HILBERRY GROUP
WEALTH MANAGEMENT

January 26, 2024

Spring comes next.

The dominance of Donald Trump over the Republican Party (GOP) is confirmed. Mr. Trump unsurprisingly swept Idaho's GOP primary. He came well ahead in this week's New Hampshire primary. The last GOP challenger standing, Nikki Haley, needs to pull it off soon or she's out. While anything can happen in politics, the Nov 2024 US Presidential election looks like a re-run of Nov/2020, Biden (age 81) vs. Trump (age 77). Who says Boomer's aren't relevant?! Can we get some new actors in this movie series, please? Polls appear to favor Mr. Biden. If re-elected, we'd expect more of the same. What about Trump?

Would the election of Donald Trump mean the end to the 'Inflation Reduction Act (IRA)' and 'Infrastructure Investment and Jobs Act (IIJA)'?

Both the IRA and IIJA acts are politically framed to drive investment into green energy. Both acts provide large subsidies and grants to that end. Budget hawks shudder. As we noted last week, both are protectionist, familiar territory for the Democrats. Does a Trump victory spell doom for these acts, or at least, their intention? When it comes to Biden policies, we're confident Mr. Trump would attempt to be seen 'burning it all down' for his base. Once given money and power, governments of all stripes are loath to cough it up. The current GOP tribe is miles away from the Ronald Reagan branded policies of small government and modest budgets (Reagan's version ended up being mostly marketing). Under Trump, we'd expect to see rebranded GOP versions of IRA/IIJA rolled out.

NBF's Josh Ochman commented in this week's Wednesday daily note.

Extract of National Bank Financial's Josh Ochman's daily *'Before the Bell'* energy commentary Jan 24, 2024

US elections & implications to IRA and climate funding*. It's important to remember what both the IRA and IIJA are – they are inherently protectionist acts to redefine supply-chains BACK to the U.S. – something Trump would most likely characterize as "good" re: made in the USA!*

- *Complicating repealing the laws we would note that 60% of aggregate dollars allocated towards clean energy projects are situated on Republican-led States incl. other tangible benefits, i.e., jobs created and associated social benefits.*
- *Also compounding that sentiment are intricacies and nuances re: senate structure (democratic majority).*

All in all, expect sentiment towards clean energy investment to be driven predominantly by headline risk and would not expect material changes to climate funding mechanisms (IRA, et. al).

Private sector investment into clean energy technologies has been significantly galvanized since the passage of the Inflation Reduction Act (IRA) in the U.S., with publicly disclosed announcements totaling >270 new projects in over 40 states and reflecting US$110 bln in investments. With the 2024 U.S. Presidential election slated for later this year, we are beginning to see and hear greater chatter as to the implications that could resonate for funding incentives such as the IRA, i.e., could it be repealed in its entirety? While we appreciate that investors may opt to sit on the sidelines until greater visibility is achieved, **we believe headline risk is likely to dominate sentiment and associated capital flows.**

In our view, we see the **likelihood of the IRA and other clean funding incentives being repealed unlikely**; however, could we see funding mechanisms diluted? Perhaps. As depicted below, Republican-led States would have a lot to lose when it comes to private sector investment in major clean energy projects as **50-60% of total projects and associated investment (US$65 bln) reside within these jurisdictions.** Moreover, and by way of an exercise to depict the presence of the Swing States through reflecting the prior election results, these jurisdictions generally leaned Democrat and thus projects were split 50/50; **however, aggregate dollars of investment (60%) would still be situated in the Red States.**

ESG Image of the Week: Major Clean Energy Projects Since the Passage of IRA

Source: NBF, E2, 270towin

The above chart is extracted from **NBF's 'Weekly ESG Review' Jan 23, 2024.** Full link here**:**

https://nbf.bluematrix.com/sellside/EmailDocViewer?mime=pdf&co=nbf&id=replaceme@bluematrix.com&source=mail&encrypt=197730df-e167-44b1-a5b6-8f6c1988019f

The Hilberry take is the election of Donald Trump may not spell the end of these programs.

The IRA and IIJA acts are broadly designed to increase the supply of electrical power. What about current and future power demand? Where could new demand come from? Mr. Ochman continued.

Paris-based International Energy Agency (IEA) rolls out its latest report on electricity looking out to '26.

Directionally the report highlights aspects to the global electricity market that are generally well understood: big growth in renewables, nuclear set to play a more important role (more regional emphasis near-medium term), China/Asia growth in power consumption (while coal remains factor in the region) etc., etc.

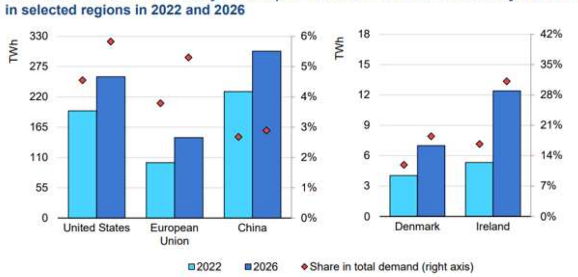
- A couple charts worth highlighting from the report are growth in power consumption from the growth in data and AI…and even crypto currencies.

- In the US, the IEA projects that data center power demand will constitute 6% of total electricity demand. Look at Denmark and Ireland! The reality is we're only going to see more growth in terms of data and AI.

The lengthy IEA report can be found here.

https://iea.blob.core.windows.net/assets/ddd078a8-422b-44a9-a668-52355f24133b/Electricity2024-Analysisandforecastto2026.pdf

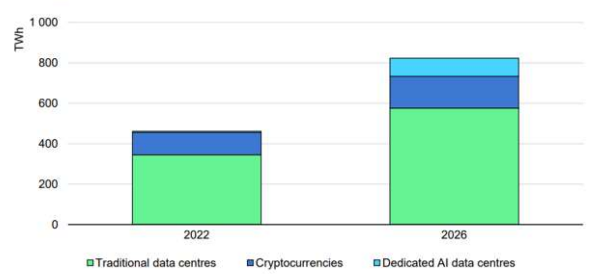
Estimated data centre electricity consumption and its share in total electricity demand in selected regions in 2022 and 2026



Note: Includes traditional data centres and dedicated AI data centres, excludes consumption from cryptocurrencies and data transmission networks.

Sources: IEA, Data Centres and Data Transmission Networks; Lawrence Berkeley National Laboratory, United Stated Data Center Energy Usage Report; Ireland Central Statistics Office, Data Centres Metered Electricity Consumption 2022; Danish Energy Agency, Denmark's Energy and Climate Outlook 2018; China's State Council, Green data centres in focus; European Commission, Energy-efficient Cloud Computing Technologies and Policies for an Eco-friendly Cloud Market; Joule (2023), Alex de Vries, The growing energy footprint of artificial intelligence; and Crypto Carbon Ratings Institute, Indices.

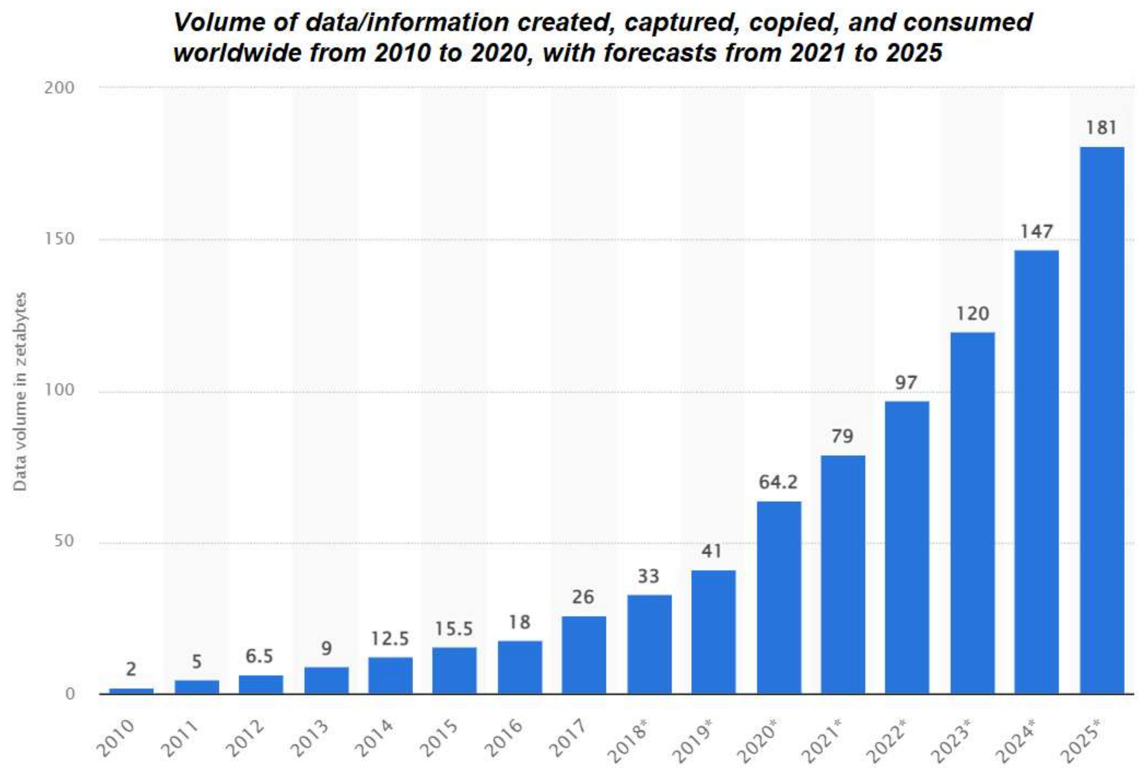
Estimated electricity demand from traditional data centres, dedicated AI data centres and cryptocurrencies, 2022 and 2026, base case



Note: Data centre electricity demand excludes consumption from data network centres.

Sources: IEA forecast based on data and projections from Data Centres and Data Transmission Networks; Joule (2023), Alex de Vries, The growing energy footprint of artificial intelligence; Crypto Carbon Ratings Institute, Indices; Ireland Central Statistics Office, Data Centres Metered Electricity Consumption 2022; and Danish Energy Agency, Denmark's Energy and Climate Outlook 2018.

Source: IEA



Food for Thought: US retail workers by industry:

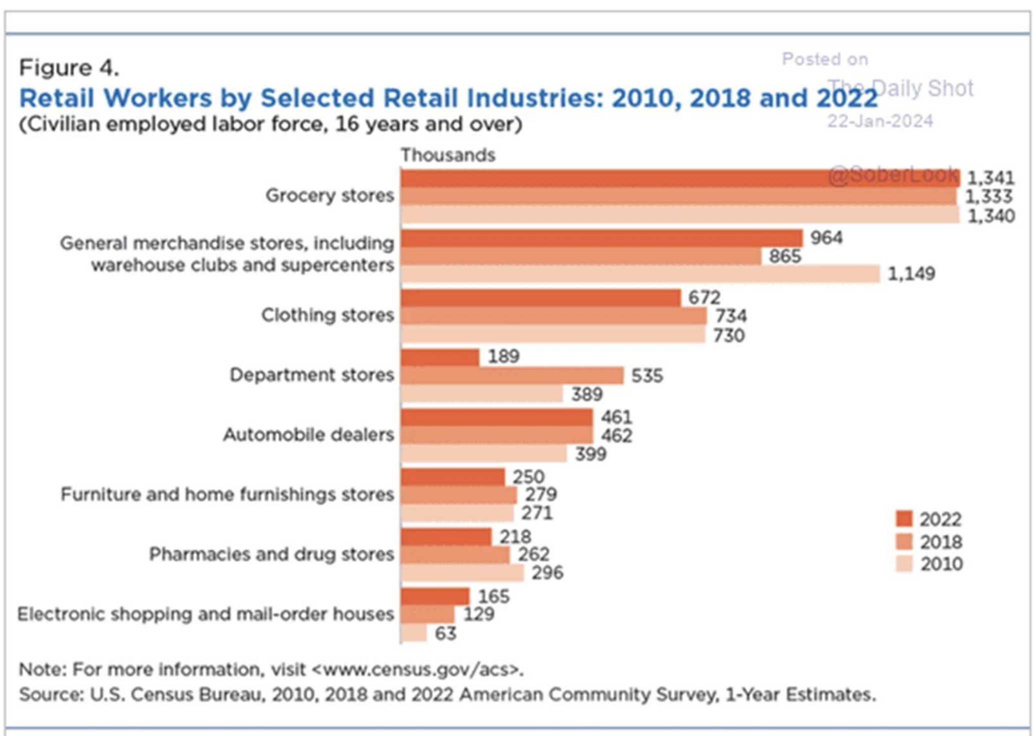


Chart Source: Wall Street Journal Daily Shot | Data Source: Census Bureau [Read full article]

Canadian rails. CNR vs. CP. Which do we own and why?

A client emailed in a great question this week. He wanted to know our thoughts on Canadian Pacific-Kansas City Railway (CP) vs Canadian National Railway (CNR). We're sharing a summarized, edited version of the exchange with personal details removed.

Jan 25, 2024

Steve,

Do I have any CNR in my portfolio?

John,

Jan 25, 2024

John,

You hold Cdn National Railway (CNR-TSX-$166.67). Our model portfolio avg cost is $134.90. Client average costs may vary to our model. Today's closing price $166.67.

Here's the progression of your unique ownership.

- *March 2020 BUY $104.16 and again at $106.75.*
- *Jun/2021 added at $131.07.*
- *Oct/2021 trimmed at $165.54.*
- *June/2022 added at $142.63.*
- *Sept/2022 rebalanced between your accounts at $153.80.*
- *Feb/2023 trimmed at $156.17.*
- *Oct/2023 (last trade) added again at $144.81.*

You do not hold Cdn Pacific Kansas City Ltd Rail (CP-TSX-$106.14 $C).

Jan 25, 2024

Steve,

What do you think about CP?

Thanks John.

Jan 25, 2024

John,

We like the Canadian rails generally. We like CNR's and CP's business models and believe both have a bright future. We own CNR, not CP. Why?

Firstly, we don't believe we need two Canadian rails so have chosen one.

Our CNR 3-5 year price target is $222 to $269 CDN

Vs those targets, CNR stock is currently priced to generate returns ranging from 11% to 20% per year. The current annual dividend yield is 2.03% . Adding that 2% yield to the potential annual returns provides potential annual ranges of 12-22%. We think the low end of that potential range is satisfactory vs. the risk.

Our CP 3-5 year price target is $108 to $141 CDN.

Vs. those targets, CP stock is currently priced to generate returns ranging from 0.6% to 11% per year. The current dividend yield is 0.76%. Adding that 0.76% to the potential annual returns provides potential annual ranges of 1.36% to 11.7% per year. We think the low end of that potential range is NOT satisfactory vs. the risk.

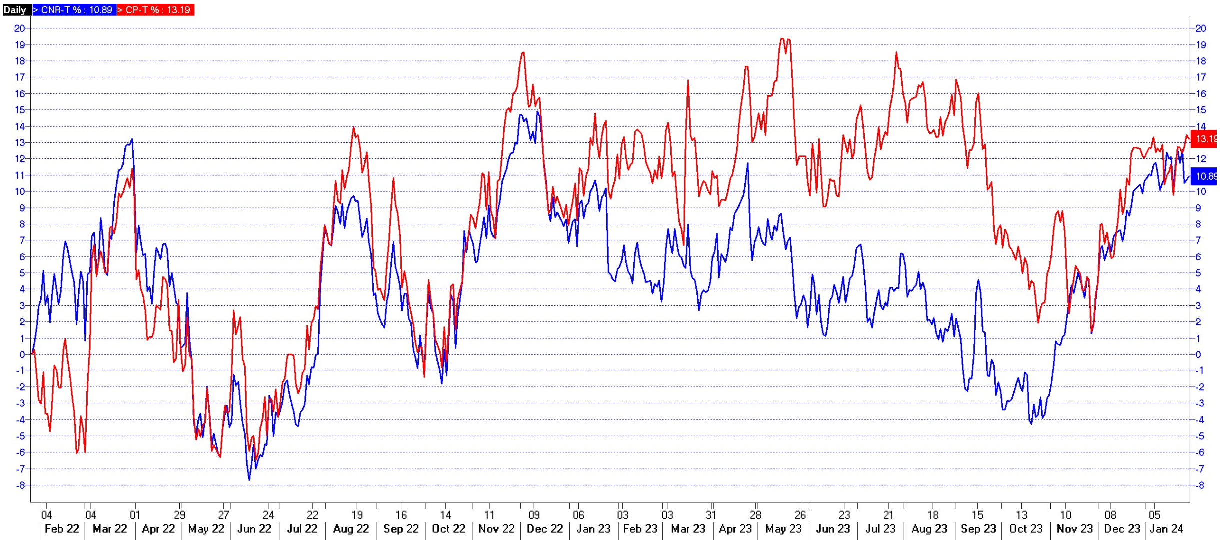
Notice the repeated use of 'potential' in all of the above. We could be wrong in our targets.

In short, we believe investors have already paid for much of the earnings they are likely to receive from CP over the next 3-5 years. CP might surprise to the upside, meaning we're under-estimating their growth. They could do the other too.

What about past performance?

The next chart compares the total % price change from base 0 of CNR (blue) vs CP (red) in $CDN funds over the past two years. Over two years, CNR is up 10.86% while CP is up 13.1%. We see these results as very similar. Factoring the two-year period, neither show spectacular gains. This means neither are trading at extremely high prices. Both have room to run.

CNR (blue-10.86) vs CP (red-13.1) % change – 2 years.

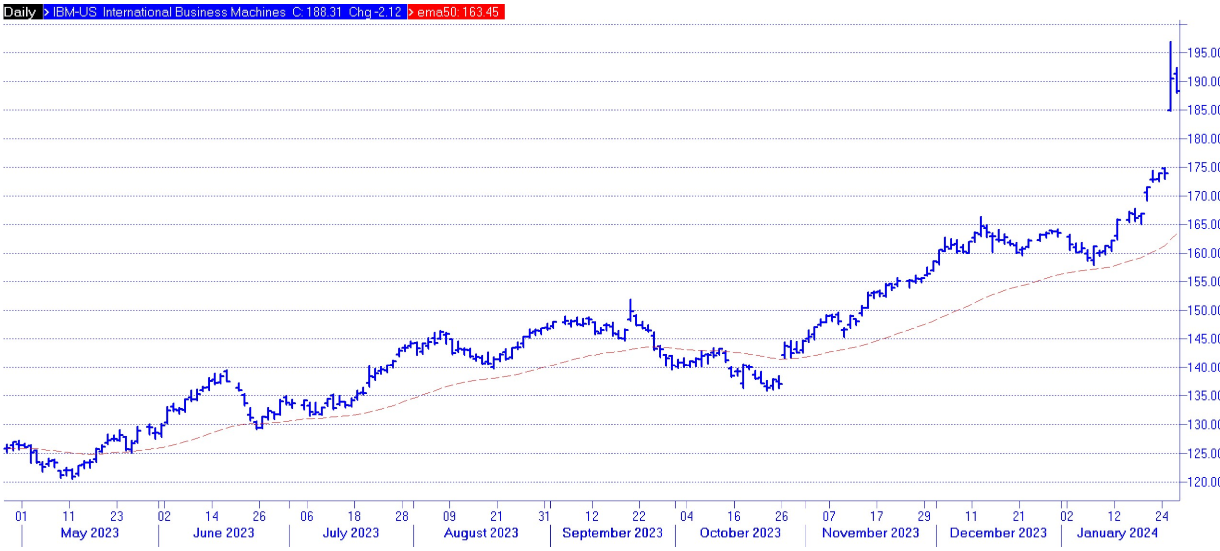


Source: Refinitiv/NBF/Hilberry

This chart compares price-change only, not total returns. Dividends are excluded. Adding in CNR's 2% per year dividend yield increases CNR's two-year total return by +4% putting it modestly ahead of CP. As we seek price growth and income, CNR has provided a modestly better total return and the higher income generator. So far, CNR has been the right choice.

DISCLOSURE: I hold Canadian National Railway (CNR) personally, for family members and in client accounts over which I have trading authority. We have traded in the security within the past 60 days.

Intl Business Machines (IBM-NYSE-$188.14) 9 months – daily



We hold IBM in our Hilberry US Dividend Growth portfolio. Our model portfolio average cost is $129.97. Client average costs may vary. The stock price jumped, touching $196.90 this week, a new 52-week high. How does the current price compare to history? What's going on? Earnings were well ahead of expectations and investors are getting excited about IBM's Cloud-storage and Artificial Intelligence (AI) businesses.

Intl Business Machines (IBM-NYSE-$188.14) 30 years – monthly ranges

This week's spike approaches the April, 2013 all-time highs around $205. Big Blue is back. While we're pleased with the total return, we're reviewing valuations.

DISCLOSURE: I hold IBM personally, for family members and in client accounts over which I have trading authority. We have traded in the security within the past 60 days.

It's late January. While the worst is past, there's more winter to go through. Spring follows. Investors are still struggling through an economic slowdown. Like Spring, we think the next move for the economy is expansion. We're sticking with stocks. Hold on to your hats!

Have a Great Weekend

Steve & Anna Hilberry

FOR THE RECORD January 26, 2024

DOW INDUSTRIALS:	38,067
S&P 500:	4,886
S&P/TSX COMP:	21093
WTI:	$76.44

Hilberry Group

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CIRO Canadian Investment Regulatory Organization

CIPF Canadian Investor Protection Fund MEMBER

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

January 19, 2024

HILBERRY GROUP