



Wealth Management
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Newsletter

Late Summer 2024



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Our Monthly Morning Coffee



*“You buy a hat like this, I bet
you get a free bowl of soup.
Oh, it looks good on you
though.”*

— Al Czervik in ‘Caddyshack’
(this is dedicated to all my
golf-crazy ‘colleagues!’)

Good day,

Given the years that these
Olympic athletes devote &
apply to represent their
country, it is only fair that they
be compensated to some
degree. Business network
CNBC recently published a
note about the rewards

athletes from other countries
receive for reaching the medal
podium... here are some of
that article’s hi-lights:

- Both Hong Kong & Singapore reward their gold medal competitors with cash prizes of \$750k (USD).
- The host country of France was said to have increased its incentives to \$86k for gold, which is \$15k more than the last Olympics in Tokyo.
- After winning the woman’s canoe slalom competition for Poland, canoeist Claudia Zwolińska (sp?) is also reportedly set to receive not only \$50k, but also a painting, a holiday voucher, a scholarship, and a diamond for claiming silver in the race.

My favourite however must be Indonesia, which rewarded their badminton champions with a restaurant, a new house... and five cows.

The Magic of Earning Dividends

Investing in the stock market means investors will also capture the market's dividend yield as well. Well, the last few years, investing in Canadian dividend-paying shares has been somewhat painful. Higher interest rates have pummelled some of the favoured sectors when targeting shares like Scotiabank, BCE Inc., and Enbridge, which all posted negative returns in 2022. Despite this, my office not only stayed with names like these, but have also added on weakness in many cases...

Over time, dividends in any account usually add up to a large portion of total returns. Over the past 50 years,

dividend income has contributed an average of 32% to the S&P/TSX Composite's annual figures. The impact of dividends on equity returns can be further enhanced through reinvestment. By reinvesting these payouts into additional shares, investors can leverage the power of compounding, which helps amplify total returns over the long term. Another worthwhile feature of dividend investing is that income distributions have historically outpaced inflation over the long term. Since 1998, dividends on the Canadian stock market have increased at an annualized rate of roughly 6.4% per year, compared with 2.2% for inflation.

To offer up an example, we own shares of TELUS for most clients (Current dividend yield of 6.8%). Even if TELUS shares do not move in the next 5 years and show no growth, investors will receive dividend income of 6.8% which equates to the pre-tax bond equivalent yield of 8.9%. In other word, you would need a GIC paying 9% to give you

the same after-tax income as these shares currently offer...

... something to ponder!

Recent Portfolio Changes in our Equity PIM Models



We've been plenty active in our Private Investment Management (PIM) portfolios under the guise of 'keeping our winners & selling our losers'. According to some, it has become a bit of a stock-picker's market, and I'm inclined to agree...

On the Canadian side the past month, we've been active in making the following moves:

- Added to TD Bank; TELUS, Hydro One; CGI Group.



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- Sold Algonquin Power, Metro.
- Added Loblaws

Some of our winners so far this year include shares of insurer Intact Financial (the most recent earnings report came in 40% higher than anticipated) as well as Canadian IT consulting firm CGI Group, which has just initiated a dividend for the very first time!

On the US side:

- Sold CVS Healthcare, Starbucks
- Added proceeds to the following names: Apple, United Healthcare, McDonalds, and Microsoft

So far this year, our global portfolios have been driven by not only tech but have seen positive contributions from consumer names such as Costco & MasterCard.

Opportunities in the Canadian Energy Sector?



Where to place new money?! While I look for opportunities these days, I am leaning towards the Canadian energy sector, as many firms have been hammered! We've seen a real decline in values here even though many firms in the oil patch are looking at excess cashflow that will allow them to either buy back shares or increase dividends to shareholders.

(Here is an interesting question - when it comes to shareholder returns, should a company buy back its shares or pay investors a dividend? In most cases, if the stock is trading far below fair value,

share repurchases are the obvious choice.)

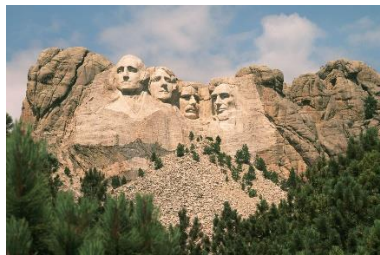
We've already seen large buy-back' action with a few of our energy holdings such as Canadian Natural Resources, as CNQ executives feel the shares are cheap. There are other large-cap Canadian oil sands producers well-positioned to capitalize on this dynamic - whenever it happens, it is rarely a bad thing for shareholders!

We currently defer to Suncor and CNQ in client portfolio, as well as Exxon on the global side. I also like the dividends available with some Canadian midstream (pipelines) firms, and own both AltaGas and Pembina for most clients. For any one of you looking for a little adventure, here a few other names I've got my eye on... MEG Energy (which just initiated its first dividend!); Baytex Energy; Nuvista Energy; Cenovus; ARC Energy.



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The US Political Landscape



Well, this is kind of a huge news item...

U.S. President Joe Biden has finally announced that he will abandon his bid for re-election, noting that it is in the best interest of the Democratic party and the country, while endorsing Kamala Harris. During this news, market reactions were largely muted following the announcement with the U.S. dollar slipping modestly against most of its major peers, while the 10-year U.S. Treasury yield fell slightly.

Biden leaves the race at a time when polls have been suggesting a growing lead for Trump, raising the likelihood of a Trump victory in November. However, the landscape has now changed drastically as

the current VP (and former Attorney-General of California) Kamala Harris has now secured enough votes to become the Democratic nominee. Did I mention she did spend part of her early years in Montreal where she attended Westmount High School...?! Her challenge at this stage will be trying to 'galvanize' (yes, I used that word!) a party that has seen better days. Regardless of what side of the fence you sit on, I think it is safe to say that this presidential election race just got 'real interesting!'

Update - Tim Walz, the Minnesota Governor is Kamala Harris' running mate. Walz is an ex-congressman, teacher, and an Army National Guard commander, who impressed the U.S. vice-president with his 'folksy' manner that would appeal to Rust Belt voters.

'I'm Good, I'm Single' – The Realities of Needing Insurance.



I am almost positive that somewhere within the text of a recent "Coffee" edition, we did attempt to 'clear the air' and stress that this investment advisor does cater to those with insurance needs. I'm not talking about vehicle or home insurance, but insurance as it pertains to protecting an Estate or someone's future cashflows. There are usually two main types of insurance to consider: living benefits and life insurance.

Living benefits may come in the form of the following:

- Disability Insurance



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- Critical illness insurance

These types of insurance can act to provide coverage to policyholders if they can't work due to a serious injury or illness. Long-term care insurance helps to cover the cost of assisted living for policyholders who become ill and can no longer function on their own. Living benefits insurance such as Disability insurance is considered crucial for single people, and is often offered as coverage through work, but is also available as individual coverage for those wanting their own policy or additional coverage to what's offered at work. **This type of insurance will replace a portion of a policyholder's income expenses if they are unable to work due to an accident, illness, or a serious injury. It helps you to pay your mortgage expenses, your car expenses, and other day-to-day expenses if you're not receiving your regular income.**

Critical illness insurance is also important because it provides coverage for policyholders who are diagnosed with diseases such as cancer, a heart attack, or a stroke. With critical illness insurance, policyholders are paid a lump sum benefit. Some people use the proceeds to pay for health care expenses not covered by health plans such as medication, transportation to and from a hospital or health care facility and for medical equipment or house modifications.

Life insurance, either permanent or temporary coverage lasting for a set term of 10, 20 or 30 years, etc., may help to cover costs left behind when someone dies as well as be used to help pay off debts, funeral, and final costs or to use as part of a philanthropic strategy to donate to charities.

Critical illness insurance can help you get through the recovery period without worrying about expenses.

Long-term care insurance would help to cover the costs of assisted living facilities or in-home care for people who become seriously ill, develop disabilities or chronic care needs that restrict their ability to care for themselves.

On a personal note, I've just recently reviewed the standing Critical Illness policy I have through RBC as an employee and am now in the process of buying additional C.I. coverage this month to cover any potential shortfall if something was to happen. For more information on this subject, please do not hesitate to call my office directly.

Last Words...



Some of you might know that I underwent shoulder-replacement surgery last year. Well, thanks to some serious



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rehab & supervised work-out programs, the replacement work seems to be doing its job. As my health is crucial for this role here at RBC, I can report that I'm back being active almost daily... it's been a **refreshing change**. **Last summer** was really a dark one for me, as sitting still for 2 months w/o any form of physical activity is something I really want to experience again.

My doctor @ Toronto Western Hospital was a fellow name Christian Veillette. I cannot say enough about him & his team, as the treatment I received was amazing. I recall him sitting eating a sandwich with me during my pre-op looking at my X-rays. He pointed at one of the pictures of my shoulder blade, looking up at me and said, 'I think you really need this, dude... it looks like a garage fire in there!'

Well, that not only cut the tension immensely, but it gave me a real sense of calm on his approach... a bit of levity is never a bad thing!

That's it from me. Enjoy the rest of your summer.

Ian



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