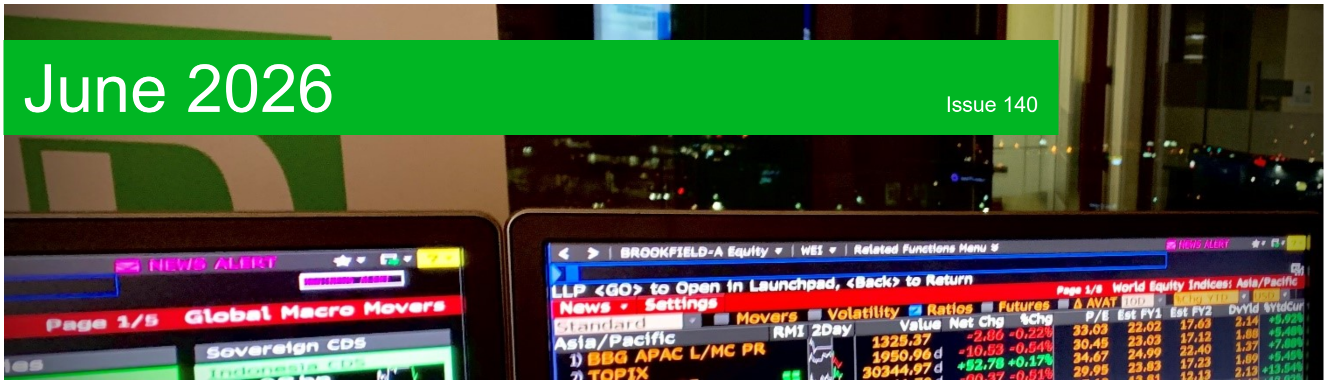
The Charter Group Monthly Letter



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Economic & Market Update

Space Jam IPO

In 2018, SpaceX President Gwynne Shotwell declared that the company would not go public until it was regularly landing on Mars.[1] So far, SpaceX hasn't even landed anything on the moon or sent any of their hardware beyond low-Earth orbit. Yet here we are with an announcement to go public on June 12 seeking to raise about $80 billion which will infer a market value for the company near $1.7 trillion.[2]

This topic has so many aspects and I have so many thoughts on it that a normal long form newsletter would go on for too many pages. So, I am going to write things down in bullet points instead.

- Am I being allocated any shares in the IPO? No.
- Would I buy any IPO shares for the model portfolios if offered? Based on what I have

The SpaceX Initial Public Offering (IPO) is the largest ever in terms of capital raised.

Investor enthusiasm appears to be on SpaceX's side, but a host of other challenges are looming.

There may also be ramifications for the markets in general.

[1] Dylan Sloan, "SpaceX IPO Means 'Prime Time' for Advisers Ahead of Wealth Surge." Bloomberg News, June 5, 2026.
[2] These numbers may move a bit between now and June 12th. However, SpaceX seems to be adamant about doing the IPO at $135 USD per share. We shall see. It's a virtual certainty the IPO will be the largest in terms of capital raised. Saudi Aramco's IPO in 2019 will likely still have the record for the highest valuation at $2 trillion.

researched, the company doesn't fit with the current model portfolio strategies.

- Although there are exceptions, the empirical academic research over the last number of decades mostly concludes that IPOs are a losing proposition for investors.[3]

- There are some contrarians among hedge funds who are looking to bet against the IPO and have set up arrangements with U.S. broker dealers to make this possible.[4]

- Could the shares jump when they start trading in this case? Yes. There might be a good chance of this as there appears to be a tremendous amount of investor interest.

- Anticipation of index inclusion is also creating some optimism as ETFs that track the NASDAQ and FTSE Russell indices will need to buy the shares after the IPO. However, S&P stated that they won't be bending their rules on profitability and it may still be a few years before SpaceX shares will quality.

- The are no guarantees that the shares will jump. If there is a move up, many investors on the first few days could sell to make a quick profit, but that might put downward pressure on the stock.

- Also concerning is the number of insiders who have held private shares for years who would be looking for an exit once the lockups expire. There might be an early lifting of this restriction compared to most other IPOs.[5] Early investors might conclude that most of their tremendous gains have already been achieved and why risk things for a little more upside. Plus, many long-term employees are going to experience sudden wealth and could be compelled to sell a portion of their shares in order to diversify.

- Although different in terms of magnitude, the Facebook IPO in May 2012 was surrounded by tremendous excitement. The IPO was priced at $38 per share and it popped briefly to $45 on the first day of trading. The price then sagged over the next three months to under $18. The price didn't rise back to $38 until early August 2013, about 15 months after going public.[6]

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[3] Telis Demos, "For a Select Few, IPOs Are Winners. Good Luck to Everyone Else." *The Wall Street Journal*, June 8, 2026.
[4] Sridhar Natarajan and Katherine Doherty, "Shorting SpaceX? Jeffries Becomes Go-To Bank After IPO Miss." Bloomberg News, June 3, 2026.
[5] Echo Wang and Sabrina Valle, SpaceX to allow early share resale before usual six-month lock-up." Reuters News, May 22, 2026.
[6] Source: Bloomberg Finance L.P. as of June 8, 2026. Prices in USD.

- Eventually Facebook's fundamentals did a good job of catching up to the initial enthusiasm. But that would have been a long wait for investors looking to turn a quick profit.

- How do SpaceX's fundamentals look? It's losing money. One of its operations, Starlink, does make money, but not enough to offset overall losses.

- The shares of companies that lose money can go up. If investors buy into future projections, they may overlook current losses. If it is the company making those projections, it's reasonable to assume those could be on the rosy end of the range.

- SpaceX recently estimated its addressable market is $28.5 trillion. $26 trillion of that is AI-related (it's not just a rocket company!).[7] SpaceX will need to fight for that addressable market, but when you're talking trillions, there is a lot to go around for everyone. However, again, it's important to note that these are SpaceX's estimates.

- Spacey futuristic stuff can create a disproportionate amount of investor excitement. We know this because we've seen a craze like this before back in the 1960s.[8] How did those IPOs fare? Not good.

- It is difficult to have a grounded debate regarding the future potential of space, AI, robot butlers, true self-driving cars etc. The bearish argument can make someone look like a curmudgeon. Investor enthusiasm can overwhelm realistic timelines (Elon Musk is a master at tapping into this). The crowd has an active imagination. The desire for technological progress is immense. The popularity of science fiction embodies this desire. Current fundamentals can be ignored.

- Because the future is unknown and because we are talking about the potential of novel and yet-to-be proven technologies, we are left with a debate of probabilities. It is hard to extinguish the possibilities with low probabilities in the face of enthusiasm.

- Often it is the timeline of the eventual application of technology that is important. Right around the corner versus a generation from now dramatically changes the financial

[7] Telis Demos and Miram Gottfried, "What the 'Dean of Valuation' Thinks Elon Musk's SpaceX Is Really Worth." *The Wall Street Journal*, June 7, 2026.
[8] Josh Brown, "The Beginning of the End." DowntownJoshBrown.com, June 5, 2026.

calculus.

- The history of technology is replete with examples where timelines perpetually extended. In the case of nuclear fusion, the old joke is that it is always just five years away. Same today as it was when I first got into the investment industry at the beginning of the 1990s.

- The concept of driverless cars was initially developed back in the 1930s, and has received attention in most decades since. But we still don't have true full self-driving (Level 5) yet. It felt like we should have had this ten years ago. Don't tell that to the optimists, or Elon Musk, from 15 years ago. Waymo has taxis that appear to be the closest to this. But they are still geofenced within relatively tight metropolitan areas.

- Limited functioning humanoid robots appeared in the 1930s. Flying cars were licensed in the 1950s. AI had its start in the 1950s. Where is my full self-flying car and my AI-driven, self-aware, sentient, and anatomically fully functional android? At least 70 years and still waiting I guess.[9] Or just five years away.

- Tesla has been subjected to this timeline fatigue judging by its stock price which is currently trading at where it was 18 months ago (during a time when GM and Ford shares have done quite well – and even if Tesla is really a tech company, it has badly lagged the tech sector).

- There is a lot of chatter in the press about SpaceX buying Tesla.[10] The cash from the IPO could help to do this. (SpaceX bought Musk's AI company, xAI, earlier this year). It would be much harder for me to break out the performance of Tesla and compare it to other things if it is mashed into the financial statements of SpaceX.

- How will the new shareholders of SpaceX respond if Tesla, the recent laggard, is grafted on?

- What if something happens to Elon Musk? I can't think of anyone in modern times who presents the same level of key-person risk. Even Apple survived the loss of Steve Jobs pretty well unscathed, which was somewhat surprising. But I don't see how

[9] Nicole Kobie, *The Long History of the Future: Why Tomorrow's Tech Still Isn't Here*. London: Bloomsbury Sigma, 2024, pp 9-10.
[10] Adam Spatacco, "Will SpaceX Merge With Tesla? The Answer Might Be Hiding in Plain Sight." The Motley Fool, fool.com, June 8, 2026.

SpaceX-Tesla-xAI would survive without Musk.

- Operational risk. On May 28, the New Glenn rocket operated by Blue Origin (owned by Jeff Bezos of Amazon) detonated on the launch pad in Florida in what was the largest space-related explosion since the Soviet mishaps of the 1960s. SpaceX's Starship rocket has blown up a number of times, but always a few minutes into flight, not during a ground test. If a Starship rocket suffered a similar event, the extension of the timelines becomes more evident and less debatable. How would the shares react?

- An important driver of recent excitement regarding the launch business is the concept of data centres in space. I've heard many commentators saying that this is just a few years away, implying that it should be factored into the SpaceX share price. Endless energy from the sun to drive the processors, the cold vacuum of space to cool them, and no complaints about ugly buildings. However, issues with respect to scale might cause havoc with the timeline here, pushing reality further out into the future.

- The macroeconomic issues that might be driving the urgency to go public could cause significant problems for subsequent funding attempts down the road.

- Is there a driving macroeconomic issue behind not only SpaceX to rush to an IPO, but also behind the intention of Anthropic, and possible OpenAI to go public soon?

- On the surface, it might be the race to tap investor enthusiasm which might not last for long if the sober finance math of last autumn returns. It likely takes a leap of faith to connect the current massive capital spending with a return on that investment in the reasonably near future. When that faith ebbs, it can become much harder to raise further capital. Although the current parade of IPOs and potential IPOs is gargantuan, it only raises a fraction of what is needed to fund all these futuristic endeavours.

- The cost of capital has risen in recent years. Readers know that I expect the cost of capital to slowly grind higher through to the end of this decade and perhaps beyond. More expensive capital reduces the potential return on investment.

- A rising cost of capital may also signify more competition in the pursuit of capital. Governments have massive obligations (entitlements, defense, infrastucture) that will need to be financed with capital from investors as there is not much scope to increase taxes to pay for it all. More demand for capital increases the price for capital. That might create an urgency to raise money now.

- During the low inflation and low cost of capital era, it is not surprising that companies were able to remain private for longer. Without the hassles of a public listing, they could solicit private capital at a low cost. Plus, it made sense to borrow to buy back shares or take public companies private. Now, that whole trend may be reversing for the first time in three decades.

- The parade of mega IPOs, we may see a quickening pace in this trend. More companies realizing they need to go public sooner rather than later.

- This could depress stock markets in general. IPOs might entice investors to sell shares of existing companies to buy shares in newly public companies. In aggregate, that might be bearish for existing companies.

- We are seeing that dynamic play out in cryptocurrencies, including bitcoin. The recent AI frenzy appears to have pulled money away from cryptocurrencies and related companies and has hammered the prices of most things in the cryptosphere.

- With the size of the IPOs, this effect may be more widespread through the markets.

- Finally, there are some questions about governance issues. It is unusual for someone like Musk to retain this degree of control after the IPO. In addition to voting control, he will have some exceptional powers with respect to self-dealing.

- There are measures that sound downright Trumpian, like the ability for Musk to participate personally as a separate party in deals that involve SpaceX and others, and at the expense of SpaceX shareholders.[11] This is disclosed in the prospectus so there is nothing shady about it. But investors need to be willing to assume this risk.

None of my comments or opinions above should be construed as advice on whether to buy, sell, or hold SpaceX stock. You're going to need to talk to me directly for that!

[11] Lucian Bebchuk and Kobi Kastiel, "Even Musk Admirers Should be Troubled by SpaceX's Governance." Harvard Law School Forum on Corporate Governance, June 2, 2026.

Model Portfolio Update[12]

The Charter Group Balanced Portfolio
(A Pension-Style Portfolio)

	Target Allocation %	Change
Equities:		
Canadian Equities	15.0	None
U.S. Equities	34.0	None
International Equities	11.0	None
Fixed Income:		
Canadian Bonds	18.2	None
U.S. Bonds	9.8	None
Alternative Investments:		
Gold	7.5	None
Commodities & Agriculture	2.5	None
Cash	2.0	None

No changes in the model portfolios during May.

There have been no changes to the asset allocations or the holdings in any of the model portfolios during May and into June. The rebalancing at the beginning of May, which was mentioned in the previous newsletter, accounted for most of the portfolio activity this spring.

Stocks from Canada, U.S., and globally contributed positively to the results.

Canadian, U.S., and international stocks were the biggest contributors to portfolio results during the month. Much of that was the psychological momentum driving the AI frenzy. While we don't have any exposure to the pure-AI plays, we had enough indirect exposure to help capture some of the upside.

Stocks ignored much of the bad news regarding the Persian Gulf and inflation, focusing on AI instead.

Markets also did a good job of trying to look past the hostilities in the Persian Gulf. Although the number of altercations was very low mostly owing to a ceasefire that extends back to April, there were no diplomatic breakthroughs to bring things to a conclusion. On some days the rhetoric sounded like an agreement was imminent. On other days, it seemed like a long way off. As mentioned last month, this likely continues on to some

[12] The asset allocation represents the current *target* asset allocation of the Balanced Model Portfolio as of June 8, 2026. The asset allocations of individual clients invested in this Portfolio may differ because of the relative performance of the asset classes since the last rebalancing and because of differences in the timing of deposits and withdrawals. The Balanced Model Portfolio is part of a sequence of five portfolios ranging from conservative to aggressive: Conservative, Balanced Income, Balanced, Balanced Growth, and Growth.

degree for longer than most expect. With continued restrictions on transiting the Strait of Hormuz, there certainly is potential for higher oil prices which could become a bigger political issue as the midterm elections approach. That could put a damper on both stocks and bonds. Stock generally may be more vulnerable to near-term correction, especially with the considerable gains over the last two months.

Hostilities in the Middle East may persist for a while.

Although higher gasoline prices are feeding into inflation, we are seeing continued price increases for goods and services. This multipronged contribution to potentially more inflation has now removed expectations for any interest rate cuts this year. Instead, there is now a 100% chance that the U.S. Federal Reserve (the Fed) will hike the Fed Funds Rate 0.25% by the December policy meeting date.[13]

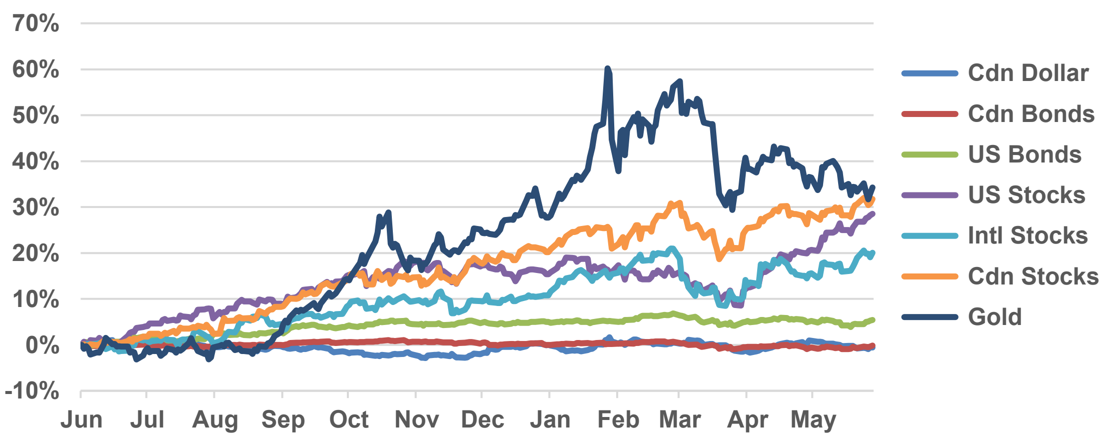
Inflation is being stoked by multiple factors.

Although the Fed Funds Rate is a short-term rate, the inflation preventing the Fed to cut might also explain the stubbornly high longer term U.S. bonds yields set by the market. There is a risk that this situation could worsen depending on the next U.S. Consumer Price Index (CPI) release on June 10. It is something that I have been considering in the management of the model portfolios, but it was at odds with the beginning of the year consensus market opinion of where interest rates and inflation were going to go in 2026.

If inflation continues to grow, it could present challenges for both stocks and bonds. Stocks because they have had a good run recently. Bonds because inflation and higher interest rates can hurt bond prices.

Below is the 12-month performance of the asset classes that I have used in the construction of The Charter Group's model portfolios. (**Chart 1**).[14]

Chart 1:
12-Month Performance of the Asset Classes (in Canadian dollars)



Source: Bloomberg Finance L.P. for the interval from June 1, 2025 to May 31, 2026

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[13] Source: Bloomberg Finance L.P. as of June 8, 2026. These are the probabilities implied by the trading of interest rate futures contracts on the Chicago Mercantile Exchange (CME).
[14] Source: Bloomberg Finance L.P. – The Canadian dollar rate is the CAD/USD cross rate which is the amount of Canadian dollars per one U.S. dollar; Canadian bonds are represented by the current 3-year Government of Canada Bond; US bonds are represented by Barclays US Aggregate Bond Index; U.S. stocks are represented by the S&P 500 Index; International stocks are represented by the MSCI EAFE Index; Canadian stocks are represented by the S&P/TSX 60 Composite Index; Gold is represented by the Gold to US Dollar spot price.

Top Investment Issues[15]

Issue	Importance	Portfolio Impact
1. Global Geopolitics	Significant	Negative
2. Global Trade Wars & Alliances	Moderate	Negative
3. Inflation from Tariffs (Portfolio Impact)	Moderate	Positive
4. Tariffs: Slowing Economic Growth	Moderate	Negative
5. Canadian Dollar Decline	Medium	Positive
6. U.S. Fiscal Spending Stimulus	Medium	Positive
7. Growing U.S. Credit Risks	Medium	Negative
8. Canadian Federal Economic Policy	Medium	Positive
9. China's Economic Growth	Light	Negative
10. Long-term U.S. Interest Rates	Light	Negative

[15] This is a list of the issues that we currently deem to be the ten most important with respect to the potential impact on our model portfolios over the next 12 months. This is only a ranking of importance and potential impact and *not* an explicit forecast. The list is to illustrate where our attention is focused at the present time. If you would like an in-depth discussion as to the potential magnitude and direction of the issues potentially affecting the model portfolios, I encourage you to email me at mark.jasayko@td.com or call me directly on my mobile at 778-995-8872.

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Accountability is further enhanced by the fact that we commit our own investable wealth to the same model portfolios in which our clients are invested.

The information contained herein is current as of June 8, 2026.

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