



Q4-24 Investment Letter (No. 70)

January 29, 2025

OVERVIEW

Dear Clients and Friends,

We are pleased to provide this quarterly report for the period ended December 31, 2024. This report will be divided into three sections: (1) What's New, (2) Market Recap and (3) Commentary.

WHAT'S NEW

2025 INVESTMENT SEASON

The TFSA limit for 2025 is \$7,000; you can deposit up to \$102,000 (\$204,000 per couple) if you have never contributed to a TFSA provided you have been over 18 years of age since 2009.

RRSP limits for 2024 and 2025 are \$31,560 and \$32,490, respectively; You may be able to contribute up to 18% of your earned income for the prior year up to the annual limit. The deadline for RRSP contributions for the 2025 tax year is March 3, 2025.

First Home Savings Accounts (FHSA) were introduced in 2023 to provide first time homebuyers an opportunity to save to buy a qualifying first home tax-free. The 2025 FHSA limit is \$8,000. You may have available carry-forward room for contributions if you opened a FHSA in 2023 or 2024. You can contribute up to \$16,000 in one calendar year *if you have carry-forward room to use*.

You are encouraged to check your contribution room with Canada Revenue Agency prior to making any contributions. Other great ways to invest include pre-authorized contributions (PACs), RESPs, RDSPs and open/taxable accounts. Feel free to visit [GIM's investment blog](#) for more information.

2025 REVIEWS

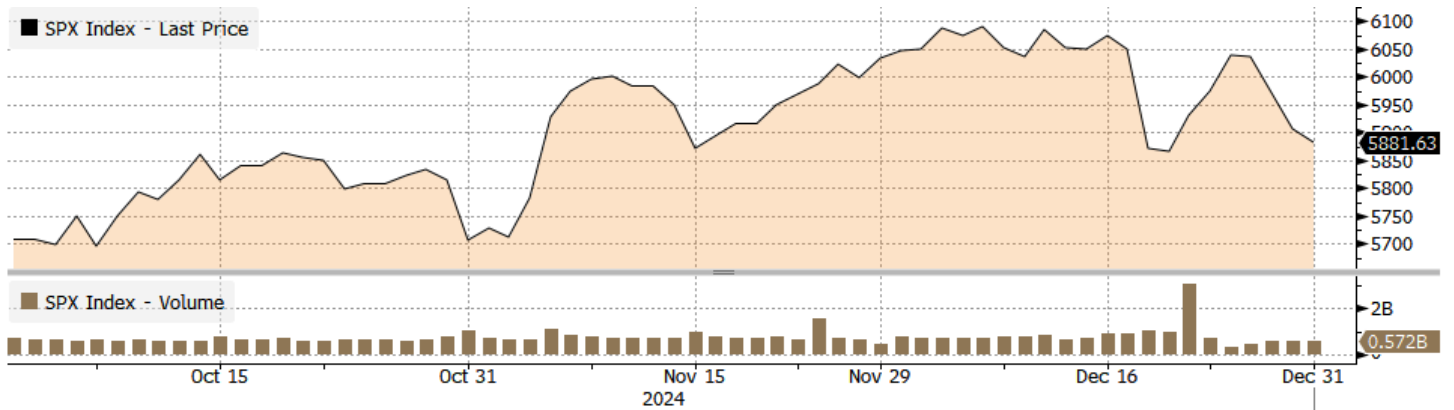
GIM would like to remind you of its obligations to conduct annual "Know Your Client" ("KYC") reviews. Investment reviews are a great way for us to update you on your account and for you to keep us informed on your personal and financial circumstances so we can best serve you. You may receive communication from our admin department shortly to schedule a review with one of our portfolio managers. If you wish to speak with someone or have a change in your circumstances, please do not hesitate to contact our office anytime.

2024 TAX DOCUMENTS

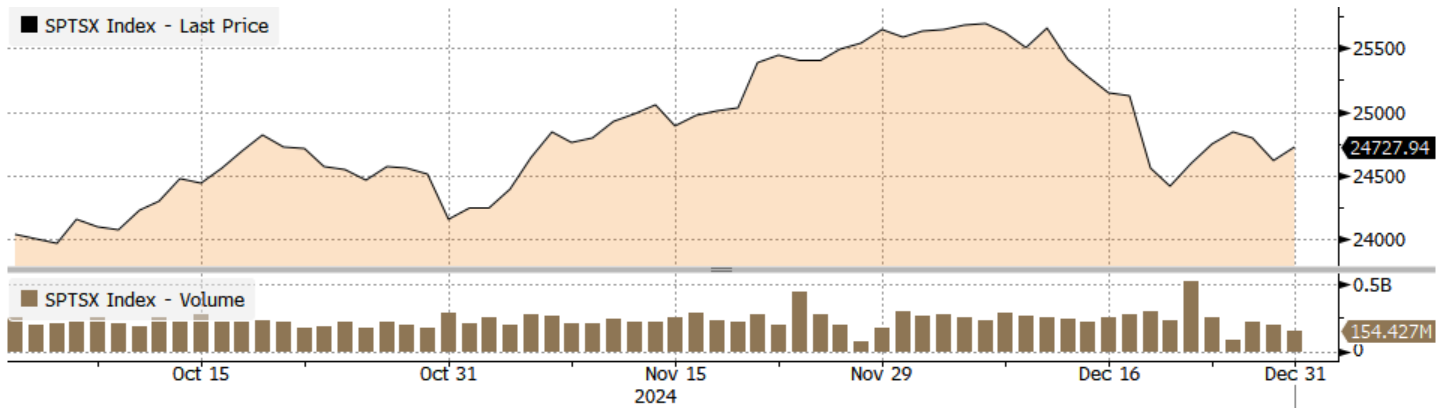
All tax documents are expected to be available by March 28, 2025. If you do not see any tax documents issued in 2025 in Aviso's online portal or you have not received anything by mail, then you may not have tax documents for your account(s) for the 2024 tax year. If you have any questions regarding tax documents for your accounts, online login information, document delivery preferences or your mailing address, please do not hesitate to [contact us](#).

MARKET RECAP

The S&P 500 Index (in USD) gained 2.15% in the three-month period ending December 31, 2024.



The S&P/TSX Composite Index grew 3.11% in the fourth quarter of 2024.



The Canadian Dollar quoted in USD (CADUSD) fell by 5.74% for the three-month period ending December 31, 2024.



COMMENTARY

In this quarter's investment letter, we are going to focus on the matters of economics and trade policy. With an incoming new U.S. President and the current Canadian Parliament not working (prorogued), this is a timely topic. We are amazed and disappointed our parliamentarians are in recess while President Trump considers imposing significant economic sanctions on Canadian exports to the U.S.

The tariff effect on the Canadian economy would be catastrophic. Our economy could immediately go into recession and see a spike in unemployment.

Part 1. What if 25% Tariffs happen?

In November 2024, President-elect Donald Trump said that on the day he assumes office he will immediately impose 25% tariffs on all Canadian and Mexican imports to the U.S.A. if strict border controls on illegal immigration and drug flows were not immediately implemented. That means for every dollar of export trade that Canada sends to the U.S., there will be a tax (tariff) of 25%. The U.S. is Canada's largest trading partner. After his inauguration, Trump did not carry out his threats - although he did not withdraw them either; Trump has now threatened to unleash tariffs on February 1, 2025.

There has been much hand-waving regarding how Canada will respond in the media. Ontario supplies electricity for 1.5 million American households and its Premier, Doug Ford, has threatened to cut this off. Alberta Premier Danielle Smith has rejected any idea of shutting off oil & gas exports to the U.S. as a response.¹

Let us take a pause and point out the obvious. **President Trump did not link his tariff threat to any economic item. What he wants Canada to do is have better control on our borders regarding drug trafficking and illegal movement of people to the U.S. These are criminal matters, not economic ones.** Cross-border crime is actually an issue of Canadian sovereignty, and it is something that is already the responsibility of the Government of Canada. If Canada demonstrates it has taken firm steps to deal with cross-border crime, then the tariff threat is dealt with.

We'll address the 2 criminal concerns in more detail.

Illegal drugs. Firstly, we are fully aware more illegal drugs cross the border from Mexico than Canada. In the past year, U.S. Customs and Border Protection seized 19.5 kilograms of fentanyl on the Canadian border compared to 9,570 kilograms seized on the Mexican border.² The amount trafficked through Canada is likely much less, so therefore that should make shoring up our enforcement at the border easier.

However, this does not mean Canada is not at risk from illegal drug exports. In October 2024, the largest drug super lab in Canadian history was discovered in the town of Falkland, B.C. The RCMP netted 54 kilograms of fentanyl, 390 kilograms of methamphetamine, 35 kilograms of cocaine, 6 kilograms of cannabis, thousands of kilograms of precursor chemicals, and illegal firearms. This was such a sophisticated lab that it was likened to being a scene out of Breaking Bad. RCMP believe the finished drugs were destined for export out of Canada. Since Canada are not known to be a major drug exporter the lab operators probably thought using Canada as a base would be easier. The value of the drugs and equipment seized was worth a whopping \$485 million.^{3,4}

The B.C. super lab is not a one-off event. On the day we released this newsletter, local media reported the largest fentanyl super lab bust in Albertan history resulted in the sentencing of a man to 16 years in prison. 31 Kg of fentanyl, 7,600 Kg of precursor chemicals, and an illegal firearm were seized. The street value of the drugs is a massive \$300 million and the suspects have been called "merchants of death".³ The super lab was found in southern Alberta in the hamlet of Aldersyde. Falkland, B.C. is a 200 Km drive to the U.S. border. Aldersyde, A.B. is also a 210 Km drive to the U.S. border. Both locations are about a 2-hour drive to the U.S., so we can see how American authorities can get excited – not in a good way – about such super lab discoveries.

Illegal entry to U.S. From October 1, 2023 to July 30, 2024, 19,498 people were stopped at the Canada-U.S.A. border by U.S. Customs and Border Protection. This compares to millions illegal crossings from Mexico. So, the proportion of illegal entry from Canada is much lower. However, this is not the full story. In the U.S. government's fiscal year ending September 30, 2024, 358 people were detained for being on terrorist watchlists trying to come to the U.S. from Canada while only 155 terror suspects were encountered from Mexico.³

The proportion of terror suspects entering from Canada is more than double that coming from Mexico and is at a rate of almost one a day. This is just the people who were caught, so what will be more concerning will be the ones who slip through. In our opinion, Canada will not be taken as a serious nation if it leaves the problem solely to the U.S. to fix. Our non-American allies and trading partners will take note of any slack on Canada's part. We believe that effectively paying attention to the border requires a joint effort by both countries.

Conclusion. **The tariff threat is for border security, and it is unrelated to economics.** Even as of this writing, President Trump has still not specifically tied his tariff threat to economic complaints. The closest he has come is to troll Prime Minister Trudeau about becoming the 51st state and talking about the trade deficit with Canada. That was only after Mr. Trudeau first brought up the subject of the tariffs

¹ <https://globalnews.ca/news/10924732/premier-ford-being-urged-to-walk-back-threat-of-electricity-shut-off-in-possible-u-s-tariff-showdown/>

² <https://www.cbc.ca/news/politics/trudeau-trump-premiers-tariff-threat-1.7394456>

³ <https://www.cbsnews.com/boston/news/illegal-crossings-northern-us-border-terror-suspects-arrested/>

<https://www.cbc.ca/news/politics/illegal-migration-canada-united-states-1.7320623>

<https://www.cbp.gov/newsroom/stats/cbp-enforcement-statistics>

having an economic impact. We do not think Canada becoming a state under these circumstances is probable, but the tariff threat is very real.

The Government of Canada on December 17, 2024 budgeted \$1.3 billion for border security. This number looks significant, but it is to be spent over a period of 6 years.^{4,5} This works out to only \$217 million per year, which we think is immaterial given the size of our border. This will not fool the U.S. administration into thinking Canada is treating the matter seriously.

The U.S. administration clearly wants increased border security from Canada. We do not need to threaten counter-duties or shut off energy and mineral exports because these are economic responses to a non-economic issue. Ensuring border security is already a responsibility of the Government of Canada and frankly should be done. There will be additional benefits for our country too – increased law enforcement will help keep Canadians safe from terrorist attacks, drug smuggling and other illegal activities.

Part 2. Canada’s Productivity Problem

Having a strong economy is key to maintaining a high standard of living. The most common measure of economic strength is Gross Domestic Product (“GDP”), a measure of all the goods and services produced in Canada. This data is collected by Statistics Canada (“Statscan”).

On the face of it, Canada’s GDP doesn’t look that bad. But this masks some weaknesses that policymakers (*i.e.* politicians) need to pay close attention to, two of which we detail next.

Part One. You can’t just be successful, your friends need to fail.⁶ This quote has been attributed to Oracle executive Larry Ellison, author Gore Vidal and the Mongol warrior Genghis Kahn. Our friend and excellent investment strategist Peter Gibson introduced us to this quote.

What this means is it’s all relative. Between 2 countries, the stronger the economy, the more investment and capital it attracts, and the more and better opportunities there are for the population and skilled immigrants. This in turn creates a virtuous feedback loop of further improved economic strength. In turn, the weaker economy attracts less investment and has the risk of a weaker economy relative to a stronger country.

Let’s compare Canada to the U.S.A. in the next table. Real GDP is the nominal GDP less inflation - the Consumer Price Index (“CPI”). We see the U.S. is economically performing much better than Canada.

Table 1. Canada vs U.S.

Canadian Economy	2023	2024E	2025E	Comment
Nominal GDP	5.4%	3.7%	3.8%	Figures are averages for the year
CPI (inflation)	3.9%	2.4%	1.8%	
Real GDP	1.5%	1.3%	2.0%	
U.S. Economy	2023	2024E	2025E	Comment
Nominal GDP	7.0%	5.7%	4.8%	Consistently stronger than Canada
CPI (inflation)	4.1%	2.9%	2.5%	
Real GDP	2.9%	2.8%	2.3%	
Exchange Rate	2023	2024E	2025E	Comment
US\$/CAD\$	74.1	73.0	70.8	Canadian dollar severely weakens

Source: BMO Focus, January 3, 2025

There are consequences to consistently having a weaker economy relative to the U.S. This is seen in a weakening Canadian dollar. In December 2024, the Canadian dollar barely held on to 70 cents compare to the U.S. dollar. It is going to be much more costly to take vacations and travel to the U.S. Imports to Canada will be much more costly, as the U.S. dollar is the currency of international trade, which increases costs to all Canadians – this is bad as it is inflationary. About the only good thing to say about a falling Canadian dollar is that exports to the U.S. are cheaper for the Americans buyers of our products.

Part Two. GDP does not measure productivity. The Toronto Star newspaper’s business columnist recently published a positive opinion on the current government’s economic achievements since 2015. The article says the administration of Prime Minister Trudeau can boast a GDP growth of 41% and 23% per capita income to \$77,700 over this period, both much better than under Prime Minister

⁴ <https://www.canada.ca/en/public-safety-canada/news/2024/12/government-of-canada-announces-its-plan-to-strengthen-border-security-and-our-immigration-system.html>

⁵ Government of Canada, Fall Economic Statement, December 17, 2024

⁶ <https://quoteinvestigator.com/2012/08/06/succeed-fail/>

Stephen Harper. The median Canadian's net worth has also increased 66% to \$519,000.⁷

What is intellectually dishonest about this glowing article is it was written after news of over 2 million Canadians, a record number, resorted to food banks.⁸ No, we are not better off economically. In fact, we'll let Mark Carney say it himself. Mr. Carney is well informed economically as he is a former Bank of Canada Governor, former Bank of England Governor, and leadership contender for the Liberal Party of Canada. "Canadians have been very hard pressed in the last few years. Wages have not kept up with inflation. People are falling behind, not getting ahead... And truth be told the government has not been as focused on those issues as it could be. We need to focus on them immediately." Mark Carney said this on Comedy Central's The Daily Show with John Stewart on January 13, 2025, which we find mystifying as it is an American comedy show.⁹

To counter the Toronto Star opinion piece, simply increasing Canada's population will bump up GDP as each newcomer can bring even a few dollars to spend on food and shelter. The large jump in net worth is, in our opinion, largely driven by huge jumps in home prices since 2015, which is great for those who own homes but not so affordable for people who want to buy a home.

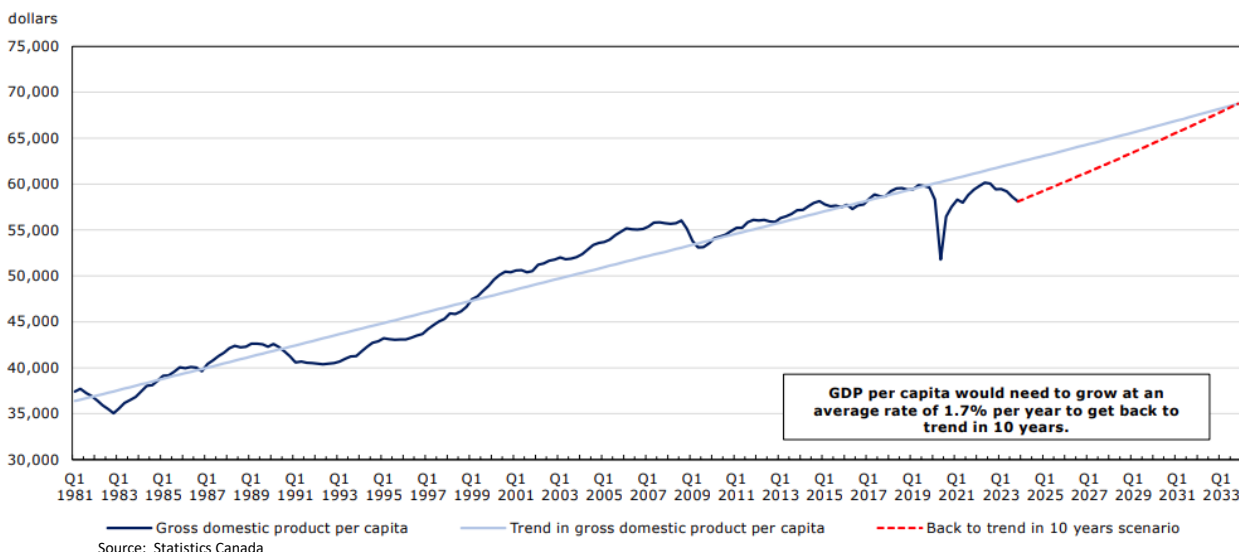
It is real GDP per capita that is important. This is the economic output per person; the inflation adjusted productivity per person. We need to adjust for inflation because, in our opinion, inflation is corrosive to wealth and our economy. What is the point of a 23% increase in our income when a loaf of bread is up 100% from \$2.00 to \$4.00?

In an April 2024 report, Statistics Canada (StatsCan) has a few choice words to say about our productivity. "Real GDP per capita has now declined in five of the past six quarters and is currently near levels observed in 2017... highlighting its negative implications for living standards and wage growth. Recent declines in per capita output have also brought concerns over Canada's weak productivity performance to the fore, since historically, much of the long-term growth in GDP per capita has reflected sustained improvements in labour productivity."

StatsCan laid out just how badly our productivity has become. The chart below shows productivity (as measured by GDP per capita) has been declining since the current federal government was elected in 2015; it dropped in 2020 due to COVID and has never recovered. In fact, in 2023 productivity shrank materially. From 1981 to COVID in 2020, real GDP per capita has grown at a rate of **1.1%** and the authors state "GDP per capita would need to grow at an average rate of **1.7% per year to get back to trend in 10 years**" (emphasis ours).

In actual dollar terms, real GDP per capita (i.e.. adjusted for inflation) **declined** by \$4,200 per Canadian after COVID. "The shock of the COVID-19 pandemic, coupled with falling per capita output in recent quarters, has left real GDP per capita 7% below its long-term trend, equating to a decline of about \$4,200 per person."¹⁰

Chart 1
Gross domestic product (GDP) per capita return to trend scenario analysis



⁷ https://www.thestar.com/business/say-what-you-want-about-justin-trudeau-theres-still-no-arguing-canadians-became-wealthier-while/article_bd6afbbaa-cc3c-11ef-8a5a-b7468842b9a6.html

⁸ <https://ontherecordnews.ca/over-2-million-canadians-turn-to-food-banks-as-demand-hits-historic-high-new-report-finds/#>

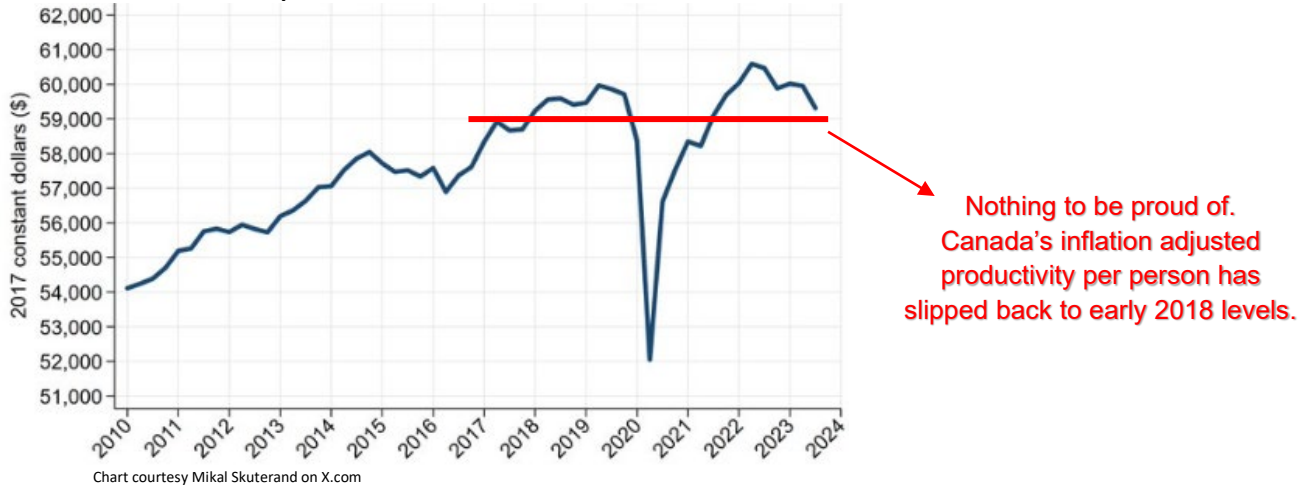
⁹ <https://www.youtube.com/watch?v=zs8St-fF0kE> - Dow Jones Newsplus, January 14, 2025

¹⁰ <https://www150.statcan.gc.ca/n1/en/pub/36-28-0001/2024004/article/00001-eng.pdf?st=Q0Wf0HWV>

The above chart is not adjusted for inflation, it is meant to show how far off trend we are. StatsCan states “Returning to trend is no small task” and “Per capita growth of this magnitude [1.7% required] is ambitious and a marked departure from recent trends.” In the same article, it states the U.S. has grown real GDP per capita by 1.6% per year since the pandemic and in 2023 real GDP per capita increased by a spectacular 3.3% with only a 0.5% increase in population.

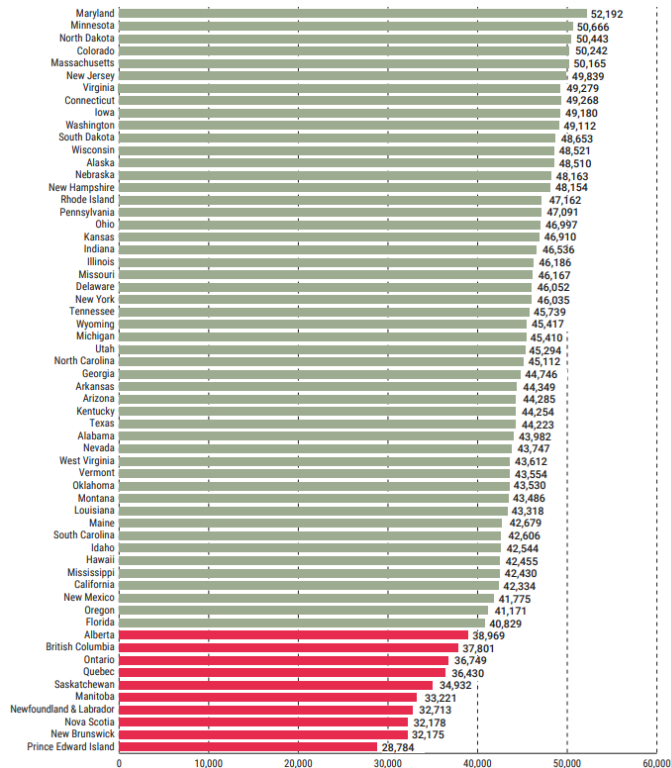
Here is what a graph of inflation adjusted GDP per capita looks like.¹¹ Our GDP per Canadian is back to where it was in the first half of 2018. In other words, our productivity is not improving while at the same time our U.S. neighbors have become more productive.

Chart 2 – Real GDP Per Capita



The consequence of Canada’s poor productivity versus the U.S. is not just a weaker currency, it is a lower standard of living. The average (median) Canadian now makes less than people who live in the entire 50 American states including the poorest states.¹²

Chart 3 – Workers in Canada earn less than every U.S. state



Source: Fraser Institute, [Our Incomes are Falling Behind](#), Fraser Research Bulletin 2024.

¹¹ <https://x.com/mikalskuterud/status/1730221997756486125?lang=en&mx=2>

¹² <https://www.fraserinstitute.org/studies/our-incomes-are-falling-behind-earnings-in-the-canadian-provinces-and-us-states-2010-2022>

Part 3. Fixing productivity – the critical importance of manufacturing

Canada’s standard of living is becoming worse. We desperately need to increase our productivity which will raise GDP per capita. We are going to need improving labor productivity and the way to do it is to increase investments in factories that produce goods.

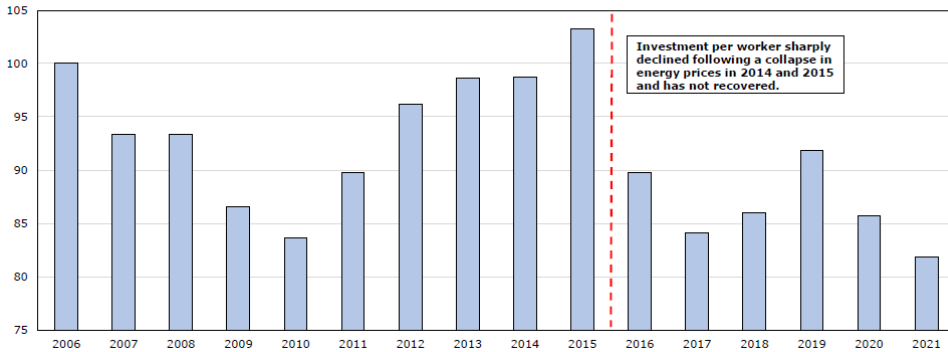
Chart 4 shows the investment per capita for Canada since the current federal government came into power in 2016. It is abysmal. There was a collapse of capital spending in the “great financial crisis” around 2009, but it collapsed again in 2016 and has not recovered.

We will let StatsCan again state the importance of a strong manufacturing base in Canada (emphasis ours). *“Improvements in productivity will require sustained increases in capital spending... Indeed, the **amount of fixed capital invested per worker was the most important source of labour productivity growth over the past 30 years.**”*¹³

Chart 4

Investment per worker, 2006 to 2021

index (2006=100)



Source: StatsCan, Catalogue no. 36-28-0001, ISSN 2563-8955

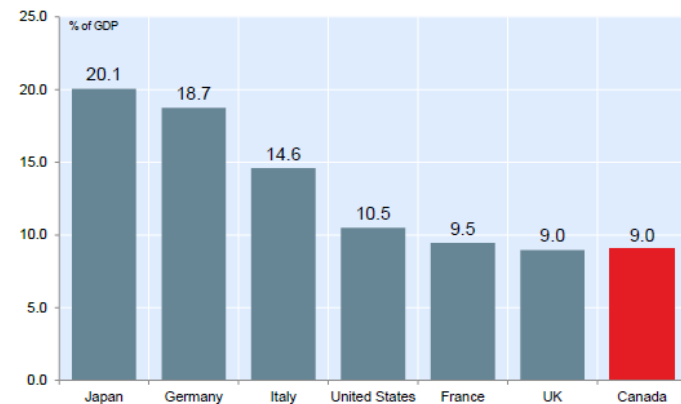
We wrote in our 2024 newsletters that we believed North America is going to re-industrialize over the next decade, with the main beneficiaries being the continental U.S.A. and Mexico. We specifically left Canada out of this because we believe our country may very well be relegated to providing of raw materials for value-added manufacturing in the U.S. and Mexico.

Canada is a shadow of its former self when it comes to manufacturing. We tie with the U.K. at being the worst in the G7.¹⁴

Chart 5

Canada: Smallest manufacturing in the G7

Manufacturing, Value-Added as % of GDP



Source: National Bank Financial, Special Report: Economics & Strategy, December 23, 2024

On a per capita basis, manufacturing GDP has declined in Canada while the U.S.A. has gone up. *“The OECD [Organization for Economic Cooperation and Development] highlights that manufacturing drives productivity growth more than any other sector, largely due to its critical role in technological diffusion and R&D intensity.”*¹⁶

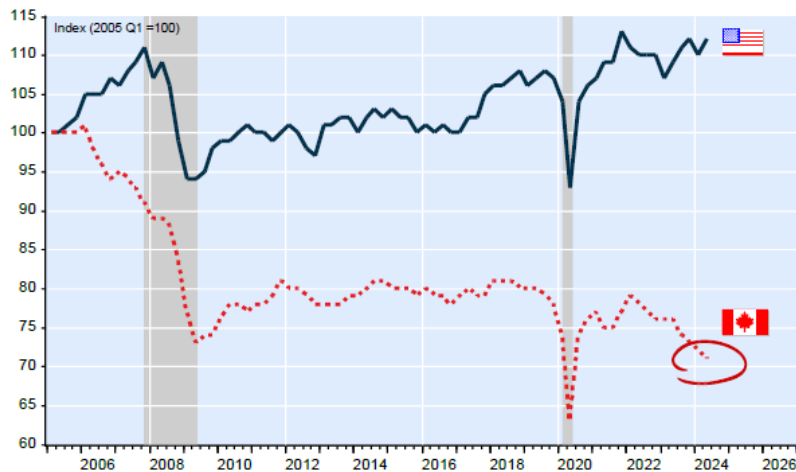
¹³ StatsCan, Catalogue no. 36-28-0001, ISSN 2563-8955

¹⁴ National Bank Financial, Special Report: Economics & Strategy, December 23, 2024

Chart 6 – Manufacturing GDP per capita: US improves, Canada declines

Canada: This atrophy is concerning

Manufacturing GDP Per Capita



Source: National Bank Financial, [Special Report: Economics & Strategy](#), December 23, 2024

When we look at the all-important productivity for private businesses, it contracted at an annual rate of 1.5% in Q3 2024 for Canada, while U.S. business productivity gained 2.2% in the same period, the eighth consecutive quarter of growth.¹⁵ Weaker manufacturing productivity will result in lower research & development, which means higher costs as we will not be competitive with other countries that produce similar goods. It means we incur trade deficits, as we end up importing finished goods more than we export, and we pay for these imports with a weakening currency. In the end when we add up all the problems begat by low productivity, our standard of living declines.

The decline in real (after inflation) GDP from our manufacturing sectors is far reaching. If we do not reverse the declining manufacturing trends across industries, we will end up being the commodity raw material provider to the U.S. and Mexico in the future.

Chart 7: 15 of 18 manufacturing sub-industries negative growth since 2018

Canada: Widespread erosion

Change (%) in Real GDP by Sector / Subsector

Sector	Change
Printing and related support activities	-18.4%
Paper manufacturing	-19.6%
Beverage and tobacco product manufacturing	-15.9%
Textile, clothing and leather product manufacturing	-14.0%
Primary metal manufacturing	-13.6%
Transportation equipment manufacturing	-9.4%
Furniture and related product manufacturing	-8.6%
Wood product manufacturing	-6.9%
Petroleum and coal product manufacturing	-6.1%
All Manufacturing Sector	-4.9%
Chemical manufacturing	-4.2%
Fabricated metal product manufacturing	-3.1%
Plastics and rubber products manufacturing	-2.8%
Miscellaneous manufacturing	-1.9%
Non-metallic mineral product manufacturing	-1.1%
Electrical equipment, appliance and component manufacturing	-0.1%
Machinery manufacturing	4.7%
Computer and electronic product manufacturing	8.2%
All Sector (GDP)	10.0%
Food manufacturing	12.6%

*Note: Most Recent Data for Sep-2024. % Change Since Sep-2018

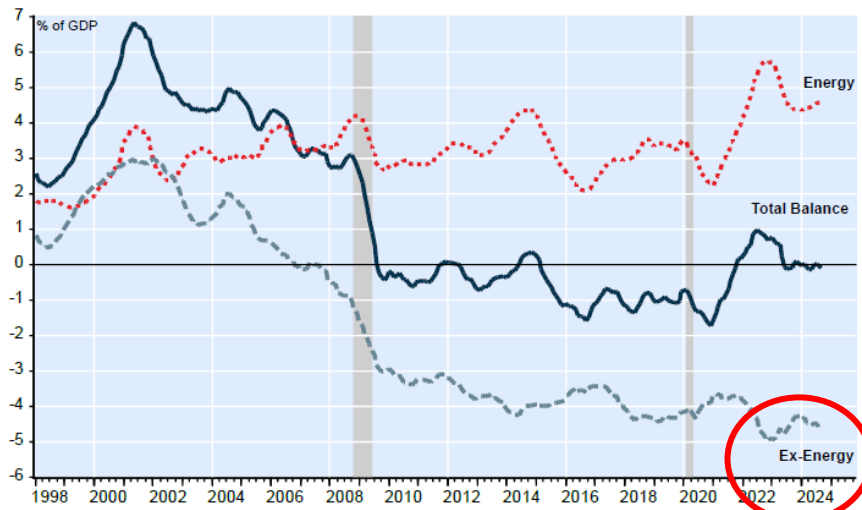
Source: National Bank Financial, [Special Report: Economics & Strategy](#), December 23, 2024

We finish with Chart 8 showing our trade balance as being in a serious deficit if we remove the impact of oil & gas. Canada is a major energy exporter, and its success has masked the underlying weaknesses of other industrial sectors. Our entire balance of trade is susceptible to going negative if energy exports fall, either through lower volume or falling oil & gas prices.

Chart 8: Removing energy shows massive trade deficit

Canada: As the manufacturing base goes, so goes the trade balance

Global trade balance for goods: Total and ex-energy balance



Source: National Bank Financial, [Special Report: Economics & Strategy](#), December 23, 2024

Overreliance on energy exports to maintain balance of trade

Conclusion. We try to stay politically neutral. Having a political bias usually results in poor investment decisions, so we try to assess things on a factual basis. In this case however, it is clear the current government's policies have caused a drought in private sector investments. Productivity has declined. Competitiveness is weakening. The Canadian dollar has plummeted. Compound all this with a cost-of-living problem from inflation and housing costs. The net result is Canadians across all provinces now earn less than any of the U.S. states – even the poorest ones.

Part 4. Summary

The threat of tariffs from President Trump makes this a good time to look at Canada's economic position relative to our largest trading partner, the U.S. The U.S. has a population 10 times that of Canada's and it makes absolutely no sense to threaten or engage in counter-tariffs. We just cannot win a food fight with our neighbor.

Canada's foreign minister and other politicians have not ruled out cutting energy exports as a retaliatory measure.¹⁵ There are 2 major problems with this idea. (i) As seen above (Chart 8), energy exports are the life blood of Canada's trade balance. Our trade deficit worsens significantly if we exclude energy. We have enough problems with trying to maintain a robust economy, and shutting off energy exports will make our economic challenges even worse. (ii) Secondly, energy resources are a provincial jurisdiction. If the Government of Canada shuts off energy exports, it infringes on Alberta's responsibility. Without Alberta's approval, we expect an immediate court challenge in Western Canada to uphold our rights and, in a worse cast, it will create a constitutional crisis.

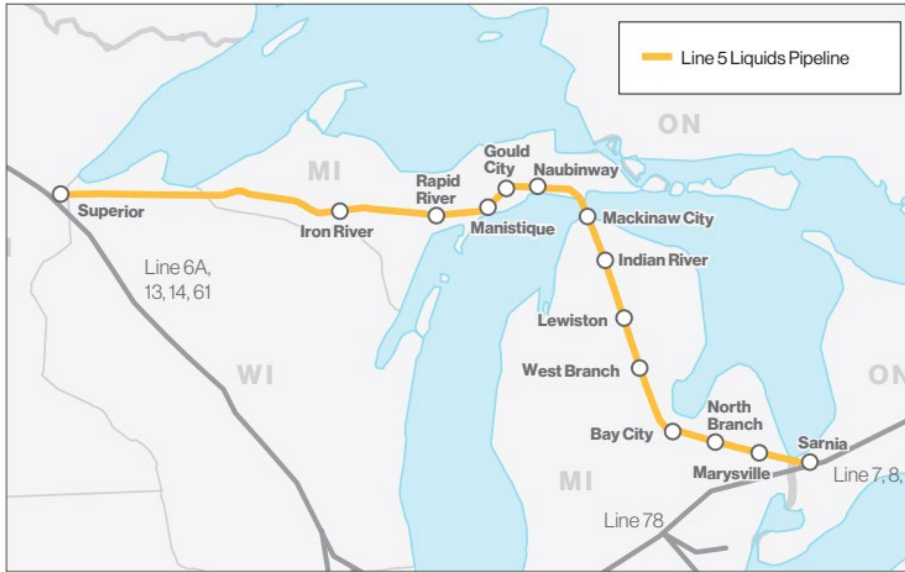
Our suggestion? Border security is a federal responsibility, the Government of Canada should take it seriously. Promising to spend \$217 million per year over 6 years is not serious. There is no need for hyperbole regarding counter-trade restrictions because border security is not an economic issue. It has only been Canadian politicians who have linked this to economics. There will likely be more challenges from President Trump over his 4-year term and we have to deal with them in a rational and orderly manner as they arise.

We think the idea of shutting off Canadian energy exports is a very bad idea. Not only will it weaken us economically, but the Government of Canada ignores the fact that Ontario and Quebec rely on an Enbridge pipeline that goes through the U.S. on its way to those 2 provinces. This section is known as Line 5 and it provides critical feedstock for gasoline, jet fuel, diesel and other oil products at the Sarnia, Ontario refinery. From Sarnia there are additional pipelines that send oil to Quebec.¹⁶

¹⁵ <https://www.ctvnews.ca/politics/everything-is-on-the-table-joly-won-t-rule-out-cutting-off-energy-exports-to-u-s-in-face-of-trump-tariff-threat-1.7172631>

¹⁶ https://www.enbridge.com/~/_media/Enb/Documents/Factsheets/FS_Without_Line5_econ_impact.pdf

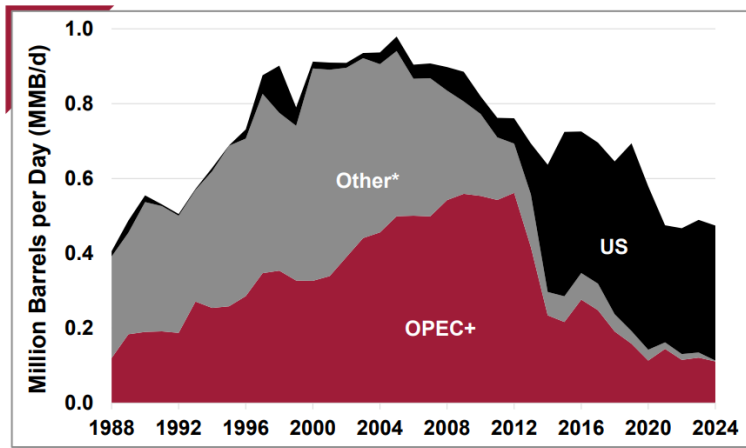
Chart 9: Oil required by Ontario & Quebec goes through U.S. from Western Canada



Source: Enbridge

Chart 10 below shows provinces, including those east of Manitoba, already import significant amounts of crude oil from the U.S. to make their economies run, and this proportion is *increasing*. An embargo on oil exports will mean a shutdown of Line 5, which in turn means Canada will have to import even more from foreign sources, including the U.S.¹⁷ ***This makes absolutely no sense and is a ridiculous situation to put ourselves in.***

Chart 10: Provinces need U.S. oil to support their economies
Crude Oil Imports | Annual | 1982 to 2024*



Source: Canadian Association of Petroleum Producers (CAPP)

Threatening to stop oil exports makes for good political sound bites but it is a bad idea. Politically a unilateral embargo on oil exports by the federal government will trespass on provincial rights and at a minimum will get challenged by Alberta. Also, if we do not immediately increase imports of oil from the U.S. and foreign sources (Chart 10), there will be supply shortages that will hit vote-rich Ontario and Quebec, not to mention the Atlantic provinces. Over the near term we may see a spike in gasoline prices, a shortage of jet fuel and diesel for transportation, and a jump in heating oil prices – leading to very unhappy voters. Farmers need fuel to produce food, people need to heat their homes, diesel is used for rail/truck/airplane transport that is critical to our economy, and commuters require reasonable gasoline prices to go to work. Short term disruptions can quickly lead to long term problems. If we can figure this out, we guarantee the Americans understand this, so counter-threats on oil & gas will probably come across as theatrics to them.

Let us now talk about the proverbial elephant in the room, the economic failure of our political leadership. If the Government of Canada and certain provinces had supported the building of Northern Gateway pipeline to the Pacific Ocean and the Energy East pipeline to the Atlantic Ocean, then Canada would be more immune to President Trump’s tariff threats. When there was no Trump

¹⁷ <https://www.capp.ca/wp-content/uploads/2024/03/Canadian-Consumption-of-Domestically-Produced-Crude-Oil-and-Natural-Gas.pdf>

economic threat, another premier even said there is no “social acceptability” for an Alberta pipeline in his province, and the Northern Gateway and Energy East projects were cancelled. Now the provincial leaders and Prime Minister Trudeau want to use Alberta’s energy as the valuable queen on their chess match against President Trump, and are fervently lecturing Alberta about it.^{18,19} ***It is exactly this sort of policy flip-flop (to put it politely) that sets Canada back economically. 97% of Canadian crude oil exports go to the U.S.***²⁰ ***Because Canada effectively decided to keep the U.S. as the single foreign customer for our oil, we have significantly less bargaining power with them than if we had diversified international customers.***

In terms of our country’s competitiveness, even Mark Carney, Canada and the U.K.’s former central banker, said our standard of living is at risk and the Government of Canada’s “*lack of focus*” is to blame. Mr. Carney is being all too polite although we admit it is surreal he went on The Daily Show to say this.

In conclusion, the Government of Canada needs to materially reform its industrial, trade and other policies to make our economy competitive and increase productivity. Once a country starts a decline, it risks being caught in a negative feedback loop that will be difficult to come out of. Whether it is the current administration or a new one, the renewal process needs to start – the sooner the better.

Managing trade negotiations and the economy are above our pay grade but we have taken steps to mitigate the risk for our clients. For clients with fixed income in their portfolios, we have positioned you for falling interest rates. For clients with equity components, you have exposure to sectors that are interest sensitive, meaning the equities should do well if interest rates go down, and you already held equities denominated in U.S. dollars, so you have benefited from the falling Canadian dollar. For clients where suitable, we have positioned you for the re-industrialization of the continental U.S. and Mexico with exposure to transportation infrastructure.

Thank you for entrusting your investments to Gold Investment Management. If you have any questions, please do not hesitate to contact us.

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Thank you for entrusting us with your investments. As always, we welcome your questions and comments. You can [contact](#) GIM by telephone: 1.888.436.9955, fax: 1.866.541.7947 or email: invest@gold-im.com

Yours truly,

GOLD INVESTMENT MANAGEMENT LTD.

¹⁸ <https://www.cbc.ca/news/politics/quebec-premier-accused-of-not-understanding-alberta-s-energy-industry-1.4939502>

¹⁹ <https://nationalpost.com/news/politics/justin-trudeau-danielle-smith-tariffs>

²⁰ <https://nationalpost.com/news/canada/danielle-smith-alberta-donald-trump-tariffs>

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