

ARC ENERGY TRUST UNITS: STRONG HOLD

By Adrian Day

“**Arc Energy Trust Units** (AET-UN 19.59 Toronto – yield 10.00%) is up modestly from the \$17.44 where it was recommended in January, but more importantly, the high dividend continues to be paid (\$0.15 a month for a better-than 10% yield on our purchase price). Its recent results were very strong, with cash flow up 40%, and the payout ratio down at less than 60%. Arc is the oldest and largest of the Canadian energy trusts, and arguably the best. The major risk is simply a commodity risk; if prices decline, cash flow and earnings will also decline, but the low payout provides some cushion when oil and, particularly, gas prices decline. Arc is a strong hold for investors wanting income or exposure to oil and gas, but I would wait for a pullback to buy.”