



SEPTEMBER 2024 NEWSLETTER

MARKET REVIEW

The third quarter of 2024 has been excellent for equity investors, with the Canadian market up 9.7% and the US market up 5.5%. The outperformance of Canada is the result of the broadening out of the market, with banks, utilities, preferred shares, and other sectors beginning to enjoy good performance. This shift coincides with the lowering of interest rates by central banks and hopes that more accommodative monetary policy will stimulate the economy.

	Sept. 29, 2023 Close	June 28, 2024 Close	Sept. 30, 2024 Close	90-Day Change	1-Year Change
S&P 500*	4,288	5,460	5,762	5.5%	34.4%
S&P/TSX Composite	19,541	21,876	23,998	9.7%	22.8%

*USD currency

Source: FactSet

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FIXED INCOME

Short and medium-term interest rates have significantly fallen this quarter. In Canada the Central Bank’s overnight rate was reduced three times; 0.25% in June, July, and September. In the United States the Fed Funds Rate was reduced once, 0.5% in September.

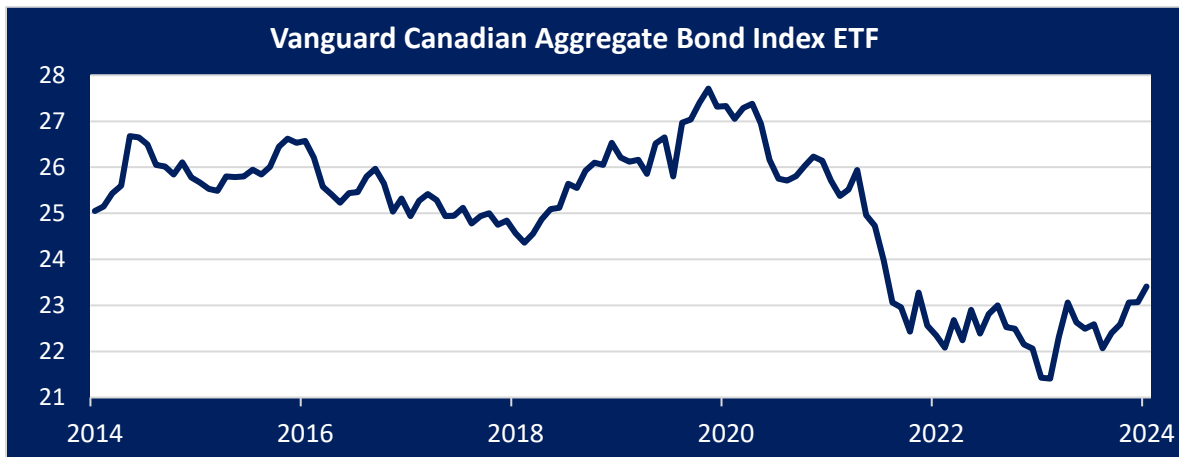
Canadian CPI inflation is now at 2% (2.5% ex-energy) and United States inflation is 2.5%, (3.2% ex-energy). These levels are now within Central Bank targets and should allow short-term rates to continue to fall.

Canadian T-Bills and Bond Yields

T-Bills & Bonds	Sept. 29, 2023	June 28, 2024	Sept. 30, 2024
3-Month	5.13%	4.65%	4.01%
6-Month	5.24%	4.63%	3.74%
1-Year	5.33%	4.45%	3.31%
2-Year	4.88%	4.00%	2.91%
5-Year	4.25%	3.52%	2.72%
10-Year	4.03%	3.50%	2.95%
30-Year	3.81%	3.37%	3.14%

Source: FactSet

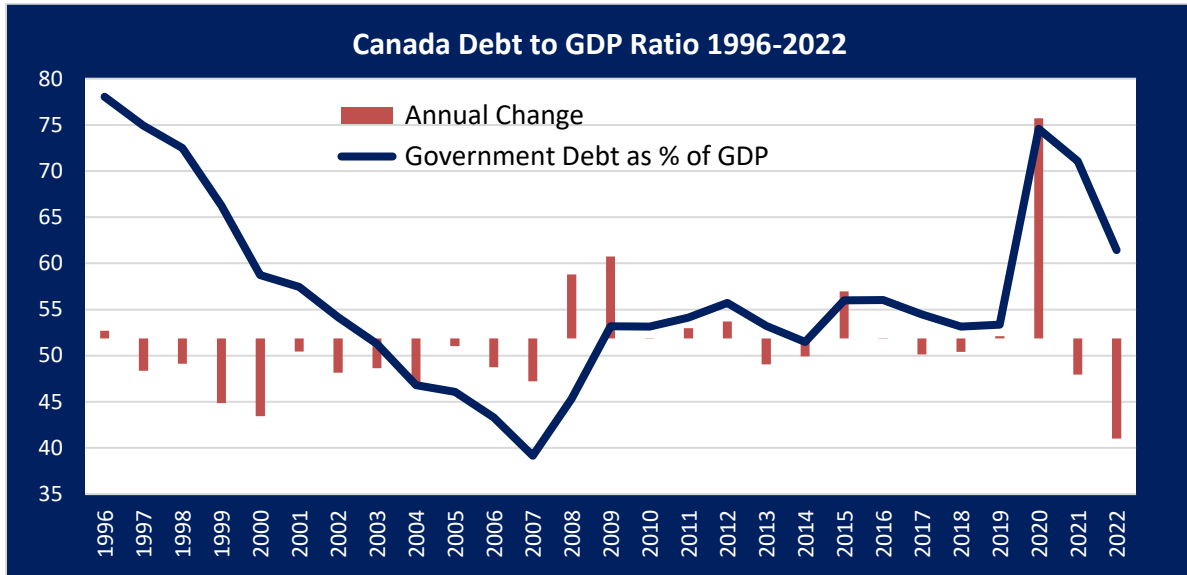
All investments including GICs, and bonds carry risk and return. The chart below is of a diversified bond ETF. Over the last 10 years there has been a capital loss of 6.6% and minimal interest income. While technical analysis would indicate an expected rally, the fundamentals (the 10-year Canada bond yielding 2.95%) are not strong enough for us to invest in long-term bonds.



Source: FactSet

GOVERNMENT DEBT & INVESTING

Government debt levels have been a concern of citizens and investors for many years. Depending on who you listen to we are either in a "solid financial position" or "going broke".



Source: MacroTrends.net

Other than a few of our clients who chose their parents well, the overwhelming majority of you enjoy financial security as a result of spending less than you earned for many years and investing the rest. This cannot be said for our elected leaders.

We feel that a good measure of fiscal health of a government is net debt to GDP. The chart above indicates that Canada's fiscal position improved from 78.04% debt to GDP in 1996 to 39.16% in 2007. After that, the positive trend reversed and Canada's debt to GDP is now 61.42%.

The challenge to investors in this fiscal environment is that if governments attempt to fix the problem by raising taxes and lowering spending this can cause a recession, devaluing productive assets such as equities. If governments attempt to fix the problem by printing money and devaluing their debts (the politically easier and more common method) this hurts holders of Government bonds, GICs and cash equivalents as the currency is devalued.

With this in mind we are most comfortable with our current mix of cash equivalents, short term bonds and high-quality companies.

EQUITIES

Our Top 30 Holdings - YTD Returns

Position	Symbol	Security	Dec. 29, 2023 Close	Sept. 30, 2024 Close	Dividends (YTD)	Total Return (YTD)
11	MFC	MANULIFE FINL CORP	\$29.28	\$39.97	\$1.20	40.6%
4	BN	BROOKFIELD CORP	\$53.15	\$71.83	\$0.33	35.8%
14	COST	COSTCO WHOLESALE CORP*	\$660.08	\$886.52	\$3.34	34.8%
2	WSP	WSP GLOBAL INC	\$185.74	\$240.28	\$1.13	30.0%
16	TRP	TC ENERGY CORP	\$51.76	\$64.29	\$2.88	29.8%
17	IFC	INTACT FINL CORP	\$203.86	\$259.70	\$3.63	29.2%
1	RY	ROYAL BANK OF CDA	\$134.00	\$168.80	\$4.18	29.1%
8	JPM	JPMORGAN CHASE & CO*	\$170.10	\$210.86	\$3.55	26.0%
27	VFV	VANGUARD S&P 500 INDEX ETF	\$112.12	\$138.05	\$1.08	24.1%
19	BAM	BROOKFIELD ASSET MGMT LTD	\$53.22	\$63.94	\$1.55	23.1%
28	AMZN	AMAZON.COM INC*	\$151.94	\$186.33	\$0	22.6%
20	SPY	S&P 500 TRUST ETF*	\$475.31	\$573.76	\$5.10	21.8%
29	SU	SUNCOR ENERGY INC	\$42.45	\$49.92	\$1.64	21.5%
22	AAPL	APPLE INC*	\$192.53	\$233.00	\$0.74	21.4%
26	BEPC	BROOKFIELD RENEWABLE CORP	\$38.14	\$44.16	\$1.44	19.6%
12	BNS	BK OF NOVA SCOTIA	\$64.50	\$73.69	\$3.18	19.2%
18	GOOGL	ALPHABET INC*	\$139.69	\$165.85	\$0.40	19.0%
24	XLK	SELECT SECTOR SPDR TR ETF*	\$192.48	\$225.76	\$1.14	17.9%
5	FTS	FORTIS INC	\$54.51	\$61.45	\$1.77	16.0%
25	FTS.PRG	FORTIS INC CUM RE 1ST PFD SR G	\$20.62	\$22.69	\$1.15	15.6%
15	MSFT	MICROSOFT CORP*	\$376.04	\$430.30	\$2.33	15.0%
21	VHT	VANGUARD HLTH CARE ETF*	\$250.70	\$282.20	\$2.95	13.7%
13	BEP.UN	BROOKFIELD RENEW PARTNERS LP	\$34.81	\$38.14	\$1.44	13.7%
7	RJF	RAYMOND JAMES FINANCIAL*	\$111.50	\$122.46	\$1.35	11.0%
10	JNJ	JOHNSON & JOHNSON*	\$156.74	\$162.06	\$3.67	5.7%
3	TD	TORONTO DOMINION BK	\$85.62	\$85.52	\$3.06	3.5%
9	T	TELUS CORP	\$23.58	\$22.69	\$1.15	1.1%
6	CNR	CDN NTL RAILWAY CO	\$166.55	\$158.37	\$2.54	-3.4%
23	BMO	BK OF MONTREAL	\$131.11	\$122.04	\$4.61	-3.4%
30	BCE	BCE INC NEW	\$52.17	\$47.02	\$2.99	-4.1%

*USD currency

Source: FactSet

The majority of our top holdings have performed well during the first nine months of 2024, with 27 positive returns and only 3 negative returns. Note that during this time frame previously out of favour companies such as Manulife, Brookfield Corp, and TC Energy have outperformed some of the world's best companies such as Apple, Alphabet, and Microsoft.

We do not believe that aggressive portfolio adjustments lead to better long-term investment returns. As a result, we are most comfortable holding the best companies that we can identify and use market volatility to conservatively add or trim positions as opportunities arise.

Q3 Dividend Increases

Holding	Previous Dividend	New Dividend	% Increase
Microsoft Corp.	\$0.75	\$0.83	10.7%
JP Morgan Chase & Co.	\$1.15	\$1.25	8.7%
Fortis Inc.	\$0.59	\$0.615	4.2%
TELUS Corp.	\$0.3761	\$0.3891	3.5%
Royal Bank of Canada	\$1.38	\$1.42	2.9%

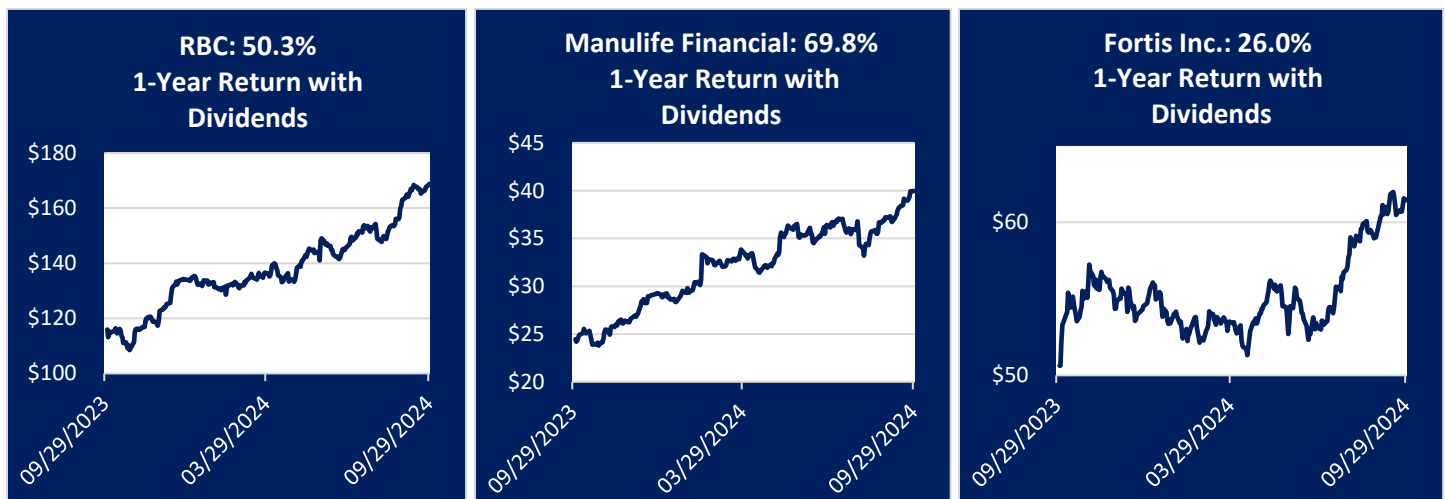
Source: FactSet

During the third quarter of 2024, the companies constituting our top thirty holdings announced five dividend increases and no reductions.

THE GREAT ROTATION

After years of outperformance by "The Magnificent 7", large US technology companies, we are starting to see the participation of the other companies that make up the economy.

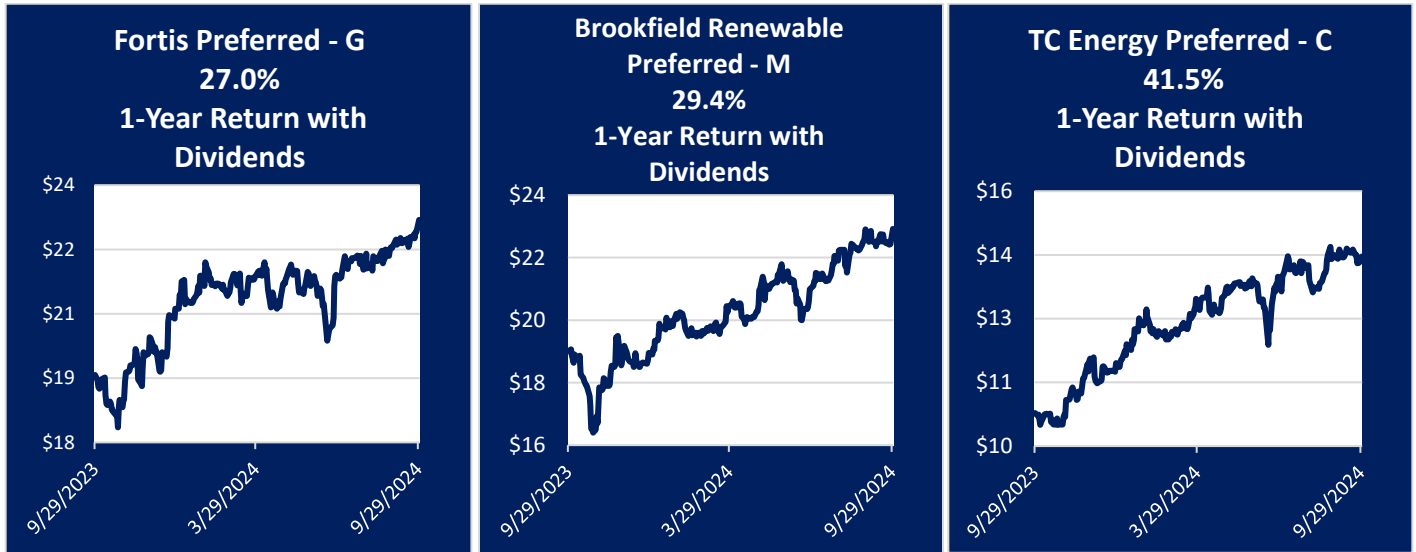
It is easier to make money participating in current market moves, rather than anticipating future market moves. In the charts below we will illustrate the broadening out of market performance to include more companies than a year ago.



Source: FactSet

Royal Bank, Manulife, and Fortis have all had excellent 1-year stock performance. Royal Bank has been hitting new highs, Manulife has broken out of its 2014 to 2022 trading range, and Fortis is getting close to its April 2022 all-time-high.

RESET PREFERRED SHARES



Source: Factset

While preferred shares were very much out of favour last year, they have bounced back sharply giving investors an excellent 1-year return. As most of these preferred shares are callable at \$25 and they are getting closer to that price, current investors can expect the dividend yield, but limited upside from here.

DEFERRING CANADA PENSION PLAN?

When to take CPP is an important choice for Canadian retirees.

Deferring CPP after age 65 will add 0.7% per month to the benefits, or 8.4% per year. A retiree who defers to age 70 will receive 42% more income, guaranteed by CPP. The CPP is managed very well and is actuarially sound, so can be considered a guaranteed source of income.

While each CPP beneficiary has a unique situation, here are things to consider:

- 1) If you collect CPP while working, your marginal tax rate will likely be higher than if you wait until you retire.
- 2) Deferral is more attractive for individuals with long life expectancies.

- 3) Individuals with bond or GIC portfolios will likely earn a lower return on their other investments, making deferred CPP more attractive.
- 4) Spouses who both collect maximum or near maximum CPP benefits have less reason to defer CPP than those receiving below maximum benefits. As per the chart below the survivor benefit can be up to \$818.76, but the maximum survivors and retirement pension (at 65) is \$1,375.41*. If the survivor already gets the maximum CPP, the survivor benefit is only \$10.81. For couples facing minimal survivor benefits, there is more incentive to not defer and collect CPP earlier. Should one spouse pass away RRSP and RRIF assets get tax free roll-overs, retaining 100% of the assets for the survivor.

If you have any questions on which choice is best for you call Meaghan or Mark.

Type of pension or benefit	Average amount for new beneficiaries (April 2024)	Maximum payment amount (2024)
Retirement pension (at age 65)	\$817	\$1,365
Post-retirement benefit (at age 65)	\$21	\$44
Disability benefit	\$1,181	\$1,607
Post-retirement disability benefit	\$583	\$583
Survivor's pension – younger than 65	\$523	\$739
Survivor's pension – 65 and older	\$323	\$819
Children of disabled CPP contributors	\$294	\$294
Children of deceased CPP contributors	\$294	\$294
Death benefit (one-time payment)	\$2,499	\$2,500
Combined benefits		
Combined survivor's and retirement pension (at age 65)*	\$1,023	\$1,375
Combined survivor's pension and disability benefit	\$1,301	\$1,614

Source: Government of Canada

SUMMARY AND STRATEGY

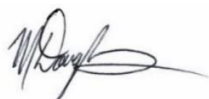
Investors are currently experiencing a tailwind from falling interest rates at the central banks. There is an old adage "don't fight the fed" which means be very careful when rates are rising but expect positive results when rates are falling. The elephant in the room is the upcoming US election, creating more unknown variables for investors. Historically markets do well with divided US government, where each side does not have enough power to enact their most radical ideas and some hope of middle ground exists. At present we are slightly more cautious than usual, as the market has had a very nice run and this year's performance is a hard act to follow.

If you have any changes in your life that will affect your finances, please call Meaghan or Mark.



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Investment
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**Michelle
Dieterich**

Administrative
Assistant

If you have friends or family who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!

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