A good start to 2024, why it could continue and FOMO.

I've always said there are 2 types of forecasters, the ones who don't know and the ones who don't know they don't know. For some reason one who makes a prediction often tends to look smarter than one that doesn't. I often get asked what things will look like going forward and how we're going to do. Truth be told I have no idea. This is why you'll rarely hear me make a prediction on the future. I've always tended to work with probabilities and have diversity and hedges in place in the event those probabilities don't work out. Some reference it as not getting too far over your ski's.

Thanks to falling inflation, lower bond yields and the expectation of future rate cuts dividend paying companies are starting to look attractive again after a challenging few years. It's reasonable to assume that what has hurt dividend stocks over the past few years would be a tailwind for them going forward. Lower rates not only provide indebted households some relief but also companies that hold debt on their balance sheets. Utilities, Real Estate and even banks should benefit from this. Falling rates also tend to lead to high shares prices as investors in time switch out of cash & fixed income securities in favor of higher yields. This isn't certain but this rotation has occurred several times in the past so I wouldn't bet on the trillions of dollars in short term investments not finding a new home when the current one becomes less appealing. The key to benefitting from this is staying the course and away from FOMO.

An acronym coined years ago during the technology bubble of the early 2000's: Fear of Missing Out. This can be seen in our everyday life not investing but I'll stay focused on the money side of things. Over my past 25 years advising clients I have been witness to this behavior and it rarely ends wells.   Admittedly I was once guilty of it in my early days with personal monies and thankfully it didn't hurt me financially. Experience is something you get when you don't get what you want. Being cautious around the hot stocks and new fads or trends is the key to being able to make better decisions. Considering all the possible outcomes and weighing the probabilities tends to lead to portfolios that are better able to withstand any forecast.

Dividends and dividend increases in our portfolios have a very high probability of occurring each year and I highlight a few since our last letter:

Company	Recent % dividend increase	5 year % cumulative increase
Intact Financial	10%	46.5%
Brookfield Corp.	10%	46%
Canadian National Railway	7%	56.5%
Manulife	9%	44.15%
Brookfield Infrastructure Partners	6.6%	19.5%
Restaurant Brands International	5.5%	20.5%

*from Morningstar.ca March 6th 2024

I thought I would share 3 of your portfolio holdings and why we like them for more than just the dividend income they provide.

CNR – Canadian National Railway

Canadian National Railway Company operates a network of ~18,600 route miles spanning Canada and mid-America. The company serves all major Canadian ports on the Atlantic and Pacific oceans and the Great Lakes, as well as New Orleans on the Gulf of Mexico.

Over the years, CNR has shown that it is a company able to withstand the ebbs and flows of the economy. CNR has posted seven consecutive quarters of very strong operating performance and two consecutive years of meeting guidance under Tracy Robinson's leadership. We believe this provides upside potential if the economy stays strong. Conversely, we believe CN's sector-low balance sheet offers downside protection in the case of a large economic swing. Despite keeping a low balance sheet, CNR was able to continue its acquisition strategy by spending just under $400 million on the acquisition of railway companies in Eastern Canada and the Upper Midwest of the United States in late 2023.

QSR – Restaurant Brands International

Restaurant Brands International is the indirect holding company for Tim Hortons, Burger King, Popeye's Louisiana Kitchen, and FireHouse Subs. It is one of the world's largest quick service restaurant (QSR) companies with over 30,000 restaurants in ~100 countries.

QSR has a strong platform and network that provides a good foundation for future same store sales growth, unit growth, and international market expansion. Their Tim Hortons brand has been a big source of growth lately with systemwide sales of $1.8 billion in Q4 2023, up 9% from the prior year. QSR plans to maintain this growth by setting a target of 40,000 restaurants globally by 2028 and expansion plans into many new international markets.

IFC – Intact Financial Corporation

Intact Financial Corporation is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America, with over $11bln in total annual premiums. The company serves more than 5mm personal, business, and public sector clients through offices in Canada and the U.S. IFC is also a leader in personal and commercial insurance in the UK and Ireland.

Our positive outlook reflects solid underlying fundamentals across all lines of business. Early in 2023, higher catastrophe losses had put pressure on book value growth. Intact has since shown the ability to absorb these higher CAT losses while maintaining strong underlying growth trends. We favor Intact for its dominant market share in the Canadian P&C insurance sector, its strong results in the US, and solid ongoing growth in the UK & Ireland.

*Data and information from accountabilityresearch.com

As always, our team is here for you. If you have any questions or know of a friend or family that could benefit from our services, please don't keep us a secret.

Mike

Michael Anderssen, CFP®, CIM®, FMA
Senior Portfolio Manager and Senior Investment Advisor
902-541-3104 | Michael.Anderssen@td.com
anderssenwealthmanagement.com
Connect with me on LinkedIn
Follow me on Twitter

Anderssen Wealth Management

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