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HOW CAPITAL GAINS CHANGES MIGHT IMPACT THE FAMILY COTTAGE

Hannah McVean
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Bear with me this month, as we are going to go slightly off topic. But trust us, we will bring it back near the end towards stocks, investments and life.

This July/August MoneySaver will likely arrive in your mailbox or inbox just as Olympic fever is starting to build. The games, in Paris, start July 26. A year ago, our family decided we were going to go. Sure they will be exciting, but I had a personal reason for going.

I am a lifelong swimmer, and still compete. Alas, not being six feet four, I never quite made it to the Olympic level. There are other reasons it didn't work out, but that's the one I am going with.

But some of my teammates went to the 1988 Seoul Olympics, and it was a thrill seeing my lane-mates make some finals that year.

This year, all eyes are on Summer McIntosh, a 17-year old phenomenon who is expected to win up to four golds in swimming for Canada. She is the current World Record Holder in 400 IM. So, our family is off to see her in all of her main events. Tickets were not cheap. The 400 is only a four minute event, so on a per-minute basis watching her will be more expensive than getting Taylor Swift tickets. I don't know Summer, but I swam with her Mom. Her Mom was in the 1984 Olympics (9th place), and it has come full circle with her daughter.

We wish Summer well. We have matching Canadian-logo shirts, hats and flags to wave. We have to support the Canadian team!

How is this market related? Well, sometimes, we think investors need to sit back, cash in some chips, and have some fun. Without investing over 30 years, such a trip would never have been possible for us. We had to sell some stocks that we've owned for more than 15 years. As they say, you can't take it with you.

So maybe, as you sit on the deck this summer, think about your investments. We know dozens of investors who have 'too much' money. If this is you, maybe it's time to convert some of those dollars into fun.

Peter

Peter Hodson CFA
Founder and Head of Research
5i Research Inc.

MoneySaver DIVIDEND & COMPANY NEWS

In this column we list recent news, events, dividend income news and any other relevant information for *MoneySavers*. News items are those received after our last publication date. Please go to **https://www.5iresearch.ca/dividend-updates** for a more comprehensive list of dividend updates.

- Canadian Western Bank (CWB) raises dividend by 6%.
- Park Lawn Corp agrees to go private at $26.50, a 62.1% premium to the price prior to the announcement.
- Royal Bank (RY) raises dividend by 3%.
- National Bank (NA) raises dividend by 4%.
- Bank of Montreal (BMO) raises dividend by 5%.
- Pembina Pipeline (PPL) raises dividend by 3.4%.
- Sun Life Financial (SLF) raises dividend by 3.8%.
- Telus (T) raises dividend by 3.5%.
- Lundin Gold (LUG) cuts dividend by 26%.
- Propel Holdings (PRL) raises dividend by 8%.
- Caribbean Utilities Company (CUP.U) raises dividend by 2.8%.
- Paramount Resources (POU) raises dividend by 20%.

Canadian MoneySaver MODEL ETF PORTFOLIO

ETF	SYMBOL	CATEGORY	PRICE	# OF UNITS	TOTAL	% OF PORTFOLIO
iShares 1-5 Year Laddered Corporate Bond	CBO	Fixed Income	17.70	506	8,956.20	4.1%
iShares DEX Universe Bond	XBB	Fixed Income	27.36	280	7,660.80	3.5%
iShares S&P/TSX Canadian Preferreds	CPD	Fixed Income	11.91	738	8,789.58	4.0%
iShares S&P/TSX Capped Composite	XIC	Equity: Canada	35.62	740	26,358.80	12.0%
iShares S&P/TSX Cdn. Div Aristocrats	CDZ	Equity: Canada Div.	31.30	613	19,186.90	8.8%
iShares U.S. High Yield Bond Index ETF	XHY	Fixed Income	16.19	350	5,666.50	2.6%
Vanguard FTSE Emerging Markets Index	VEE	Equity: Emerging	35.29	285	10,057.65	4.6%
Vanguard FTSE Developed Europe All Cap	VE	Equity: Interntional	36.71	304	11,159.84	5.1%
SPDR S&P 500	SPY	Equity: U.S.	527.37	41	29,704.54	13.6%
Vanguard US Dividend Appreciation Index	VGG	Equity: U.S. Div.	83.81	217	18,186.77	8.3%
iShares Russell 2000 Growth	IWO	Equity: U.S. Growth	263.62	57	20,643.19	9.4%
BMO Covered Call Utilities	ZWU	Equity: N.A. Div	10.38	604	6,269.52	2.9%
Vanguard Information Technology Index	VGT	Equity: U.S	534.61	30	22,033.42	10.1%
Consumer Discretionary Select Sector SPDR	XLY	Equity: U.S	175.97	60	14,504.86	6.6%
Cash	**Cash**	**Cash**			**9,711.24**	**4.4%**
Total Portfolio					**218,889.80**	

Exchange Rate	1.37	$ Gain/(Loss):	118,889.80
Inception value:	100,000.00	% Gain/(Loss):	118.89%
Inception date:	October 18, 2013	% Annualized:	7.65%

Prices are at market close on May 31, 2024.
Individual prices are in USD$. Portfolio values, $Gain/(Loss), % Gain/(Loss), % Annualized all reflect USD$ values are converted to CAD$
Returns include foreign exchange gains/losses
Current notes: Added a 2.0% position of IWO and a 1% position of VGT as of Feb 02, 2024 market close
Other notes: Keep in mind all investors are different. This portfolio is designed as a guide in setting up your own personal portfolio. Unique considerations and adjustments need to be made to reflect your personal situation. Please perform your own due diligence before making investment decisions. For use by *Canadian MoneySaver* subscribers only. Not for redistribution.
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Please direct portfolio questions to **moneyinfo@canadianmoneysaver.ca.**

How Capital Gains Changes Might Impact The Family Cottage

Hannah McVean

If you follow personal finance in the media, you've likely heard about the proposed changes to the capital gains inclusion rate.

If you haven't yet heard, the federal budget for 2024 was announced on April 16, 2024, and proposed (among other changes) an increase to the capital gains inclusion rate for individuals, corporations, and trusts. For individual taxpayers with capital gains over $250,000, the inclusion rate is expected to increase from 50% to 66.7%.[1]

It's important to make the distinction that the inclusion rate is not the same as the tax rate. Let's walk through a couple of examples. For simplicity, we'll exclude deductions and credits.

- The inclusion rate for employment income is 100%. Every dollar of employment income is included in your calculation of total income. Then, you are taxed on that total income at the progressive marginal tax rate. This might seem obvious, but walking through the example could help better illustrate the inclusion rate for capital gains.
  - Jane is a taxpayer who lives in Ontario and earns a salary from her job in 2024 of $100,000. The income is included for taxation at 100%, so her tax return reports her income as $100,000. The last dollar of Jane's income is taxed at 31.48% (surtax adds some complexity), and her average tax rate is 24.77%. She owes $24,765 in income tax for the year (before factoring in contributions to the Canada Pension Plan (CPP) and Employment Insurance (EI), deductions, and personal credits).

Federal Tax			
Total income	$ 100,000.00		
Inclusion rate		100%	
Taxable income	$ 100,000.00		
Tax on first	$ 55,867.00	15.00%	$ 8,380.05
Tax on next	$ 44,133.00	20.50%	$ 9,047.27
Tax payable before deductions or credits			$ 17,427.32

Ontario Provincial Tax			
Total income	$ 100,000.00		
Inclusion rate		100%	
Taxable income	$ 100,000.00		
Tax on first	$ 51,446.00	5.05%	$ 2,598.02
Tax on next	$ 48,554.00	9.15%	$ 4,442.69
Provincial tax			$ 7,040.71
Surtax 1*			$ 297.34
Total payable before deductions or credits			$ 7,338.05

**Surtax 1 is 20% on the amount of tax owing above $5,554.*

Total tax payable before deductions or credits	**$ 24,765.37**

- To contrast this, the inclusion rate for capital gains has been 50% for a while. Only half of every dollar of investment gain is included in your calculation of total income, and you are then taxed at your progressive marginal tax rates on that total. In other words, only half of the gain is taxable.
  - Joanne also lives in Ontario but will be taking the entirety of 2024 off work to care for her sick mother. She doesn't have any other income sources. She did, however, sell a vacant lot in 2024 that she'd purchased 10 years ago as an investment. The lot cost Joanne $100,000 in total including legal fees and commissions. She sold the lot for $200,000, so her profit was $100,000. Since the capital gain inclusion rate is 50%, her tax return reports income of $50,000. The last dollar of Joanne's income is taxed at 20.05% and her average tax rate is 10.02%. She owes $10,025 in income tax for the year (before factoring in deductions and personal credits). (Charts below)

Joanne wouldn't have been impacted by the change to the capital gains inclusion rate since her capital gain was under $250,000. While many other Canadians also won't be impacted by this change, there's a common case that will impact lots of Canadians—selling or bequeathing the family cottage. Let's review a case study of the potential implications based on this change for a Canadian family.

Alex and Jamie Jones are a married couple in Ontario and are both aged 65. They own a cottage in Kawartha Lakes and have enjoyed spending summer weekends there for the past 10 years. They've owned the cottage for 10 years, and purchased it for $300,000 in 2014. Today, that cottage is worth $800,000. They have never made any improvements to the cottage.

Alex and Jamie live the rest of the year in their Toronto condo, which is worth about $900,000 today. They bought it 20 years ago for $200,000.

The Jones' are retiring this year, and they plan to spend summers at the cottage for the next 10 years. They also recognize that their retirement funding may depend on selling the cottage one day. They expect to invest the proceeds and use the income and capital to support their retirement lifestyle.

The Jones' want to understand how this change to the capital gains inclusion rate would impact them, so let's review.

Currently, the gain on their cottage is $500,000. The gain on their condo is $700,000. They are planning to designate their condo as their principal residence for every year owned, so they won't be able to apply the Principal Residence Exemption on the cottage sale for those same years.

Since they are joint owners of the cottage, and the cottage was purchased with equal amounts from both partners, the gain can be split equally between them. Therefore, the gain is $250,000 per person.

They both receive CPP, Old Age Security (OAS), and

Federal Tax				
Total income		$ 100,000.00		
Inclusion rate			50%	
Taxable income		$ 50,000.00		
	Tax on first	$ 50,000.00	15.00%	$ 7,500.00
Tax payable before deductions or credits				$ 7,500.00

Ontario Provincial Tax				
Total income		$ 100,000.00		
Inclusion rate			50%	
Taxable income		$ 50,000.00		
	Tax on first	$ 50,000.00	5.05%	$ 2,525.00
Provincial tax				$ 2,525.00
Surtax*				$ –
Total payable before deductions or credits				$ 2,525.00

**Since the total tax payable is below $5,554, there's no surtax for Joanne.*

Total tax payable before deductions or credits	**$ 10,025.00**

Annuities Offer Income For Life

Prescribed Annuity Rates: $100,000 10-year Guarantee

1. Male Single Life Prescribed Annuity ages 65, 70, 75 and 80.

Male age at purchase	Annual income	Annual Taxable Amount
65	$6,722	$1,792
70	$7,480	$1,583
75	$8,434	$1,433
80	$9,567	$1,454

2. Female Single Life Prescribed Annuity ages 65, 70, 75 and 80.

Female age at purchase	Annual income	Annual Taxable Amount
65	$6,384	$1,964
70	$7,046	$1,720
75	$7,911	$1,438
80	$9,037	$1,286

3. Joint Life Prescribed Annuity Male/Female ages 65, 70, 75 and 80.

Joint age at purchase	Annual income	Annual Taxable Amount
65	$5,906	$2,087
70	$6,480	$1,893
75	$7,272	$1,658
80	$8,405	$1,513

Annuity income values were obtained from highly rated Canadian insurers and are for illustration purposes only.

Annuity rates change daily. Income and tax rate will depend when the annuity contract is issued.

pension income and use pension splitting to equalize their incomes. Their incomes are $50,000 each and their marginal tax rate is 20.05%.

Whether using the old rules or the new, if the property was sold today, their taxable income would be $175,000 each: (($250,000 x 50%) + $50,000), and their estimated tax liability would be $57,006.13 each before credits and deductions*. Their average tax rate in the year of sale would be 19%. Since the gain as of 2024 is $250,000 each, the couple aren't impacted at all by the change right now.

But what if the property increases in value? They plan to use the cottage for 10 more years before selling it, so it's likely the property will continue to increase in value. While the progressive tax brackets are adjusted upwards to account for inflation each year, the $250,000 threshold may not be (at least, that isn't mentioned in the initial proposal). So, if the property increases in value at all, the couple could be caught by the new inclusion rate.

Let's assume that the property has increased in value to $900,000 and that they still haven't needed to do renovations. We'll keep all tax rates and income constant.

The capital gain is now $600,000 in total, or $300,000 per person. $250,000 of this capital gain still has the 50% inclusion rate applied. For the remaining $50,000 of the gain, we need to apply the new rate of 66.67%. Total taxable income for the year of sale is $208,335 ($50,000 + $125,000 + $33,335).

Their estimated tax liability would be $72,996 each before credits, with an average tax rate of 20.86%**. Under the old rules, the estimated tax liability would be $68,998 before credits or 19.71%.

This increase in tax payable is $3,998 each on an additional $100,000 of income. Although they won't welcome paying an additional $7,996 in tax, the Jones' retirement plan success will likely not be notably impacted by this small increase in total tax. Therefore, they should be able to continue to enjoy the cottage for many years to come without feeling they need to dispose of it early to save on income tax.

For jointly owned cottages, the new capital gains inclusion rate change will likely not make a huge impact on many families for many years. Some with significant capital gains will certainly be impacted. The tax increase is more relevant for corporations and trusts since there is no $250,000 limit. Every dollar of capital gains for a corporation or trust will have a higher inclusion rate of 66.7% based on the proposals.

Federal Tax			
Capital gain	$ 250,000.00		
Inclusion rate		50%	
Taxable capital gain	$ 125,000.00		
Regular income	$ 50,000.00		
Total taxable income	$ 175,000.00		
Tax on first	$ 55,867.00	15.00%	$ 8,380.05
Tax on next	$ 55,866.00	20.50%	$ 11,452.53
Tax on next	$ 61,472.00	26.00%	$ 15,982.72
Tax on next	$ 1,795.00	29.00%	$ 520.55
Tax payable before deductions or credits			$ 36,335.85

Ontario Provincial Tax			
Taxable income	$ 175,000.00		
Tax on first	$ 51,446.00	5.05%	$ 2,598.02
Tax on next	$ 51,448.00	9.15%	$ 4,707.49
Tax on next	$ 47,106.00	11.16%	$ 5,257.03
Tax on next	$ 25,000.00	12.16%	$ 3,040.00
Provincial tax on taxable income			$ 15,602.54
Surtax 1 - Amount payable over $5,554	$ 10,048.54	20%	$ 2,009.71
Surtax 2 - Amount payable over $7,108	$ 8,494.54	36%	$ 3,058.04
Total payable before deductions or credits			$ 20,670.29

Total tax payable before deductions or credits	$ 57,006.14

CONTINUED NEXT PAGE >

**** Tax owing on $300,000 gain in Ontario with $50,000 of regular income, with proposed new inclusion rate applied.*

Federal Tax				
Total capital gain	$ 300,000.00			
		$ 250,000.00	$ 50,000.00	
Inclusion rate		50%	66.67%	
Taxable capital gain		$ 125,000.00	$ 33,335.00	
Regular income		$ 50,000.00		
Total taxable income		$ 208,335.00		
	Tax on first	$ 55,867.00	15.00%	$ 8,380.05
	Tax on next	$ 55,866.00	20.50%	$ 11,452.53
	Tax on next	$ 61,472.00	26.00%	$ 15,982.72
	Tax on next	$ 35,130.00	29.00%	$ 10,187.70
Tax payable before deductions or credits				$ 46,003.00

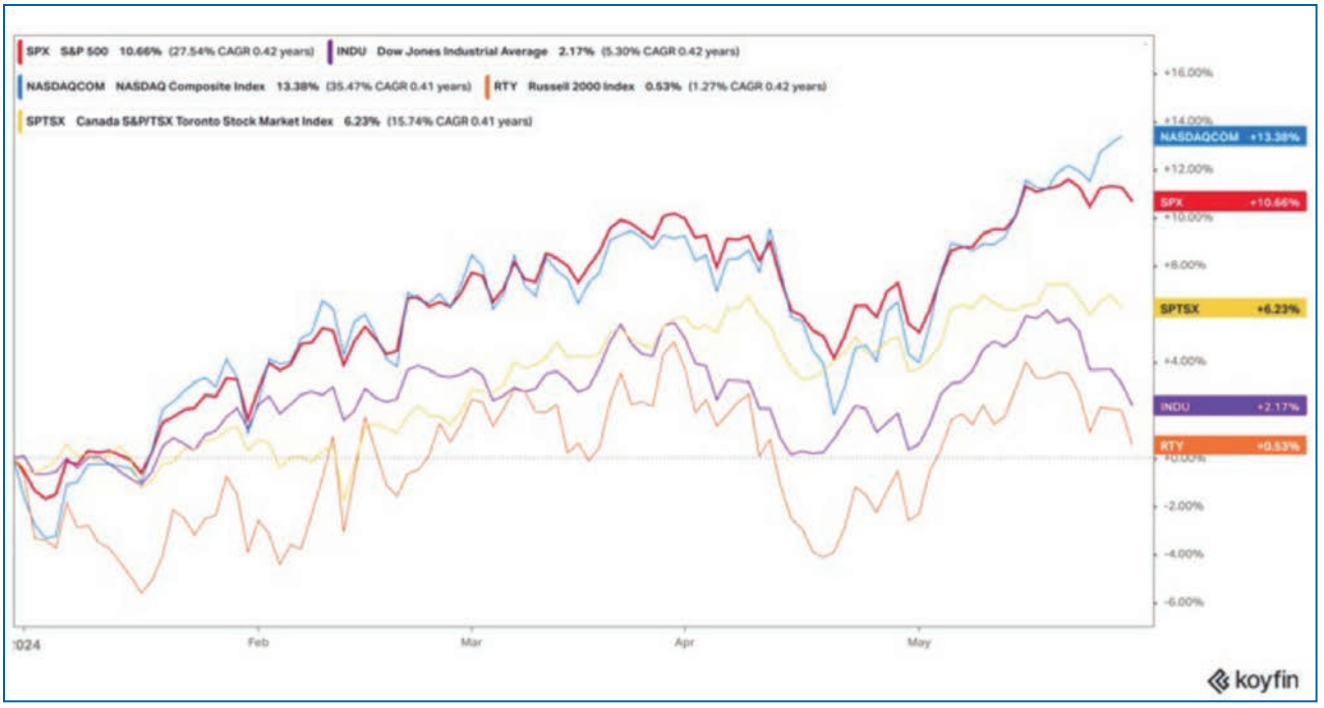
Ontario Provincial Tax				
Taxable income		$ 208,335.00		
	Tax on first	$ 51,446.00	5.05%	$ 2,598.02
	Tax on next	$ 51,448.00	9.15%	$ 4,707.49
	Tax on next	$ 47,106.00	11.16%	$ 5,257.03
	Tax on next	$ 58,335.00	12.16%	$ 7,093.54
Provincial tax on taxable income				$ 19,656.08
Surtax 1 - Amount payable over $5,554		$ 14,102.08	20.00%	$ 2,820.42
Surtax 2 - Amount payable over $7,108		$ 12,548.08	36.00%	$ 4,517.31
Total payable before deductions or credits				$ 26,993.81
Total tax payable before deductions or credits				**$ 72,996.81**

1 https://budget.canada.ca/2024/report-rapport/chap8-en.html

Hannah McVean, CFP, CIM, is a Certified Financial Planner with Objective Financial Partners, a fee-only, advice-only financial planning firm in Canada. She works with clients from all walks of life and from all over the country, providing objective, unbiased financial advice. Hannah specializes in tax planning to improve cash flow and ensuring a seamless integration between the financial plan and the tax return.

Financial Markets Mid-Year Review

Zachary Diaz



The markets have been off to a nice start in the first half of 2024, building on the tremendous momentum in the fourth quarter of 2023. While it was not without bumps along the way, many of the broad market indices in the United States and Canada have hit new all-time highs in the first half of 2024. It was not a smooth ride to the top for the majority of these indices, and some are still struggling to find their footing.

Looking at the general trend across all indices, we can see a steady uptrend until April when there was a slight pullback. Positive economic data to start the year was one of the driving forces contributing to the first quarter momentum. The U.S. Federal Reserve (Fed) made it known that improving inflation is going to be the key catalyst to begin a rate-cutting cycle. April's U.S. Core-Consumer Price Index (CPI) report came in "hot" and above expectations, displaying a 40-basis point increase from February to March. The TSX was moderately impacted by this news, as Canadian economic data in the first half of the year largely has been positive. International geopolitical fears, including conflicts between Israel and Iran were additional factors that contributed to the market decline in April.

These factors had caused serious concern about the outlook for the market in the remainder of 2024 until May rolled around. Inflation data in the U.S. came in better than expected in the May report, which displayed a month-over-month CPI decline. Additionally, consumer confidence also improved, surprising many. As quickly as the market pulled back in April, it rebounded in May, partially shaking off concerns for the time being. The old adage, "Sell in May and go away" did not pan out—for the better.

The Nasdaq was up 13.38% over the first half of the year, continuing its recent momentum of being the strongest performing index. This highlights how U.S. technology stocks continue to display strength and growth in the market. Looking at the other major U.S. indices' year-to-date gains, the S&P 500 was the next best performing, with returns of 10.66%, the Dow Jones Industrial Average returned 2.17%, and the Russell 2000 returned just 0.53%. On the Canadian side, the TSX returned 6.23% year-to-date. Other than the Russell 2000, all indices have touched all-time highs in 2024. The Nasdaq reached 17,032.65 on 28 May, the S&P 500 reached 5325.46 on 16 May, the Dow Jones also reached 40,051.05 on 16 May, and the TSX reached 22,220.90 on 28 March.

The Russell 2000 has lagged all other major U.S. indices, as well as the TSX. The Russell 2000 has not touched all-time high levels of 2458.86 since November 2021 and is currently far from this level, closing at 2031.75 on 29 May. This highlights the continued struggles that small-cap stocks in the U.S. have faced. High rates are likely the main factor pressuring these stocks. While valuations are attractive for Russell 2000 stocks, it will require significant reductions in interest rates, and time, to push the Index back to all-time highs.

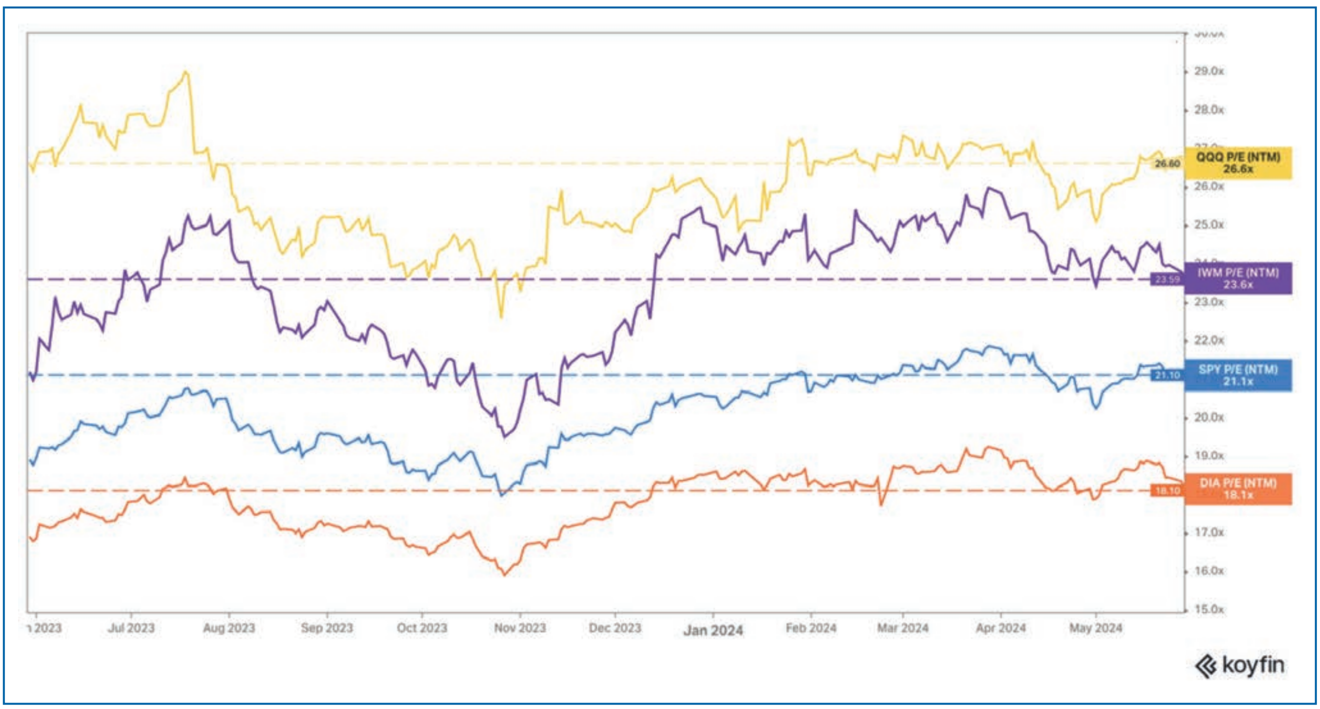
U.S. Market Valuation

Using the four largest index-tracking Exchange-Traded Funds (ETFs), we can compare how the one-year forward price-to-earnings ratio across the major U.S. indices has moved over the last year.

- Invesco QQQ Trust Series 1 (QQQ) tracks the Nasdaq
- iShares Russell 2000 ETF (IWM) tracks the Russell 2000
- SPDR S&P 500 ETF Trust (SPY) tracks the S&P 500
- SPDR Dow Jones Industrial Average ETF Trust (DIA) tracks the Dow Jones Industrial Average.

At the halfway point of 2024, we can see, unsurprisingly, that the Nasdaq is the most expensive index. At 26.6x forward earnings currently, this is the mid-point of where the valuation has moved over the past year, affirming the high sentiment surrounding the future of technology stocks.

The Russell 2000 is the second most expensive index at 23.6x forward earnings. This is somewhat surprising, as the Index has often been mentioned as undervalued. Current valuation levels are in the upper region over the



Source: 5i Research, Koyfin

last year, but the Index itself is far away from all-time highs, which could point to price growth outpacing forward earnings growth in U.S. small caps.

The S&P 500 is next, with a valuation of 21.1x forward earnings. This is nearing the highest levels over the last year, and the S&P 500's continuous new highs in 2024 can be displayed.

The Dow is the cheapest at 18.1x forward earnings, trading near its highest point over the last year. Industrials have been performing very strong with certain cyclical industries starting to trend up, and this may be overlooked by the rally in Tech. While companies in the Dow may not be as exciting as Nasdaq names, there is evident earnings growth over the last few quarters amongst Dow constituents and sentiment is picking up.

The narrative that the market is expensive right now is not wrong. Amongst the four broad market indices, nearly all are trading around the mid-to-upper points when looking at forward P/E, highlighting recent market strength as well as the potential need for future earnings growth.

Factor Analysis

Utilizing a factor analysis in the table below, we have highlighted year-over-year performance across a few different investing styles. The factor analysis measures each of the following investing style's total return relative to the total return of the S&P 500.

Factor Performance Against SPY

Year	1H 2024	1H 2023
Growth	2.91%	9.93%
Value	-5.05%	-9.99%
Momentum	9.18%	-14.52%
Small Cap	-10.62%	-9.50%
Low Volatility	-5.48%	-9.30%
High Dividend Yield	-4.74%	-13.57%

Source: 5i Research, Koyfin

The two strongest performing factors in the market in the first half of 2024 were momentum and growth. Momentum saw a significant improvement from the prior year when it was the worst-performing factor. Growth declined year-over-year, but there was still overall outperformance relative to the market. The small-caps weakness continues to be evident, displaying significant underperformance to the market and a year-over-year decline.

The Russell 2000's middling performance thus far in the year, and being so far away from all-time highs, supports this trend. Value, low volatility, and high dividend yield factors all underperformed; however, this is likely due to their more risk-averse styles. The overall broader strength of the market was displayed in these three factors when considering the improvements these factors had from the prior year levels.

We have used a separate factor analysis to dig deeper into the TSX's performance so far this year. We can see a few interesting trends amongst Canadian companies, some much different from the US.

Factor Performance Against TSX

Year	1H 2024	1H 2023
Small Cap	4.70%	-2.98%
Growth	-0.48%	5.74%
Value	0.86%	-2.05%
Low Volatility	-1.69%	3.72%
High Dividend Yield	-0.18%	-1.56%

Source: 5i Research, Koyfin

Canadian small-cap stocks have been the top performers with a year-to-date outperformance of 4.70%. This compares to the prior year's levels of 2.98% underperformance. Strength in small- caps throughout the first half of 2024 is a good sign for broadening out in a Canadian stock market that is concentrated toward large-cap financials (big five banks). High-flying Canadian small-cap names like Propel Holdings (PRL), Hammond Power Solutions (HPS-A), and Vitalhub (VHI) support this outperformance. Additionally, many small-cap Materials and Energy stocks benefitted from rising commodity prices over the first half of the year.

Interestingly, growth took a big year-over-year swing, underperforming the market by 0.48% compared to a 5.74% outperformance in the year prior. Value stocks saw renewed strength from the prior year with a slight outperformance and an improvement from the prior year.

The worst performing factor in the first half of 2024 was low-volatility stocks both underperforming the market and declining year-over-year. Constituents to this factor are typically large-cap companies, that in theory are less sensitive to the market. These stocks come from defensive sectors such as Utilities and Consumer Staples.

The low-volatility factor does not include many Energy and Materials names which were the greatest strength of the Canadian market in the first half of the year. Broadly speaking, when the market is trending up, defensive stocks will underperform, and we can see this in the yearly performance comparison. In the first half of 2023, the TSX returned just 3%, so low-volatility stocks would benefit. The factor analysis of the TSX provides useful insights on which investing styles have fared better than others.

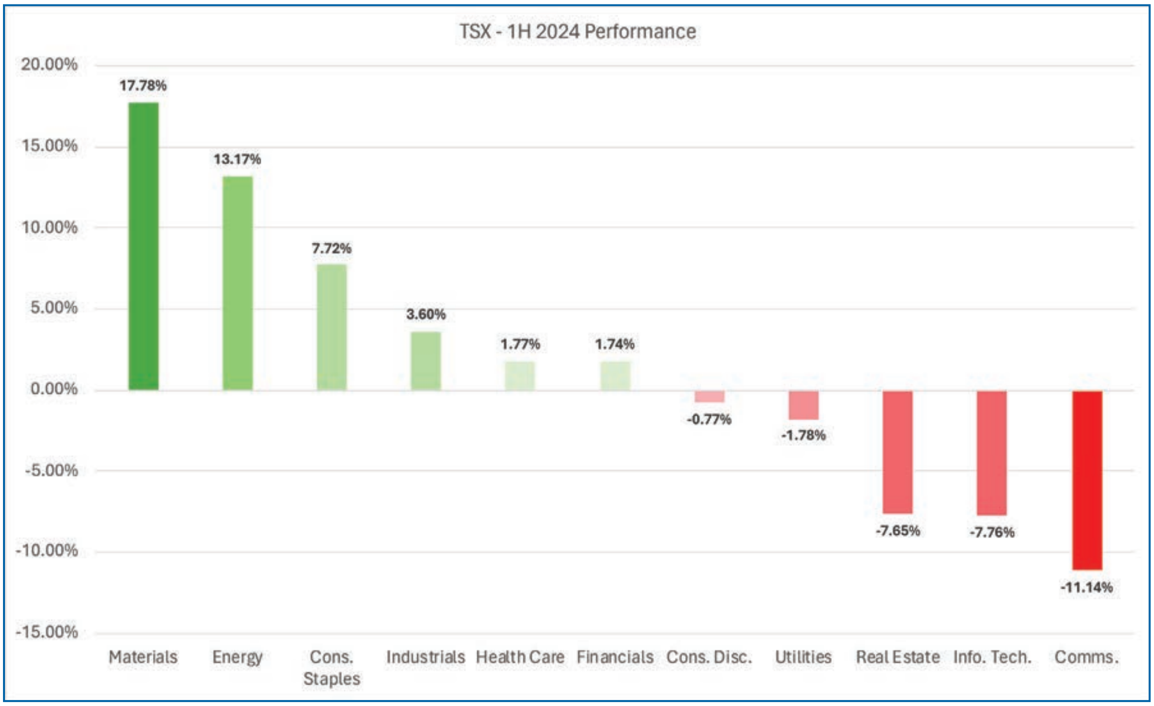
TSX Sector Performance

To take a closer look at the Canadian market, the chart below displays the sector performance from the TSX through the first half of the year:

to raise prices, which is a long-term necessity due to the sector requiring reinvestment to upgrade infrastructure.

Information Technology was the second worst performer, declining 7.76%. While the strength of the technology sector has been heavily discussed, the Canadian space is much weaker than the U.S. There are fewer names that have posted disappointing results in the first half of the year.

Real Estate was the close third for worst worst-performing sector, displaying a decline of 7.65%. This was unsurprising, as high rates have pressured this sector



Source: 5i Research, Eikon

Materials have been leading the way by a significant margin with nearly an 18% return already. The strength of Materials in the first half of the year can be attributed to soaring gold and copper prices that are large contributors to the broad sector's performance. Rising crude oil and gasoline prices in the first half of the year are having a similar effect on the electricity sector with the second-best return at 13.17%. Consumer Staples also showed strength as the third strongest performing sector with a 7.72% total return.

On the weaker side, Communications was the worst-performing sector in the first half, shedding 11%. The sector has faced immense pressure due to high rates and weak pricing power amongst constituents. Competitive pressures further make it difficult for these companies

for some time, and this trend will likely continue into the future.

The remaining sectors, Industrials, Healthcare, Financials, Consumer Discretionary, and Utilities did not post significant returns in either direction.

Looking Ahead

There are several interesting themes already occurring in the first half of 2024 in both the Canadian and U.S. markets. High rates are, of course, the overarching narrative that will sway the markets for the second half of 2024. When comparing Canada and the U.S. to see who will move first, it is very possible that Canada cuts first. Given that Canada was first to raise its interest rates at the beginning of this cycle, it makes logical sense that they are first to cut. Additionally, core-CPI numbers coming out of Canada have been promising for the last few months, versus some of the fluctuating action that has been seen in the U.S. economic data.

More all-time highs could be on tap across all major indices in the second half of 2024, with the exception of the Russell 2000. While a small-cap rally in the U.S. is something many have been on the watch for, there is still plenty of work to be done. Additionally, the narrative around secular tailwinds in Technology and Healthcare will continue to be interesting storylines that will have a significant influence on the market. Positive economic data and favourable Fed monetary policy decisions are the key catalysts to boost U.S. markets.

For Canadian markets, small-cap strength could be a propelling factor to future all-time highs. If commodity markets continue to be strong, it is safe to say the Canadian market will do well. However, the lagging trends seen in Canadian big tech will also be a key storyline to follow that could influence the market in the second half of the year. If these trends revert in the second half, paired with continued strength from the first half's top sectors, the TSX will be in good shape at the end of 2024.

Zachary Diaz is a Junior Investment Analyst with 5i Research. Zach is a graduate from the Bachelor of Business Administration program at Wilfrid Laurier University where he minored in Economics and concentrated in Finance. Prior to joining 5i Research, Zach worked numerous co-op terms in corporate development and accounting. Zach has a growing passion for financial markets and enjoys following macro trends."

MoneyTip

Five Questions To Ask Before Buying A Stock: Smart Investing

Investing in stocks can be a rewarding venture, but prudent investors approach it with careful consideration and a well-thought-out strategy. Before making any decisions, ask yourself a set of important questions to ensure you are making informed choices. In this blog post, we will explore five key questions to ask before buying stocks to help you make sound investment decisions.

1. WHAT IS THE COMPANY'S FINANCIAL HEALTH?

Before committing to a stock, assess the financial health of the company you're interested in. Reviewing the company's financial statements, such as balance sheets, income statements and cash flow statements, can provide insights into its profitability, debt levels and overall financial stability. With those insights in mind, look for consistent revenue growth, manageable debt, and positive cash flow as indicators of a healthy financial position.

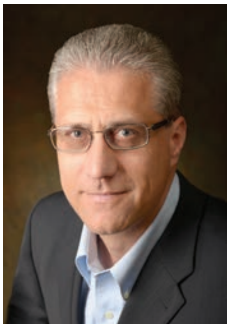
2. WHAT IS THE COMPANY'S COMPETITIVE POSITION?

Understanding a company's competitive position within its industry is useful for long-term investing success. Analyze the company's market share and competitive advantages. Study its potential risks too. Consider factors like unique products or services, brand strength, and barriers to entry for competitors. A company with a solid competitive position is more likely to withstand market fluctuations and generate sustainable returns over time.

3. WHAT IS THE GROWTH POTENTIAL?

Assessing a stock's growth potential is essential for investors seeking capital appreciation. Research the company's growth prospects by evaluating its market opportunities and

Continued on page 18



Don't Party Like It's 1989

John De Goey

Optimism bias is when you think bad things won't happen to you and you will somehow escape the laws of probability. Married people know divorce happens, but they don't think it'll happen to them. Drivers know there are car accidents, but don't think they'll be in one.

It reminds me of my friend Steve, who is in his mid-60s and an absolute picture of health and fitness. Longevity is a hallmark of his family. His father died at the age of 98 and his mother is still alive at the age of 97. Recently, Steve was diagnosed with prostate cancer. He always knew it was possible but didn't think it would happen to him.

People are like this with the stock market, too. In the 1980s, the Japanese stock market was on a tear, finishing the decade at an all-time high. What followed, then, was a turn of events no one could foresee. Beginning in January 1990, the Nikkei 225 stock market index began to drop significantly and for a long time. In fact, it did not regain its previous high until earlier this year; after more than a third of a century! So, if you were invested in the Japanese stock market at the end of 1989 and didn't add or subtract from your holdings, it would have taken you until 2024 for the price portion of your investments to return to the black. Along the way, the stock market dropped by about 78% before hitting rock bottom and starting to make its way back.

Just like the story with my friend Steve, most Japanese investors were aware the market could drop significantly, and it could take considerable time to regain its previous lofty highs. What very few people contemplated, however, was the possibility of a precipitous drop that would last so long.

Think of it this way. Imagine in 1989 that you're a 60-year-old in Kyoto who is thinking about retiring soon. Then, 34 years in the future, you're likely to be deceased. But even if you survived, your investments would have never regained their value compared to when you were working. You would have been forced to draw down on your investments for the remainder of your life while those investments were down relative to their previous highs. I'm not suggesting an outcome like that is probable, but it is possible. One of the problems humans face is selective memory; as a way of coping, people often remember positive outcomes, and yet find ways to forget those that are not.

Here's a thought exercise. Think of yourself today. Think of the current market. What would you do if the stock market dropped by 2/3 as much as the Nikkei did ("only" 52%) and it took "only" one-third as long (a little over 11 years) to regain its previous high? How would you feel? What would you do? Now stop reading and take a moment to contemplate your answers. How much money do you have? If your portfolio dropped by more than half and it took until 2035 to recover, what would happen to your lifestyle in the interim?

No one has a crystal ball, so no one knows if anything like that will happen to us. When I started in the advisory business, we used to have a one-page spreadsheet we called a "lifeboat drill". If you were on a ship and it began to sink, would you know where the lifeboats were? Would you and your family get into those lifeboats safely and on time? Or would you stoically "go down with the ship" as part of your commitment to "taking a long-term view"?

If I had told you Steve's story without referencing the Japanese experience, you might have been inclined to think it wouldn't likely happen to you. You would succumb to optimism bias. In fact, that Japanese experience happened in our lifetime, and to what at the time was the second largest economy and the second largest stock market on earth.

If something that extreme happened starting in 2024 in North America, the consequences would be almost too catastrophic to consider. Of course, that is why I am asking you to consider it. An ounce of prevention is worth a pound of cure. The thought exercise I'm advocating is something the recently-departed Daniel Kahneman, who won the Nobel Prize for Economics for psychological research into economic science, called a premortem. People know what a postmortem is. A premortem is a thought exercise much like the one I asked you to undertake a moment ago. Imagine a potential future outcome having already occurred, and then as you think backwards you contemplate the steps that might have been taken in anticipation of that outcome.

Research shows that people who consistently engage in premortems make better decisions because they stop actively contemplating possible outcomes they might not have thought about otherwise. Thinking differently can lead to different consequences, but you need to think actively and vividly.

I've heard people say that the bear market caused by COVID-19 in February and March of 2020 was a frightening experience. Indeed, having markets lose 1/3 of their value over five weeks is not an experience investors are likely to forget anytime soon. But this is also a problem. That situation involved a happy ending. Central banks and governments around the world stepped in with an unprecedented coordinated response to lower rates and infuse the economy with liquidity to prevent the bear market from morphing into a full-blown depression.

We survived (financially) and some of us became complacent. As a result of those policy interventions, many investors may have miscalibrated their risk profile. Governments and central banks had our backs, protected our jobs, and propped up our portfolios until the storm passed. If they did it last time, why wouldn't they do it next time, too? If only we could be so fortunate.

Making decisions based on experiences that can be readily called to mind because of their freshness is called recency bias, and when combined with optimism bias, many investors become all but fearless.

Despite the prevailing attitude, there are many reasons for caution. They include high debt levels (both public and private), high valuation levels (the cyclically adjusted price-earnings ratio for the S&P 500 is near all-time highs), interest rates at a quarter-century high, and geopolitical risk that may be greater than at any time since the Cuban Missile Crisis over sixty years ago. To top it off, an election south of the border later this year could result in an autocrat winning and disassembling the institutions of societal stability, or losing and then claiming to have won, which would cause cleavages through cultural (if not literal) warfare.

In addition, we have existential threats like climate change that pose public-policy challenges unlike anything we've ever experienced, rampant populism, not to mention income and wealth inequality. It is foolish to think these things could persist indefinitely without negative consequences. In short, we could very well soon be in for difficult times, yet the impression I get is that few people contemplate just how bad it might get. There are many potential responses to this environment, but near fearlessness is almost certainly not one of them.

In January of 2023, Canada adopted a new regulatory model for people giving financial advice. Advisors would be asked to look beyond recommendations that were merely suitable and really fulfill the principle of doing what is best for investors. But many investors don't even know what they can handle. One's accounts are supposed to take into consideration risk tolerance and risk capacity. These are different things. Risk tolerance is psychological, whereas risk capacity is financial. If those two metrics are not aligned, the advisor's obligation is to make recommendations based on the more conservative reading.

For example, on a scale of one to ten, if an investor's risk capacity is a six and risk tolerance is an eight, the recommended portfolio should keep with the more conservative capacity. Thus, take your premortem results seriously. North American (and especially American) stock markets look particularly risky right now.

What steps can you take to minimize the risks of being over-exposed to precarious equity markets? Here are a few:

- Reduce equity exposure in general, perhaps by buying more bonds and GICs.
- Reduce exposure to American growth stocks, either by tilting toward value or investing in other parts of the world that are cheaper, like emerging markets.
- Put more money into investments that have stable cash flows while avoiding capital markets. I'm using diversified offerings in film production and music royalties, for instance.

- Find other alternative assets including those where active managers have the option of going short, or going with structured index notes that offer inverse participation.
- Buy things that have served as traditional hedges against hard times like gold.

Do what's best for you. The above bullet points are things you might consider. This piece was designed to get you to think about what could happen, but it's anyone's guess what will happen.

John De Goey is a Portfolio Manager with Designed Securities and the author of Bullshift – How Optimism Bias Threatens Your Finances. The opinions expressed are those of Mr. De Goey and may not be shared by Designed.

MoneyTip

Continued from page 15

expansion plans. Look at overall industry trends. Look for signs of innovation, a strong market presence, and a clear strategy for future growth. A stock with a compelling growth story may offer better returns in the long run.

4. WHAT IS THE VALUATION?

Determining the fair market value of a stock is a critical step in the investment process. Evaluate the stock's valuation by considering metrics such as price-to-earnings (P/E) ratio, price-to-sales (P/S) ratio, and other relevant valuation measures (annual reports will have this information for you). Compare these metrics to industry averages and historical data to gauge whether the stock is overvalued or undervalued. A well valued stock can increase the likelihood of a successful investment.

5. WHAT ARE THE RISKS AND POTENTIAL CATALYSTS?

Every investment comes with risks—identify and understand them before making a purchase. Consider industry challenges, economic conditions, regulatory risks, and company-specific risks. Additionally, look for potential catalysts that could impact the stock, such as upcoming product launches, strategic partnerships, or market trends. A thorough risk assessment will help you make more informed and proactive investment decisions.

Before taking the plunge into the stock market, conduct thorough research and ask critical questions about the companies you are considering. By evaluating a company's financial health, competitive position, growth potential, valuation, and potential risks, you can make more informed investment decisions. Being well-prepared and armed with knowledge is key to navigating the complex world of stock investing and increasing your chances of long-term success.

Source: Sara Bashiri, Digital Marketing Specialist at Financial Fitness Group

Giant Health Care Stocks Feeling Sickly – Hint Of A Catalyst Would Turn Things Around

Richard Morrison

With global interest in pandemics waning, the once-lofty share prices of some pharmaceutical companies have plunged to multi-year lows that may represent a buying opportunity for patient investors. Naysayers often dismiss such apparent bargains as "value traps" that don't recover unless the company has a catalyst such as a promising new product, a restructuring, a takeover bid or some other positive factor. Remember, however, that the catalyst itself need not appear for the stock to recover, only the perception that a catalyst might be coming.

In May, Tedros Adhanom Ghebreyesus, World Health Organization director-general, declared COVID to be dead. Since then, however, a variant of COVID BA 286 called JN-1 has appeared in southeast Asia. As well, global warming has brought out mosquitoes and ticks that transmit diseases such as dengue, chikungunya, zika and yellow fever into places that have never dealt with them before, Mr Ghebreyesus warned at the recent UN Climate Change Conference in Dubai.

Moderna Inc. (MRNA/NASDAQ)

Moderna, based in Cambridge, Massachusetts, is a relatively new corporation that was founded in 2010 and went public in 2018. The company's products focus on ribonucleic acid (RNA) therapeutics and use a copy of a messenger RNA (mRNA) molecule to produce an immune response against diseases. So far, Moderna, whose name is an amalgam of modern and RNA, has only one commercial product, its mRNA vaccine. The company's mRNA platform has allowed it to develop therapeutics and vaccines for infectious diseases, immuno-oncology, rare diseases and autoimmune diseases. Products in Moderna's pipeline include several prospective vaccines for influenza, HIV, and three cancer vaccines, while its late-stage pipeline has six phase 3 programs.

The COVID-19 pandemic and Moderna's successful vaccine caused the company's share price to soar to a peak of about US$450 in September 2021, but then it plunged to US$138 six months later as COVID came under control. The shares are down about 44% over the past year and now trade near US$150. Among analysts covering the company, Morningstar strategist Karen Andersen said in a mid-December report that she is maintaining her US$227 fair value estimate for Moderna after the company released data that supports the value of the firm's mRNA technology as a cancer treatment. As well, Moderna's cash infusion from COVID vaccine sales and its new manufacturing facilities should allow it to accelerate timelines for its pipeline, the report says.

For the first quarter of 2024 ended 31 March 2024, Moderna reported a net loss of US$1.175 billion or US$3.08 per share on revenue of US$167 million. The results were down dramatically from the first quarter of 2023 when Moderna reported a profit of US$79 million or US$0.20 per diluted share on revenue of US$1.86 billion. The company reported 2023 revenue of at least US$6.8 billion, expected to slip to roughly US$4 billion in 2024 before growing again. Previously, Moderna blamed its Q3 2023 loss on mostly non-cash charges of US$3.1 billion related to resizing and a tax valuation allowance. The company said it expects to break even in 2026.

Pfizer Inc. (PFE/NYSE)

Based in New York, Pfizer develops and sells a variety of medicines and vaccines, with 110 assets in its product pipeline as of last year. The company has 83,300 employees and 36 manufacturing sites around the world. The COVID-19 pandemic has been a bonanza for the company's Pfizer-BioNTech vaccine, generating a cash windfall that is promising for future development.

The pandemic also helped lift the shares to peak near

US$60 in late 2021. However, at a current price of less than US$30, Pfizer shares are down about 30% over the past year. The stock's latest slip came in mid-December after the company issued guidance on revenue and earnings that turned out to be less optimistic than analysts had hoped.

The company's non-COVID-related sales have been growing steadily over the past three years, yet comparative results in 2023 appear dismal. Third-quarter 2023 results showed a loss of US$2.382 billion or US$0.42 per share on revenue of just US$13.232 billion, down significantly from the third quarter of 2022, when the company earned US$8.608 billion or US$1.51 per share on revenue of US$8.608 billion. Earnings plunged 79% between the third quarters of 2022 and 2023, while revenue was off by 42%. The company said it expected adjusted diluted earnings per share for 2023 to come in at between US$1.45 and US$1.65, down between 72% and 75% from 2022, but EPS actually came in at $1.84 for the year.

The 26 analysts covering Pfizer have a median 12-month target price of US$31.46, only a few percentage points higher than current levels, according to Refinitiv as of June 12, 2024.

Despite the widespread pessimism in the wake of declining pandemic revenue and earnings, Pfizer has a promising product pipeline, a robust product sales force and steady cash flows from several successful drugs and vaccines. As well, Pfizer's US$161 billion market capitalization (shares times share price) gives the company a competitive advantage in drug development.

Pfizer has been paying a dividend for 85 years and the payout has been growing for the last 15 years. The current dividend, increased by 2.4% in December, now pays US$1.68 a year for a yield of about 5.8%, supported by an 88% payout ratio.

Bayer AG (BAYRE/PINX)

Based in Leverkusen, Germany, Bayer AG employs about 100,000 people in three divisions: pharmaceuticals, consumer health and crop science. The pharmaceuticals segment researches, develops and sells prescription drugs and treatments, while the consumer health division produces over-the-counter, nonprescription items. The crop science unit develops and markets seeds and weed killers.

Bayer's shares are down without any help from a post-COVID slump. At a recent price of less than US$8, Bayer's American Deposit Receipts (ADRs) are down over 40% over the past year, the lowest they have been since 2005 and a fraction of their 2014 peak of US$37. The 25 analysts covering Bayer AG have a median 12-month target price of 3.77 Euros, about 25% above current levels, according to Refinitiv as of June 12, 2024. Analyst targets are always guesses and usually optimistic, but if Bayer solves its problems, patient investors may win out.

The company is struggling with high debt, weak sales, and lawsuits, all of which appear to be reflected in the share price. Bayer's latest bit of bad news came on 19 November 2023, when the company announced it had aborted a late-stage trial of experimental anticoagulant Asundexian, prompting shareholders to sell.

Bayer's biggest headaches appear to stem from Monsanto, which it bought for US$63 billion in 2018. Monsanto makes the glyphosate herbicide Roundup, which has been the subject of costly litigation filed by Roundup users who developed cancer and blamed the product.

Bayer's Q3 2023 results, released in November, showed bad news in just about every department. The company posted a 66.4% drop in earnings per share from the same quarter a year ago, losing €4.569 billion or €4.66 per share, mainly due to its crop science division, which was hurt by lower prices for its glyphosates and by rising interest rates. Total company revenue was €10.342 billion, itself down 8.3% from the same quarter of 2022, largely due to unfavourable currency exchange rates. Net financial debt climbed 7.9% to €38.721 billion from €35.884 billion.

"Now it goes without saying that we're not happy with this year's performance," CEO Bill Anderson said in a 8 November 2023 media update. "Nearly 50 billion euros in revenue but zero cash flow is simply not acceptable. Nor is the trajectory of our share price. The status quo is simply not an option for Bayer."

Anderson said that while restructuring the company is being considered, splitting Bayer into three separate businesses has been ruled out. One plan is to have employees work as part of small, self-managed teams.

"By the end of 2024, Bayer will remove multiple layers of management and coordination," Anderson said. "This step will unleash our teams with the mission-focus necessary to turn things around. Ninety-five per cent of the decision-making in the organization will shift from managers to the people doing the work."

However, investors might find solace in CEO Anderson's experience, as he helped successfully turn around Switzerland's Roche Holding AG, changing a bureaucratic company into a more entrepreneurial organization, says German site Research Analyst.com.

The company said its latest annual dividend, to be paid in May, will be US$0.66, offering a 'healthy' yield thanks to the falling share price.

Although it requires a mix of bravery and patience, the shares of any of these three may come to life if even the hint of a catalyst appears. A tropical disease that appears in a developed nation or approval of a drug under development may benefit any of the three, while if Bayer's CEO, Anderson, can work the magic he worked on Roche, Bayer itself may turn around.

Richard Morrison, CIM, is a former editor and investment columnist at the Financial Post. richarddmorrison@yahoo.ca

Highlights From The 2024 Value Investing Conference

Rita Silvan

"I am a firm believer in stock picking," says Dr. George Athanassakos, the founder and managing director, Ben Graham Centre for Value Investing. "Research shows that the higher volatility from stocks is mostly on the upside. Stocks have both higher upside and more limited downside than bonds."

Read on for more highlights from this year's conference…

People-ish: AI And The Future Of Investing

Innovations in machine learning and generative Artificial Intelligence (AI) will upend many professions, including those in finance. Already big investment banks such as Goldman Sachs, Deutsche Bank and Morgan Stanley are anticipating cutting back on new analyst hires by up to two-thirds and reducing entry-level salaries, which typically start at US100K. (No more regular dinner and drinks at Carbone.) The global consulting firm Accenture has estimated that three-quarters of bank employees from across the industry would see their working hours reduced or eliminated by AI.

The conference's morning keynote was Andi Kerenxhi, president of Ubineer Corp., a Toronto-based software company that helps investment professionals generate alpha with AI-driven formulas, captured data, sector analysis and insights. A former trader and analyst, Kerenxhi posed the question whether machine learning merely offers another data set or is a real edge? He argued that by doing the heavy lifting of research, human agency is better able to come to the fore with sophisticated decision-making by, for example, interpreting data to decide whether it represents value building or value destruction for a particular business. This hybrid process is what Kerenxhi terms "people-ish", and machine augmented "decisioning". One thing is certain, he said that machine learning is allowing investors to do more, and it raises the level of output for everyone.

Here's a thought: As these powerful machine learning tools are used by more investors thus raising their skill levels, what will be a greater determinant of alpha: skill or luck? As Michael Mauboussin states in his book *The Success Equation*, the "paradox of skill" occurs when both skill and luck define outcomes (as they do in investing). As skill improves, luck becomes more important in determining outcomes. What impact could this have on the demand for active vs passive investment products?

The Most Important Thing

Samantha McLemore worked alongside legendary investor Bill Miller for over two decades before founding her firm Patient Capital Management in 2020. A value investor to the core, McLemore stood at the podium in front of 1,000 value investors and posed the question: The Rumoured Death of Value Investing: Complete Fabrication or Grains of Truth? (Spoiler alert: it's the former.). She argued that, over the long term, all investors, whether they are retail or professional, have three main sources of edge: informational, analytical, and behavioural.

Laws against insider trading mean the first edge is not significant. All investors can have access to the same information. The analytical edge is important, and it is an area where investors can compete for dominance. However, it is the behavioural edge that includes having a long-term orientation which is by far the most important and the single greatest edge an investor can have.

Doing the deep research and "being able to know 'what is the bogie for this business?' is the strength of value investing," she said, because stock prices follow revisions to expectations. McLemore cited that both successful marriages and successful investments benefit from going in with a set of lower expectations. She gave the example of her company's investment in General Motors, a company with low expectations that she considers deeply undervalued.

Here's a thought: Since the behavioural edge is the most important factor in long-term investing success, why don't business schools (and retail investors, too) study philosophy and Zen meditation to help gain better mastery over both the emotional and rational mind?

The Intelligent Investor – 75 Years Young

The luncheon keynote speaker was *Wall Street Journal* veteran columnist Jason Zweig. He is the author of several books and editor of revised editions of Benjamin Graham's iconic tome *The Intelligent Investor* which was first published in 1949. In his keynote, Zweig posed the question: "What can we learn from Benjamin Graham that still matters?"

Zweig argues that Benjamin Graham's insights as an investor and psychologist are enduring. Graham started investing in 1925 and created his fund, Graham-Newman Corp. in 1936. It ran for twenty years. During this period, the fund compounded wealth annually at 14.7 per cent compared to the S&P500 at 12.2 per cent.

Today, investors know him more for his formulas that he used to determine the intrinsic value of an asset, but Zweig refers to many of these formulas as "nonsense". Graham was a far more flexible and insightful thinker than a follower of static formulas. Zweig argued that Graham's greatest lasting contribution to finance was as an astute observer of human psychology. Knowing that there was always likely to be a gap between what people should do and what they would do, Graham stressed achievable solutions, not optimal ones. "You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right," he argued. Both retail and professional investors are often their own worst enemies by following market trends or buying high and selling low.

Here's a thought: It's not uncommon for investors to take an orthodox approach to a particular style of investing. This can lead to inflexible thinking and sub-optimal decision-making such as buying companies that are value traps. Unlike almost all professional investors, Graham rated, not his fund's performance, but his own performance based on the soundness of his reasoning and decision-making.

Active Investing: Finding The Orange Dot

Graeme Foster, portfolio manager of Orbis Investments, gave a lively talk on generating alpha by choosing "hairy" companies that are unloved and under-owned (visually represented by the orange dots in a sea of blue dots). He focused on movie cinemas as a sector that is "very hairy". First there was COVID when no one went to the movies, followed by the writers' and actors' strikes. Today, the cineplex competes with streaming platforms which offer high quality series and films, AR/VR technology which has many devotees, and rising inflation which has increased the costs of a night out at the movies. Since 2019, the industry has been in a secular decline with share prices dropping around 60 per cent. Yet, there is more to this story, Foster says.

Both Amazon and Apple have earmarked US$1billion each on new content slated for theatrical release. Why would streaming platforms bother to focus on theatres? A theatrical release still gives films a stamp of approval. The top ten movies, like *Dune* and *Frozen*, on most streaming platforms, had prior theatrical releases. This strategy generates big paydays for the owners of the content who get their cake and eat it, too, due to the longevity and relevance of the content. Cinema shares remain very cheap despite box office revenues going up. Even with fewer guests, the higher costs of ticket and concession treats are contributing to higher revenues. Foster predicts share prices will go back to 2019 levels by 2026. He mentioned Cinemark (CNK) as one example. Other publicly traded cinema companies include AMC, IMAX, and Cineplex (CGX) which reported revenues up 46 per cent from a year ago (for March) at $59.2 million vs. $40.6 million. Cinemas might just find their "Hollywood Ending".

Rita Silvan, CIM is a finance journalist specializing in women and investing. She is the former editor-in-chief of ELLE Canada and Golden Girl Finance. Rita produces content for leading financial institutions and wealth advisors and has appeared on BNN Bloomberg, CBC Newsworld, and other media outlets. She can be reached at rita@ellesworth.ca.

The Ombudsman For Banking Services And Investment Services Is At A Turning Point

Ken Kivenko

After years of deliberation, study and research, the Canadian Securities Administrators (CSA), the national umbrella organization for the country's provincial securities regulators, is consulting on the introduction of a binding decision system for the Ombudsman for Banking Services and Investments (OBSI, www.obsi.ca).

OBSI is the organization that handles complaints against investment Dealers with compensation up to $350,000. The comment period for the CSA consultation on a binding mandate for OBSI closed on February 28 with 42 submissions.[1]

Retail investors are regularly at a relative disadvantage when it comes to resolving a complaint against a financial institution. Most importantly, unlike dealers, retail investors are generally unable to afford the cost of a protracted legal process. OBSI is designed to level the playing field by providing a free service to facilitate resolving disputes between retail investors and investment Dealers. It has had a good track record, but it is limited by its inability to make binding compensation recommendations. In 2023 its audited annual budget was $10,826,292.

It is an efficient, informal way for retail investors to resolve complaints without having to go to court—it delivers faster, fair results without the need for a lawyer. According to the 2022 OBSI Annual report, the total compensation paid by investment dealers was just $1.3 M ($1,302,885). The average was $8,985 with a median of $1,596. The largest amount paid out by a dealer was $242,931. In 2022, 33.1 % (154/465) of investment-related complaints investigated by OBSI ended with a recommendation for compensation, which raises concerns about investors that did not engage with OBSI.

If a dealer rejects the OBSI's recommendation, the dealer may simply refuse to pay the recommended compensation, or, negotiate directly with retail investors, usually settling for a lesser amount (a "low-ball), to avoid expensive, extended, civil litigation. If there is a settlement, the dealer is shielded from a public "name and shame" posting on OBSI's website that an outright refusal would require.

There have been 22 instances since 2007 of firms that have refused to compensate investors or otherwise follow its dispute resolution orders. From 2015 through 2020, Dealers paid out nearly $3 million less than the aggregate amount OBSI recommended. On average, low settlement cases settled for 60% of OBSI's recommended amount of compensation. According to CSA statistics, the net result of the information and power imbalance, and the desire of complainants to settle the case is that about 45% of all OBSI recommendations over $50,000, and 67% of its recommendations over $200,000 settle for lower than the recommended amount.

Numerous consultations, consumer advocates and the International Monetary Fund (IMF) have called for change. An independent review of OBSI in 2022 concluded that the current Terms of reference where OBSI's only power is to "name and shame" investment dealers that don't abide by its rulings "provides an economic incentive for both parties to settle for amounts below OBSI's recommendation." Providing OBSI the mandate to render decisions that are binding on both parties "is consistent with international best practices and would bring more legitimacy to the system".

The binding decision proposal, if implemented, would grant OBSI binding decision-making power but would also see the CSA increase its oversight of OBSI's expenses, processes, governance, structure, and performance as well as introducing CSA compliance examinations and a new two-stage process for resolving client complaints:

The Investigation And Recommendation Stage 1:

OBSI would maintain its current informal inquisitorial approach to investigations. The primary change under this stage is that OBSI's recommendation would be final and binding, unless: (a) either party objects (within a certain stipulated period) and triggers a review under Stage 2; or (b) the complainant withdraws from the process.

If either the dealer or complainant objects to the OBSI's Stage 1 recommendation, the complaint than moves to Stage 2. OBSI will utilize a more senior investigator (who was not involved in Stage 1) to assess only the specific objections raised by the parties. The consultation does not provide an indication as to the types of objections that could be raised.

Without legal support, many retail investors may not have the capacity to make an informed decision regarding their objections. Guidelines will need to be made available to inform complainants on what constitutes a meaningful objection and the implications of filing an objection.

Another feature of the process is that if the complainant doesn't accept or reject the recommendation within a prescribed time period, they would be bound by the recommendation. Silence equals acceptance is not regarded as investor-friendly by many consumer advocates; express consent is the preferred model.

Stage 2: Review And Decision

During this second stage, the OBSI investigator may implement new procedural mechanisms to resolve the objections ranging from inquisitorial to adversarial, provided these mechanisms are deemed necessary to fairly and proportionately resolve the dispute. A characteristic in the proposed framework that distinguishes it from international ombudsperson best practices is that the complainant would be bound by a final decision made by the identified ombudservice, where the complainant triggered Stage 2. Some consumer groups are questioning this unusual constraint on a complainant using an ombudservice. However, if the client opts not to continue to a second-stage review requested by the dealer, they could still pursue their complaint outside OBSI, such as through civil litigation, mediation or Investment Industry Regulatory Organization of Canada (IIROC) arbitration.

Once the Stage 2 review is complete, OBSI issues a final and binding decision with no further right to contest the decision, including any right of appeal. However, a judicial review will be available to challenge OBSI's decision process.

The paper states that A judicial review takes another look at a decision or order made by an administrative body to ensure the decision or order is fair, reasonable, and lawful. It is not an opportunity to re-examine the case. The CSA consultation paper goes on to assert: Because judicial review would not generally consider the case afresh but instead focus on procedural and substantive aspects at issue, we anticipate that judicial review will be an effective means for parties to raise concerns with the identified ombudservice's final decisions. Consumer advocates question whether it will be an effective means for the average Canadian retail investor to raise concerns with the decision without legal counsel, added costs, time and lots of stress.

The CSA proposal would also make a few changes to securities laws such as limiting complainant access to OBSI to "registerable activities", which raises concerns since some complaints such as retirement advice might not be within scope for OBSI. It also redefines complaint as "an expression of dissatisfaction by a client that relates to a trading or advising activity of a registered firm or a representative of the firm". While most investor advocates assert this is too limiting, some industry participants claim it is too broad.

The consultation paper does not address how the binding framework would deal with low-ball settlements except that it would not disallow "negotiated" settlements even when Stage 2 has been triggered by the dealer. Consumer advocates are calling for these settlements to be made public (complainant name anonymized). The consultation paper is also silent on how systemic issues would be addressed.

The oversight regime would apparently "follow the approach for oversight of SROs, clearing agencies, and exchanges." There is a serious concern that independence would be impaired by effectively making OBSI an extension of the CSA. OBSI's independence is absolutely critical and must be respected in any potential oversight regime—accountability must be balanced with independence and any oversight regime should be proportionate to the concerns that regulators may have about OBSI's actual performance—which has been independently reviewed and praised 3 times by non-CSA independent reviews.

While the CSA proposal plans to ban dealer complaint-handling entities using misleading nomenclature such as "ombudsperson" (already prohibited under the Bank Act for banks), it does not prohibit unregulated entities such as dealer affiliates or head office staff providing final response letters to clients.

One important component that is missing in this consultation paper is the issue of consumer vulnerability and how the additional time and decision-making complexity (e.g. adversarial at Stage 2) will affect vulnerable/unrepresented complainants.

Judging from published comment letters, it appears that retail investors want to see the initiative move forward as quickly as possible and Non-Disclosure Agreements eliminated from the complaint handling process. Consumers expressed concern regarding excessive CSA oversight that could impact OBSI independence and costs.

Recommendations from investors for increasing the compensation limit varied from inflation indexing to an immediate increase to $500K. Industry participants suggest the limit is already too high especially for high dollar amounts.

A Coalition of consumer groups made a joint submission that broadly supported the proposal but recommended some changes and clarifications.[2]

Based on public comments, the industry is opposed to binding without an appeal provision. Their objections included:

- Data does not support the need for binding authority.
- Limitation period of 6 years is too long.
- Stage 2 review is biased—OBSI reviewing OBSI—want a real appeal process.
- OBSI processes unsuitable for larger dollar claims.
- The framework will result in longer resolution times and increased costs for dealers.
- OBSI have not used “Name and Shame” to full extent—should consider low- ball settlements as refusals.
- OBSI staff unfamiliar with applicable laws.
- Errors and Omissions insurance may not be available for smaller dealers.
- OBSI does not understand the exempt market.
- Opportunity cost loss calculation method is unfair; only actual losses incurred should be assessed.

Most of these arguments have been debunked by independent reviews including Professor Puri’s independent review report but there is no doubt process costs and cycle time will rise to accommodate the proposed binding process.

While there is a high-level consensus among Canadian provincial securities regulators that there should be binding authority for dispute resolution and investor compensation, there are differences in approach. Québec is not really signed on—it plans to continue using its own dispute resolution service—and BC is considering legislative changes “that may achieve the same outcomes as those intended by the proposed framework”. Saskatchewan has pre-empted the consultation by passing Bill 150, a Bill that would allow the province’s Financial Consumer Affairs Authority (FCAA) to designate an independent dispute resolution service with the power to make binding orders.

The timing for implementing binding is uncertain as the CSA must assess all the comments received and each province and territory must pass legislation that would allow the ombudservice to make binding decisions.

The consultation paper makes it clear that there is no assurance that a binding decision mandate will result from the consultation. There is no way to predict how this will play out. It is almost certain, however, that some nasty days lay ahead as Main Street faces off against Bay Street.

If approved, a binding mandate would improve investor outcomes and more generally would improve how dealers handle complaints. Stay tuned.

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1 https://www.osc.ca/en/securities-law/instruments-rules-policies/3/31-103/csa-notice-and-request-comment-registered-firm-requirements-pertaining-independent-dispute/comment-letters

2 2024_02_28_Comment-Letter_CSA-Binding-Authority-Proposal_Eng_ver.0.pdf (faircanada.ca)

TOP US DIVIDENDS - $2B MARKET CAP MINIMUM

Includes special dividends and prior to any recent cuts over the last 12-month period.

Ticker	Name	Market Cap ($)	Proj 12M Dvd Yld (%)	Price ($)	P/E	Total Return YTD
BITO US Equity	PROSHARES BITCOIN STRAT ETF	$2.05B	79.55	26.67		61.30
IEP US Equity	ICAHN ENTERPRISES LP	$7.37B	24.46	16.35		6.34
AGNC US Equity	AGNC INVESTMENT CORP	$7.06B	14.81	9.72	10.68	5.49
GOF US Equity	GUGGENHEIM STRATEGIC OPPORTU	$2.11B	14.75	14.81		23.40
BXMT US Equity	BLACKSTONE MORTGAGE TRU-CL A	$2.99B	14.35	17.28		-16.21
PDI US Equity	PIMCO DYNAMIC INCOME FUND	$5.96B	13.66	19.37		14.29
NLY US Equity	ANNALY CAPITAL MANAGEMENT IN	$9.89B	13.14	19.78		5.53
PSEC US Equity	PROSPECT CAPITAL CORP	$2.36B	12.72	5.66	7.87	-0.33
ABR US Equity	ARBOR REALTY TRUST INC	$2.81B	12.50	13.76	9.62	-3.42
FSK US Equity	FS KKR CAPITAL CORP	$5.77B	12.41	20.63	18.57	7.75
ARLP US Equity	ALLIANCE RESOURCE PARTNERS	$3.02B	11.86	23.60	5.12	18.95
SBLK US Equity	STAR BULK CARRIERS CORP	$3.12B	11.31	26.52	12.14	27.07
INSW US Equity	INTERNATIONAL SEAWAYS INC	$3.07B	11.25	62.24	6.10	40.35
QYLD US Equity	GLOBAL X NASD 100 COV CALL	$8.15B	11.11	17.58		6.51
JPC US Equity	NUVEEN PREFERED & INCOME OPP	$2.31B	10.99	7.26		11.07
URA US Equity	GLOBAL X URANIUM ETF	$3.47B	10.96	30.68		10.80
MPW US Equity	MEDICAL PROPERTIES TRUST INC	$3.31B	10.87	5.52		16.24
NEP US Equity	NEXTERA ENERGY PARTNERS LP	$3.08B	10.82	33.00		15.21
TX US Equity	TERNIUM SA-SPONSORED ADR	$8.50B	10.37	42.44	12.56	5.36
JEPQ US Equity	JPM NASDAQ EQUITY PREMIUM	$13.90B	10.02	53.87		12.11
STWD US Equity	STARWOOD PROPERTY TRUST INC	$6.10B	9.94	19.32	16.05	-5.92
AMBP US Equity	ARDAGH METAL PACKAGING SA	$2.40B	9.93	4.03		8.02
PTY US Equity	PIMCO CORPORATE & INCOME OPP	$2.30B	9.85	14.48		14.03
BXSL US Equity	BLACKSTONE SECURED LENDING F	$6.04B	9.81	31.40	7.94	16.44
BSM US Equity	BLACK STONE MINERALS LP	$3.32B	9.50	15.79	9.76	4.35
EXG US Equity	EATON VANCE TAX-MANAGED GLOB	$2.54B	9.50	8.30		11.60
WES US Equity	WESTERN MIDSTREAM PARTNERS L	$14.03B	9.46	36.98	12.28	32.22
FRO US Equity	FRONTLINE PLC	$5.98B	9.23	26.88	9.40	36.13
DNP US Equity	DNP SELECT INCOME FUND INC	$2.92B	9.09	8.58		4.95
KNG US Equity	FT VEST S&P 500 DIVIDEND ARI	$2.77B	8.97	51.24		2.81
OBDC US Equity	BLUE OWL CAPITAL CORP	$6.44B	8.95	16.54	8.61	15.73
ARCC US Equity	ARES CAPITAL CORP	$13.25B	8.90	21.57	9.35	10.27
KSS US Equity	KOHLS CORP	$2.49B	8.90	22.47	9.06	-20.12
BKLN US Equity	INVESCO SENIOR LOAN ETF	$8.20B	8.90	21.14		3.30
RITM US Equity	RITHM CAPITAL CORP	$5.43B	8.90	11.24	7.01	7.60
USAC US Equity	USA COMPRESSION PARTNERS LP	$2.77B	8.85	23.72	58.03	8.35
CIVI US Equity	CIVITAS RESOURCES INC	$6.80B	8.83	67.94	6.76	1.41
SRLN US Equity	SPDR BLACKSTONE SENIOR LOAN	$6.53B	8.76	41.81		3.44
OMF US Equity	ONEMAIN HOLDINGS INC	$5.70B	8.74	47.59	8.93	0.81
ETY US Equity	EATON VANCE TAX-MANAGED DIVE	$2.14B	8.73	13.64		15.75
TFSL US Equity	TFS FINANCIAL CORP	$3.64B	8.71	12.98	48.07	-9.69
AB US Equity	ALLIANCEBERNSTEIN HOLDING LP	$3.88B	8.65	33.77	10.98	13.85
MSDL US Equity	MORGAN STANLEY DIRECT LENDIN	$2.08B	8.58	23.32		54.84
TSLX US Equity	SIXTH STREET SPECIALTY LENDI	$2.01B	8.47	21.72	9.21	3.47
XYLD US Equity	GLOBAL X S&P 500 COVE CALL E	$2.87B	8.44	40.06		5.61
OUT US Equity	OUTFRONT MEDIA INC	$2.36B	8.43	14.23		4.06
MO US Equity	ALTRIA GROUP INC	$80.43B	8.37	46.83	9.26	18.74
MPLX US Equity	MPLX LP	$41.37B	8.35	40.72	10.30	15.76
EWZ US Equity	ISHARES MSCI BRAZIL ETF	$4.59B	8.35	29.25		-16.33
EPR US Equity	EPR PROPERTIES	$3.11B	8.31	41.14	14.95	-12.21
AMLP US Equity	ALERIAN MLP ETF	$8.28B	8.29	45.35		10.99
ET US Equity	ENERGY TRANSFER LP	$51.79B	8.26	15.37	12.84	16.16
SBRA US Equity	SABRA HEALTH CARE REIT INC	$3.37B	8.22	14.60	30.24	6.76
TIP US Equity	ISHARES TIPS BOND ETF	$18.23B	8.17	106.75		0.71
OHI US Equity	OMEGA HEALTHCARE INVESTORS	$8.10B	8.17	32.82	29.26	11.97
HTGC US Equity	HERCULES CAPITAL INC	$3.19B	8.13	19.68	9.37	24.22

MULTI-ASSET INCOME ETFs

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WHAT ARE MULTI-ASSET INCOME ETFs?

Income generation and capital preservation are two of the most critical things for income-seeking investors. That said, investors are constantly challenged to manage diversification, rebalancing, asset allocation, yield etc., in their portfolios. These have always been key concerns for do-it-yourself investors. At the end of the day, not every person can self-manage their portfolio, people have full-time jobs and other needs in life other than just financial matters. In addition, most investors find it challenging to construct a broadly diversified portfolio in a cost-effective way to address these concerns, considering trading expenses and other fees.

Some of the prominent features:

There are many advantages to owning Multi-Asset Income ETFs including:

1. **Diversification:** While investors may have expertise in one asset class such as bonds, it may be challenging to fully understand the workings of other asset classes such as REITs. These ETFs address that issue by holding a wide variety of asset classes, helping investors benefit from diversification by owning various asset classes that may not be available to retail investors, without a requirement for expertise in each asset class.

2. **Low-cost:** Investors need to rebalance their portfolios occasionally to ensure proper asset allocation and selection. For investors who choose to do it themselves, this could be quite expensive in terms of trading fees, tax efficiency, etc. These ETFs provide a low-cost way to gain these benefits.

3. **Yields and asset allocation:** These funds earn income from both dividends and interest from various assets. Depending on the strategies the funds are pursuing, fund managers set a targeted fund objective strategy which dictates the asset allocation, investment objectives and risk tolerance of the fund. For example, a fund may have a higher allocation in dividend-paying stocks as the managers believe the economy is expanding or a fund could have an investment objective that leans toward capital appreciation rather than income. Investors can pick and choose the ETFs that fit their needs.

4. **Risk management:** These funds apply various strategies to enhance downside protection and capital preservation by actively selecting or divesting securities at opportunistic times through active management to mitigate or take advantage of the market conditions.

Multi-asset income ETFs offer a variety of benefits that are appealing to income investors. Due to their simplicity, investors can comfortably buy and forget. Investors need to thoroughly understand the investment objectives, asset allocations, and underlying holdings to make sure these products fit with investors' goals and risk tolerance.

iShares Morningstar Multi-Asset Income ETF (IYLD)

The iShares Morningstar Multi-Asset Income ETF (IYLD)'s investment objective is to provide investors with diversified sources of income along with an opportunity for capital appreciation through a portfolio of diversified asset classes composed of equity, fixed income, and other income funds. IYLD has a target asset allocation of 60% bonds, 20% stocks, and 20% alternative sources. IYLD is a well-established ETF which currently has $116 million in Assets Under Management (AUM), with a twelve-month trailing yield of 5.96%, which is distributed on a monthly basis, and a Management Expense Ratio (MER) of 0.60%.

IYLD's portfolio is quite concentrated with only nine holdings, however, each holding is an ETF that consists of a diversified portfolio of underlying securities. For example, the largest position is iShares iBoxx $ High Yield Corporation, which holds more than 1000 securities. Therefore, IYLD's portfolio of nine holdings is conservatively diversified. The ETF's geographic exposure is concentrated heavily in the U.S. securities market with 58% of the holdings domiciled in the U.S., and the remaining from other countries such as Canada, the U.K., China, France, etc.

Purpose Multi-Asset Income Fund (PINC)

The Purpose Multi-Asset Income Fund ETF (PINC) is designed to provide investors with diversified income streams, with asset selection managed by investment managers who have specialized knowledge in their fields. PINC's investment strategies include global dividend equities, options, preferred shares, fixed income and other credit instruments.

PINC currently has around $192 million in AUM, charges an MER of 1.02% and a twelve-month trailing yield of 5.93%. PINC has a relatively high allocation in equities with around 75% of the fund allocated to high-yield stocks. Fixed income and alternatives account for 12.1% and 5.6% of the portfolio, respectively. The remaining is allocated to preferred shares of 6% and cash of 3.7%.

The ETF's performance since inception has been around 3.00% annualized. PINC's portfolio is broadly diversified, with the largest sectors consisting of Real Estate, Financials, and Utilities, as these industries pay attractive, stable dividend income.

Invesco Zacks Multi-Asset Income ETF (CVY)

Invesco Zacks Multi-Asset Income ETF (CVY) is an ETF with asset allocation based on the Zacks Multi-Asset Income Index. CVY would invest at least 90% of assets in securities comprising that index, including assets such as U.S. shares, American depositary receipts (ADRs) that pay dividends, REITs, closed-end funds, and traditional preferred stocks.

CVY has amassed a total AUM of around $114 million, charges an MER of 1.06%, provides an average dividend yield of 4.6% and a Price/Earnings ratio of 12 times. The fund has a decent concentrated value strategy with small-cap value accounting for 33.8%, while mid-cap value and large-cap value contribute 20.9% and 22.0%, respectively.

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Disclosure: Authors, directors, partners and/or officers of 5i Research have a financial or other interest in XIT and ZRE.

TOP FUNDS RANKED BY FIVE-YEAR RETURN AS OF MAY 30 2024

Fund Name	1 Month Return (mth-end)	3 Month Return (mth-end)	6 Month Return (mth-end)	YTD Return (mth-end)	1 Year Return (mth-end)	3 Year Return (mth-end)	5 Year Return (mth-end)	10 Year Return (mth-end)	15 Year Return (mth-end)	Yield 12 Mo	MER	Mgmt Fee	Total Assets ($Mil)
EMERGING MARKET EQUITY													
Mackenzie Emerging Markets PWX	2.67	10.98	17.30	9.89	19.30	1.98	8.11	-	-	2.47	-	-	795.65
Canada Life Emerging Markets Equity N	2.64	10.89	17.16	9.83	19.34	2.02	8.06	8.13	-	2.46	0.01	-	25.81
Mackenzie Emerging Markets II O	2.67	10.86	16.84	9.62	18.48	1.77	7.91	8.06	8.74	0.00	-	-	59.28
Mackenzie Emerging Markets II PWX	2.67	10.86	16.84	9.62	18.48	1.77	7.88	8.05	-	0.00	-	-	59.28
Canada Life Emerging Markets Equity QFW	2.55	10.62	16.58	9.45	18.14	0.99	7.07	-	-	1.57	1.02	0.80	25.81
Mackenzie Emerging Markets F	2.57	10.70	16.68	9.50	18.05	0.92	7.00	-	-	1.64	1.04	0.80	795.65
Mackenzie Emerging Markets PWFB	2.57	10.69	16.68	9.50	18.03	0.89	6.96	-	-	1.62	1.07	0.80	795.65
Canada Life Emerging Markets Equity F	2.54	10.60	16.54	9.43	18.06	0.84	6.91	6.80	7.29	1.53	1.13	0.80	25.81
Mackenzie Emerging Markets II F	2.57	10.57	16.24	9.24	17.24	0.72	6.90	6.88	7.42	0.00	1.04	0.80	59.28
Mackenzie Emerging Markets II PWFB	2.57	10.58	16.25	9.25	17.26	0.72	6.90	-	-	0.00	1.04	0.80	59.28
Canada Life Emerging Mkts Lrg Cp Eq F	2.69	12.40	19.03	10.84	17.50	0.36	6.90	-	-	1.58	1.10	0.80	42.36
Canada Life Emerging Markets Equity QF	2.51	10.52	16.36	9.32	17.69	0.61	6.73	-	-	1.31	1.39	1.00	25.81
Mackenzie Emerging Markets FB	2.54	10.60	16.49	9.38	17.66	0.58	6.62	-	-	1.41	1.39	1.00	795.65
Mackenzie Emerging Markets D	2.54	10.62	16.52	9.39	17.69	0.51	6.54	-	-	1.48	1.38	1.00	795.65
Canada Life Emerging Mkts Concntr Eq F	-1.03	5.84	14.87	2.27	7.45	-0.31	6.49	-	-	0.59	1.19	0.90	247.31
Mackenzie Emerging Markets II D	2.54	10.50	16.08	9.13	16.91	0.34	6.49	6.48	-	0.00	1.34	1.25	59.28
Mackenzie Emerging Markets II F	0.92	7.97	17.12	5.05	15.39	-3.00	6.33	4.46	6.40	-	1.04	0.80	43.15
Mackenzie Emerging Markets II I	2.50	10.37	15.81	8.96	16.36	-0.04	6.19	6.25	6.89	0.00	1.80	1.35	59.28
CI Emerging Markets Class P	1.77	7.89	15.69	8.05	16.54	-0.54	6.04	-	-	3.37	0.26	-	593.99
Canada Life Emerging Markets Equity W	2.44	10.31	15.92	9.04	16.79	-0.16	6.00	5.92	-	0.58	2.16	1.80	25.81
PRECIOUS METAL EQUITY													
Canada Life Precious Metals N	7.24	25.90	27.57	16.13	4.95	4.91	18.93	11.93	-	1.70	0.01	-	159.85
Mackenzie Precious Metals PWX	7.07	25.48	27.03	15.69	4.83	4.84	18.88	-	-	0.00	-	-	187.89
Mackenzie Precious Metals O	7.06	25.49	27.04	15.70	4.83	4.85	18.87	11.9	8.95	0.00	-	-	187.89
Dynamic Precious Metals Series I	2.59	21.60	26.42	11.26	9.85	4.32	17.96	16.16	9.36	0.00	0.08	0	550.48
IG Mackenzie Global Precious MetalsF	7.01	25.50	26.69	15.61	3.68	4.05	17.90	10.72	-	0.39	1.08	0.75	133.44
Mackenzie Precious Metals F	6.96	25.16	26.38	15.29	3.74	3.76	17.74	10.66	7.62	0.00	1.05	0.80	187.89
Canada Life Precious Metals QFW	7.14	25.57	26.89	15.71	3.82	3.78	17.68	-	-	0.76	1.10	0.80	159.85
Mackenzie Precious Metals PWFB	6.97	25.17	26.39	15.30	3.75	3.77	17.67	-	-	0	1.04	0.80	187.89
Canada Life Precious Metals F	7.14	25.57	26.88	15.70	3.81	3.68	17.60	10.5	-	0.74	1.18	0.80	159.85
Mackenzie Precious Metals FB	6.93	25.05	26.15	15.15	3.36	3.37	17.37	-	-	0.00	1.42	1.00	187.89
Canada Life Precious Metals QF	7.10	25.45	26.65	15.56	3.42	3.40	17.35	-	-	0.46	1.47	1.00	159.85
Mackenzie Precious Metals D	6.94	25.08	26.21	15.19	3.45	3.38	17.31	10.27	-	0.00	1.34	1.25	187.89
Mackenzie Precious Metals F	5.25	22.22	27.34	10.88	2.10	-0.08	17.11	8.16	6.59	-	1.05	0.80	136.76
Mackenzie Precious Metals I	6.88	24.90	25.84	14.96	2.84	2.87	16.85	9.91	7.03	0.00	1.91	1.35	187.89
Mackenzie Precious Metals D	5.22	22.14	27.17	10.78	1.81	-0.44	16.67	7.78	-	-	1.34	1.25	136.76
Canada Life Precious Metals W	7.03	25.23	26.20	15.28	2.68	2.65	16.58	9.61	-	0.00	2.19	1.80	159.85
Mackenzie Precious Metals PW	6.86	24.83	25.70	14.87	2.60	2.63	16.56	9.59	-	0.00	2.14	1.80	187.89
Dynamic Precious Metals Series F	2.47	21.24	25.66	10.81	8.53	3.07	16.54	14.74	7.94	0.00	1.28	1.00	550.48
IG Mackenzie Global Precious MetalsJNL	6.89	25.12	25.91	15.13	2.39	2.79	16.45	9.36	-	0.00	2.32	1.60	133.44
Mackenzie Precious Metals A	6.82	24.71	25.46	14.73	2.21	2.24	16.18	9.24	6.32	0.00	2.52	2.00	187.89

TOP FUNDS RANKED BY FIVE-YEAR RETURN AS OF MAY 30, 2024

Fund Name	1 Month Return (mth-end)	3 Month Return (mth-end)	6 Month Return (mth-end)	YTD Return (mth-end)	1 Year Return (mth-end)	3 Year Return (mth-end)	5 Year Return (mth-end)	10 Year Return (mth-end)	15 Year Return (mth-end)	Yield 12 Mo	MER	Mgmt Fee	Total Assets ($Mil)
REAL ESTATE EQUITY													
Dynamic Global Real Estate Series I	-6.25	-3.87	11.18	-4.73	-2.57	0.60	3.31	7.4	10.45	3.70	0.11	-	221.54
Middlefield Real Estate Dividend F	-6.51	-4.41	10.88	-4.71	-1.90	-0.47	2.70	6.34	-	4.89	1.16	0.75	34.37
Dynamic Global Real Estate Series F	-6.34	-4.13	10.57	-5.09	-3.64	-0.51	2.17	6.18	9.19	2.53	1.21	1.00	221.54
CI Global REIT PT8	-5.68	-3.46	9.89	-5.03	-0.39	-1.32	2.17	-	-	0.46	0.17	-	428.82
CI Global REIT P	-5.70	-3.49	9.81	-5.07	-0.51	-1.35	2.15	-	-	3.10	0.16	-	428.82
CI Global REIT O	-5.70	-3.49	9.81	-5.07	-0.52	-1.36	2.12	-	-	3.04	0.16	-	428.82
Ninepoint Global Real Estate F	-6.72	-2.48	9.24	-3.75	-5.12	-1.60	2.07	-	-	4.78	1.95	1.00	4.90
CI Global REIT Cl P	-5.68	-4.00	9.13	-5.57	-1.09	-1.53	2.01	-	-	0.00	0.17	-	32.96
CI Global REIT Cl O	-5.68	-4.00	9.12	-5.58	-1.10	-1.54	2.00	-	-	0.00	0.17	-	32.96
CI Global REIT Cl PT8	-5.69	-4.00	9.12	-5.58	-1.11	-1.54	2.00	-	-	0.00	0.17	-	32.96
CI Canadian REIT F	-6.30	-5.38	11.79	-4.87	-4.34	-1.50	1.92	6.74	-	1.88	1.24	1.00	58.05
Ninepoint Global Real Estate D	-6.72	-2.47	9.26	-3.74	-5.10	-1.57	1.91	-	-	4.78	1.92	1.00	4.90
Counsel Global Real Estate Sr P	-3.78	-1.01	10.24	-3.33	-1.45	-1.13	1.80	5.44	8.82	4.13	0.18	-	150.97
Counsel Global Real Estate Sr I	-3.78	-1.01	10.24	-3.33	-1.45	-1.13	1.80	5.44	8.80	4.13	0.18	0.95	150.97
United Real Estate Investment Pool Cl W	-4.48	0.02	12.01	-2.58	1.33	-1.05	1.67	6.48	9.6	3.73	0.18	-	292.59
Sterling Mortgage Income C	-1.12	2.95	-2.01	2.95	0.16	2.50	1.63	-	-	0.00	-	2.00	200.24
Middlefield Real Estate Dividend A	-6.61	-4.59	10.34	-5.03	-3.02	-1.57	1.57	5.19	-	5.89	2.29	1.75	34.37
Sterling Mortgage Income UC	-0.92	0.70	-1.74	0.70	-0.04	-0.03	1.39	-	-	0	-	2.00	152.13
United Real Estate Investment Crp Cl WT8	-4.46	-0.06	11.78	-2.66	1.09	-1.41	1.32	6.2	-	0	0.20	-	418.57
United Real Estate Investment Corp Cl W	-4.46	-0.06	11.78	-2.66	1.06	-1.42	1.30	6.19	9.33	0.00	0.19	-	418.57

CHART NOTES

For information on the category definitions, please visit http://www.cifsc.org/en/index.php. Front load funds (Frnt) charge a fee to investors when units are purchased; deferred load funds (Def) charge a fee when units are redeemed. Front loads may be reduced (in percent terms) as the size of the investment increases; deferred loads may decrease as the time elapsed between purchase and redemption lengthens. Some funds have either a front load or a deferred load (FnDf). Others have no load fee (None). Deferred sales charges also known as a back-end load, these deferred charges typically go down each year you hold the fund, until eventually they reach zero. Deferred sales charges give investors an incentive to buy and hold, as well as a way to avoid some sales charges. n Year Return - The average annual compound (annualized) rate of return the fund has performed over the last “n” years. It assumes reinvestment of any dividend or interest income. 1 Year Return (Yr ending DecYY) - An annual return is the fund or portfolio return, for any 12-month period, including reinvested distributions. Tax Efficiency - Calculated by dividing the fund’s tax-adjusted return (pre-liquidation) by its pre-tax return, and can only be calculated when both pre-tax returns and tax-adjusted returns are positive. Distribution Frequency - The interval at which regular capital or income dividends are distributed to fund unitholders. Year end Quartiles - The quartiles (1 to 4) give the individual fund its position relative to all others in the fund type category. For example, if the fund’s quartile value is “1” for the Dec 2010 yearend, this means the fund’s rate of return for the 12 months ending Dec 31, 2010 is in the top 25% of all funds in its fund type category.

Source - Morningstar PalTrak, Morningstar Canada, (800) 531-4725, http://www.morningstar.ca.

Ask the Experts

You must accompany your inquiry with your Membership Number (ID) and your e-mail to have your question reviewed. Inquiries are responded to directly and the Q&A may be published here later.

Q: *Stop loss question.*

Today, pre-market the ETF SPMO has a bid of 74.27. Ask 89.90

Last trade yesterday 81.48.

If an investor had a stop loss of ,for example 79.50

Would the low bid take out the shares?

A: A trade has to take place at or below the stop loss price for it to be triggered, so in the example, no. Also, most brokers will not execute stop loss orders in after or pre-market hours.

5I RESEARCH.CA

Q: *Where do you suggest we reference historical P/E averages for any CDN or USA equities?*

A: We would suggest MorningStar as a free resource which offers a charting tool for historical P/E. It can be limited for certain small cap CDN equities but overall it is a good resource.

5I RESEARCH.CA

Q: *There have recently been questions about the number of stocks to own in a portfolio and diversification across a portfolio versus accounts. I need to reduce the number of stocks I own, but I am debating what the portfolio should look like when I am finished. My wife and I manage our account as a combined portfolio, but the result is that we are dealing with eight accounts (unregistered, TFSA, RRSP/RRIF). I would be interested in your thoughts on the minimum number of stocks in an account so it is not a bet on a couple of stocks, and the idea of having the same stock(s) in multiple accounts.*

A: There is really no simple answer here. We do like to look at an investors' portfolios in aggregate, which implies that fewer stocks can be held in one account as long as there is diversification across many accounts. But it is not that simple. In addition to the pyschological impacts (i.e of seeing one stock at, say, 33% of a portfolio) there are tax considerations. A 25% position in a registered account that becomes a losing position means giving up usable tax losses. A 35% winning position in a TFSA is better than the same in an RRSP, as the latter will eventually be taxed. From a diversification standpoint, no more than 20 stocks are really needed. But with eight accounts, that would be less than three stocks each. But keep in mind the same stock can certainly be held in multiple accounts. If it is an expected winner, it probably should be held in multiple accounts. So a better number might be 30, assuming some overlapping stocks and allowing for some account planning, such as growth stocks in a TFSA and usable dividend tax credits in a non-registered account.

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Q: *I'm having a hard time determining when to sell a stock. I feel like I either sell too early or hold too long. I think it's probably better to trip earnings but how do I know when to?*

A: Here are some blogs that should provide some guidance. Peter Hodson also has a recent article in Canadian Money Saver that outlines reasons to sell:

https://www.5iresearch.ca/blog/thoughts-from-reddit-when-should-investors-sell https://www.5iresearch.ca/blog/when-to-sell-a-stock-for-portfolio-optimization

https://www.5iresearch.ca/blog/when-to-sell-a-stock-for-fundamental-reasons

https://www.5iresearch.ca/blog/selling-too-early-might-be-a-mistake-five-things-to-consider-first

5I RESEARCH.CA

Q: *What are your thoughts on being overweight US stocks vs. CDN for the next year or so?*

A: The US economy is strong, and certainly stronger than Canada's. US rates may stay higher longer than Canadian rates, which may boost the US dollar. The US also has larger, global companies, with leaders in growth sectors (such as AI). All of this leads us to continue to favour the US over Canada for the next little while.

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Q: *Can you tell me where I could find out where the Canada Pension Plan, OMERs, and Ontario Teachers Fund invest in equities. are they up to date?*

A: These are available at each web site.

Here is the CPP:

https://www.cppinvestments.com/for-canadians/a-year-in-review/

They are typically dated, but can offer some insights.

5I RESEARCH.CA

Q: *In one of your podcasts Peter Hodson had mentioned looking at small caps for growth opportunities. Can you suggest what screening criteria one could use to come up with a list to potential candidates?*

A: Sometimes it is an art more than a science. We like to start with strong balance sheets (survive before you prosper). Strong revenue growth. Strong earnings growth. Free cash flow. High return on equity. High insider ownership. Outperforming peers (faster growth). Good execution (beating estimates). Not too small ($100M or more, typically). Good dividend coverage (if there is a dividend). Positive momentum (both stock and earnings). Earnings and ratings upgrades.

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Portfolio *Confidential*

Do you have questions about your own investment portfolio? *Consider calling The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion:* ***barbara@barbarastewart.ca***

Barbara Stewart

My husband and I are both 36 years old and we have a two-year-old daughter. When you are married, should you look at your portfolios collectively or separately? I manage both my husband's and my portfolios and I've been treating them as individual portfolios. However, should I consider my husband's holdings and how they compare to my own? For example, my husband and I both own Tesla. Is it fine to hold some of the same stocks as a spouse or should you diversify further?

Unless you have legal reasons to keep your portfolios entirely separate, I recommend that you manage your accounts on a consolidated basis. Risk management will be key to your long-term financial success and the most effective way to manage risk is to pay close attention to your weightings in each individual stock or Exchange-Traded Fund (ETF). Whether you own 10, 20, or 30 positions, you should try to keep them evenly balanced in terms of the dollar amounts.

I don't know how you came up with your overall portfolio strategy but here are four comments for your consideration:

1) You mention that you and your husband both own Tesla. If we exclude the Registered Education Savings Plan (RESP) value, your combined portfolio is worth approximately $97,000. With 26 individual companies (or ETFs) a balanced weighting would be about $3,700 per name. Your total in Tesla is $4,300 so not too out of line.

2) I can't help but notice that your weighting in Nvidia is way out of whack with the rest of your portfolio. Congratulations on making a lot of money investing in that company! (At least for now.) One of the most common mistakes investors make is falling in love with a stock and having a disproportionate amount of money in their beloved. One of the most common rationales for doing so is "This company is changing the world!" But the trouble is anything can happen at any time to any company… including Nvidia. So, what to do?

My advice is to rebalance the position to maintain a sensibly diversified portfolio. Sell a pre-determined amount on a schedule of pre-determined dates over the next few months. The goal is to pare back to a balanced weighting in an orderly fashion so as not to be driven by emotion.

As fun as it seems now to have 45% of your consolidated portfolio in a high-flying momentum stock such as Nvidia, it might not be fun forever. For the sake of risk management, it is best to recognize that holding a 45% position in one stock is, in fact, speculation, not investment.

Finally, if you just can't bear to sell, move your Nvidia position to a separate account and label it "speculative"—look at it as a standalone holding that could win big or lose big. Also, you will no longer be skewing the performance return or strategy of your "normal" investment portfolio.

3) Focus on risk management and rebalance the weightings across your consolidated portfolio. As mentioned in point one, with 26 individual companies (or ETFs) a balanced weighting would be about $3,700 per name. You and your husband each have holdings that are less than 1% of your combined total. That's too small to make a difference. I would advise you to either buy more as you rebalance or get rid of them entirely.

4) Your daughter's RESP account is very small currently. There is no need to own five different ETFs. Owning just one ETF will offer more than enough diversification. I'd streamline and move the entire amount into the S&P 500 ETF to keep your costs as low as possible. You may want more diversification if it grows a lot, but a single holding is fine for now.

MoneyDigest

This column offers excerpts from published and online sources to provide other viewpoints.

SPOTIFY TECHNOLOGY SA (SPOT)

YEAR OF MONETIZATION GETS ITS FIRST BOOST; REITERATE BUY, PT TO $405

■ June's announced U.S. plan price increases put Spotify in front of rivals for the first time, leveraging a differentiated music + exclusive podcasts + free (for now) audiobook offerings. The individual/duo/family plans increase $1/$2/$3 to $11.99/$16.99/$19.99, respectively. This latest increase follows Spotify's first U.S. pricing increase last July and suggests the free audiobook engagement it's presently subsidizing is continuing to scale into the loosely 25% of its user base, announced in front of its 1Q earnings call. We still expect to audiobook paywalls to eventually be embedded in bundled tiers that are accretive to existing premium gross margin (see our $17.99/$24.99 bundle analysis here) and await further updates on audiobook engagement growth. Until then, our positive estimate revisions (see table below) associated with these U.S. price increases reflect no gross margin accretion.

■ Reflecting the above-discussed U.S. premium plan price increases, we raise '24E/'25E premium revenue +3.2%/+6.7% to $13.96B/$16.23B, respectively -see revisions table below. Note, our revisions assume U.S. individual/duo/family/student sub mix of 63%/2%/24%/11% (Second Measure, Oct. '21), resp., and no incremental sub attrition. We increase '24E/'25E GAAP operating profit +13%/+20% to €1.17B/€1.89B, resp., reflecting 100% flow through of the price increases to our prior ~1000 bps '24E operating leverage y/y. We assume no change to SBC and, as discussed above, no pricing-related GM accretion and only modest lift due to slightly higher premium mix shift. Reit Buy and lift PT to $405.

Source Benchmark Securities

Figure 1: Benchmark Revisions Reflecting U.S. Premium Plan Price Increases

SPOT: Key metrics (mil)	*Benchmark Estimate Revisions*					
	2QE	+/-	CY24E	+/-	CY25E	+/-
Total MAUs	**631**	*0%*	**675**	*0%*	**744**	*0%*
Premium Subscribers	**245**	*0%*	**258**	*0%*	**280**	*0%*
N. America Subs	66	*0%*	69	*0%*	74	*0%*
Outside N. America Subs	179	*0%*	189	*0%*	206	*0%*
Ad-Supported MAUs	399	*0%*	432	*0%*	480	*0%*
Total Revenue	€ 3,800	*0%*	€1 5,894	*3%*	€ 18,509	*6%*
Premium Revenue	**€ 3,324**	*0%*	**€ 13,960**	*3%*	**€ 16,233**	*7%*
Premium ARPU	***€ 4.53***	*0%*	***€ 18.01***	*3%*	***€ 19.32***	*7%*
Ad-Suppported Revenue	€ 475	*0%*	€ 1,934	*0%*	€ 2,277	*0%*
Gross Margin	**28.1%**	–	**28.4%**	*+10bps*	**29.5%**	*+10bps*
Premium gross margin	30.7%	–	30.7%	–	30.9%	–
Ad-Supported gross margin	9.7%	–	11.7%	–	19.1%	–
Operating Profit	**€ 251**	*1%*	**€ 1,173**	*13%*	**€ 1,892**	*20%*

TSX 60 - Constituents listed by Dividend Yield

DATE AS OF JUNE 3, 2024

Name	RIC	Annualized Dividends ($)	Dividend Yield (%)	Dividend 5-Year Growth Rate (%)	Latest Dividend Pay Date	Latest Dividend Ex-Date
BCE Inc	BCE.TO	3.99	8.56	5.09	15-Jul-2024	14-Jun-2024
Enbridge Inc	ENB.TO	3.66	7.34	5.75	01-Jun-2024	14-May-2024
TC Energy Corp	TRP.TO	3.84	7.31	--	31-Jul-2024	28-Jun-2024
Telus Corp	T.TO	1.56	6.95	6.77	02-Jul-2024	10-Jun-2024
Algonquin Power & Utilities Corp	AQN.TO	0.59	6.92	0.40	15-Jul-2024	28-Jun-2024
Bank of Nova Scotia	BNS.TO	4.24	6.57	10.79	29-Jul-2024	03-Jul-2024
Emera Inc	EMA.TO	2.87	6.05	4.08	15-May-2024	30-Apr-2024
Power Corporation of Canada	POW.TO	2.25	5.69	6.59	01-Aug-2024	28-Jun-2024
Brookfield Infrastructure Partners LP	BIP_u.TO	2.21	5.61	4.07	28-Jun-2024	31-May-2024
Pembina Pipeline Corp	PPL.TO	2.76	5.45	5.19	28-Jun-2024	17-Jun-2024
Toronto-Dominion Bank	TD.TO	4.08	5.35	8.66	31-Jul-2024	10-Jul-2024
Canadian Imperial Bank of Commerce	CM.TO	3.60	5.33	10.29	29-Jul-2024	28-Jun-2024
Canadian Tire Corporation Ltd	CTCa.TO	7.00	5.15	13.90	01-Jun-2024	29-Apr-2024
Bank of Montreal	BMO.TO	6.20	5.10	8.94	27-Aug-2024	30-Jul-2024
Sun Life Financial Inc	SLF.TO	3.24	4.74	9.51	28-Jun-2024	29-May-2024
Manulife Financial Corp	MFC.TO	1.60	4.52	9.72	19-Jun-2024	21-May-2024
Fortis Inc	FTS.TO	2.36	4.33	5.78	03-Jun-2024	16-May-2024
Magna International Inc	MG.TO	2.59	4.20	6.57	31-May-2024	16-May-2024
Suncor Energy Inc	SU.TO	2.18	3.92	7.89	25-Jun-2024	04-Jun-2024
BROOKFIELD ASSET MANAGEMENT LTD	BAM.TO	2.07	3.87	--	28-Jun-2024	31-May-2024
Royal Bank of Canada	RY.TO	5.68	3.81	7.21	23-Aug-2024	25-Jul-2024
National Bank of Canada	NA.TO	4.40	3.78	10.28	01-Aug-2024	24-Jun-2024
Nutrien Ltd	NTR.TO	2.94	3.71	5.10	19-Jul-2024	28-Jun-2024
Rogers Communications Inc	RCIb.TO	2.00	3.63	0.82	05-Jul-2024	10-Jun-2024
Restaurant Brands International Inc	QSR.TO	3.16	3.42	4.10	05-Jul-2024	21-Jun-2024
Open Text Corp	OTEX.TO	1.36	3.42	10.60	18-Jun-2024	31-May-2024
Canadian Apartment Properties Real Estate Investment Trust	CAR_u.TO	1.45	3.25	2.06	17-Jun-2024	31-May-2024
Hydro One Ltd	H.TO	1.26	3.20	5.13	28-Jun-2024	12-Jun-2024
Saputo Inc	SAP.TO	0.74	2.68	2.33	15-Mar-2024	04-Mar-2024
Cenovus Energy Inc	CVE.TO	0.72	2.53	21.29	31-May-2024	16-May-2024
Imperial Oil Ltd	IMO.TO	2.40	2.49	21.85	01-Jul-2024	03-Jun-2024
Barrick Gold Corp	ABX.TO	0.55	2.34	30.61	17-Jun-2024	31-May-2024
Agnico Eagle Mines Ltd (Ontario)	AEM.TO	2.18	2.32	25.01	15-Mar-2024	29-Feb-2024
Gildan Activewear Inc	GIL.TO	1.12	2.15	10.37	17-Jun-2024	22-May-2024
Intact Financial Corp	IFC.TO	4.84	2.12	9.46	28-Jun-2024	14-Jun-2024
Canadian Natural Resources Ltd	CNQ.TO	2.10	2.01	22.52	05-Jul-2024	17-Jun-2024
Canadian National Railway Co	CNR.TO	3.38	1.95	11.67	28-Jun-2024	07-Jun-2024
Tourmaline Oil Corp (Alberta)	TOU.TO	1.28	1.89	23.20	28-Jun-2024	14-Jun-2024
Metro Inc	MRU.TO	1.34	1.84	10.94	04-Jun-2024	14-May-2024
George Weston Ltd	WN.TO	3.28	1.69	7.76	01-Jul-2024	14-Jun-2024
CCL Industries Inc	CCLb.TO	1.16	1.65	15.31	28-Jun-2024	14-Jun-2024
Kinross Gold Corp	K.TO	0.16	1.48	--	13-Jun-2024	30-May-2024
Loblaw Companies Ltd	L.TO	2.05	1.30	8.58	01-Jul-2024	14-Jun-2024
Thomson Reuters Corp	TRI.TO	2.94	1.25	4.98	10-Jun-2024	15-May-2024
Franco-Nevada Corp	FNV.TO	1.96	1.17	7.14	27-Jun-2024	13-Jun-2024
Wheaton Precious Metals Corp	WPM.TO	0.84	1.14	10.44	11-Jun-2024	29-May-2024
Alimentation Couche-Tard Inc	ATD.TO	0.70	0.88	25.00	15-Apr-2024	28-Mar-2024
Brookfield Corp	BN.TO	0.44	0.74	(6.89)	28-Jun-2024	13-Jun-2024
WSP Global Inc	WSP.TO	1.50	0.73	4.56	15-Apr-2024	27-Mar-2024
Teck Resources Ltd	TECKb.TO	0.50	0.71	20.45	28-Jun-2024	17-Jun-2024
Canadian Pacific Kansas City Ltd	CP.TO	0.76	0.70	8.63	29-Jul-2024	28-Jun-2024
Waste Connections Inc	WCN.TO	1.55	0.70	12.42	23-May-2024	07-May-2024
Firstservice Corp	FSV.TO	1.36	0.69	10.44	05-Jul-2024	28-Jun-2024
Dollarama Inc	DOL.TO	0.37	0.29	11.31	03-May-2024	18-Apr-2024
Cameco Corp	CCO.TO	0.12	0.16	8.75	15-Dec-2023	29-Nov-2023
Constellation Software Inc	CSU.TO	5.45	0.14	0.21	11-Jul-2024	20-Jun-2024
First Quantum Minerals Ltd	FM.TO	0.00	0.00	83.84	--	--
Shopify Inc	SHOP.TO	--	--	--	--	--
CGI Inc	GIBa.TO	--	--	--	--	--
CAE Inc	CAE.TO	--	--	--	--	--

Source: Thomson Reuters

** Due to pace of changes to dividends, yield may not reflect rates in real-time.*

CANADIAN MONEYSAVER SUGGESTED CANADIAN DIVIDEND REINVESTMENT PLANS (DRIPS)

Canadian MoneySaver SUGGESTED CANADIAN DIVIDEND REINVESTMENT PLANS (DRIPs)

TSX Companies	Symbol	52-Week		Closing Price	Div	Yield	EPS	P/E	Payout Ratio %	5-Yr Dividend Growth
		High	Low							
Agnico Eagle Mines	AEM	96.2	$59.36	$92.95	$2.18	2.35%	$4.25	21.9	51.3%	25.0%
Algonquin Power	AQN	11.69	$6.75	$8.57	$0.59	6.90%	$0.65	13.2	91.3%	0.4%
BCE Inc	BCE	61.99	$43.96	$46.62	$3.99	8.56%	$3.03	15.4	131.8%	5.1%
Bk of Montreal	BMO	133.95	$102.67	$121.55	$6.20	5.10%	$10.76	11.3	57.6%	8.9%
Bk of Nova Scotia	BNS	70.4	$55.20	$64.52	$4.24	6.57%	$6.48	10.0	65.5%	10.8%
Canadian Tire	CTC.A	189.815	$126.25	$136.04	$7.00	5.15%	$11.75	11.6	59.6%	13.9%
Cdn Imperial Bk (CIBC)	CM	69.54	$47.44	$67.58	$3.60	5.33%	$6.96	9.7	51.7%	10.3%
Constellation Software	CSU	3856.00	$2,585.25	$3,791.07	$5.45	0.14%	$113.07	33.5	4.8%	6.1%
Emera	EMA	56.75	$43.67	$47.46	$2.87	6.05%	$2.95	16.1	97.4%	4.1%
Exchange Income Corp	EIF	55	$42.05	$44.32	$2.64	5.96%	$3.29	13.48	80.3%	3.1%
Fortis	FTS	58.31	$49.82	$54.51	$2.36	4.33%	$3.22	16.92	73.3%	5.8%
Hydro One	H	41.69	$32.79	$39.26	$1.26	3.20%	$1.89	20.79	66.5%	N/A
Imperial Oil	IMO	101.63	$63.19	$96.30	$2.40	2.49%	$9.17	10.50	26.2%	21.8%
Manulife	MFC	36.605	$23.69	$35.40	$1.60	4.52%	$3.72	9.52	43.0%	9.7%
National Bank	NA	116.81	$84.27	$116.49	$4.40	3.78%	$10.05	11.59	43.8%	10.3%
Royal Bank	RY	149.22	$107.92	$148.98	$5.68	3.81%	$11.50	12.96	49.4%	7.2%
Sun Life Financial	SLF	74.935	$61.84	$68.31	$3.24	4.74%	$6.51	10.49	49.8%	9.5%
Suncor Energy	SU	56.69	$37.09	$55.60	$2.18	3.92%	$5.53	10.05	39.4%	7.9%
Superior Plus	SPB	10.9	$9.05	$9.40	$0.72	7.66%	$0.25	37.60	288.0%	1.6%
TD Bank	TD	87.1	$73.98	$76.20	$4.08	5.35%	$8.07	9.45	50.6%	8.7%
Telus	T	26.085	$21.12	$22.41	$1.56	6.95%	$1.03	21.72	150.8%	6.8%
TransCanada Corp	TRP	55.91	$43.70	$52.56	$3.84	7.31%	$4.24	12.41	90.7%	7.5%
WSP Global	WSP	230.98	$166.75	$205.00	$1.50	0.73%	$7.92	25.89	18.9%	4.6%

CHART NOTES - Prices as of June 3, 2024. Source: TD Waterhouse/Bloomberg LP. Stock prices change daily. Check for current prices. These Canadian companies listed on the TSX are our recommended companies a DRIP. With the DRIP, you can reinvest all your dividends to purchase additional shares at no cost. Some DRIPS offer a discount so that additional shares are bought at a discount to the average market price. Some dividends are paid in US dollars and we have adjusted numbers and ratios according to recent exchange rates.

Div. 5yr gr: We have added the five-year dividend growth rate to our chart, information obtained from Bloomberg LP.

Earnings are forward earnings estimates.

Yield = Dividend divided by current price. Payout ratio = dividend divided by earnings per share (EPS). The dividend payout ratio is simply calculated by dividing the company's dividend by its forward (estimated) earnings. If a company with a low payment ratio experiences an earnings decline, it may continue to pay the same dividend. Or, at least, it may weather the downturn without cutting the dividend. A high dividend payout ratio of 100% indicates that the dividend payout is equal or above the company's earnings. Therefore, one should be very vigilant and place the stock on your "watch" list.

Calculation for interest equivalent of dividend yield for eligible shares: (100 - marginal rate for dividends) divided by (100 - marginal tax rate on regular income). For example, an Ontario taxpayer with ordinary income of $65,514 uses: (100 – 11.72) divided by (100 – 31.15) is approximately 1.2822. Therefore, a stock with a Canadian dividend yield of 5.0% has an equivalent interest return of 5.0 x 1.2822, which is approximately 6.41%.

TOP EXCHANGE TRADED FUNDS RANKED BY FIVE-YEAR RETURNS AS OF MAY 30, 2024

Fund Name	Ticker	Mkt Tot Return YTD (Current) (%)	Mkt Tot Ret 1 Mo (Current) (%)	Mkt Tot Ret 3 Mo (Current) (%)	Mkt Tot Ret 12 Mo (Current) (%)	Mkt Tot Ret 3 Yr (Current) (%)	Mkt Tot Ret 5 Yr (Current) (%)	Mkt Tot Return Since Incept (Current) (%)
Global X Big Data & Hrdwr ETF	HBGD	3.62	7.36	2.7	52.19	6.08	34.62	-
Global X Uranium ETF	HURA	20.03	7.64	18.43	94.2	31.67	34.45	-
BetaPro NASDAQ-100® 2x Daily Bull ETF	HQU	18.86	10.16	5.33	53.15	10.56	31.01	-
Global X Big Data & Hrdwr ETF	HBGD.U	-11.43	0	-5.76	37.31	-2.52	27.19	-
Harvest Tech Achievers Gr&Inc ETF USD	HTA.U	14.19	4.78	5.87	34.85	15.31	22.16	-
Global X NASDAQ-100 Index Corp Cl ETF	HXQ	15.35	5.78	4.9	31.65	16.22	21.93	-
TD Global Technology Leaders ETF	TEC	19.39	6.97	6.64	35.82	15.32	21.65	20.68
BMO NASDAQ 100 Equity ETF	ZNQ	15.29	5.79	5.02	31.81	16.13	21.47	-
Global X NASDAQ-100 Index Corp Cl ETF	HXQ.U	11.28	5.34	3.77	30.53	11.34	21.22	-
Harvest Tech Achievers Gr&Inc ETF	HTA	14.68	5.48	4.21	32.5	14.46	21.11	-
Brompton Tech Leaders Inc ETF	TLF	12.68	5.7	2.2	32.22	12.44	20.47	-
Invesco NASDAQ 100 ETF CADH	QQC.F	11.19	5.65	3.6	29.93	10.59	20.29	17.91
CI Japan Equity ETF Hdg	JAPN	24.48	0.95	5.53	45.35	25.04	20.05	-
iShares NASDAQ 100 ETF (CAD-Hedged)	XQQ	11.23	5.28	3.7	29.16	10.29	20.01	16.94
BMO NASDAQ 100 Equity Hedged to CAD ETF	ZQQ	11.06	5.26	3.66	28.98	10.26	19.98	17.88
BetaPro S&P 500® 2x Daily Bull ETF	HSU	18.21	5.45	4.68	43.55	8.45	19.76	-
Global X S&P/TSX Capped Energy CorpClETF	HXE	22.92	-2.44	13.02	36.15	36.83	19.33	-
iShares S&P/TSX Global Base Metals ETF	XBM	23.04	1.88	30.86	25.8	10.99	19.12	4.12
iShares S&P/TSX Capped Energy ETF	XEG	22.97	-2.52	13.03	34.39	36.5	19.11	6.86
CI TecGntsCovCallETFComm(UnH)	TXF.B	17.35	6.08	5.6	40.35	16.95	19.1	-
BMO Equal Weight Global Gold ETF	ZGD	26.82	5.19	44.75	25.28	6.3	18.93	2.37
BMO MSCI USA High Quality ETF	ZUQ	18.57	5.54	5.03	32.65	16.32	17.86	16.62
iShares Japan Fundamental ETF CADH Comm	CJP	22.62	0.83	5.93	41.41	20.84	17.75	3.28
Blockchain Technologies ETF	HBLK	-1.11	1.81	-8.26	50.89	-11.86	17.71	-
CI TecGntsCovCallETF Comm	TXF	13.39	5.4	3.53	37.76	11.1	17.52	15.14
Global X Canadian Oil &GasEqCovCllETF	ENCC	14.47	-1.55	7.93	24.82	30.05	17.34	-2.09
iShares Silver Bullion ETF (Non-Hedged)	SVR.C	36.96	18.37	44.02	40.99	8.59	17.09	-
Silver Bullion Trust ETF Non-Ccy Hedged	SBT.B	37.37	16.53	40.81	36.96	8.19	16.7	-
FT AlphaDEX US Technology Sector ETF	FHQ	8.08	3.3	-0.27	24.6	7.89	16.64	-
BMO MSCI All Country World High Qual ETF	ZGQ	18.91	6.14	6.48	31.89	13.39	16.58	14.48
Fidelity US High Quality ETF	FCUQ	12.63	2.27	3.46	24.55	14.33	15.99	-
BMO Equal Weight Oil & Gas ETF	ZEO	16.38	-1.9	8.99	28.06	27.04	15.91	3.57
RBC Quant US Dividend Leaders ETF (CAD)	RUD	19.03	4.72	6.91	33.1	16.77	15.83	14.3
Desjardins RI USA Net-Zero Emissions ETF	DRMU	13.78	3.48	4.39	25.65	12.74	15.47	-
TD U.S. Equity Index ETF	TPU	14.9	3.5	4.81	27.96	13.3	15.46	14.54
Silver Bullion Trust ETF Non-Ccy Hedged	SBT.U	30.34	12.19	30.34	33.44	6.15	15.45	-
RBC Quant US Dividend Leaders ETF (USD)	RUD.U	14.75	4.77	7.1	31.76	11.74	15.44	11.78
Vanguard S&P 500 ETF	VFV	14.77	3.49	4.73	27.4	13.84	15.43	17.08

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