MARCH 2025 NEWSLETTER

MARKET REVIEW

If you had spent the last six months on a desert island, and your only source of outside contact was stock quotes, you might think that the world was calm and peaceful. The TSX is up 0.8% year to date, and the S&P 500 is down 4.6%, hardly extraordinary volatility. Underneath the surface, the rally in US large cap technology companies has had a significant setback, while some out-of-favour companies and countries have had good performance. Investors have made their view on tariffs very clear, as markets decline sharply when the White House mentions the applications of tariffs, and markets enjoy recovery rallies when the administration backtracks or pauses their tariff plans.

	Mar 28, 2024 Close	Dec. 31, 2024 Close	Mar 31, 2025 Close	90-Day Change	1-Year Change
S&P 500*	5,254	5,882	5,612	-4.6%	6.8%
S&P/TSX Composite	22,167	24,728	24,918	0.8%	12.4%

**USD currency* *Source: FactSet*

Published for the friends and clients of
Douglas Duncan Wealth Management
Raymond James Ltd.
#1-5767 Turner Road
Nanaimo, BC V9T-6L8
Toll free: 1-866-729-2830
www.douglasduncanwm.com

FIXED INCOME

Canadian T-Bills and Bond Yields

T-Bills & Bonds	Mar. 28, 2024	Dec. 31, 2024	Mar. 31, 2025
3-Month	5.01%	3.14%	2.63%
6-Month	4.92%	3.11%	2.62%
1-Year	4.70%	3.06%	2.54%
2-Year	4.17%	2.94%	2.45%
5-Year	3.52%	2.96%	2.58%
10-Year	3.47%	3.23%	2.96%
30-Year	3.37%	3.33%	3.23%

Source: FactSet

INTERNATIONAL BOND YIELDS

We continue to see divergence in worldwide bond yields, as Canadian and US 10-year yields have fallen slightly, while European and Japanese 10-year yields have increased. While we expect increased US inflation due to the tariff threats, the bond market is anticipating an economic slowdown, causing longer term bond yields to fall. We are not aware of any sovereign bond market that pays a high enough yield to compensate for the risk of potentially higher inflation, but we continue to monitor these bond markets should opportunities arise.

Country	Dec. 31, 2024	Mar. 31, 2025
India	6.79%	6.58%
US	4.58%	4.21%
UK	4.57%	4.67%
Italy	3.53%	3.84%
Canada	3.23%	3.00%
Greece	3.21%	3.53%
France	3.19%	3.43%
Germany	2.37%	2.70%
China	1.70%	1.82%
Japan	1.09%	1.52%

Source: FactSet

DIVIDEND CHANGES

While we have not seen a lot of good news in 2025, some of our core positions announced dividend increases this quarter.

Position	Holding	Symbol	2024, Q4 Dividend	2025, Q1 Dividend	Increase
19	BROOKFIELD ASSET MGMT LTD	BAM	$0.38	$0.44	**15.3%**
4	BROOKFIELD CORP VTG	BN	$0.08	$0.09	**12.5%**
6	JPMORGAN CHASE & CO	JPM	$1.25	$1.40	**12.0%**
7	RAYMOND JAMES FINANCIAL INC	RJF	$0.45	$0.50	**11.1%**
10	MANULIFE FINL CORP	MFC	$0.40	$0.44	**10.0%**
16	INTACT FINL CORP	IFC	$1.21	$1.33	**9.9%**
14	BROOKFIELD RENEW PARTNERS LP	BEP.UN	$0.36	$0.37	**5.1%**
29	BROOKFIELD RENEW CORP	BEPC	$0.36	$0.37	**5.1%**
8	CDN NTL RAILWAY	CNR	$0.85	$0.89	**4.9%**
1	ROYAL BANK OF CDA	RY	$1.42	$1.48	**4.2%**
15	TC ENERGY CORP	TRP	$0.82	$0.85	**3.7%**
3	TORONTO DOMINION BANK	TD	$1.02	$1.05	**2.9%**
22	BANK OF MONTREAL	BMO	$1.55	$1.59	**2.6%**
21	VANGUARD HEALTH CARE ETF	VHT	$0.92	$0.94	**2.3%**

Source: FactSet

PAST PICKS

In our December 31, 2024 newsletter we recommended two TFSA equity picks, TD Bank and Brookfield Renewable Partners LP.

TD worked out quite well, increasing from $76.53 at the December 31st close to $86.23. Including the $1.05 dividend for investors who purchased prior to January 10th, the total year-to-date return is a very respectable 14.1%.

BEP.UN was not quite as impressive, down 2.7%, from $32.74 on December 31st to $31.86 on March 31st. With the newly increased quarterly dividend of $0.54 investors purchasing at the December 31st price, the total year to date return is -1.0%. BEP.UN currently yields 6.8% so investors are paid to wait for a price recovery.

As the market continues to react to the current economic and political reality other investments may come down to attractive prices and we will be contacting clients with "dry powder" to take advantage of any future opportunities.

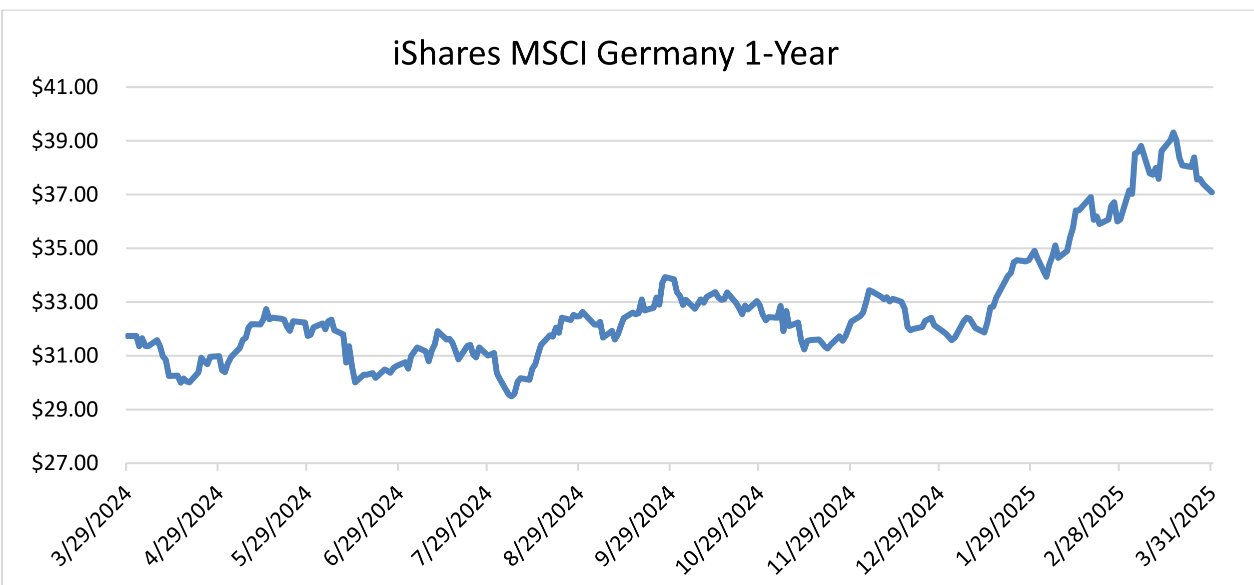
<u>REVENGE OF THE NERDS</u>

The bright spots in our challenging markets are out-of-favour sectors and countries that were "drowned out" when the US large cap technology stocks were enjoying such great performance over the last few years.

Examples are:

iShares MSCI Germany ETF (EWG-US)

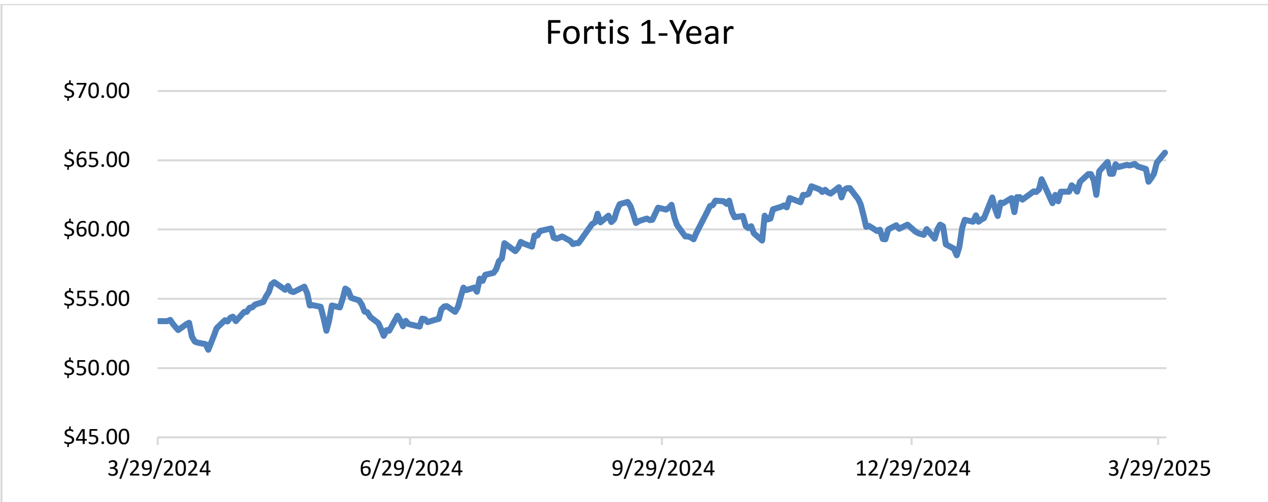
The German market has been very challenging over the last 10 years but year-to-date it is up 16.5%. Markets may be looking ahead to a US / Russia detente, or the German market may just be catching up, but the momentum is positive for now.



Source: FactSet

Fortis (FTS Canada)

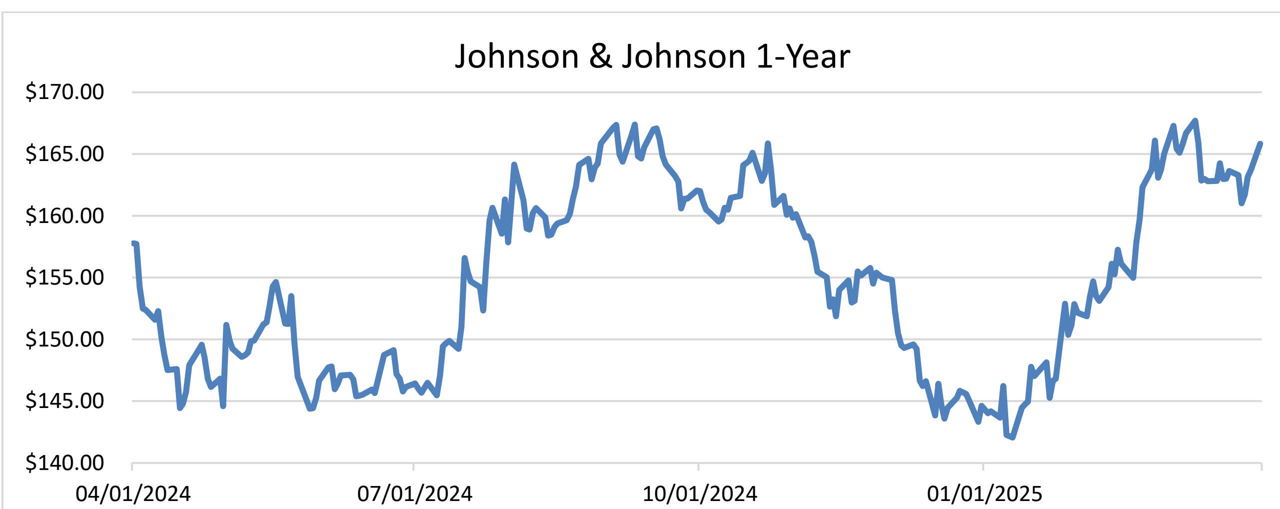
Fortis has attractive long-term performance but can be left behind when investors are looking for more growth. Now that some of these growth companies have experienced price corrections investors are back to Fortis as a safe haven. Fortis is up 10.0% year-to-date.



Source: FactSet

Johnson and Johnson (JNJ-US)

JNJ has been under a cloud for many years due to litigation over talcum powder use. While the litigation has not been settled, JNJ has seen the benefit of investors looking for cheaper sectors of the market. Johnson & Johnson is up 15.2 % year-to-date.



Source: FactSet

Alibaba Group Holding Limited (BABA-US)

Alibaba is China's equivalent to Amazon, but trades at 18.6 times trailing earnings versus Amazon's P/E of 34.4 times trailing earnings. Western media portrays China as an economic basket case, but the market sees a more optimistic future. Alibaba is up 55.6% year-to-date.

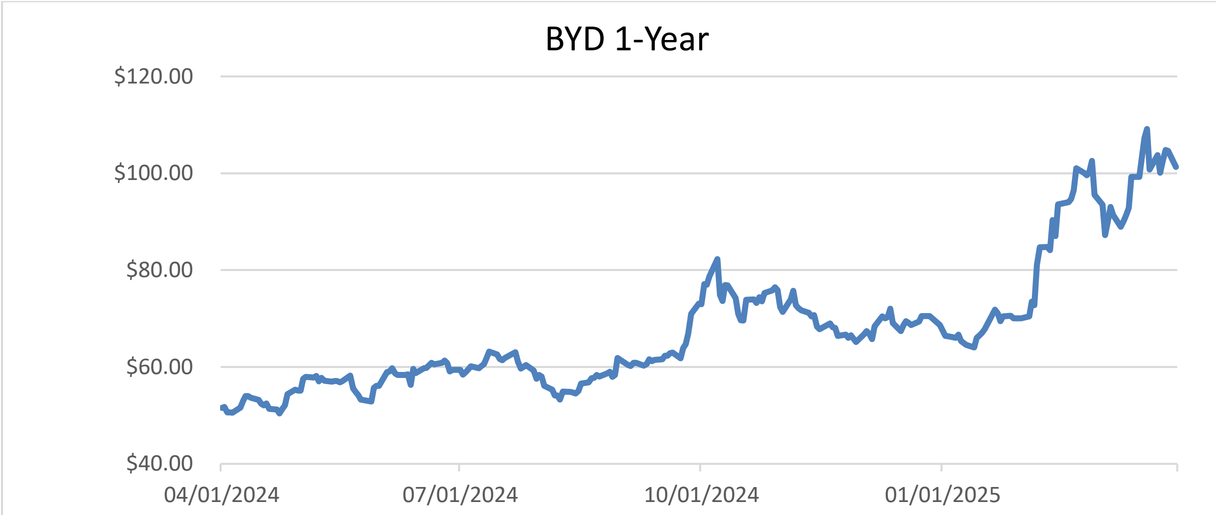
Source: FactSet

BYD Company Limited (BYDDY- OTC -US)

BYD sells more electric cars than any other company in the world and their new models have the ability to recharge their batteries in 5 minutes. BYD has been kept out of the Canadian and US automotive markets with 100% tariffs, but their cars outsell Tesla by two to one globally. BYD trades at 26.4 times trailing earnings versus Tesla at 127.0 times trailing earnings. BYD is up 47.6% year-to-date.

Electric Vehicles Sold - 2024	
Tesla	**BYD**
1.79 million	4.27 million

Tesla, Q4, 2024 Press Release, BYD Co Ltd. 2024 Sustainability Report



Source: FactSet

****Just because a company or index is performing well now does not mean that every investor should own it. Political risk is very real these days and even a strong company can be derailed by negative government policies, at home or abroad. Our goal is to find companies with relatively low risk profiles and that sometimes means missing out on gains in more volatile companies.****

THEY CAN'T GO UP FOREVER IN A STRAIGHT LINE

The biggest drag on S&P 500 returns recently has been the stars of 2023 and 2024.

Below is a chart of seven of the leading US tech companies.

Company	52-Week High	March 31, 2025 - Close	% Decline
Tesla	$488.54	$259.16	-47.0%
Nvidia	$153.13	$108.38	-29.2%
Alphabet	$207.05	$154.64	-25.3%
Meta	$740.91	$576.36	-22.2%
Amazon	$242.52	$190.26	-21.5%
Microsoft	$468.35	$375.39	-19.8%
Apple	$260.10	$222.13	-14.6%

Source: FactSet

While most of these companies have enviable fundamentals, even great stocks don't go up forever without pullbacks. When the momentum peters out the only protection is the valuation, and most of these became quite expensive compared with their earnings and prospects.

THIS TOO SHALL PASS

Most of us have experienced at least two major market crises during our investing lives. The financial crisis of 2008/2009 was very stressful as some of the world's largest financial institutions failed or almost failed and the TSX dropped by more than 50%. The Covid crisis of 2020/2021 was a different kind of crisis, but it instilled the same fear and portfolio losses.

We are currently in the midst of another kind of crisis, as the threats of tariffs threaten the world economy. We do not pretend to have any more political insight than anyone else, but we are confident that uncertainty, political chaos and tariffs are not a good thing for any country. Ours is very much a consensus opinion. In 1776 Adam Smith championed free markets in "Wealth of Nations," and more recently Ronald Reagan, the Wall Street Journal, and Warren Buffett have spoken strongly and loudly in support of free trade. We do not believe that the markets have discounted the potential negatives and unforeseen consequences of a global trade war.

For now, we feel that most investors should have 5% to 10% less equities than normal. For example, if you are usually 80% invested, 70% or 75% might be more appropriate at present. If we are wrong and the market races ahead, you will participate but if we are right, you will have a financial cushion to buy low. In addition, if you have any big purchases coming up in the next 12 months, we recommend having sufficient cash on hand to save you from being forced to sell at an inopportune time.

TABLE POUNDING BUYS

As individual investors we have little control over the challenges world leaders present us, but we do have control over our actions. During the 2008/2009 financial crisis we identified and recommended Canadian bank 10-year capital trusts with yields over 8% (March 2009 newsletter). These were well received by our clients, and we all benefited with terrific income for the following 10 years. During the Covid Crisis we identified and recommended Amazon, Alphabet, Microsoft, Visa, and Starbucks, as "a once in a decade chance of purchasing these companies at such a discount to their trading range" (March 2020 newsletter). Starbucks was "just ok” but the others become huge winners from those levels.

While markets can move very quickly, as of March 31st, 2025 we do not see any "table pounding buys" where valuations are so compressed that the risk/reward ratio is amazing. We will certainly keep monitoring the markets for candidates.

SUMMARY AND STRATEGY FOR 2025

While it is easy to get depressed and stressed if you watch the news, your portfolios are performing much better than you might expect under the circumstances. We are naturally optimistic and plan to use any potential major market correction to capitalize on opportunities that arise.

If you have questions about your portfolios, or life changes that affect your finances, let us know.

All the best for the rest of 2025.

Mark Duncan	**Meaghan Douglas**	**Ian Douglas**	**Lisa Cajolet**	**Heath Dean**	**Michelle Dieterich**
Senior Financial Advisor	Senior Financial Advisor	Consultant	Administrative Assistant	Investment Associate	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!