cormark Securities analyst Richard Gray. He has sharply lowered his target price to $16.50 from $23.
- **Nevsun Resources Ltd. (TSX:NSU)** has been downgraded to "sell" from "buy" by Paradigm Capital analyst David Davidson. He has a target price set at $6.30 per share.
- **Winpak Ltd. (TSX:WPK)** has been downgraded to "neutral" from "outperformer" by CIBC World Markets analyst Scott Fromson. He has decreased his target price to $51 from $54 after believing the company's growth is under pressure.

Technically SPEAKING by Dwight Galusha

setyourstop.com

SilverCrest Metals (TSXV:SIL) recently broke out from a symmetrical triangle continuation pattern to multi-year highs. Since, price action has come back and appears to have successfully retested the breakout and the 50-day moving average. This action is very bullish and suggests a continuation of the prevailing uptrend. A breakout in momentum (the PPO indicator) would confirm this thesis.