

Investor Insights



Q1 2024 - Investor Insights

Market Review

We launched into the 2024 year with the same positive momentum we saw coming out of the last quarter of the previous year. Our Canadian markets measured by the S&P/TSX Index, ended the first quarter of 2024 just north of mid-single digit range, close to 6%. The U.S. index, S&P500, outpaced our Canadian markets and closed out the quarter higher at a double-digit return of about 10% (Thomson One). Notable sectors that performed the best for Canada were Energy and Industrials, while the worst performing sectors leading the decline was Communication Services then Utilities. The materials sector, particularly precious metals, rallied the last month of this quarter and posted solid quarter end results. Gold was up mid-single range at about 7%, gold has broken through near its all-time highs touching north of \$2250 an ounce (Thomson One). As inflation numbers have seem to stabilized, there are mixed economic data numbers that continue to come in strong, which has left central banks to stave off market hopes that interest rates cuts may not be what many anticipated. Although inflation may appear to have stabilized and come down from their highs, interest rates have not come down resulting in higher real interest rates. West Texas Intermediate (WTI) closed the quarter out strong, up in the mid-teen double digit figure at about 16% (Thomson One). The sector leaders in the U.S. were Communication Services and Technology sectors, a large part attributed to the Magnificent Seven stocks that belong to those sectors. Growth beat out Value in this recent quarter.



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Our Portfolios

Our Canadian portfolios ended the first quarter with positive returns, of our equity mandates, the Infrastructure portfolio produced the smallest gains closing the quarter in the low-single-digit range in the two percent range. This portfolio is concentrated in the areas of energy, telcom and rails and road infrastructure are sensitive to interest rates and security prices have been under pressure with the delay of any interest rate reductions from our central banks. Our consolidated portfolio of our main three staple portfolios, TWM Canadian Dividend, ended the quarter in single-digit territory, just above the three percent mark. Of the Canadian equity portfolios, our High Income and Dividend Growth portfolios benefited from the strength in the energy and commodity sectors and finished the quarter stronger relative to our other portfolios. The High Income portfolio quarter returns were in the mid-single digit range not far below the 6% mark while the Dividend Growth portfolio which has a larger concentration in the energy sector was up north of 7%. Our balanced portfolio, Defensive Income, which has half the portfolio allocated to fixed income, was up in the low-single-digit bounds. The Canadian fixed income portfolio, TWM Fixed Income, also in positive territory for the quarter, posted a low-single-digit return slightly above the two percent mark. Our US/International portfolio, Global Growth, had a good quarter which resulted in a return in the mid-single-digit range of six percent.

Outlook

The strength in markets over this past quarter are reminiscent of an exuberant market environment and what some may refer to as “bubbly”. As mentioned in our last commentary there are risks in the market that may come into fruition and there is a level of cautiousness we will be approaching for this year. Although timing is hard to capture, we certainly try our best to be tactical in our execution of strategy implementation. As we head into the second quarter and into summer, it could provide a window where we look to build up our cash position as we head into the latter half of this year. Building cash and preparing for a bit of a cushion in a downturn scenario, to preserve some capital. Alongside an opportunity to rebuild back into our equities at better valuations are ways to help smooth out the longer-term returns. There is a cycle shift on the horizon where our Canadian holdings and value-oriented portfolios will be benefactors. Cyclical changes in our markets and business cycles are normal patterns observed, we try our best to optimize those cycles within our portfolio implementation.

Federal Budget 2024

Deputy Prime Minister and Minister of Finance Chrystia Freeland recently released the federal budget (Budget 2024). The budget proposed significant new spending over the next five years. To partially cover these spending commitments, the budget is also proposing to increase the inclusion rate on capital gains above \$250,000 for individuals and on capital gains by corporations and trusts from one-half to two-thirds. In light of the continued economic uncertainty, measures in the budget are targeted with the stated goal of building

more affordable homes, making life cost less and growing the economy. Although there are no proposed changes to the personal tax brackets, the capital gain inclusion rate would be the most impactful for investors. The budget also suggests several amendments to the alternative minimum tax (AMT) proposals, that include reducing the negative impact on the tax treatment of charitable donations.

National Bank Financial Wealth Management (NBFWM) has put together a summary for our investors that you, our client, might find helpful. This document features highlights as well as a summary of measures for individuals, business and other measures of interest. Highlighting some of the key features of the summary are as follows:

- **Home Buyers' Plan (HBP)** - The Home Buyers' Plan ceiling has been raised from \$35,000 to \$60,000.
- **Registered Education Savings Plan (RESP)** - Budget 2024 announces the government's intention to amend the Canada Education Savings Act to introduce automatic enrolment in the Canada Learning Bond for eligible children who do not have a RESP opened for them by the time the child turns four.
- **Capital Gains Inclusion Rate** - The federal budget 2024 announces the government's intention to increase the inclusion rate on capital gains realized annually above \$250,000 by individuals and on all capital gains realized by corporations and trusts from one-half to two-thirds. The inclusion rate for capital gains realized annually up to \$250,000 by individuals will continue to be one-half. These changes will apply to capital gains realized on or after June 25, 2024.
- **Alternative Minimum Tax (AMT)** - Budget 2024 proposes to make further changes to the AMT proposals; the tax treatment of charitable donations will be revised to allow individuals to claim 80 per cent (instead of the previously proposed 50 per cent) of the Charitable Donation Tax Credit when calculating AMT and fully allow deductions for the Guaranteed Income Supplement, social assistance, and workers' compensation payments.

Click on the link for the summary of the [Federal Budget 2024](#).

Sincerely,

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