



Canaccord Genuity Wealth Management
Morning Coffee

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Tuesday April 19, 2016

| | | |
|------------------------|--------|----------|
| S&P/TSX Composite | 82.62 | 13719.82 |
| Dow Jones | 104.64 | 18002.10 |
| S&P 500 | 13.62 | 2094.35 |
| NASDAQ | 21.80 | 4960.02 |
| S&P/TSX Venture | 4.37 | 638.21 |
| Crude Oil (US\$/brrl) | -0.44 | 39.92 |
| Gas (US\$/mmbtu) | 0.04 | 2.04 |
| Copper (US\$/lb) | 0.01 | 2.18 |
| Gold (US\$/oz) | -1.80 | 1232.80 |
| Nickel (US\$/lb) | -0.04 | 4.03 |
| Palladium (US\$/oz) | -0.25 | 569.05 |
| Platinum (US\$/oz) | -12.10 | 976.40 |
| Silver (US\$/oz) | -0.10 | 16.22 |
| Uranium (US\$/lb) | 0.00 | 25.90 |
| Canadian Dollar | 0.0087 | 0.7814 |
| 10-Year Canada | | 1.21 |
| 10-Year U.S. | | 1.77 |
| Volatility Index (VIX) | -0.26 | 13.36 |

Help Me, Help You, Help Me



Not likely to come up for discussion at the next meeting of the FOMC, ECB, or BOJ is the story of Denmark's Hans Peter Christensen, whose most

recent mortgage statement revealed an interest payment of negative 249 kroner, i.e. his bank paid him the equivalent of \$38 in interest on his mortgage. As of year-end his rate, excluding fees, was negative 0.0562%.

"My parents said I should frame it, to prove to coming generations that this ever happened," he told The Wall Street Journal.

Denmark's benchmark rate is at minus 0.65% and has been below zero longer than any other country. The Scandinavian country is thus offering a laboratory for what happens when rates drop below zero for an extended time. Not surprisingly, real estate is booming. In Copenhagen apartment prices are up 14.5% year over year.

CANADA

The S&P/TSX Composite advanced on Monday, as gold producers gained amid demand for haven assets, while energy shares wiped out declines after the world's biggest oil producers failed to agree on an output freeze.

Oil exporting nations, including non-OPEC Russia, had gathered in the Qatari capital of Doha for what was expected to be the rubber-stamping of a deal to stabilize output at January levels until October 2016. But the deal crumbled when OPEC heavyweight Saudi Arabia demanded that Iran join in despite its repeated assertions it would not do so until it had reached pre-sanctions levels of output.

Open Text (OTC) agreed to acquire several customer-service software and services assets from **HP (HPQ)** for roughly US\$170 million. The deal, which includes web content management platform HP TeamSite, is expected to complement Open Text's current software portfolio.

Primero Mining (P) released Q1/16 operating results that were well below expectations. An operational miss was primarily driven by San Dimas, where the company focused on bringing safety standards at the mine in line with Ontario Mining Regulations. **Fission Uranium (FCU)** announced that it has hit new, high-grade mineralization at four zones (R840W, R600W, R780E and R1620E) at its PLS property, host to the Triple R deposit in the Athabasca Basin region.

UNITED STATES

Benchmark indexes erased early declines on Monday, as investors shook off oil's losses on failed output talks and looked toward this week's bevy of corporate earnings. **PepsiCo (PEP)** reported it handily beat earnings expectations in the first quarter of the year as efficiency initiatives helped the snack and beverage giant dramatically improve its margins. **Hasbro (HAS)** said sales of **Disney's (DIS)** Princess and Frozen dolls helped strengthen better-than-expected revenue and profit numbers.

Morgan Stanley (MS) said its profit fell 53% in the first quarter after concerns about the economy sent shivers through the capital markets, limiting Wall Street clients' appetite to trade or make deals. **Autohome (ATHM)** said it received and is reviewing a proposal from a consortium including Autohome's chief executive to take the company private.

Cvent (CVT), which makes cloud-based event management software for businesses, said it has agreed to be acquired by affiliates of Vista Equity Partners for \$1.65 billion, as the private equity firm expands its technology portfolio.

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ECON 101

CANADIAN Data Today: No scheduled releases.

U.S. Data Today: This morning, **Housing Starts** (Mar) are expected to fall to 1,170K from 1,178K the previous month, while **Building Permits** (Mar) should climb to 1,200K from 1,167K before that.

MARKET MOVERS

Notable 52-Week Highs:

| | | | |
|--------------------------------|--------|----|-------|
| Aberdeen International Inc. | AAB | \$ | 0.20 |
| Agellan Commercial REIT | ACR.UN | \$ | 9.50 |
| Belo Sun Mining | BSX | \$ | 0.94 |
| Columbus Gold | CGT | \$ | 0.47 |
| Champion Iron Limited | CIA | \$ | 0.30 |
| Cargojet Inc. | CJT | \$ | 29.50 |
| Crombie REIT | CRR.UN | \$ | 14.37 |
| Capstone Infrastructure Corp. | CSE | \$ | 4.90 |
| Canadian Zinc | CZN | \$ | 0.24 |
| Dalradian Resources | DNA | \$ | 1.28 |
| EnerCare Inc. | ECI.R | \$ | 15.97 |
| Endeavour Silver | EDR | \$ | 4.09 |
| EXFO Inc. | EXF | \$ | 5.36 |
| Excellon Res Inc | EXN | \$ | 1.35 |
| First National Financial | FN | \$ | 26.23 |
| First Majestic Silver | FR | \$ | 11.00 |
| Great Panther Silver | GPR | \$ | 1.62 |
| Golden Star Resources Ltd. | GSC | \$ | 0.99 |
| Guyana Goldfields Inc. | GUY | \$ | 6.26 |
| Horizons Seasonal Rotation ETF | HAC | \$ | 17.14 |
| Heroux-Devtek Inc. | HRX | \$ | 14.52 |
| Indigo Books & Music | IDG | \$ | 16.50 |
| Intl Tower Hill Mines | ITH | \$ | 0.78 |
| Killam Apartment REIT | KMP.UN | \$ | 12.15 |

| | | | |
|------------------------------------|---------|----|--------|
| Lassonde Industries | LAS.A | \$ | 181.97 |
| MAG Silver Corp. | MAG | \$ | 14.21 |
| Moneta Porcupine Mines | ME | \$ | 0.26 |
| Norsat International | NII | \$ | 7.62 |
| Premier Gold Mines | PG | \$ | 3.62 |
| Potash Ridge Corporation | PRK | \$ | 0.34 |
| Perseus Mining Limited | PRU | \$ | 0.51 |
| First Asset Canadian REIT ETF | RIT | \$ | 14.51 |
| RONA Inc. | RON | \$ | 23.85 |
| Royal Bank of Canada | RY.PR.P | \$ | 25.18 |
| Sabina Gold & Silver | SBB | \$ | 1.47 |
| Silver Bear Resources | SBR | \$ | 0.14 |
| Sulliden Mining Capital | SMC | \$ | 0.43 |
| Sandstorm Gold Ltd. | SSL | \$ | 5.20 |
| Americas Silver Corp. | USA | \$ | 0.35 |
| Vecima Networks | VCM | \$ | 12.02 |
| Vista Gold | VGZ | \$ | 0.88 |
| Valener Inc. | VNR | \$ | 21.90 |
| iShares US High Div. Equity | XHD | \$ | 25.97 |
| iShares Edge MSCI Min Vol EAFE XML | | \$ | 20.77 |
| iShares Edge MSCI Min Vol USA | XMS | \$ | 20.31 |
| Exeter Resource Corp. | XRC | \$ | 1.10 |
| Yamana Gold Inc. | YRI | \$ | 5.37 |

Notable 52-Week Lows:

| | | | |
|--------------------------------|-----|----|-------|
| DiagnoCure Inc. | CUR | \$ | 0.02 |
| HBP S&P 500 Inverse ETF | HIU | \$ | 38.51 |
| HBP S&P 500 Bear+ E.T.F. | HSD | \$ | 8.21 |
| HBP S&P500 VIX ST Future Bull+ | HVU | \$ | 17.68 |
| HBP COMEX Silver Bear+ E.T.F. | HZD | \$ | 7.88 |

| | | | |
|--------------------------------|-----|----|-------|
| QLT Inc. | QLT | \$ | 2.05 |
| Sphere FTSE Cda Sustainable Yd | SHC | \$ | 10.14 |
| Toscana Energy Income Corp. | TEI | \$ | 2.01 |
| Transition Therapeutics Inc | TTH | \$ | 1.00 |

CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

B2Gold* (BTO : TSX : \$2.33), Net Change: 0.01, % Change: 0.43%, Volume: 3,059,558

"IT'S ALL GOOD AT APPLEWOOD" (AND THE MASBATE MINE). Canaccord Genuity Precious Metals Analyst Rahul Paul reiterated his bullish view on B2Gold following a positive site visit to the Masbate mine in the Philippines. Masbate represents only 9% of Paul's operating NAV but is the largest contributor to F16 production (34%). Paul said that Masbate showed very well and has made significant progress since his last visit in 2014 and since the CGA acquisition. While most of the progress at Masbate was obvious in the solid Q4/15 performance, Paul expects the operational momentum to continue,

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setting the stage for a strong 2016 (relative to guidance). Paul says operations should continue to benefit as the mine is well ahead of the mill, and the mill in turn has been delivering better-than-expected results through handling better primary ore. The Masbate plant upgrade is progressing well and should improve throughput and recoveries particularly with transition and primary ore. Paul says there is also potential production/cost upside due to more oxide ore encountered in the Colorado pit (ore classified as transition) and higher grades in the Main Vein pit. Unit site costs have declined over the last two years, most notably highlighted by Q4/15 cash operating costs, which were 10% below budget. Lower oil price has also had a positive impact, but the bulk of the cost savings appear to be the result of mining/processing productivity improvements driving lower power/fuel consumption and other savings. Budgeted site costs for F16 are \$17.53/t (close to actual costs in FY2015) but 23% below Paul's longer-term assumptions of \$23/t.

CI Financial* (CIX : TSX : \$27.68), Net Change: -1.36, % Change: -4.68%, Volume: 971,590

THERE'S A BAD MOON RISING. Canaccord Genuity Financial Analyst Scott Chan says the current retail environment poses several headwinds at CI, particularly (i.e. lower demand for mutual funds, constant management fee pressure, high costs, volatile equity markets, potential regulatory change), which he believes will impact earnings growth potential and multiple expansion. Capital deployment opportunities (i.e. NCIB, acquisitions) could provide support, however. At CI, Chan is marking Mar/16 AUM growth of 2.3%, which slightly offsets his lower net sales forecast. After a challenging start to the year (i.e. weak RRSP season), Chan has revised down his 2016E and 2017E net sales forecast for CI to \$0.6B (from \$2.0B) and \$1.1B (from \$2.7B). For Q1/16E, Chan estimates CI's net sales were ~\$0.2B, which compares to \$1.2B last year. Over the past three years, CI's annual net sales have averaged over \$3.6B. Chan's lower revised forecasts reflect: 1) industry-wide mutual fund sales slowdown (i.e. weak RRSP season) related to ongoing market volatility; 2) lower relative Fund performance; 3) challenges in IIROC channel (ETF exposure could help); 4) intense competition from the likes of Fidelity (i.e. benefiting from solid relative Fund performance) and Canadian Banks (i.e. recent **Royal Bank (RY)** fee cut); and 5) product headwinds (expected lower demand for Corporate Class which CI is an industry leader and continual run-off in Segregated Funds).

Fission Uranium* (FCU : TSX : \$0.75), Net Change: 0.04, % Change: 5.63%, Volume: 1,631,783

"MY EYES! THE GOGGLES DO NOTHING!" - RADIOACTIVE MAN. Fission Uranium on Monday announced that it has hit new, high-grade mineralization at four zones (R840W, R600W, R780E and R1620E) at its PLS property, host to the Triple R deposit in the Athabasca Basin region. The assay results are highlighted by hole PLS16-460, which encountered 5.0m @ 10.95% U3O8 and 3.0m @ 7.56% U3O8 within a larger interval of 40.0m @ 2.64% U3O8. Fission says that the wide, high-grade mineralization encountered by this hole, located 385m east of the Triple R deposit as well as hole PLS16-465, located 135m west of the Triple R, highlights the rapidly increasing exploration potential of its PLS property. In total, Fission has assay results from ten holes: two holes drilled on the newly discovered R840W zone, one drilled on the R600W zone, two on the R780E zone and five on the rapidly growing R1620E zone. Ross McElroy, President, COO, and Chief Geologist for Fission, commented, "These results show it's still very early days here at PLS. Fission's exploration drilling has delivered high-grade, near-surface assays 2.34km apart on a 2.58km mineralized trend that is already the largest footprint in the Athabasca Basin region. In other words, exploration growth has been strong this winter and we have a number of exciting exploration targets on our hit list for this summer. The latest results highlight how we have driven the trend west towards the huge high-grade boulder field, and east towards the border with our neighbours and they reaffirm what we've been saying for some time - we have barely scratched the surface of PLS' potential."

NexGen Energy* (NXE : TSX-V : \$2.40), Net Change: -0.23, % Change: -8.75%, Volume: 4,967,930

NEXT TIME, A LITTLE LESS TECHNICAL, PLEASE. NexGen Energy released more drills results from its recently expanded, winter-spring drilling program on its 100%-owned Rook I Property, in the Athabasca Basin, Saskatchewan. The news release was incredibly technical (even for our moderately skilled Morning Coffee scribes), so we'll provide a quote from NexGen's CEO Leigh Curyer: "The objectives for the winter 2016 drilling program have been met on all fronts. Arrow infill drilling continues to confirm the robustness of mineralization with AR-16-78c4 ranking as one of the best radioactive results to date at Arrow. The early signs at Cannon are very encouraging and will be a focus of summer 2016 drill program balanced with continual Arrow infill, zone expansion, and testing to the southwest along the conductor corridor. These results place multiple demands on the available drill rigs and management will continue to systematically allocate meters in an optimal manner within the program objectives." NexGen has \$33 million in cash and is funded well into 2017, covering winter & summer drilling, and a first resource upgrade. Investors have been saying that NexGen could be the target of a takeover by one of the majors. The company currently has an inferred resource of 3.48Mt containing 201.9Mlbs U3O8 grading 2.68% U3O8 with the potential to expand that significantly in the upcoming resource report. Readers should note that **Rio Tinto's (RIO)** 2011 takeout of Hathor Exploration was at a valuation of about US\$11/lb. You do the math.

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Open Text* (OTC : TSX : \$69.89), Net Change: 0.53, % Change: 0.76%, Volume: 99,052

Open Text* (OTEX : US\$54.47), Net Change: 0.44, % Change: 0.81%, Volume: 156,704

HP (HPQ : US\$12.67), Net Change: 0.15, % Change: 1.20%, Volume: 15,517,673

IF ONLY ALL EXAMS WERE OTC-BOOK, I'D HAVE PASSED THE CFA. Open Text has signed a deal with HP to buy a group of customer experience software and services assets for US\$170 million in cash. OTC, a provider of business software services, said the deal, which includes about 400 employees, will complement its portfolio and allow it to offer customers a wider selection of options. Under the deal, OTC will acquire HP TeamSite, a management platform for web content, HP MediaBin, a digital asset management system, and HP Qfiniti, a workforce optimization system. OTC expects the acquisition will boost its performance immediately after closing, with the assets expected to generate annual revenue of between \$85 million and \$95 million- the deal is expected to close in the fourth quarter of F2016. OTC says the deal would improve the multi-channel digital experience of their customers by providing them with leading software products in marketing optimization, mobile marketing, and voice of the customer programs. One Bay Street firm believes OTC shares don't get any credit for potential M&A and continues to believe there is room to surprise to the upside. The analyst believes that OTC's software release is a potential catalyst for growth: OTC's next generation software Suite 16 and Cloud 16 with analytics integration became generally available at the end of March. Historically, OTC has seen growth improve with new major software releases. The analyst says this latest release has the potential to cross-sell into OTC's large install base, as well as tap into new vertical markets (healthcare/public sector/IoT).

Primero Mining* (P : TSX : \$2.19), Net Change: -0.45, % Change: -17.05%, Volume: 5,346,520

DO YOU KNOW THE WAY TO SAN DIMAS? Primero Mining released Q1/16 operating results that were well below Canaccord Genuity Precious Metals Analyst Rahul Paul's expectations. Consolidated Q1/16 production of 36,158 oz AuEq was 37% below Paul's estimate and consolidated Q1/16 total cash costs of \$944/oz AuEq was 44% below his forecast. The operational miss was primarily driven by San Dimas, where the company focused on bringing safety standards at the mine in line with Ontario Mining Regulations. Due to these stricter safety regulations for ground support, mine sequencing was impacted and mining of certain high-grade stopes was deferred, in turn reducing production contribution from the asset. Following the Q1/16 shortfall and revised mining practices, 2016 guidance has been lowered to 230-250 koz AuEq at AISC of \$975-\$1,025/oz Au (previously 260-280 koz AuEq at \$850-900/oz Au). While the guidance revision is unfortunate, Paul highlights the fact that the production shortfall does not materially impact his longer term value for San Dimas as he still considers it a very strong and robust operation. However, Paul believes the market could respond negatively to the Q1/16 miss and guidance revision. In his opinion, the main overhang on the stock remains the uncertainty resulting from the legal claim by the Mexican authorities to nullify the 2012 APA ruling.

Sabina Gold & Silver* (SBB : TSX : \$1.28), Net Change: 0.25, % Change: 24.27%, Volume: 8,693,749

Belo Sun Mining* (BSX : TSX : \$0.90), Net Change: 0.23, % Change: 34.33%, Volume: 6,979,968

SOMETIMES YOU DON'T NEED A REASON. Shares of Sabina Gold & Silver and Belo Sun Mining soared on Monday, combined with heavy volume; however, investors were hard pressed to find any news substantiating the lifts. BNN reported that a (subscription-based) newsletter writer had recently put out positive reports on the companies, although these were hard to come by. The moves are a bit surprising given that only a few people typically have access or pay for these types of reports. Another reason could be the recent upgrades by recognized Bay Street analysts. Last week, there were four analysts who increased their targets on Sabina and two analysts who did the same on Belo Sun. One analyst believes Sabina's Back River project located in Nunavut offers a better risk-reward profile than the three other Canadian feasibility level projects he monitors (**Pretium (PVG)**, **Kaminak (KAM)** and **TMAC (TMR)**). That said, the Back River project may also be a takeover target for some of the major gold miners. This was certainly the theme of some chat rooms yesterday rumouring that Sabina's share price increase was for that reason alone. As for Belo Sun, another reason for its move yesterday could be the recent issues surrounding Brazilian President Dilma Rousseff, who's government vowed on Monday to fight impeachment after the lower house of Congress delivered a humiliating defeat that paved the way for her likely removal from office months before the country hosts the Olympics. Whatever the reasons, the stocks are up and that's all that matters.

U.S. EQUITIES OF INTEREST

Listed Alphabetically by Symbol

Portfolio Strategy

JUST GIVE ME A REASON... When he adopted a more neutral near-term view a few weeks ago, Canaccord Genuity U.S.

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Portfolio Strategist Tony Dwyer thought the **S&P 500 (SPX)** would enter a period of consolidation/correction given the 13% rally off the February 11 low, especially with his tactical indicators no longer historically oversold. In addition, the areas that rallied the most off the low - Oil, High Yield Debt, the Basic Industry sectors and Emerging Currencies - had all seen historic rallies, and yet remained in downtrends. In Dwyer's view, historically oversold markets look for reasons to rally, just as very overbought rallies look for reasons to consolidate/correct. He believes the OPEC meeting this past weekend, and the upcoming Fed meeting June 14-15 and June 23rd "Brexit" referendum offer enough uncertainty for the market to experience a pause that refreshes. For Dwyer, a change in trend is not seen when the markets experience their first oversold bounce, but is more identifiable during the consolidation/correction period after the initial ramp off a historic low. In his view, we are in a period of consolidation before the next leg higher. Dwyer's 2016 SPX target remains 2,175, which assumes an 18 multiple on \$121 in SPX operating EPS. Over the intermediate term, he remains overweight Financials, Info Tech and Consumer Discretionary sectors, but would be more sector neutral over the near term as the market consolidates the recent ramp off the February 11 low, especially in the commodity-related sectors.

Amazon.com (AMZN : US\$633.00), Net Change: 7.11, % Change: 1.14%, Volume: 4,171,010

IT'S A JUNGLE OUT THERE. Amazon said over the weekend that it will begin offering its video-streaming service as a stand-alone option for the first time. A monthly subscription will cost \$8.99, a dollar less than the most popular plan from **Netflix (NFLX)**. Amazon has been offering its video service as a perk for subscribers of its \$99 annual Prime shipping service. Prime membership also will be offered monthly for the first time to all U.S. customers for \$10.99, Amazon said Sunday. The company has experimented before with a month-to-month Prime subscription and in March began selling the \$10.99 option to **Sprint (S)** customers. The move comes as a plethora of new streaming video services are flooding the market to target so-called cord-cutters, people who are dropping pay-TV subscriptions. Traditional TV networks like HBO and **CBS (CBS)** have launched their own stand-alone services, while cable-television providers like **Comcast (CMCSA)** and **Dish Network (DISH)** are offering slimmed-down, inexpensive streaming packages of channels.

Autohome (ATHM : US\$31.48), Net Change: -0.67, % Change: -2.08%, Volume: 3,354,978

RAISE THE ROOF, AND TAKE A NAP. Autohome received a non-binding offer from its CEO James Zhi Qin, together with Boyu Capital Advisory, Hillhouse TBC Holdings and Sequoia China Investment Management. The proposal detailed a cash offer of \$31.50 a share to take the company private. The offer represents a 12.1% premium over Autohome's volume-weighted average price over the last 30 trading days, according to the statement. The group's proposal trumps Ping An's offer of \$29.55 a share for a 47.7% stake held by Australia's Telstra Corp. Both offers come as vehicle sales are forecast to accelerate this year in China, the world's largest auto market. Autohome, which bills itself as the original roof car top tent manufacturer, said the consortium planned to fund the deal with a combination of equity and debt. The company indicated it was reviewing and evaluating the proposal.

Cvent (CVT : US\$35.23), Net Change: 13.93, % Change: 65.40%, Volume: 16,506,341

HERE FOR A GOOD TIME. NOT A LONG TIME. Cvent is being bought by private-equity firm Vista Equity Partners for \$36 a share, or about \$1.65 billion, a 69% premium over Cvent's \$21.30 closing price on Friday. Cvent said it would pay \$45.3 million as termination fee to the private equity firm if the deal did not go through. Cvent's Board unanimously approved the deal, which is expected to close in the third quarter of the year, pending shareholder approval and other customary closing conditions. Cvent went public in 2013 at \$21 and its shares rose quickly above \$40. But recently, its share price has struggled, falling below \$20 in February. "We are pleased to announce this transaction that provides a significant premium for Cvent stockholders," said Reggie Aggarwal, founder and CEO of Cvent. "This milestone is the next chapter in our 17-year history. With Vista's financial strength to invest in Cvent now and in the future, we will be better positioned to deliver innovative solutions that transform the meetings and events industry, and to offer employees new opportunities for career growth."

Hasbro (HAS : US\$87.00), Net Change: 4.57, % Change: 5.54%, Volume: 3,704,242

THIS STORY WAS INITIALLY SCULPTED IN PLAY-DOH. Toymaker Hasbro traded higher to open the week after reporting strong Q1 results. Net income rose to \$48.8 million, or 38 cents per share, in Q1 from \$26.7 million, or 21 cents per share, a year earlier. Net revenue rose 16.5% to \$831.2 million from \$713.5 million. Analysts on average expected a profit of 24 cents per share and revenue of \$777.1 million. "The momentum with which we ended last year has continued throughout the first quarter 2016, delivering revenue and earnings growth," said CEO Brian Goldner. "Our focus on executing our Brand Blueprint continues to drive strong retail and consumer demand for our brands, while enhancing overall profitability of Hasbro. Hasbro Franchise Brand revenue increased behind continued double-digit growth in NERF and PLAY-DOH, overcoming expected difficult quarterly comparisons in TRANSFORMERS as well as a digital streaming deal in the Entertainment and Licensing segment recorded last first quarter. Demand for STAR WARS: THE FORCE AWAKENS

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products continued to be high and we benefited from the addition of **DISNEY (DIS) PRINCESS** and **FROZEN** fashion and small dolls. We are very encouraged with global demand and our outlook for 2016."

McGraw Hill Financial (MHFI : US\$100.97), Net Change: 1.20, % Change: 1.20%, Volume: 865,873

SEEMS LIKE EVERY CAR HAS SOME KIND OF AWARD. McGraw Hill Financial agreed to sell its car rating unit J.D. Power and Associates to buyout firm XIO Group for \$1.1 billion. In October, McGraw Hill said, "We have increased our focus on capital and commodity markets and believe that J.D. Power could be more valuable to a company in the market research and consumer analytics space." As for XIO Group (pronounced K-sih..oh) it is the first U.S.-based acquisition for the company, which was founded in 2014. XIO updated its website on Friday to list its headquarters in London and said it had operations in places such as Germany, Hong Kong and mainland China. XIO's CEO, Joseph Pacini, said the company's expertise is to buy companies in North America and Europe and help them expand their footprint in fast-growing markets in Asia. J.D. Power's roots are in its car research, but its annual customer satisfaction surveys measure a range of industries, from credit cards to hotel loyalty programs and cable companies, and are often cited in advertisements and commercials. J.D. Power has annual revenue of about \$350 million.

Morgan Stanley (MS : US\$25.73), Net Change: -0.03, % Change: -0.12%, Volume: 28,049,409

LOWER TRADING REVENUE? YOU CAN BANK ON IT! Morgan Stanley saw its trading revenue fall, continuing a trend seen by big U.S. banks in the first quarter of 2016. Adjusted revenue from fixed income and commodities trading slid 54.1% in the quarter, while equities trading revenue fell 9.3%. Earnings fell 54.4% to \$1.06 billion, or 55 cents per share, from a year earlier while revenue slid 21.3% to \$7.79 billion. Analysts had forecast earnings of 46 cents per share on revenue of \$7.87 billion. "It must be said that if these markets were to continue as is, our goals would be extremely difficult to achieve and we would there for take additional appropriate actions," CEO James Gorman said. The bank's return on average common equity was 6.2% in the quarter, well below the 10% target set by Gorman, who described the outcome as "not acceptable." Cost cutting continued to be a focus and management said it cut compensation costs by 18.6% in the quarter. The bank said in January it was looking to save up to \$1 billion by 2017 through technology and moving jobs to less expensive locations.

PepsiCo (PEP : US\$103.72), Net Change: -0.05, % Change: -0.05%, Volume: 7,538,949

A LITTLE PEP IN THEIR STEP. PepsiCo's revenue and earnings fell in Q1; however, results topped expectations, largely due to lower input costs, helping keep shares in the green. The company reported a profit of \$931 million, or 64 cents a share, down from \$1.22 billion, or 81 cents a share, a year earlier. Core per-share earnings rose to 89 cents from 83 cents. Revenue declined 2.9% to \$11.86 billion as a strong U.S. dollar continued to be a headwind for sales, creating negative 4.5% impact on the top-line. Analysts projected earnings of 81 cents a share on \$11.88 billion in revenue. "We delivered strong first quarter operating results, driven by balanced execution of our commercial agenda and productivity programs," CEO Indra Nooyi said. Nooyi said the strong start "gives us added confidence in achieving our financial objectives for 2016." Management continues to expect core earnings for the year of \$4.66 a share, below the \$4.76 that analysts had projected when the company issued its outlook in February.

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Morning Coffee

COFFEE BEANS

– Moody's Investors Service is emerging as a new scourge for energy firms. The bond rater has deprived 19 energy companies of their investment-grade ratings this year, dropping many several notches into the deeper reaches of high-yield, or junk, territory... Standard & Poor's Ratings Services rates only four of the 19 companies that lost an investment-grade rating at Moody's as below investment grade, while Fitch Ratings rates two below investment grade. Meanwhile, just two energy companies that have been downgraded to high yield by S&P or Fitch since the start of 2015 still have investment-grade ratings from Moody's. (The Wall Street Journal)

– A ticket stub from the VIP enclosure of the launch of the Titanic is to be sold at auction later this month. The ticket stub belonged to Harland & Wolff secretary Charlotte Irwin, who was just 20 and worked in the drafting office at the Belfast firm's shipyard when Titanic was being built. When the ocean liner was launched on May 31 1911, Irwin was in an executive box set aside for specially invited White Star Line and Harland & Wolff staff, giving her a great view of the Titanic sliding down the ways into the water. Irwin kept the ticket, No 116, as a souvenir of a memorable day. (Bloomberg)

– Online shoppers may be a step closer to being able to design and buy tailor-made clothing thanks to a British-led 3D printing project. Researchers at Loughborough University have teamed up with an unnamed "major" fashion house in collaboration with a Bangkok-based manufacturer to perfect a rapid printing manufacturing process which could see clothes designed and ready to wear the same day. Among the project's aims is to harness cutting-edge polymer printing technology, known as additive manufacturing, to produce a range of fashionable bespoke clothing and footwear. (Bloomberg)

THE LAST DROP: Friends don't let friends read, follow or RT, Gartman, Kass, Keiff, Shiff, Salmon, Yglesias, Krugman, Friedman, Kristof, Umair, Gladwell, Mauldin or Hussm.

– *Barbarian Capital (@BarbarianCap)* 

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