MARCH 2024 NEWSLETTER

MARKET REVIEW

The first quarter of 2024 has been very positive for equity investors, with U.S. markets enjoying excellent 90-day returns and Canadian markets enjoying lesser but still very attractive returns. The "magnificent seven" U.S. market leaders have become the "fabulous five", as Tesla is down 57 per cent from its October 2021 high, and Apple is down 14 per cent from its December 2023 high. In a positive sign the market leadership has become more broadly based, with many non-technology companies performing well. We consider the markets to be behaving rationally, with companies with positive results doing well, and companies with poor results being penalized by the markets.

	March 31, 2023 Close	Dec 29, 2023 Close	March 28, 2024 Close	90-Day Change	1-Year Change
S&P 500*	**4,109**	**4,770**	**5,254**	**10.2%**	**27.9%**
S&P/TSX Composite	**20,100**	**20,958**	**22,167**	**5.8%**	**10.3%**

**USD currency* *Source: FactSet*

Published for the friends and clients of

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INFLATION AND FIXED INCOME

Canadian T-Bills and Bond Yields

T-Bills & Bonds	March 31, 2023	Dec 29, 2023	March 28, 2024
3 Month	4.40%	5.05%	5.01%
6 Month	4.46%	4.99%	4.92%
1-Year	4.41%	4.68%	4.70%
2-Year	3.74%	4.07%	4.17%
5-Year	3.02%	3.17%	3.52%
10-Year	2.88%	3.10%	3.47%
30-Year	3.00%	3.02%	3.37%

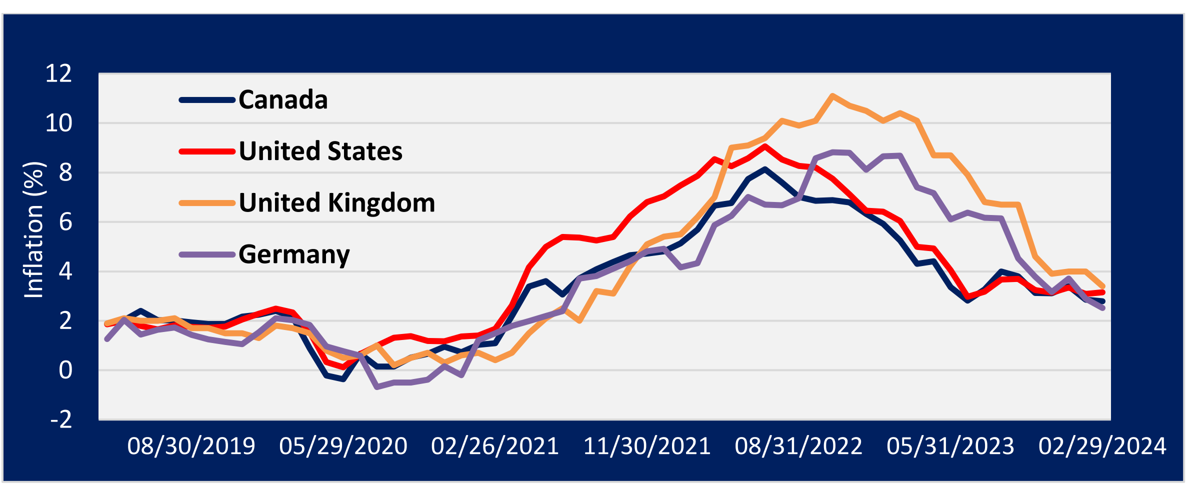
Source: FactSet

Short term interest rates were flat on the short end (one year or less), but have increased over the longer-term maturities, (two years or more). The February 2024 CPI inflation number was 2.8 per cent year-over-year, continuing its previous declines.

The largest deflationary item was cell phone plans, down 26.5 per cent year-over-year. One of our clients recently switched from TELUS mobility to Koodo mobility, which is owned by TELUS and operates over the same network. The cost dropped from $85 per month to $45 per month with more data. While there may be a difference in quality, our client has not noticed any change in his service.

While inflation may continue to fall, at current yields we have a hard time getting excited about investing in Canada bonds for terms longer than 18 months.

Five-Year Inflation Comparison



Source: FactSet

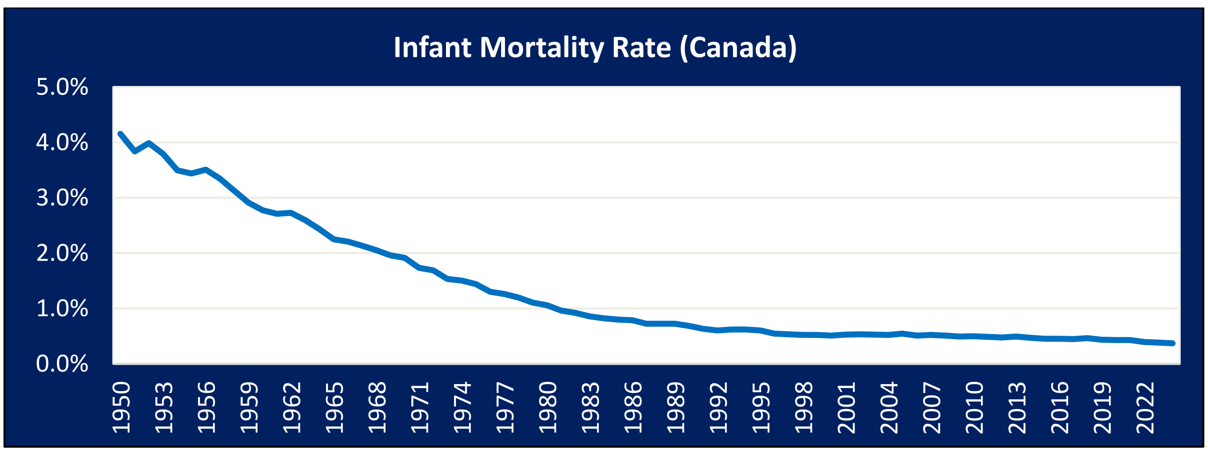
<u>LIFE EXPECTANCY</u>

Reading today's headlines, it is easy to get discouraged and pessimistic about the direction of Canada and the world. Without minimizing any of today's problems, a longer-term perspective gives us a much more positive view of human progress.

For example, in 1954 the life expectancy of the average Canadian was 69.93 years. In 2024, the life expectancy of the average Canadian is 83.18 years, an additional 13.25 years, close to an extra 19 per cent lifespan.

Worldwide the average life expectancy in 1954 was 49.59 years, and it is currently 73.66 years, an extra 24.07 years, or an extra 48.5 per cent lifespan.

Canadian infant mortality in 1954 was 34.97 per 1000 live births, while in 2024 it is down to 3.72. This 89.4 per cent decrease in infant mortality is an extraordinary improvement.



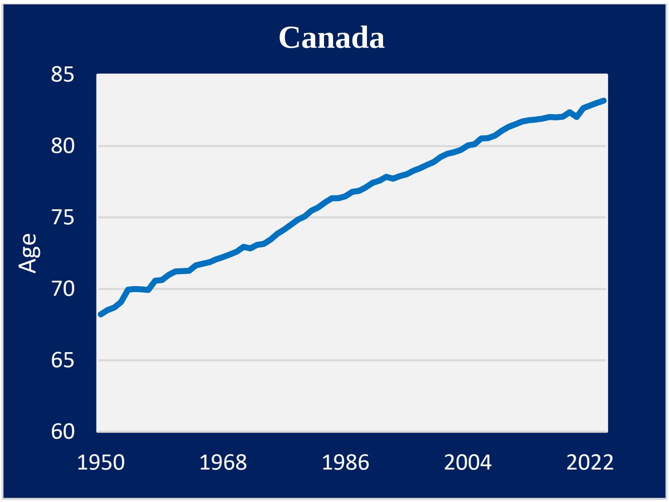
Source: database.earth

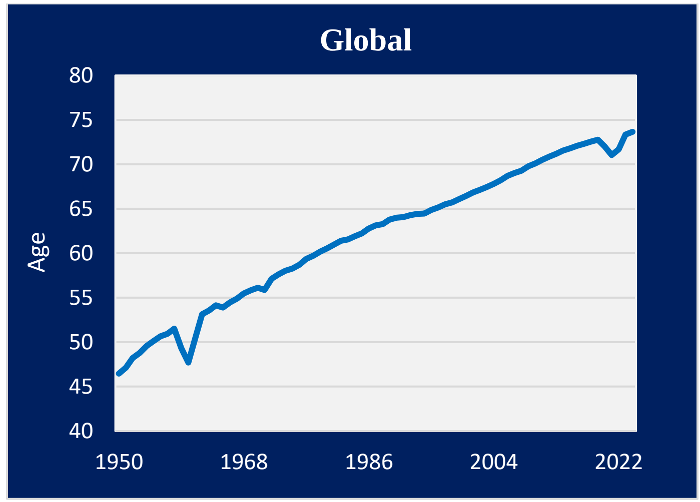
Global infant mortality in 1954 was a shocking 131.72 per 1000 live births, and in 2024 it is 26.2 an improvement of over 80 per cent. Most of the world's poorest countries have lower infant mortality today than Canada experienced in 1954.

While we are not medical experts, much of these improvements have been driven by access to cleaner water, better sanitation, higher standards of living, and improved healthcare. All of these indicate a higher quality of life today than 70 years ago.

The one complication of such positive improvements is that most country's retirement income programs were designed to last beneficiaries into their early 70's. These programs will need further financial support to keep them solvent with today's longer life expectancy. This will be a fiscal challenge for all world leaders in the future.

Historic Life Expectancy (1950-2024)





Source: database.earth

WSP GLOBAL AND THE DIVERSIFICATION DILEMMA

On August 1, 2012 the Quebec based engineering company Genivar completed the acquisition of the U.K. engineering company WSP Group to become WSP Global. On March 31st of 2014, WSP Global purchased the U.S. engineering firm Parsons Brinckerhoff to expand its U.S. footprint and greatly increase in size. Raymond James co-led an underwriting group to raise money from our clients at $33.75 per share to finance the acquisition. There were several reasons that we liked WSP at the time. Firstly, it is a Canadian non-financial, non-resource company. Canada has excellent banks and resource companies, but we can't have all our money invested in banks, and resource companies tend to be boom and bust with very modest long-term growth. Secondly, all major construction projects need engineering services, and the engineering companies don't bear the construction risk. While the company is Canadian and trades on the TSX in Canadian dollars, the business operates globally, providing geographical diversification. Additionally, the Canada Pension Plan and the Quebec Pension Plan each owned approximately 10 per cent of the company. While the Douglas Duncan team reads the quarterly and annual reports of our major holdings and keeps up with industry research, we can never have the face-to-face access to senior WSP management that the Canada or Quebec pension plans have. We feel that this will give us some protection from a scandal or “ugly surprise". Lastly the company had a 4.5 per cent dividend, which was icing on the cake.

If we fast forward 10 years from the Parson Brinckerhoff acquisition and the $33.75 issue, WSP is now trading at $225.76[1], a 569 per cent increase. Due to this extraordinary gain, WSP is now the largest position of many of our clients. The dividend yield is now a modest 0.66 per cent as WSP has invested its cash flow into growth opportunities. The investment community is now aware of this Canadian success story and the stock is now relatively expensive with a Price / Earnings multiple of 51.43.

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[1] *As of March 28, 2024*

The charts below give an idea of WSP's history over the last 10 years.

WSP Global 10-year Company Performance

Year	Revenue (Billions)	Net Earnings to shareholders (Millions)	EPS to shareholders
2023	$14.4	$550.0	$4.41
2022	$11.9	$434.7	$3.54
2021	$10.3	$474.1	$4.05
2020	$8.8	$277.4	$2.50
2019	$8.9	$285.7	$2.71
2018	$7.9	$248.8	$2.38
2017	$6.9	$213.3	$2.08
2016	$6.4	$198.7	$1.97
2015	$6.1	$188.6	$2.05
2014	$3.0	$062.2	$0.98

Source: FactSet

WSP Global 10-year Stock Performance

Source: FactSet

This is a truly remarkable history and deeper analysis reveals the growth of the global footprint and the reduced reliance on Canadian resource revenue for more stable and growing environmental and infrastructure revenue.

The question is: What do we do now? We have the conflicting goals of hanging on to an excellent company that is a big contributor to our rate of return, and not having too many eggs in one basket. Industry regulators and academics tend to favour capping the percentage of one stock in a portfolio to a limit, for example seven per cent. This reduces portfolio risk in case of a company specific problem. Looking back, an overweight position in Nortel, Bombardier, or Blackberry, which at one time were considered excellent companies, would have punished investors who didn't sell once conditions deteriorated. On the other hand, we have many long-term clients who have been overweight Canadian banks for decades and have excellent returns in spite of the lack of diversification. More recently we have some younger growth-oriented clients who are focused heavily on U.S. technology companies and have returns far in excess of a more diversified portfolio.

As usual in investing, there is no right answer without the assistance of a crystal ball. Our bias is that excellent companies are hard to find so if you are financially secure enough to afford the lack of diversification you are probably better off not automatically selling your best companies from your portfolio to conform with portfolio theory. If you have any questions about your WSP position, Meaghan or Mark can help you decide which choice is best for you.

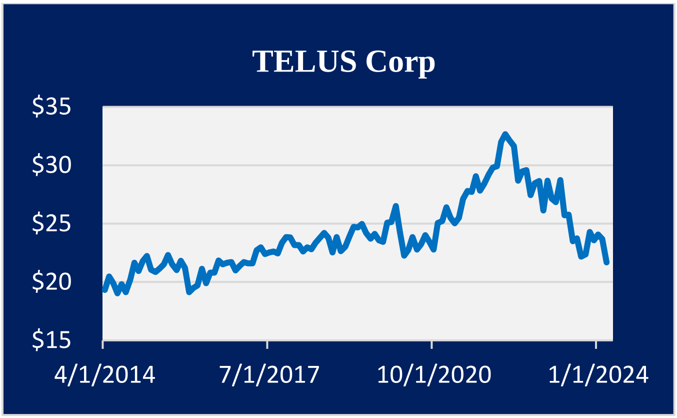
THE PENALTY BOX

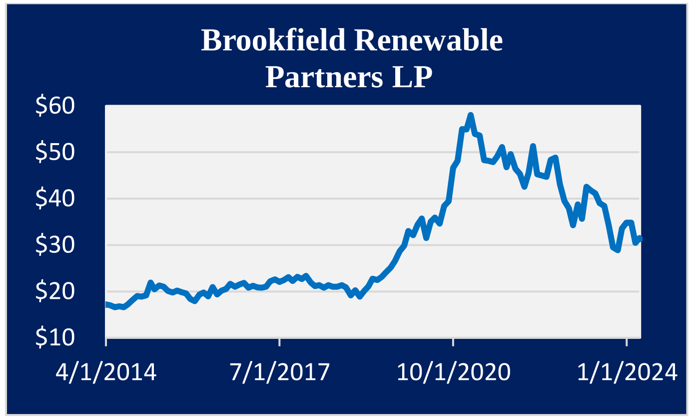
While we would like all of our positions to be market leaders every quarter, it is inevitable that we will have certain companies and sectors that are out of favour. Currently the telecom sectors and the renewable energy sectors are in "the penalty box," with their stock prices well off their highs.

The Canadian telecom sector has faced a number of headwinds, including Canada's ban on Huawei equipment costing BCE and TELUS hundreds of millions of dollars, government pressure to lower cellular rates, intense competition, and rising interest rates. The Huawei ban is now likely built into the price of the shares, so the main concern today is the collapse of cellular rates, which is good for consumers but not so good for telecom providers. TELUS is generally considered to be the best telecom company, so our position is to "ride it out" and see if the cellular rates stabilize.

The renewable energy sector has also been facing challenges. Firstly, many of the companies were brought to market with unsustainable dividend payout ratios, which has led to some dividend reductions. The stock prices are re-adjusting to early euphoria when many investors expected these utilities to be priced like growth companies. In addition, there have been cost overruns building wind farms and solar farms, just as there has been building other infrastructure projects such as pipelines, bridges, and highways. With the benefit of hindsight, Brookfield Renewable has weathered the storm well compared with most of its competitors and would be our preferred company in this sector.

While we are not confident enough to consider either of these sectors to be "table pounding buys," both of the companies mentioned pay attractive dividend yields and may be gingerly added to portfolios.





Source: FactSet

DIVIDEND PAYERS

We had a number of our top holdings increase their dividends this quarter, and no dividend reductions. We are not blindly chasing the highest yielding companies but seek out companies that have conservative debt levels and sustainable dividend payouts that leave retained earnings for reinvestment in their businesses.

Q1 DIVIDEND HIKES FROM OUR TOP 30

Holding	Ticker	2024, Q1 Increase
Brookfield Asset Management*	BAM	**19%**
Brookfield Corp*	BN	**14%**
Intact Financial	IFC	**10%**
JP Morgan Chase & Co*	JPM	**10%**
Manulife Financial Inc	MFC	**10%**
Canadian National Railway	CNR	**7%**
Brookfield Infrastructure Partners / Corp.*	BIPC/BIP.U	**6%**
Toronto Dominion Bank	TD	**6%**
Brookfield Renewable Partners / Corp.*	BEPC/BEP.U	**5%**
Bank of Montreal	BMO	**3%**
TC Energy Corp.	TRP	**3%**
Royal Bank of Canada	RY	**2%**

**Dividends Reported in USD*

Source: FactSet

RAYMOND JAMES | DOUGLAS DUNCAN wealth management

CLIENT APPRECIATION EVENT - SAVE THE DATE

We are pleased to announce that we will be hosting our client appreciation event at the Nanaimo Golf Club on Thursday, September 19, 2024, from 4 pm to 8 pm. Please mark your calendars and look out for your invitation in the mail in the early summer.

SUMMARY AND STRATEGY FOR 2024

Every now and again it is the time to swing for the fences and bet big in the markets, either accumulating or reducing positions. Most of the time it is best to sit with a diversified portfolio of industry leaders and limit our transactions to fine tuning. As of the end of the first quarter of 2024, we feel that now is not the time for dramatic portfolio changes. Most of our positions have been behaving well and you will likely be pleased with your performance. If you have any changes in your life that will affect your finances, please call Meaghan or Mark.

Mark Duncan	Meaghan Douglas	Ian Douglas	Lisa Cajolet	Heath Dean	Michelle Dieterich
Senior Financial Advisor	Senior Financial Advisor	Consultant	Administrative Assistant	Investment Associate	Administrative Assistant

If you have friends or family who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!