Hitting the Books

At our recent seminars we provided Hilberry's 10 rules for successful investing

Hilberry's 10 Rules

1. Consider tax & inflation.
2. Recognize Extremes.
3. Be Patient. Walk, not run.
4. Do Not Overpay.
5. Do not covet your neighbor's portfolio.
6. Remember Gravity.
7. Do the math
8. Recall 'free' advice can be expensive.
9. Get paid to wait.
10. Be Optimistic

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Item 7 'Do the math'.

Given our optimism for Canada, we've had clients challenge us to provide examples of why?

Recall we don't 'buy the market' we buy, hold trim or sell individual securities. Recent client calls often start off with them worrying 'Trump is going to crash the market'. We agree this is a risk. When we take a deeper dive with clients of what they actually own in their portfolios vs. 'The Market', exploring the nature of the businesses, and ask them if they think we should sell them, the reality of those business starts to take hold.

How much trouble will a Canadian company based in Western Canada, providing a product that is in high demand in both Canada and the US, suffer if Trump applies a cost (tariff) to the US based buyer of that product? Or…if that company's main customers are Canadian, how much trouble will they be in?

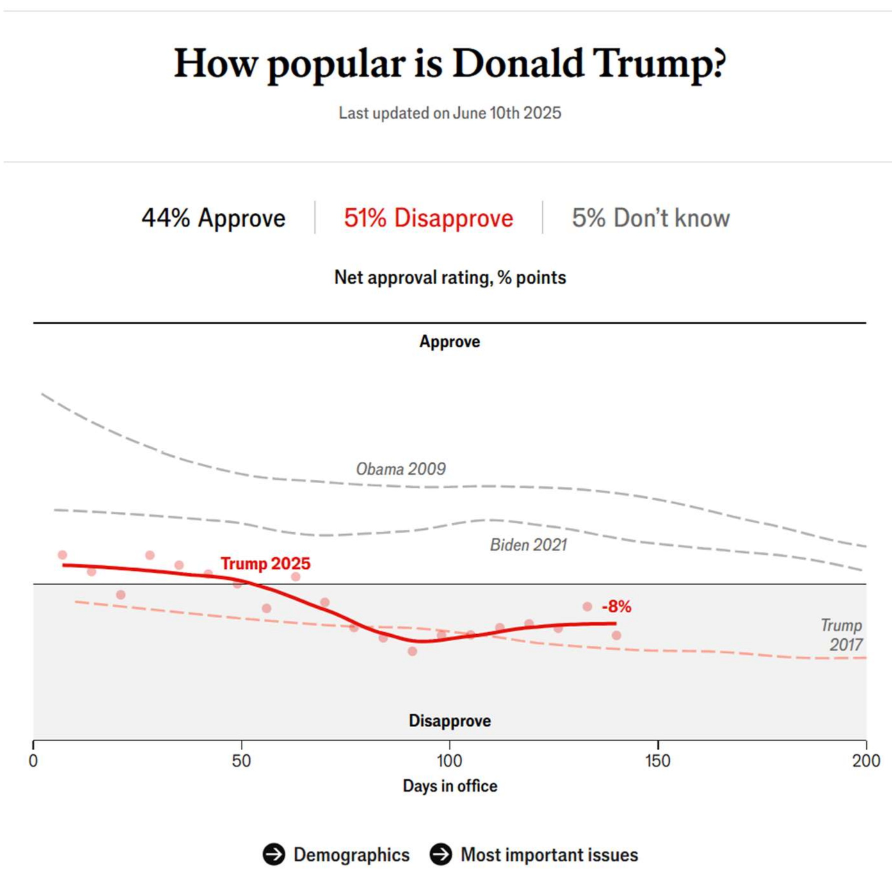
When we 'do the math' with our client, they begin to understand their risk reality differs from media narratives. So…by popular demand, we're assigning some homework! We're providing examples of specific companies in our Canadian Dividend/Growth portfolio holdings with recent commentary from NBF's analysts.

We start with macro views, beginning at 35,000 feet.

Do Americans support Donald Trump?

This is perhaps the question. The answer appears to be 'No'.

Economist Presidential Opinion Poll Tracker



Link: Economist Presidential Opinion Tracker (may require subscription for full graph)

For more polls see: Votehub.com

Aswan Damodarian on Sovereign Debt defaults –

We recommend adding Dr. Damodarian to your Finance Blog menu. Be prepared to do some math.

Link: Aswan Damodarian on Sovereign Debt defaults

What does National Bank Investments investment strategist Louis Lajoie think?

More fear than harm (so far)' National Bank Investments June 9, 2025

"There is currently a stark contrast between investor pessimism, at its lowest in nearly 35 years, and the more encouraging reality of recent economic data. Meanwhile, markets could continue their upward trend. In 5 minutes, our investment strategist Louis Lajoie explains why the coming months will be very revealing."

National Bank Investment's review of broad equity markets year-to-date supports our stance that investor and consumer sentiment is much worse than the economic reality. Recently investor sentiment has been at multi-decade lows. History says deep swoons in investor sentiment to extreme bearishness are often followed by outsized price returns. They note Canada's outperformance (Yay!). Yes, Trump is different. So far, Trump has been more loud bangs and smoke, with less fire. Avoiding disaster is not guaranteed but seems unlikely (so far). We remind clients that investors are paid to worry. Sometimes we must 'earn' our returns.

Link: More fear than harm (so far)' National Bank Investments June 9?

'Gaming out trade negotiations with the United States' NBF Geopolitical Briefing June 12, 2025.

Last week's Friday commentary featured slides from our recent May client seminar. We noted reasons for optimism on Canada's position and why we're maintaining our risk appetite for Canada. This week, NBF's Geopolitical desk updates the potential (note-potential) impact of tariffs on the Canada/US supply chain and upcoming Carney/Trump tariff negotiations. While pointing out some of the risks, there is little in this analysis to dampen our belief Canada is... **A)** in a stronger position that assumed and **B)** priced for more failure than is likely.

Link: Gaming out trade negotiations with the United States' - NBF Geopolitical Briefing

So…what about those Canadian companies?

'Bell AI Fabric Launches, No Change to 2025 Outlook' **NBF May 28, 2025**

BCE (TSX; NYSE): C$29.26; US$21.16

Stock Rating: Outperform | Target: C$35.00

Link: Bell AI Fabric Launches, No Change to 2025 Outlook'

'Canadian National Railway Company Numerous long-term growth drivers for CN and the Port of Prince Rupert' **NBF June 5, 2025**

CNR / CNI (TSX; NYSE): C$145.01; US$106.08

Stock Rating: Outperform | Target: C$170.00

Link: CNR: Numerous long-term growth drivers for CN and the Port of Prince Rupert'

Railroads: NBF Thematic Report May 31, 2025

A closer look at the longer-term international intermodal growth drivers for CN Rail and CPKC

Link: Longer-term Intl. intermodal growth drivers for CN Rail and CPKC

Canadian Banks Q2/2025 Earnings Recap **– Sector Review - NBF June 1, 2025**

Link: Canadian Banks Q2/2025 Earnings Recap

Russel Metals Inc. Higher steel tariffs = beneficial for the company's business NBF

RUS (TSX): C$41.31

Stock Rating: Outperform | Target: C$55.00

Link: Russel Metals Inc. Higher steel tariffs = beneficial for the company's business NBF

NBF Pipelines, Utilities & Energy Infrastructure 11th Annual Canadian Clean Energy Conference recap: June 2, 2025

Correct answer is...'All of the Above'

Link: [NBF: Correct answer is...'All of the Above']

Canada spends on Defense. Where will the money come from?

Canada's new Prime Minister Mark Carney announced Canada will meet its (past) NATO defense spending commitment of 2% of GDP by the end of 2025. Where will the money come from?

We've had clients point to Australia's new 15% 'unrealized gain' tax as a clue. Some worry the Australian legislation will be too enticing for tax-hungry Canadian governments to pass up. Let's take a look.

Australia's 'Superannuation Funds' are their equivalent to Canadian Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Funds (RRIF). July 1, 2025 Australia's **Div 296 legislation** authorizes their revenue agency to apply a tax of 15% on annual unrealized capital gains generated by assets held inside Superannuation Plans exceeding $3 million AUS in value. Australian-based **DBA Lawyers** provides the detail of this legislation including the formula for calculating the tax bill. The tax would be extracted from within the Superannuation Fund.

'Div 296 will tax unrealised gains and more' DB Lawyers

Link: ['Div 296 will tax unrealized gains and more' DB Lawyers]

While we think this is a dumb move, we're not sure it's a sign of things to come in Canada. At least we hope not! There are significant differences between how Australian Superannuation and Canadian Registered plan withdrawals are taxed. Both countries permit plan contributions to be deducted against taxable income, reducing the amount of tax paid on contributions to zero. When it comes time to withdraw income, for an Australian superannuation plan beneficiary (owner) over age 60, all withdrawals are tax free. This means a very large superannuation plan could potentially provide both a tax deduction on payments going into the plan and avoid tax on income withdrawn. Nice! This provides a greater benefit to those in higher income brackets. Maybe there is a fairness question here.

In Canada, contributions into an RRSP are also deductible against taxable income. Unlike Australian Superannuation plan income, Canadian RRSP/RRIF ('registered plans') withdrawals are fully taxable as income, added the tax payer's annual total for tax calculation purposes. Upon the death of the RRIF owner, or their surviving spouse, the residual value inside a Canadian registered plan is fully taxable in the year of death.

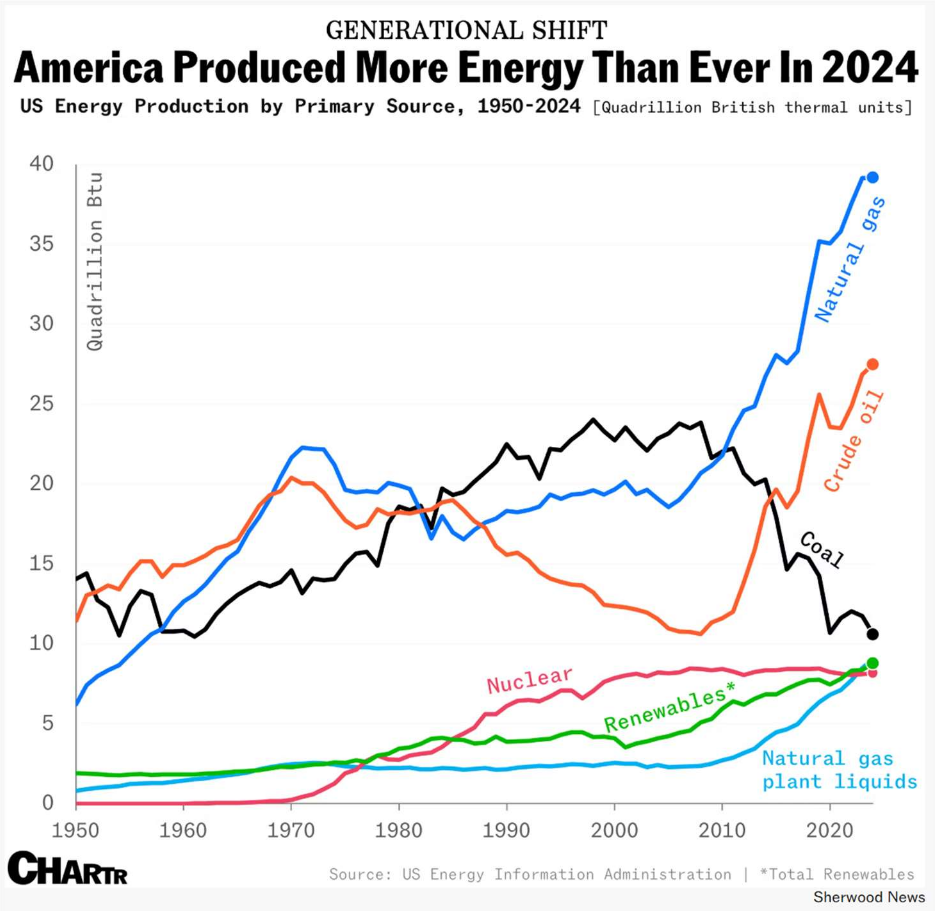
EXAMPLE: If the deceased's RRIF was valued at $750,000 at the date of death, 100% of that $750,000 is added to the deceased's 'terminal tax return', putting the final year income well into the top marginal tax rate of 53%, significantly increasing the tax cost to the deceased's estate.

Unlike the tax-free treatment of Australian Superannuation income, under Canada's graduated tax system, the greater the RRIF annual income paid to the beneficiary, the greater the tax extracted. CRA will get its slice of pie. The greater the plan returns, the greater the value, the bigger the slice. Applying an internal 15% tax on RRSP/RRIFs would be double taxation.

We suspect any attempt to apply an 'unrealized gain' on RRSP/RRIF internal returns would be swiftly punished by voters. 'Keep Your Hands off MY RRIF'. Given this political reality combined with the fact CRA will get its pound of flesh, we're not expecting a Canadian version of the Australian Superannuation 15% Capital Gains tax on unrealized profits inside registered plans. Of course…. there's always unrealized gains on non-tax-sheltered assets…. We're also watching for 'fairness' narratives out of the Carney Government.

On the energy front… we went to publish on Friday, Israel attacked Iran. Oil prices have jumped, and the Loonie is up. Investors appear to be focusing on secure Canadian supply.

US energy production hits new record high – ChartR



ChartR notes China continues to expand coal use, consuming 30% more coal than the rest of the world combined. Recall the Paris-based International Energy Agency (IEA) 'Net Zero Emissions by 2050' envisions all unabated coal consumption ceases by 2040 (15 years). Canada providing China with natural gas would help reduce emissions.

Link: American produced more energy in 2024 - ChartR

Canada has more advantages than risks. We're optimistic. See Rule 10.

Have a Great Weekend

Steve & Anna Hilberry

FOR THE RECORD June 12, 2025 close

DOW INDUSTRIALS:	42.967
S&P 500:	6,045
S&P/TSX COMP:	26,615
WTI:	$72.85
LOONIE IN $USD:	$0.7356 $US

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CIRO Canadian Investment Regulatory Organization

CIPF Canadian Investor Protection Fund MEMBER

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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