



Wealth Management
Dominion Securities

Newsletter

Fall 2024



Ian Fitz-Gerald
Senior Portfolio Manager &
Investment Advisor

Our Monthly Morning Coffee



Well... I will not hesitate in commencing this fall season 'Coffee' report with a comment on how (choke!) the 2024 season played out for the Toronto Blue Jays, Canada's sole major league franchise. Please note that these comments will come from an individual who has in the past been a regular seasons' ticket subscriber for many years and a true supporter. I recall the raw excitement sitting in Section 123 in my seats when Jose Bautista launched his 3-run shot in the 2015 playoffs, where his celebratory toss became immortalized in Toronto sports history as the infamous 'bat flip' on Front St.

In short, this past season has been both horrific and an unmitigated disaster. More seriously though, the current management team (led by Mark Shapiro & Ross Atkins) has shown absolute regression in the competitiveness of the product on the field as well as the farm system.

Inside the inner workings of most publicly traded firms, shareholders can remove an under-performing CEO and replace him/her with someone new to improve the firm's growth prospects. Now that Rogers Media holds full control of this team, this corporate indenture is worth considering.

If I had my way, both Atkins and Shapiro would not only be voted clear out of this city, they also would not be allowed within 50 feet of any ballpark, be it a major league site or any Little League Park!

AI & the Healthcare Industry



We've all heard about the transformational effects that are being generated by AI in social networking and communications. However, RBC put together an article that hi-lights the future impact on the healthcare sector, citing changes that could be absolute game-changers. AI has potential applications in improving outcomes for both patients and health care providers.

Here is a list of some examples:

Patient intake: after an in-person appointment is scheduled, AI can help streamline the patient intake process by replacing the "clipboard" approach

traditionally used in waiting rooms.

Streamlining clinical documentation: Canadian general practitioners spend some 40 percent of their working hours on administrative tasks such as writing sick notes & insurance forms. Using AI can reduce this burden, freeing up time to care for patients.

Targeted drug marketing: AI can be used to deliver relevant content such as financial assistance opportunities to providers at the point of prescription on behalf of pharmaceutical companies.

Medical imaging: After an initial visit, a provider may also order a scan. AI can be used to help identify anomalies and potential areas of concern, leading to more precise diagnoses, lower costs, and faster turnaround times.

Data consolidation: if surgery is required, AI can consolidate imaging data, surgical videos, and patient risk factors, and deliver actionable insights.

Ongoing patient engagement and remote patient monitoring: Once treatment has begun, AI can gather data from and engage with patients, either by helping them manage chronic conditions or remain engaged by reminding them to take certain medications or attend a certain appointment.

What Do US Elections Mean for Canadian Markets?



Remember the NAFTA Free Trade Agreement that saw millions of North American jobs under up in Mexico when the appeal of cheap labor became a reality (I recall US independent presidential candidate Ross Perot chatting with US VP Al Gore during a televised interview on how his CEO friends were telling him



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to ‘pipe down’ any time he lobbied against the trade agreement. In all reality, this deal was a raw one for many unionized cities across the US. Since that time, taxes and heavy trade tariffs have become a hot topic for American & Canadian politicians.

A Harris or Trump presidency will most likely pave distinct paths in different directions; any changes to corporate taxation will be a key issue that likely will have a major impact on certain equity markets. Corporate tax proposals from both candidates differ greatly, however it is important to acknowledge that the House and Senate hold substantial power in setting tax rates. Neither candidate would be able to make major changes to corporate tax rates if they face ‘gridlock’ in Congress. Trump, having cut corporate taxes from 35% to 21% in 2017, has talked about reducing it further to 20% (he has said 15% would be his preferred rate while also commenting that this rate would be reserved for companies “that make their

products in America”), while Harris would raise corporate taxes to 28%. Harris has also proposed raising the corporate alternative minimum tax from 15% to 21%, but this only applies to companies with income over \$1 billion for a period of three consecutive years.

Given this possibility, there are several of the TSX 60 companies that have sizeable U.S. revenues which could be affected re: the impact of taxes they pay on their U.S. earnings in the event of a change to the tax code.

Among RBC’s Focus List names, here are some firms to watch alongside the % of revenue from the US: Waste Connections (87%), Thomson Reuters (74%), Alimentation Couche Tard (64%), Bombardier (63%), Element Fleet (63%) and GFL (61%) would be the names with the highest U.S. exposure.

(Our clients currently have equity exposure to Waste Management, Couche Tard & TRI)

The Magic of M&A: Constellation Software (CSU)

Canada’s record on its ability to foster & nurture technology firms which are truly homegrown is bleak – Constellation Software has been one exception to the rule.

On the company’s website, Constellation Software describes itself as a leading provider of software and services to a select group of public and private sector markets. CEO Mark Leonard has put together a team which actively acquires, manages, and builds industry specific software businesses which provide specialized, mission-critical software solutions that address the needs of our customers.

This past quarter was a quiet one for M&A activity for CSU, with cash deployment about half what it was last quarter and well below forecast. CSU did not make a large acquisition this quarter



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(>\$100mm), which was the first time in 7 quarters. However, RBC notes that the pace of smaller acquisitions was solid.

At the end of the day, the CSU story is fueled by M&A growth, and it appears this year will be a notable slowdown vs last year, which we would argue could 'slow' the pace of CSU's share price appreciation. Our long-term positive stance on CSU remains.

(CSU is a core holding in our Canadian Equity model we run for clients)

Don't Let Emotion Drive Investment Decisions



Not only does money have a lot to do with our success, but it can also have a huge impact on your lives. Money provides

many things like freedom, independence, and the ability to choose. The trouble however comes when emotion starts to drive investment decisions that end up being counter productive.

For instance, here is the classic mistake: selling all your stocks after a market plunge. Those with cooler heads & a long-term view know this may be a time to commit more \$\$ to equities.

Something we stress about the importance of an actual financial 'game plan' is that it helps in controlling actions based out of anger, impatience, denial, and panic. In developing such a plan, you will go through the market history, review what normally transpires after a correction, and proceed to set realistic investment goals, being aware of market cycles. Sometimes, destructive emotional outbursts can cause long-term damage to your portfolio.

Remember that emotions will likely have a role in most areas of investing as long as

they do not occupy the driver's seat.

The Act of 'Shorting' a Stock (Hint: Don't do it!)

When we look back at the 'meme' craze period a few years back during COVID that featured names like GameStop and AMC (and produced a great movie named 'Dumb Money'), rookie investors were introduced to the act of 'shorting' shares. This mode of trading is done primarily by professional money managers to capitalize on the perceived future weakness of a stock's share price. For example, if I were to anticipate that the shares of ABC Company were to decline in the future, I could hypothetically short the stock by 'borrowing' shares of ABC Co. from a brokerage firm and sell them immediately at their current share price (say, \$10). If the forecast comes true and the shares decline to \$5, you would be able to re-purchase the # of shares originally sold, settle your loan deal with the



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brokerage, and pocket \$5 per share on the transaction. My business here at RBC prohibits me from even attempting this type of transaction... which is likely a good thing as I am unable to forecast markets movements like this, and the risk is far to great.

Nevertheless, we had a report out from the research desk of JP Morgan last week that offered its favorite names for investors to 'short' (not exactly a stellar recommendation to be part of this list). Ironically, a few names on this list were once household names:

Rockwell Automation, Lennox International, Beyond Meat, Choice Hotels, Travelers' Insurance, Xerox, and Stanley Black & Decker.

[Opportunities in the Canadian Preferred Share Market](#)

What's left in the preferred share rally? Preferred shares act much like bonds in the

sense that lower rates are usually positive for both bond and preferred share prices – for the most part, it is an inverse relationship. Now that we've seen rates decline in this country, we've seen a number of these 5-year re-set preferred shares recover much of the value lost in years past, while increasing the dividend the shares are paying. In 2022, we increased our fixed income weighting by adding the S&P/TSX Preferred Share ETF (symbol is HPR) into our client models and we have benefited from this move, as the index is up 26% from its late-Oct 2023 lows, delivering a nearly 40% annualized total return over the past 11 months.

This eye-watering rally reflects several factors, including relief from proposed tax changes that hung over the market through much of 2023, a redemption trend in bank preferred share offerings, and a general improvement in risk appetite that has supported equity markets.

Going forward, I fully expect to see this rally lose a bit of its steam, but I would not be a 'seller' yet. Many of the outstanding bank 5-year re-set issues will likely be redeemed, so hang in there/. In addition, please feel free to call me directly if you have a question re: any specific issue... I am happy to offer my view.

[Last Words...](#)

So about ten years ago, I paid for a third party to 'dress' up' my website. Well, over the years, the novelty has worn off my website has become somewhat of a dry wasteland that I've not been overly enamored with.

Anyways, over the last few weeks, I've been working with a production company that has introduced the concept of video websites to me. Now I am a person who has never liked being in front of any camera due to a pure lack of resembling anything photogenic, so I told them that they've got their work cut out for them. However, the



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process is currently 'in the works'... I'll say this nervously, but I will inform you when we have a finished product.

That's it from me.

- Ian



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