It's been a good year. Now what?

In the face of permanent uncertainty, most world markets are marching to new highs. How does this happen when wars, dramatic elections, strikes and all the other seemingly negative events dominant the headlines? With rates dropping and inflation lowering, this has provided a catalyst for the companies that make up the market to earn more profits fueling their share prices. Remember the stock market is just a place where people buy and sell businesses. It's the increasing profits that these businesses make that matter and little else. The stock market is just a barometer of people's emotions day by day, minute by minute, without any underlying change to the business itself. The growth in earnings and dividends of the companies can never be separated from temporary declines that occur more often than we like. The reason our portfolios are well diversified is that the market can turn lower without notice. Investors are generally disposed to assume that their Wealth Plan is "working" when the market is delivering positive returns and when the market declines the assumption is that it no longer is. Many have heard me say that if the markets are hitting all-time highs, it's means that every dip / correction / pullback that we've had since you were born has been an opportunity. Market pull backs should be expected. Traditionally we have:

- 3% dip 7 times a year
- 5% mild correction 3.5 times a year
- 10% correction 1 time a year
- 15% correction every 2 years
- 20% bear market every 3.5 years

*From rbcroyalbank.com Nov 22nd, 2024

None of these affect the plan of the long-term investor and our portfolios are positioned to withstand these dips through our diversification. My message is to not fear market pullbacks, they are normal and will happen. Volatility is the price of admission and handling it is important to the success of your long-term plan.

In Summary:

- Quality companies don't always go up but often dividends do
- Focus on the portfolio's income
- Current events don't matter just like day-to-day market movements
- When markets correct it feels like it's never happened before, but it has

To highlight the growth of dividends described above I have shared some of our portfolio holdings that increased their dividends this past quarter.

Company	Recent % dividend increase	5 year % cumulative increase
TELUS Corp.	3.39%	38.12%
Suncor Energy Inc.	4.59%	35.71%
Canadian Natural Resources Ltd.	7.14%	200%
Visa Inc.	13.46%	96.66%
Microsoft Corp.	10.66%	62.74%

*From Morningstar.ca Nov 22nd, 2024

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

CNQ – Canadian Natural Resources

Canadian Natural Resources Ltd. (CNQ) acquires, explores for, develops, and produces natural gas, crude oil, and related products. The company operates in Alberta, BC, and Saskatchewan as well as the U.K. North Sea and Offshore Africa.

Canadian Natural Resources Ltd. is one of the largest oil & gas producers in the world and continuing to grow. The firm acquired Chevron Canada Ltd.'s assets last quarter for $8.8 Billion in an all-cash deal which we anticipate will generate robust cash flow and immediately upscale their operations. As seen from the table above, CNQ has a long-standing history of paying its cash flows to shareholders. The most recent dividend increase marks the 25th consecutive year of annual dividend increases by the company. We expect the company to continue to grow its cash flow while paying that cash flow out to its shareholders, which we believe makes CNQ a great company for our clients to own.

TRP – TC Energy

Another energy company, TC Energy (TRP), operates natural gas, oil, and power generation assets in Canada, the United States & Mexico. The firm operates more than 60,000 miles of oil and gas pipelines, more than 650 billion cubic feet of natural gas storage, and about 4,300 megawatts of electric power.

TC Energy has been one of the top performers in our portfolio in 2024 and has been a leader in the Canadian Energy industry. The firm also provides a stable and growing dividend currently yielding 4.71%. TRP's assets are some of the highest quality in our coverage with their two largest natural gas pipelines accounting for 75% of Canada's natural gas takeaway capacity. We believe TRP still has room to grow with the advent of AI and the energy intensive data centers that go along with it. The firm noted that 300 data centers are in various stages of development in the US and has identified that as an area of future growth for the company.

BN – Brookfield Corporation

Brookfield Corp. (BN) is a Canada-based global investment firm focused on building long-term wealth for institutions and individuals. It has three core businesses: Asset Management, Wealth/Insurance Solutions, and Operating Businesses. it invests in real assets that form the backbone of the economy to deliver risk-adjusted returns to stakeholders.

Another one of our top performers in 2024, Brookfield Corp., has been steadily growing it's 3 core business over the course of 2024. It's largest producer of revenue is its asset management business which surpassed $1 trillion in assets under management last quarter. The other businesses are growing as well. The past quarter showed its Wealth/Insurance solutions business doubling its earnings year-over-year and the Operating Business seeing growth in its Renewable Energy & Infrastructure segments. BN is one of the great Canadian Companies and is the largest in the country by both Revenue & Earnings.

Mike

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