RBC Dominion Securities Inc.

The Stanton Report

Spring 2024

Views and opinions for the friends and clients of Investment Advisor Richard Stanton

Richard Stanton
Senior Portfolio Manager
richard.stanton@rbc.com

Tracy Dykens
Associate
tracy.dykens@rbc.com

RBC Dominion Securities

1106 Main Street, PO Box 910
Smithers, BC V0J 2N0

Smithers: (250) 847-6666
Terrace: (250) 635-8888
Fax: (250) 847-6667
Toll-free: 1 (888) 834-3311
www.thestantongroup.ca

If you know anyone who would like to receive a copy of this newsletter or be added to our mailing list, please contact Tracy Dykens at (250) 847-6680. Please contact Tracy if you would like secure internet access to your accounts. Use our toll-free number from anywhere in North America.

A Word from Richard & Tracy

Welcome to Spring Everyone! Easter has come and gone and golf and gardening season is just around the corner.

Continuing from where we left off the S&P/TSX Composite Index remains strong and has turned in a positive 6.3% for the first quarter of 2024.

Moving right along with news about our family's : Olivia is working full time at an optometrist's office in Vernon and recently explored Belize and Guatemala with a couple of her friends.

Jenelle, is keeping very busy and in her second semester of the Business program at Okanagan College, being a part time nanny and donning her dog sitting business.

Kiera is finishing up her first year of her Bachelor of Science, Biomedical program at UNBC. She will be coming home for the Summer to work and catch up with friends.

Mattias is still working on his Computer Science program online while he works part time and living at home.

As always, I am available to discuss all of your investment goals and objectives for the coming year. Give Tracy a call or send her an email if you want to setup an appointment via telephone.

Thanks for reading,
Richard

Here is what happened the first quarter of 2024;

- **S&P/TSX Composite Index 6.3%**
- **Dow Jones Industrial Average 5.5%**
- **MSCI World Index 8.9%**
- **Crude Oil 13.5%**
- **Gold 7.2%**
- **Silver 3.5%**
- **Copper 3.3%**

RBC Wealth Management
Dominion Securities

Dividends and your portfolio:

A sweet “Double Double” deal for Canadian investors

Dividends paid from publicly listed companies have proven to be an important component to investors’ success in growing their wealth over time. Investors can benefit from dividends’ steady income, their portfolio-stabilizing affects in volatile times, and their tax efficiency when held in a non-registered portfolio – all of which make dividend-paying stocks a nice “cup” of benefits for investors.

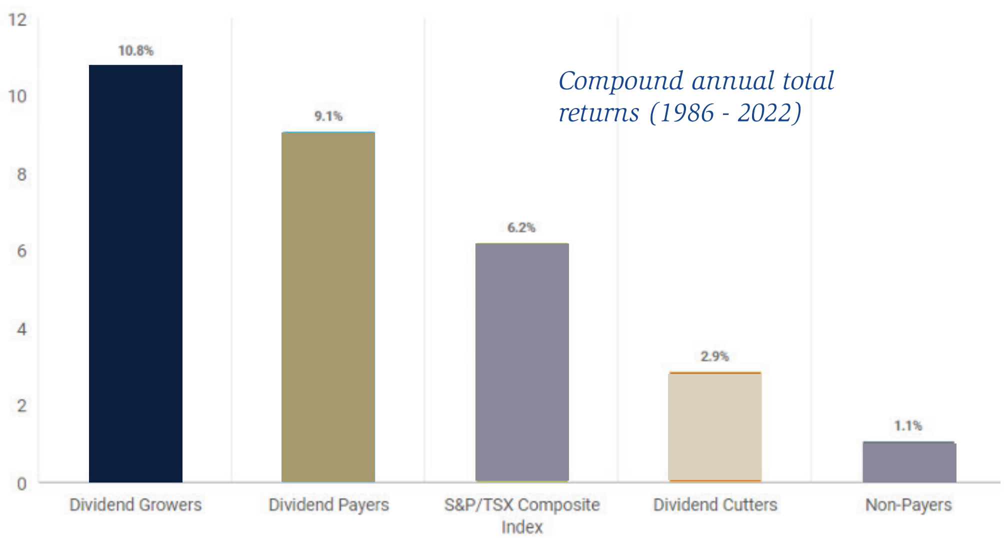
High interest rates and bond yields, coupled with worries over a slowing economy, took a heavy toll on dividend-paying stocks over the last few years. As interest rates and bond yields rose through 2022 and 2023, dividend-paying stocks lost out on a comparative value basis with investors when compared to bonds and even GICs. As the latter two’s yields and rates rose, investors bet that a bond or GIC was less risky than a dividend-paying stock but suddenly paid as well if not better.

As well, from a risk perspective, many dividend-paying stocks are in capital-intensive industries like infrastructure and utilities, and as rates rose, so did financing and debt costs for these companies, risking a reduction in their ability to increase or, in some cases, even pay dividends. The same is true on the debt side, as companies such as REITs with typically high debt levels suddenly looked riskier in light of sharply higher financing costs.

Fast forward to today, and the situation is quickly improving for dividend-payers. As bond yields have come down significantly from their most recent highs and interest rates look set to follow as central banks begin to cut their trend-setting rates in the months ahead, this naturally reverses many of the things that have turned investors away from dividend-paying stocks. As well, an improving outlook for the North American economy sets up this type of investment for better days ahead.

The First “Double”: Key Portfolio Management Benefits Of Dividend-Paying Stocks

If it makes sense based on your portfolio goals and your risk profile, dividend-paying stocks – and, importantly, companies that increase their dividend payments to shareholders consistently over time – can offer some excellent benefits:



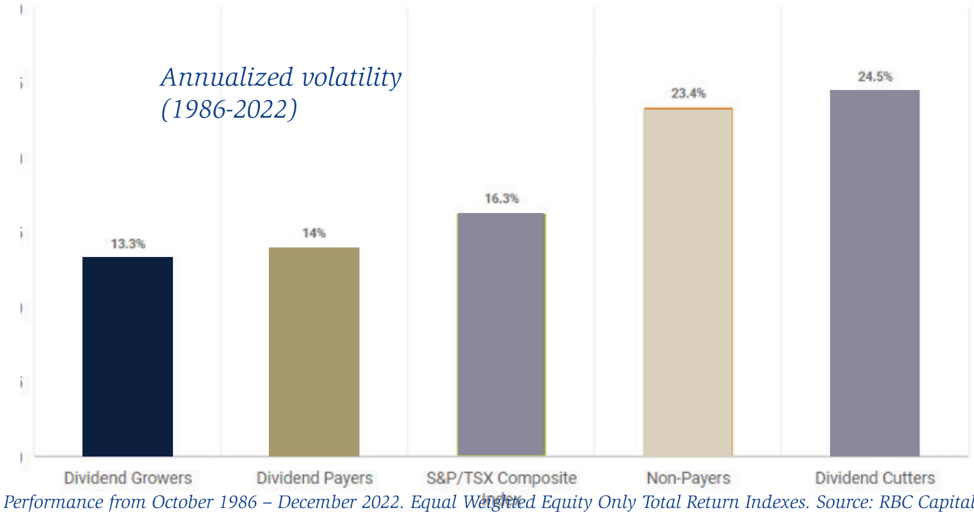
1. **Dividend-payers have outperformed the market over time:** Dividend-paying stocks – and especially dividend growers – have historically offered better returns than the broader market, as companies that are able to pay dividends to their shareholders are usually financially strong and successful businesses with healthy earnings and cashflows.

Performance from October 1986 – December 2022. Equal Weighted Equity Only Total Return Indexes. Dividend Growers, Payers, Cutters and Non-Payers are determined annually. Growers had a positive 12-month change in dividends paid; Payers paid dividends; Cutters had a negative 12-month change in dividends paid; Non-payers did not pay a dividend.

Continued on page 3

Continued from page 2

2. **Dividend-payers have experienced less volatility over time:** Dividend payouts can help make their stocks less susceptible to sharp price changes. This is primarily for two reasons: one, less of the return of a stock is dependent on price appreciation, as the regular flow of income (usually) on a quarterly basis provides a good portion of the total return of the stock; and, as per Point #1, companies that can afford to pay out dividends are usually ones that are cash rich and creating more in profits than the company can reasonable reinvest back into the company. This "signals" to investors that these companies are stable and in a strong financial position. Of note, over the last 50 years, dividends have represented fully one-third of the S&P/TSX Composite Index's return.

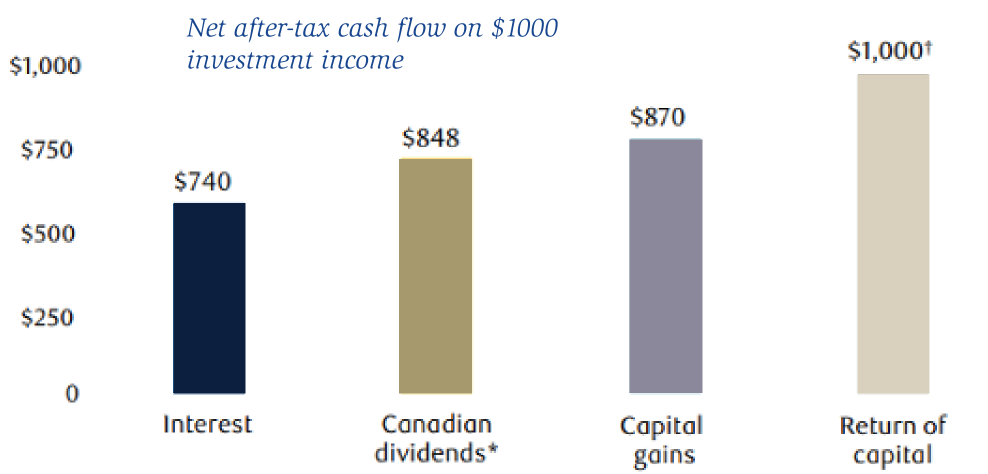


Performance from October 1986 – December 2022. Equal Weighted Equity Only Total Return Indexes. Source: RBC Capital Markets Quantitative Research, RBC GAM. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.
Standard deviation is a commonly used measure of risk and is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation shows how much the return on an investment is deviating from expected normal returns. A higher standard deviation indicates a greater variability in investment performance.

The Second "Double": Tax Benefits Of Dividend-Paying Stocks

Beyond their notable investment and portfolio management benefits, dividends also have tax benefits for investors who may be holding stocks outside of a tax-sheltered plan such as a Registered Retirement Savings Plan (RRSP) or a Tax-Free Savings Account (TFSA):

3. **Effective tax investing:** Individuals who receive eligible dividends from Canadian companies can claim the Dividend Tax Credit (DTC), a federal tax credit (a provincial dividend tax credit may also apply) to reflect the fact that the company paying the dividend has already paid Canadian tax on its profits. The DTC can significantly reduce the taxable amount of dividend income, a real boon for those seeking income and who are in higher tax brackets.



*For the purposes of this example, a marginal federal tax rate of 26% is used. Please note that rates ore unique to the tax circumstances of each individual and ore provided herein for illustrative purposes only. In addition to the federal taxes noted in the example, provincial taxes ore required to be paid. The amount of provincial taxes will vary according to province (provincial dividend lox credits also apply). When combined, the total of the federal and provincial taxes equals the taxes owing on taxable income. All figures ore rounded to the nearest whole number. Tax rates ore subject to change. * Represents eligible Canadian dividends with a federal tax credit or 15.02% † distributions ore not generally taxable in the year they are received. but do lower your ACB. which could lead to a higher capital gain or a smaller capital loss when the investment is eventually sold.*

4. **"Less tax? I'm in!":** Because of the tax benefits associated with dividend-paying stocks, they are even further in demand by investors who require tax-effective income, especially retirees looking to create cashflow in their golden years. The benefit to this is that it tends to further contribute to stable stock performance over time, as investors seek the regular flow of dividends from their issuers and not just capital gains as provided by non-dividend payers, reducing the need to sell their positions to generate gains or to minimize losses – especially when volatility hits.

TFSA quick tips

Tax-Free Benefits

With a Tax-Free Savings Account (TFSA), you can contribute up to your contribution limit each year, earn tax-free interest, dividends and capital gains, and even make withdrawals – at any time, for any reason – without paying tax.

Opening a TFSA

Any Canadian resident who has reached the age of majority in their province can open a TFSA. The age of majority is 19 in Newfoundland and Labrador, New Brunswick, Nova Scotia, British Columbia, Northwest Territories, Yukon and Nunavut. In all other provinces, it is 18. Bear in mind that you need to have a valid social insurance number to open a TFSA. To open your TFSA, please ask us for assistance.

Making contributions

Contribution room accumulates every year starting at age 18, and can be carried forward indefinitely. You can contribute to your TFSA irrespective of your income and can continue contributing even when you're retired – it's a lifelong plan.As of January 1, 2024, you can contribute an additional $7,000 to your TFSA to benefit from tax-free growth. With the contribution room from 2009 through 2024, you will be able to contribute up to $95,000 to grow tax free (assuming you were at least age 18 in 2009).

TFSA contribution limits (per calendar year)	
2009-2012	$5,000
2013-2014	$5,500
2015	$10,000
2016-2018	$5,000
2019-2022	$6,000
2023	$6,500
2024	$7,000

Making withdrawals

You can make withdrawals for any reason, and unlike a Registered Retirement Savings Plan (RRSP), you can do so tax free. Plus, the amount you withdraw is added back to your available contribution room the following calendar year. Remember that, unless you have adequate unused contribution room, you have to wait to recontribute any amounts you have withdrawn in any given year until January 1 of the following year. Otherwise, the Canada Revenue Agency may assess excess contribution penalties. In addition, any income or capital gains earned on deliberate overcontributions could be subject to 100% tax. There is no requirement to make withdrawals at or by a certain age. As a result, you can let your investment earnings continue to grow tax free.

Report Card

Positive Themes ✓

- Odds of a soft landing are mounting - now the most likely scenario
- Manufacturing activity is rebounding
- Some recession signal have reversed
- Chance of a better fiscal profile in 2024

Negative Themes ✗

- Recession is still entirely possible
- Interest rates are still fairly high
- Inflation trend is no longer improving as reliably
- The Fed is unlikely to cut rates in the near term

Interesting !

- Busy political season ahead
- Global fiscal drag likely over medium run
- Chinese deflation raises concern
- Poor Chinese demographics
- Falling U.S. education levels