RBC Dominion Securities Inc.

The Stanton Report

Fall 2024

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

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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

The summer of '24 is now behind us, and I hope it was a safe and joyful season for everyone. Here in beautiful British Columbia, there's a chill in the air, the leaves are changing, and all our favorite pumpkin-flavored coffees and treats have returned

Both girls are doing well and are still living together in Kelowna. Olivia is working full time at an optometrist's office during the week and on weekends she works with BC Ambulance services out of Summerland. Jenelle is in her second year of the Business Administration degree program at Okanagan College and working remotely for All West Glass.

Kiera spent the summer serving at the Aspen Riverhouse and is now back at UNBC in her second year of her science degree in Biomedical. Mattias is still working full-time to save up some money and plans to attend UNBC next Fall.

Thank you for reading and if you have any questions regarding your portfolio or if you simply want to discuss your investment goals and objectives for the coming year, give Tracy a call or send her an email to setup a telephone appointment.

Thanks for reading,
Richard & Tracy

Here is what happened year to date;

- **S&P/TSX Composite Index 17.2%**
- **Dow Jones Industrial Average 12.3%**
- **MSCI World Index 19.3%**
- **Crude Oil -5.1%**
- **Gold 28.5%**
- **Silver 31.8%**
- **Copper 14.5%**

RBC Wealth Management
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Long-term perspectives

Dividends *A formidable source of returns*

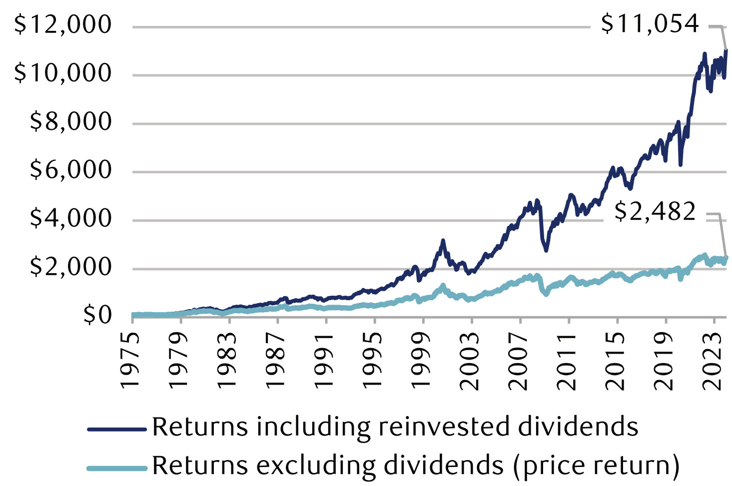
Dividends have historically accounted for a substantial portion of stock market returns. Beyond generating a steady income stream, dividend-paying stocks offer capital appreciation potential and a layer of protection against inflation.

Don't overlook dividends

Investing in the stock market means investors will also capture the market's dividend yield as well. Over time, these dividends 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 total return (see chart bottom left). 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 (see chart top right). Another worthwhile feature of dividend-oriented 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.

Dividends have grown faster than inflation

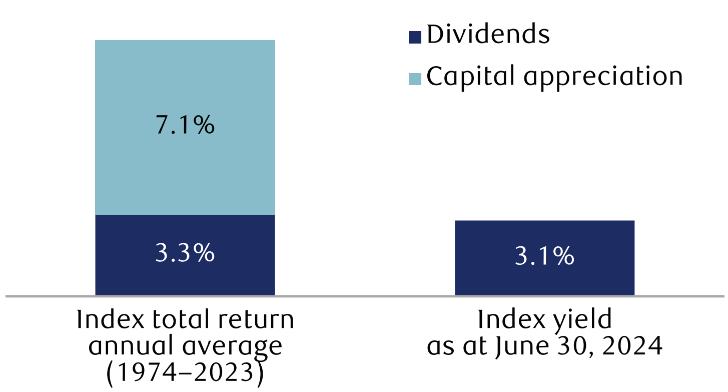
S&P/TSXC omposite annualized dividend growth versus inflation, 1998-2023



Source - RBC Wealth Management, Bloomberg; data through 12/31/23. Returns data based on S&P/TSX Composite and S&P/TSX Composite Total Return Index

A stable anchor component of total returns

S&P/TSXC omposite total return versus price return



Source - RBC Wealth Management, Bloomberg; data through 12/31/23; returns data based on S&P/TSX Composite and S&P/TSX Composite Total Return Index

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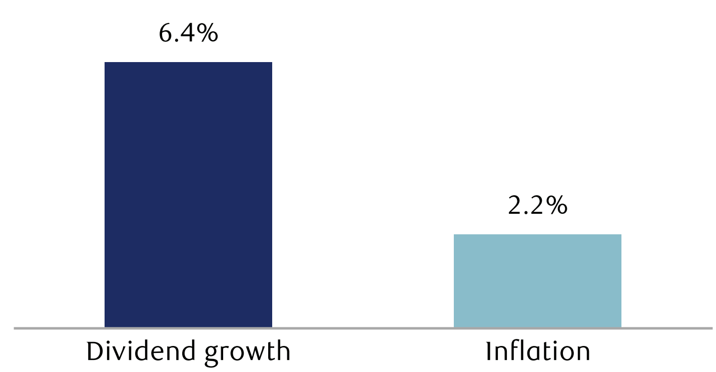

Source - RBC Wealth Management, FactSet; data through 12/31/23. Dividend growth calculated based on weighted dividends per share of index constituents and inflation based on Canada's Consumer Price Index.

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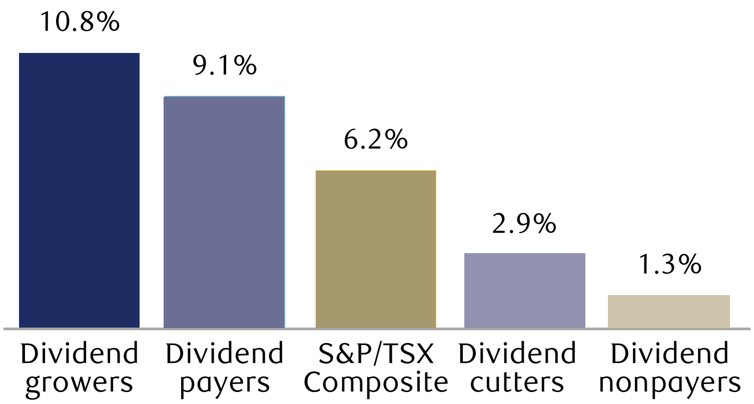
Flexible strategies

Dividend-paying stocks offer strategic versatility and have historically performed well compared to the broader market with lower volatility (see charts below). The relative stability of dividends can cushion portfolios during periods of economic uncertainty and stock market volatility, providing returns even when stock prices fall. Depending on the investment objective, there are two broad approaches to consider: dividend yield and dividend growth. Strategies that fall into the former category typically focus on stocks that generate a high dividend yield (which can help fulfill income needs), while those in the latter category tend to prioritize stocks with greater growth potential in dividend distributions.

Dividend-paying stocks have outperformed

Compound annual total returns, October 1986 through December 2023

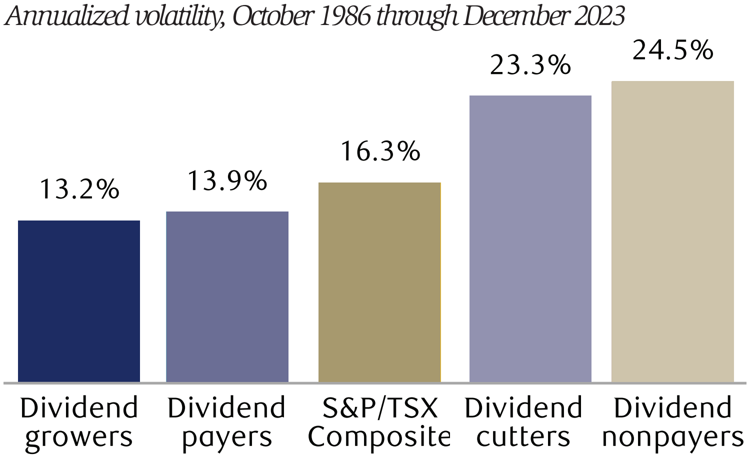


Equal-weighted, equity-only total return indexes. Dividend growers, payers, cutters and nonpayers determined annually. Growers had a positive 12-month change in dividends paid; payers paid dividends; cutters had a negative 12-month change in dividends paid; nonpayers did not pay a dividend.

Source - RBC Capital Markets Quantitative Research, RBC Global Asset Management, RBC Wealth Management

Dividend-paying stocks have exhibited lower volatility

Annualized volatility, October 1986 through December 2023



Equal-weighted, equity-only total return indexes. Standard deviation is a statistical measure of variability (volatility) in observed returns. A larger standard deviation indicates greater variability in investment performance.

Source - RBC Capital Markets Quantitative Research, RBC Global Asset Management, RBC Wealth Management

Both approaches have merit and can be complementary. A balanced approach to combining above-average current yield and future income growth potential enables investors to capitalize on opportunities across the full spectrum of dividend-paying companies.

Desirable attributes

An allocation to companies that demonstrate a firm commitment to consistent and/or growing dividend payments through all market conditions potentially allow investors to capture coveted characteristics, including stronger profitability and earnings quality. Importantly, a steadfast pledge to a dividend policy can serve as a signalling mechanism, conveying pertinent information such as management's confidence in the stability and sustainability of cash flows generated by the underlying business and future growth prospects. Additionally, it can create a greater degree of capital discipline and risk management awareness among management teams, improve focus on investment project selection, and maintain a robust balance sheet.

Approach from strength

The performance of dividend-oriented portfolios, like any investment strategy, can experience significant short-term fluctuations. Nevertheless, several strategic guidelines can help bolster the resilience and quality of dividend portfolios over the long run. The process for selecting companies should rigorously evaluate business fundamentals, valuations, balance sheet strength, cash flow generation relative to capital spending requirements, long-term returns on capital, payout ratios, and both historical and forecast dividend growth rates. In addition to company due diligence, a well-constructed dividend portfolio should broadly look to balance current dividend yield attractiveness against dividend growth prospects and long-term sustainability of payouts, with holdings adequately diversified across sectors and industries.

Don't let panic guide you; Don't miss the best days

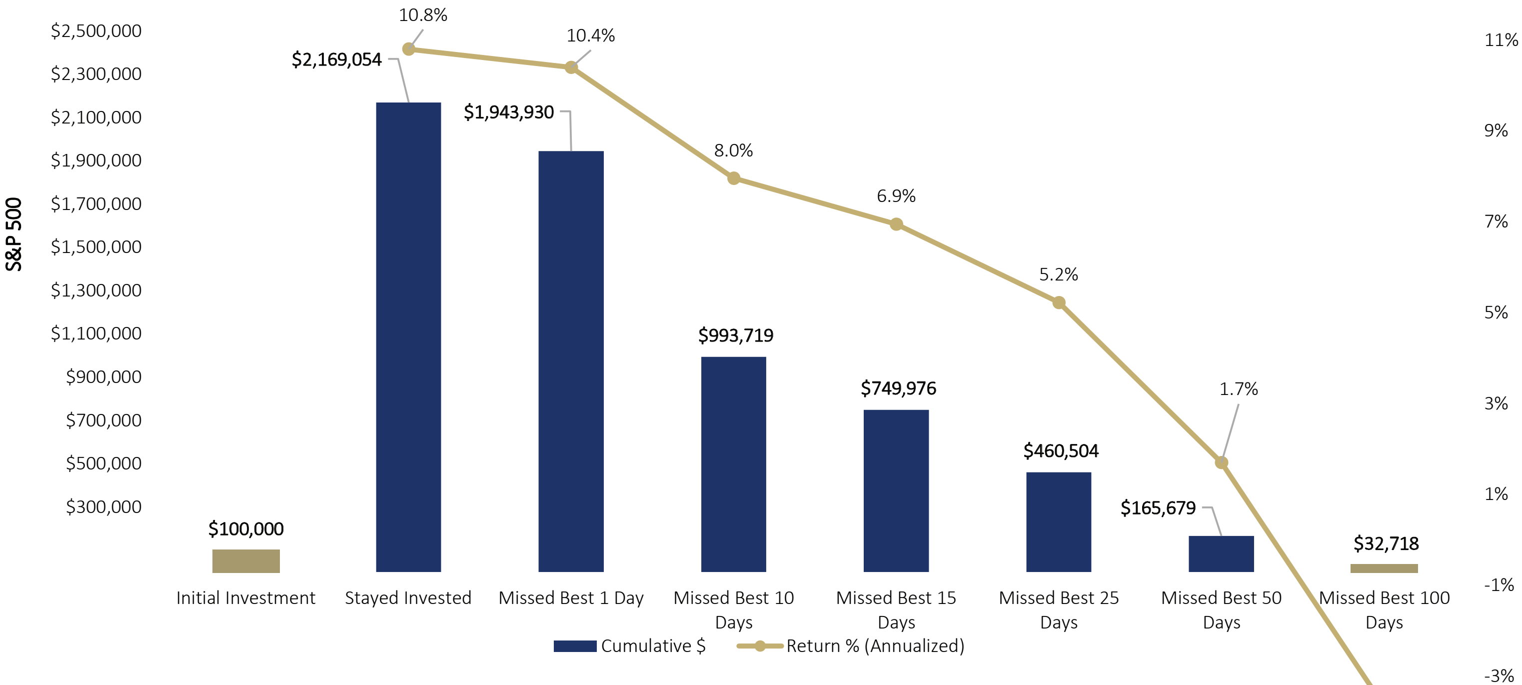
Value of $100,000 invested in S&P 500 during prior 30 years

If you stayed fully invested in the S&P 500 for 30 years you would be far better off, an investment of $100,000 would have grown to **$2,169,054.**

If you tried to time the market and missed 10 of the best trading days your investment would have grown to only **$993,719**.

Missing out on **$1,175,335** of growth!

You want to panic and sell at lows as the best positive days can compound return and make a large difference in the value of your portfolio.



Source: Morningstar Research Inc., CI Global Asset Management. S&P 500 TR in USD from July 1, 1994 – June 30, 2024, using daily returns .

Report Card

Positive Themes ✓

- Inflation continues to fall
- First Fed rate cut nears
- Rate cutting era gains momentum elsewhere
- Global economy still growing
- U.S. economy did a little better recently
- Soft landing still most likely

Negative Themes ✗

- High rates still painful
- U.S. labour market deterioration demands attention
- Geopolitical risks elevate further - watch price of oil
- Canadian economy weakens

Interesting !

- U.S. election nears:
  - Harris platform
  - Trump tariff risk
- Medium-term fiscal challenges
- Business cycle scorecard says U.S. is mid cycle or late cycle

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