# *DIVIDENDS*

## Investment Planning Enewsletter

### At Least the Dividends Grew

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I have written this January eNewsletter so many times, not on paper but in that bucket that sits above my neck, that I feel as if I have released 6 eNewsletters already this month. And to say that bucket is full is not fair for it is overflowing. By getting this down on paper I shall make a little more room in that grey matter of mine.

As I feel I am a Realistic Optimist, you know, the glass is always half full, but also know that the government is always there to take the other half, kinda guy, I look to put some lipstick on that pig that was 2022. Sorry, but the next part has to show some numbers to facilitate my continued ramblings.

**Dividends Grew in the Core of your Portfolio in 2022**
At least dividends grew in the core of your portfolio! Of the 30 companies that were in your portfolio's, or I had screened for addition to your portfolio's, here are the statistics.

- 4 companies raised their dividends twice in 2022
- 20 companies raised their dividends once in 2022
- 5 companies maintained their dividends in 2022

One of these, Algonquin Utilities has cut their dividend this year and I have been in discussions with all clients about this and the go forward strategy on this position. I haven't had a "dividend cutter" since Manulife in '08/'09.

Yes indeed, 2022 hurt with the non-protection that infrastructure assets "typically" provide in times when the markets are tough. Such as Brookfield Infrastructure down -8.48% before the dividend and with the dividend down -5.67%.
Brookfield Renewable @ down -19.94% before the dividend and with the dividend down -17.01%. I felt no reason to sell off these assets for the core of their businesses are still sound. One thing I have seen from time to time is the markets will ignore good companies. And that happened in 2022 to the likes of

Canadian banks, Industrials and Infrastructure. As of Friday, January 20th, Brookfield Infrastructure is up +13.97% this year and Brookfield Renewable is up +10.30%. I would be very satisfied to see these gains hold thru the remainder of 2023.

At the same time Bonds as per the DEX Index where down -11.41% in 2022. So where was the protection that bonds are supposed to provide in times like 2022? The magic word that shall likely be with us for decades ahead is Correlation...besides continued volatility. So many asset classes have become increasing correlated, moving in lockstep together. **What may become less correlated is assets via global regions as countries begin to worry about themselves first and insulate their production and research inside their borders.** The global integration that was started in previous decades is going in reverse.

***Historical note from Vaughn's past.***
*When I ran my company Infofile from '93 to '05(when I sold it) we dealt with TD Bank a ton. They would introduce a new mandate to integrate records from all the branches into regional centres. We would sell them all the storage equipment for this, complete the moves of all these records and coordinate their integration. Typically, 6 to 8 years later they would de-centralize it all back to the branches. We would get to sell them all the storage equipment for this, un-integrate the records for the move back to the branches and move all back to the branches. We made money on both ends of these mandate changes. And of course, centralization would come back up again in 6 to 8 years...Guess what we would get to do again!*

Reminder the Canadian index (TSX) was down -8.66% and the US index (S&P500) was down a much worse -19.44% in 2022. To be fair to the US index, it has outperformed Canada's index 8 of the last 10 years. Canada's beat in 2022 was from primarily the oil and gas industry and mining.
**If I am going to prognosticate any one thing, it will be on the US's continued outperformance of Canada over a 5- or 10-year period.** I see no reason to see this change at this time of continued slowing of corporate investing in Canada, over-regulation, its costs upon businesses and higher taxation.

**What is Happening in 2023?**
We are experiencing combined events that rarely are connected to each other:

- Real longer-term inflation
- Product shortages and corporate inability (or desire) to increase production to solve it
- Worker shortages along with unprecedented quantities of "I quit"
- A US FED that is accelerating their reduction of bond purchases
- Interest rate increases
- All of the above coming together at one time

Anyone remember hearing the exact above 6 points in January of 2022 from me? For I have copied these verbatim from the eNewsletter "Roaring 20's Circa 2020's" from 2022-01-11. The only one I deleted was "Corporate sales and earnings increasing", for that has started to abate due to inflation and the unbelievably low unemployment rate in North America.

The additional to the above would be:

- **My respect for the US FED and our own Bank of Canada is at an all-time low**

These two institutions should not be controlled by economists, and both have become overwhelming controlled by that thought methodology, which is: post-responders not pre-issue thinkers. They have far too much power over our ability to live our lives efficiently with the predictability of outcomes needed for

sustainability.  What I mean by this can be captured in a few points.
Both institutions had been told to raise interest rates over the past 10 years to keep rates at a moderate level, not the unrealistic lows we had in place.  These unrealistic low rates has facilitated governments, individuals and corporations to overspend on bad assumptions...primarily that low rates will never go away.

At this time they could halt the rise in interest rates as inflation has already started to abate.  I did not say inflation has stopped, for inflation will never really ever end.  What this means to you and I, is my next prognostication.

- **The Bank of Canada will raise interest rates too high and keep them high too long** and Tiff McCallum, its leader, has publicly told us of this with the statement "I don't care what this action does to all".  I am certainly insulted by this statement as you should be.
- He also said he will do whatever it takes to get to 2% inflation.
    - Whoever said 2% is where it should be when over the past 50 years (1960-2021) it is shown to be 3.8% average annual rate (as per Worlddata.info).
    - The cost on Canada and our economy to accomplish this absurd concept is frankly unmeasurable.
- **The US FED looks to slow the interest rate rise faster than we will in Canada, but will likely hold rates higher than need be for too long**.

**Going Forward**
Inflation shall be higher than it has been for decades.  Some parts of the globe are already technically in a recession.  The US will experience a short period of a recession, unless the US FED gets lucky with stopping interest rate rises.  Canada will feel this pain longer than the US.  2023 should see equity and bond markets rebound.  Due to all of this, I have been working on some portfolio considerations for you and we will discuss this in the coming weeks.

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Happy to speak with you or your friends at 905-309-9990 or email vwarrington@alignedcp.com

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