



Interest Rates, Tax Planning & Portfolio Holdings: Thoughts from Mike

For the first time in more than 4 years the Bank of Canada cut interest rates by .25%. The drop in rates was somewhat expected by the market, but not fully, as the interest sensitive sectors of our portfolio rallied on the news. Dividends and dividend paying companies became more attractive as the rates on the alternatives lowered. Real Estate, Utilities, and Infrastructure are just some of the sectors that benefit in this type of environment. We do expect more decreases in the rates ahead, but the BOC has a tough job trying not to re-ignite inflation, while knowing that half the mortgage market is about to reset at materially higher rates by 2026. It also needs to keep an eye of the Canadian dollar and the downward pressure that could occur if Canadian rates lower much faster than those in the US.

Our portfolios are well positioned with exposure to the above sectors. A sustained turnaround in dividend shares, fueled by further rates decreases, will provide a more appealing capital growth and dividend increase environment.

We favour dividends as they tend to be a sign of a financially healthy and stable business. Last quarter many of our portfolio holdings increased their dividends with some examples below:

Company	Recent % dividend increase	5 year % cumulative increase
Royal Bank of Canada	3%	34.50% cumulative
Telus Corp.	3.5%	33.50%
Tourmaline Oil Corp.	7% & .50 per share special dividend	140%
Restaurant Brands International	2.6%	19.50%
Canadian Natural Resources Ltd.	5%	118%

*from Morningstar.com June 10th 2024

Tax Planning:

Tax Planning is an important component of everyone's wealth plan, maybe the most important. It's been a major focus of our teams planning since we started in the business, and we've added some real value for our clients in this area. Here are just some of the opportunities for tax planning when you look at things with a different lens and ask a lot of questions:

- Income planning: Which account should my monthly income come from? Maybe the most common question and with each account taxed a little differently, knowing where to take income from can add some real value and lower your tax bill.
- Reduction in OAS / GIS claw back: In some cases having your OAS clawed back doesn't need to happen. When looking at the whole picture we've reduced this impact. In addition to proper income planning, did you know that RRSP room can actually be used to minimize the impact of a claw back?
- Reducing the tax impact on capital gains by looking at opportunities to offset them.
- Are you "prepaying your taxes"? How many bills do you prepay? If you have to pay CRA let's not give them your monies earlier than you need to pay it. There are tips on how to mitigate that.

Tax planning isn't possible without knowing more about your tax situation and we thank clients for bringing their returns to our meetings or proactively sending them along when they receive them.

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

RY – Royal Bank of Canada

Royal Bank of Canada is a diversified financial services company that provides personal and commercial banking, wealth management, insurance, corporate and investment banking, and transaction processing services.

We note that RBC is well diversified by geography and business line, and we expect overall strength to be supported by these structural advantages in addition to the acquisition of HSBC. Following the acquisition, RBC reported strong results, beating expectation on EPS, while posting a strong top-line and solid capital position. We expect these trends to continue, with RBC's underlying growth being stronger than the industry moving forward. RBC currently has a 3.89% Dividend Yield.

NTR – Nutrien Ltd.

Nutrien provides crop inputs and services. The company produces and distributes potash, nitrogen, and phosphate products for agricultural, industrial, and feed customers. Nutrien serves the agriculture industry worldwide and is the largest producer of Potash in the world.



After turbulent market conditions in 2023, Nutrien delivered solid operational performance in Q1/24 against a market backdrop of strong demand and increased market stability. Retail results reflected improved gross margins with normalization of product margins in North America, while the Potash, Nitrogen & Phosphate segments each reported year over year increases in production. Supply/demand for the Potash market is forecasted to be largely in balance this year, with the market anticipated to further stabilize following the settlement of the Indian/Chinese contracts, expected shortly. Nutrien currently has a 3.90% Dividend yield.

ENB – Enbridge Inc.

Enbridge provides energy transportation, distribution, and related services in North America and internationally. The Company operates a crude oil and liquids pipeline system and is involved in natural gas transmission as well as renewable energy.

Enbridge sees robust growth opportunities across its assets and forecasts annual investment of \$6-\$7 billion over the next several years to execute its \$25 billion secured capital program. Coupled with acquisitions, analysts are expecting earnings growth of 7%-9% from 2023-2026. Post 2026, earnings are forecast to grow ~5% annually. The company's low-risk utility-like business model, robust secured project pipeline of ~\$24 billion, and solid 2024 guidance supports our expectations of continued growth. Enbridge currently has a 7.44% Dividend Yield.

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