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October 10, 2024

Dear Investor,

Decision day on November 5th is coming for the world's most important economy. Whoever wins the upcoming U.S. election, America will remain the safe haven for investors as U.S. money-market funds have swelled to a record high of $6.42 trillion. This record pool of capital held in low-risk money market funds continues to rise even though the Federal Reserve cut the federal funds rate by 50 basis points in September, making money market returns lower and less appealing. Investors will likely pivot at some point into higher yielding assets, which we believe could be a tailwind for equities and dividend paying stocks in particular. Dividends will be more highly sought after in a lower interest rate environment, which should drive up share values for companies that can continue to pay and grow a steady dividend for their investors. A complementary factor to consider for investors when thinking about yield and generating income is that tax authorities incentivize investors through a tax rate of 15% on dividends, while interest income in Canada is taxed at the investor's highest marginal rate as ordinary income. In the United States, there is a similar dynamic in that qualified dividend income is taxed at 20% and interest income is taxed as ordinary income between 10%-37%, depending on one's tax bracket. These material differences, through the tax code, advantages investors over savers, which is one of the many reasons we believe that the Standard Wealth strategy will help families stay wealthy and able to pass down generational wealth.

The United States of America has enjoyed a long run of global dominance since the end of WWII, primarily due to its free-market system and encouragement through various governmental policies that reward the capitalist mentality. With vast reserves of natural resources such as oil and natural gas powering the artificial intelligence revolution, technology companies are making material infrastructure capital investments to train increasingly advanced AI. This efficient flow of resources and unconstrained capital markets provides significant advantage to the USA over other nations. Still, it is potentially threatened with a major pivot hanging in the balance with the U.S. elections in November. No matter who wins this critical election, comparatively, Europe is even more left-leaning with social agendas that stray the capitalist mindset further from a free market. In comparison to China and the USA, the European Union has not generated significant economic growth in the last 28 years, with a growth rate of 1.63% compared to 8.80% for China and 2.38% for the U.S.. A multilayer EU government has been a great inhibitor to economic prosperity. When combined with a restrictive energy policy that suppresses free enterprise, the EU is at a point of crisis. Once a global manufacturing powerhouse, Germany has ground to a halt with an expected 0.1% GDP growth for 2024 due to a disastrous energy policy.

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Even further from a free market and capitalist mindset is the second largest economy in the world, China, which continues to be ruled by communism. We do not see China changing course anytime soon. The U.S. has a formidable opponent in the global economic arena, however, with a major handicap in that China does not embrace open and free markets. It has been, without a doubt, proven that the most economically prosperous political system is a democracy where entrepreneurs and capital are most welcome and efficient. This efficiency allows producers to make goods in demand and allocate labour to where their skill set is most valued. The result is a more efficient economy that rewards at risk capital. This ecosystem will most likely allow America to keep its place as the world's most important economy for some time, which is welcome news to investors in the North American equity markets.

"There has been no incubator for unleashing human potential like America …Despite some severe interruptions, our country's economic progress has been breathtaking. Our unwavering conclusion: Never bet against America."

Warren Buffett – Chair of Berkshire Hathaway

Standard Wealth continues to focus on the North American markets and allocates towards the top performing companies in their respective industries and sectors. We focus on businesses possessing attributes that create large competitive moats through either scale or regulation. Canadian banks are a core portfolio holding as they enjoy protection from competition, given that Canada has only six Schedule I Bank licenses, and no new entrants appear to be on the horizon. Earlier this year, the Royal Bank of Canada swallowed up HSBC Canada, which helped strengthen international banking capabilities and added $134 billion in new assets under management. Investors have applauded this move, with RBC stock up 46% in the last twelve months. Not bad for a Globally Systematic Important Bank (G-SIB) that also pays a 3.4% dividend annually.

In the United States, we have seen Goldman Sachs continue to execute its business plan in a slower than usual M&A market. Goldman Sachs CEO, David Soloman, is a shrewd operator where he and his team have top line revenue growth of 17% year over year and more importantly, earnings per share last quarter rose 183% to $8.73. Goldman Sachs pays its shareholders a 2.5% annualized dividend, and its stock is up 55% over the last twelve months. Goldman Sachs is well positioned to participate in increased M&A activity borne out of a lower interest rate environment.

"In global banking and markets, we maintained our long-standing #1 rank in announcement completed M&A and ranked #2 in equity underwriting …From what we're seeing, we are in the early innings of the capital markets and M&A recovery."

David Soloman – CEO of Goldman Sachs

Best in breed Canadian pipeline operator Pembina Pipelines has continued to add and build accretive cash flowing assets to its portfolio with the addition of midstream assets from Veren and the recently announced Final Investment Decision on its $5.2 billion CDN Cedar LNG project that will be a cornerstone infrastructure piece to the Canadian Energy ecosystem for decades to come. This LNG project is underpinned by a 20-year take or pay liquefaction tolling service agreements with investment grade-rated Arc Resources. Customers of these LNG cargoes will benefit from one of the shortest routes to the Asia Pacific market, along with year-round ice-free conditions to ensure a reliable shipping route. Pembina Pipeline pays a 4.8% dividend annually, and the stock has performed well due to the recent advancements, rising 44% over the last twelve months.

> Pembina's business continues to deliver exceptional results. Volume growth across the Canadian Energy industry leads to higher volumes in our pipelines, gas plants and fractionators. … The Cedar LNG project aligns squarely with Pembina's core strategy, offers attractive economics, and is supported by a contracting strategy that prudently mitigates cost risk.
>
> **Scott Burrows-** CEO of Pembina Pipelines

Standard Wealth's value-based philosophy and focus on the best-in-class companies has allowed our clients to enjoy a goldilocks moment in the equity markets. The Federal Reserve has tamed inflation by bringing down the desired rate close to the 2% annualized inflation target and also has been able to maintain near full employment in the economy. Federal Reserve Chairman, Jay Powell, has indicated that his focus going will be to maintain full employment while keeping inflation in check.

> "We're committed to maintaining our economy's strength by supporting maximum employment and returning inflation to our 2 percent goal…As the economy evolves, monetary policy will adjust in order to best promote our maximum-employment and price-stability goals"
>
> **Jay Powell** – Chair of the Federal Reserve

This economic plan is the ideal scenario where we should see interest rates trend down. Standard Wealth is well positioned to invest capital into market-leading companies at reasonable valuations. One of the keys to Standard Wealth's performance is predicated on a cautious and value-based approach. With the S&P 500 trading at 25.93 price to earnings, the index's valuation is at the upper end of its historical valuation range, which should give index investors caution, and where the Standard Wealth portfolio's price to earnings multiple of 17.2 provides a sufficient margin of safety to our clients should economic conditions deteriorate and the stock market falters.

A second complementary factor for the success of our clients has been their willingness to stay invested with Standard Wealth during volatile periods as it is nearly impossible to predict short term stock market movements, and we don't try to. We allocate to blue chip companies with the expectation that they will continue to earn an above average rate of return on invested capital over the long run. This thesis has been confirmed through excellent historical performance for Standard Wealth clients.

We are on track for another great year where we complement a diversified portfolio within our family office and high net-worth client portfolios. Predictably and understandably, our clients usually have investment accounts with one of the big six banks in Canada, and we recommend creating a little competitive tension when evaluating performance within clients' equity portfolios. Over time, our clients have enjoyed the excellent return characteristics of Standard Wealth. During our portfolio review periods, new introductions to our clients' networks have been organically curated and are most welcome. In summary, the Standard Wealth strategy is working as expected, and we are thrilled to be working with the clients we have partnered with over the last four and a half years. If you are curious to know more about the Standard Wealth portfolio composition, call or email us. We will be happy to walk you through our carefully created and methodically crafted diversified portfolio.

As of September 30, 2024, the Standard Wealth strategy has a dividend yield of 3.1%, with a current portfolio price to earnings ratio of 17.2. In addition, the strategy has a trailing twelve-month return of 25.5%.

Wishing great performance to all investors as we continue to help our families stay wealthy.

Best Regards,

Fred Mannix

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Fund Performance

1 Year Return 25.5%, Net Dividend Yield 3.1% and P/E of 17.2

Standard Wealth Returns*	
2020*	16.1%
2021	41.2%
2022	-9.6%
2023	20.4%
YTD	20.3%
1 Yr	25.5%
3 Yr	12.5%
4 Yr	23.7%
Since Inception	17.5%
S&P 500 Index CAD	16.1%
S&P TSX 60 Index	12.6%
S&P 500 / TSX 60 Blended Index	14.4%

* Inception Date: Feb 29, 2020
- all returns are annualized

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