



## Market Outlook, Dividends, Portfolio Holdings: Thoughts from Mike

The underlying strength in the economy and stubborn inflation has tested the patience of central bankers in Canada and the US on whether interest rates are high enough. Increases of the past 19 months tend to hit the economy with a lag and it might be just starting to show the effects. You have heard me say often that the market is forward thinking. Recently the 10 year US Treasury Bond has retreated from 5% to currently 4.5% and the 10 year Canadian Treasury Bond is now at 3.7%. Is this a sign that the market is starting to price in that rates will eventually come down and central bankers will be cutting rates? RBC Global Asset Management is forecasting the US 10 year Bond to hit 3.50% in August 2024 and the Canadian 10 year Bond to hit 3.00%. It's a tough job trying to balance an economy while reducing inflationary costs. From a market standpoint what was a headwind for the past few years could potentially provide some excitement for dividend payers. We did see the best 3 market days of the year earlier this month when the treasury yields dropped. What happens when they go down even further? Where does that money go when savings and GIC rates look less attractive? Back to dividend payers with 5-7% yields? It's very important to note that unless dividends are cut dividends don't go down with interest rates. If investors play the game of chasing rates they will likely feel it longer term when the markets turn long before the Central Bankers do.

Company	Recent % Dividend Increase	5 year % cumulative increase
Tourmaline Oil Corp.	7.6%	160%
Emera Inc.	4%	22.13%
Fortis Inc.	4.4%	31.11%
Whitecap Resources Inc.	26%	215.18%
Open Text Corp.	2.9%	64.69%
Royal Bank of Canada	2.3%	37.75%

I thought I'd share 3 of your portfolio holdings and why we like them for your interest.

### **ATD – Alimentation Couche-Tard Inc.**

Alimentation Couche-Tard Inc. (ATD) is the largest convenience store operator in North America. Couche-Tard is also a leader in c-store and road transportation fuel in Scandinavian and the Baltic States, with a growing presence in Poland. They offer a wide range of merchandise, including coffee, snacks, beverages, grocery products, beer and wine, and lottery tickets, as well as fuel and other services.

ATD shares have been a consistent performer. The stock tends not to experience the same selling pressure as the grocers during disinflationary periods, nor suffer the commodity pressure of the food processors. Couche-Tard continues to add value through its ongoing growth in store refurbishments, data analytics, loyalty programs, fresh food offerings, private labels, cost optimization, merchandise rationalization, and Circle K fuel branding efforts. The company also employs a significant M&A strategy, recently acquiring European retail assets from TotalEnergies which will likely contribute to its growth in the European sector. While the advancement of electric, hybrid and other alternative vehicles could present a longer-term strategy issue for Couche-Tard, we believe this will provide strategic opportunities that they can take advantage of through significant investment in charging stations over the next two decades.

### **V - VISA**

Visa Inc. (V) operates the world's largest electronic payments network, providing processing services and payment product platforms. Visa also owns one of the world's largest ATM networks, VISA Plus, offering cash access in local currency in more than 200 countries and territories.

Visa's massive outreach allows them to connect consumers, merchants, financial institutions, businesses, strategic partners, and government entities with their pre-existing suite of technologies. The company is focused on growing revenue from consumer payments (expanding credentials and acceptance points and driving user engagement), as well as from new flows (capturing new sources of payments and money movement between individuals, businesses, and governments) and value-added services (helping clients grow profits and deepen partnerships). It is also working to strengthen its brand and improve technology and security. Over the past two years, new flows and value-added services have grown significantly faster than consumer payments which has contributed to their 13.4% revenue growth year over year since 2006.

### **TOU – Tourmaline Oil Corp**

Tourmaline Oil Corp. is a Canadian oil and natural-gas exploration, development, and production company, with properties concentrated in central Alberta and northeast B.C. Tourmaline offers quality assets being the largest Tier 1 natural gas inventory holder in North America and the largest natural gas producer in Canada. This industry leading inventory depth in natural gas (a cleaner-burning fuel source) provides near- and long-term organic growth prospects for the company. Their top-tier management team puts a focus on sustainability and sets aggressive targets to remain environmentally and financially sustainable. All of this combined with a historically robust dividend yield and a negligible debt portfolio backs up our positive outlook on the company.



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