JUNE 2025 NEWSLETTER

MARKET REVIEW

The second quarter of 2025 was a good one for stock indexes, with the TSX Composite up 7.78% and the S&P 500 up 10.55%. Most of the G7 countries have announced increased deficits, which will stimulate the economies in the short term. The market performance is frankly better than we expected, reinforcing our strategy of not making large asset allocation shifts.

	June 28, 2024 Close	Mar 31, 2025 Close	June 30, 2025 Close	90-Day Change	1-Year Change
S&P 500*	5,460	5,612	6,204	10.55%	13.63%
S&P/TSX Composite	21,876	24,918	26,857	7.78%	22.77%

**USD currency* *Source: FactSet*

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SCAMS AND TRICKS, HACKERS AND CROOKS

Recently one of our clients received an email advising him that Meaghan had “retired” and provided a site that he could click on to provide his personal financial information to a new financial advisor. Fortunately, our client had the presence of mind to delete the email and call Meaghan, who at 35 has no plans of retiring. Raymond James and other financial institutions spend millions of dollars on cyber security each year, but the crooks will always be looking for a weak point.

If you receive an email that appears suspicious:

Don'ts:

- Click on links within the email
- Follow instructions in the body of the email
- Reply to the email or provide any of your personal information to the sender

Do's

- Contact our office so our team is aware of the situation
- Update the passwords on your email and other accounts

Client privacy is of utmost importance to us. We recommend sending documents through the portal on your online access and sending emails with your personal information encrypted. We also confirm any cash withdrawals or trades either in person, on the phone, or by video call. While this may seem like an annoyance to our clients at times, it beats the heck out of being scammed.

FIXED INCOME

Canadian T-Bills and Bond Yields

T-Bills & Bonds	June 28, 2024	Mar. 31, 2025	June 30, 2025
3-Month	4.65%	2.63%	2.67%
6-Month	4.63%	2.62%	2.65%
1-Year	4.45%	2.54%	2.62%
2-Year	4.00%	2.45%	2.59%
5-Year	3.52%	2.58%	2.82%
10-Year	3.50%	2.96%	3.24%
30-Year	3.37%	3.23%	3.56%

Source: FactSet

International 10-Year Bond Yields

Country	Mar. 31, 2025	June 30, 2025
India	6.58%	6.36%
U.S.	4.21%	4.23%
U.K.	4.67%	4.48%
Italy	3.84%	3.48%
Canada	3.00%	3.24%
Greece	3.53%	3.28%
France	3.43%	3.28%
Germany	2.70%	2.60%
China	1.82%	1.65%
Japan	1.52%	1.43%

Source: FactSet

Bond yields have been relatively stable in the second quarter of 2025. We feel that both bond and stock markets are giving the "benefit of the doubt" on a reasonable tariff outcome. We hope that they are right.

DIVIDEND CHANGES:

Q2 Dividend Increases – Top 30 Holdings

Position	Security	Symbol	Q1 Dividend	Q2 Dividend	% Change
13	COSTCO WHOLESALE CORP.	COST	$ 1.160	$ 1.300	12.1%
18	ALPHABET INC.	GOOGL	$ 0.200	$ 0.210	5.0%
11	JOHNSON & JOHNSON	JNJ	$ 1.240	$ 1.300	4.8%
1	ROYAL BANK OF CANADA	RY	$ 1.480	$ 1.540	4.1%
28	APPLE INC.	AAPL	$ 0.250	$ 0.260	4.0%
12	BANK OF NOVA SCOTIA	BNS	$ 1.060	$ 1.100	3.8%
26	NATIONAL BANK OF CDA	NA	$ 1.140	$ 1.180	3.5%
9	TELUS CORP.	T	$ 0.402	$ 0.416	3.5%
24	BANK OF MONTREAL	BMO	$ 1.590	$ 1.630	2.5%

Source: FactSet

While we have been fortunate to own companies with regular dividend increases, there is no guarantee that this will always be the case. BCE for example is Canada's 44th largest company by market cap and cut its dividend by 56% this quarter. BCE makes up 0.22% of our total assets but this position has been a negative for those clients who own it.

PAST PICKS

While we have been cautious about the markets since late 2024, we did find two companies that we felt had a good enough risk/reward relationship to recommend for purchase in our December 2024 newsletter.

Fortunately, these worked out for our clients.

Holding	Dec. 31, 2024 Close	June 30, 2025 Close	2025 Accumulated Dividends	Six Month Total Return
TD Bank	$76.53	$100.16	2 × $1.05 = $2.10	**33.6%**
Brookfield Renewable Partners LP	$32.74	$34.72	2 × $0.53 = $1.06	**9.3%**

Source: FactSet

While TD was a "home run", Brookfield Renewable Partners LP still had a respectable gain for the first six months of 2025. Picking individual stocks can be a humbling experience, so we remain fans of diversification for the ones that don't work out.

WE HAVE BEEN STUDYING!

Michelle has passed all of her Canadian licensing requirements and is now able to process unsolicited buy and sell orders from clients. Congratulations Michelle!

Heath has now completed his U.S. licensing requirements and is able to process unsolicited buy and sell orders from our U.S. clients. Congratulations Heath!

Meaghan and Mark continue to provide advice, but should you wish to initiate a transaction when they are out of the office, any one of our team members can do this for you.

FIBS , MARKETING, AND PROPAGANDA

Unfortunately, Western citizens have to process news with a very suspect eye. Over our lifetimes we have heard a lot of fibs from those with power and authority. For example:

1950's	-	Smoking cigarettes is good for you
1960's	-	North Vietnam will take over Australia and New Zealand if U.S. troops withdraw
1990's	-	OxyContin is not addictive
2000's	-	Iraq has weapons of mass destruction
2025	-	The U.S. is being "ripped off" by its trading partners.

This is by no means a complete list.

While the passage of time has proven the first four to be false, readily available trade data makes it quite clear that the last claim is equally misleading.

The World Trade Organization has publicly available data below:

Trade Weighted Average Tariff by Country

2023	Total	Agricultural	Non-Agricultural
Japan	1.9%	12.6%	1.0%
U.S.	2.2%	4.0%	2.1%
Australia	2.5%	2.7%	2.4%
E.U.	2.7%	8.4%	2.3%
China	3.0%	13.1%	2.2%
U.K.	3.3%	12.8%	2.3%
Canada	3.4%	14.4%	2.2%
Mexico	3.9%	7.3%	3.7%
South Korea	8.4%	94.0%	3.4%
India	12.0%	65.0%	9.0%

Source: www.wto.org

While reasonable people can draw different conclusions from the same information, we feel that it is safe to say that most of the wealthy trading nations of the world already have mostly free markets.

The biggest trade barriers are in the agricultural sector. We note a strong correlation between high agricultural tariffs and those countries that had food insecurity in the years between WWII and the Korean War. When a population has vivid memories of not having enough food to feed their families, they are willing to pay more for groceries today to avoid a repeat of that experience in the future.

If the current trade war was about unfair trading practices, we can't see the logic of forcing Apple to move cell phone production from China, with average non-agricultural tariffs of 2.2%, to India with average non-agricultural tariffs of 9%.

As most of America's trading partners have very few of their own tariffs to negotiate away, investors will have to wait for the final trade deals to be announced. Should the Trump administration have "more bark than bite" and settle for reasonable trade agreements, we would expect a market rally. Should these new deals leave the world with higher tariff levels, we would expect the market to react poorly.

TARIFFS, INFLATION AND BOND YIELDS

Stock prices and other assets are valued by comparing their expected future cash flows to those available from longer term government bonds, and then applying a discount for the volatility of the cash flows.

Over the medium and longer term, government bond yields are made up of returns to compensate for inflation, and some additional "real" return for lending your capital out. As financial advisors we must have a viewpoint of future inflation.

As the world has a new "sheriff in town" who likes tariffs, we are compelled to address the results we expect.

1) It has been suggested by some that retailers should "absorb" the cost of the tariffs. The problem with this solution is below:

Costco	
2024 Total revenue	$254,453 million
Income before income taxes	$9,740 million
Profit margin before tax	3.83%
Walmart	
2024 Total revenue	$648,125 million
Income before income taxes	$21,848 million
Profit margin before tax	3.37%

Source: Costco and Walmart annual reports

Two of America's most successful retailers have profit margins of less than 4% before tax. There is no way that these companies can absorb a 10% or 30% tariff.

2) It has also been suggested that the suppliers of the goods can reduce their prices to protect American consumers from the tariff costs. You may have noticed that Douglas Duncan never recommends companies that *supply* the Costco and Walmart stores of the world. The reason is that Costco, Walmart, and other successful retailers, while good to shareholders and consumers, are absolutely ruthless with

suppliers. These suppliers operate on razor thin margins, and if the retailers felt that there was an extra penny to squeeze out of the suppliers, they would have already done it. We don't expect the suppliers to absorb the tariff costs.

3) Another theory is that the U.S. dollar will rise in value, giving U.S. consumers a more valuable dollar that will absorb the costs of the tariffs. The problem with this theory is that the U.S. dollar is falling compared with its trading partners. Exchange rates are below:

United States dollar to Canadian dollar

Dec. 30, 2024 1 USD to 1.43 Canadian
June 30, 2025 1 USD to 1.36 Canadian: U.S. $ weakened by -4.89%

United States dollar to Mexican peso

Dec. 29, 2024 1 USD to 20.31 Pesos
June 30, 2025 1 USD to 18.74 Pesos: U.S. $ weakened by -7.73%

United States dollar to euros

Dec. 31, 2024 1 USD to 0.97 Euros
June 30, 2025 1 USD to 0.85 Euros: U.S. $ weakened by -12.37%

United States dollar to Chinese yuan

Dec. 31, 2024 1 USD to 7.30 Yuan
June 30, 2025 1 USD to 7.16 Yuan: U.S. $ weakened by -1.92%

While foreign suppliers and American retailers will likely absorb some of the tariff costs, U.S. consumers will pay the lion's share of the tariffs, increasing their cost of living.

Although there is always the possibility that we are missing something, the evidence we see points to increasing inflation to U.S. consumers, which should eventually be reflected in higher bond yields.

SUMMARY AND STRATEGY FOR 2025

Markets have been absorbing what most people would call bad news (threats of WW3, increasing government deficits, and increased inflation due to potential tariffs) and continue to go up. Despite our concerns bond yields have stayed relatively stable. During times like these we have to balance our viewpoint that these are bad for asset prices with humility and realize that we are not the only participants analyzing the information. With this in mind we feel that the average long-term investor should remain invested, keeping their equity exposure within 90% - 95% of their usual level. If you have any questions on your financial situation, please call Meaghan or Mark.

CLIENT APPRECIATION EVENT - SAVE THE DATE (SEPT 18, 2025)

We are pleased to announce that we will be hosting our annual client appreciation event at the Nanaimo Golf Club on Thursday September 18th, 2025, from 4 PM to 8 PM. For our new clients this is a casual event with cocktails and appetizers, as well as a buffet dinner and dessert, accompanied by a live band.

Please mark your calendars and look for your invitation in the mail.

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!