Dear Clients:

We have received an increasing number of calls and emails about President Trump's tariffs, their impact on the markets and what GIM is doing to protect clients' portfolios. The purpose of this is letter is to convey our thoughts with the hopes of allaying your concerns.

Staying invested in a diversified portfolio of blue-chip stocks, or a mix of dividend paying stocks and investment-grade bonds is a time-tested strategy. We have seen adversity in the market before, from the Great Financial Crisis of 2008-09 to the COVID-19 pandemic. Today, we are faced with tariffs, the possibility of an escalating trade war, and recessionary *and* inflationary concerns known as "stagflation". Despite, the current gloom, we offer five key reasons to maintain your investments:

1. Resilience of Blue-Chip Stocks

- Blue-chip companies are industry leaders with strong balance sheets, global brands and and pricing power. They tend to weather economic downturns better than smaller, riskier companies.
- Many have consistent and growing dividend payments, providing steady and rising income even during periods of market volatility.

2. Stability of Investment-Grade Bonds

- Investment-grade bonds, especially government and high-quality corporate bonds, act as a cushion during economic slowdowns by providing capital preservation, predictable income and lower volatility.
- During recessions, central banks often cut interest rates, which can drive bond prices higher, offsetting losses from stocks. We note the Bank of Canada ("BoC") lowered its policy rate to 2.75% on March 12, 2025, marking 7 interest rate cuts since last June. Despite interest rates being close to neutral territory, the BoC has lots of policy room in case it needs to drop rates further.

3. Market Cycles and Long-Term Growth

- Economic slowdowns and trade wars are temporary, while markets historically recover and continue upward over the long run.
- Market timing – getting out of the market and then buying back in – rarely works. You need to be right twice. Staying invested prevents missing out on rebounds, which often come unexpectedly and contribute significantly to long-term gains.

4. Diversification and Risk Mitigation

- A balanced portfolio of blue-chip stocks and investment-grade bonds provides diversification, reducing overall risk. While stocks provide growth and growing dividends, bonds offer stability, creating a buffer against market downturns.

5. Opportunities to Buy at Lower Valuations

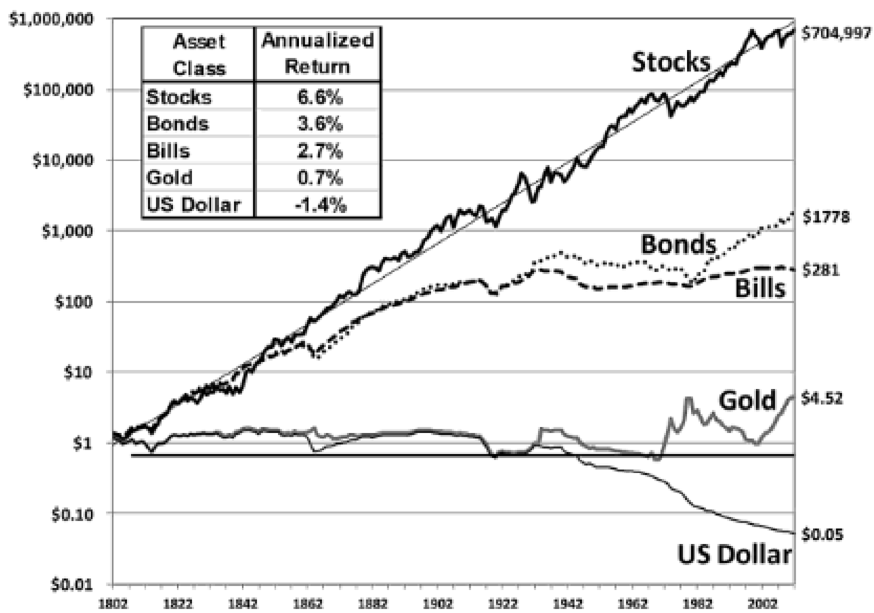
- Market downturns create opportunities to buy high-quality assets at discounted prices. For long-term investors, downturns can be a chance to accumulate strong companies at attractive valuations, setting up for future gains.

We will conclude with an excerpt from Jeremy Siegel's "Stocks for the Long Run." Figure 1-1 below presents a 210-year chart of total real returns (after inflation) of U.S. stocks, bonds, T-bills, and the U.S. dollar. While a 210-year "long run" may seem *too* long, we think it's a perfect time frame as many of the companies we purchase on your behalf have been in business for centuries. For example, BMO was established in 1817 – that's a 208-year operating history! They have been paying dividends continuously for 196 years.

As we can see from the returns below, stocks have been the place to be with $1 invested in U.S. stocks growing to almost $705K. The value of bonds, T-bills and gold were $1,778, $281 and $4.52 respectively. Lastly the U.S. dollar eroded to 5 cents after the ravages of inflation. If we take the same growth rates to present date (223 years), the value of $1 invested is as follows: stocks: $1,548,305, bonds: $2,662, T-bills: $380, gold: $4.74, USD: 4 cents.

FIGURE 1–1

Total Real Returns on U.S. Stocks, Bonds, Bills, Gold, and the Dollar, 1802–2012



Source: Stocks for the Long Run, 5th Edition by Jeremy Siegel, McGraw-Hill, 1994

The road ahead may not be easy, but investors should take comfort in holding the highest quality stocks and bonds according to their risk tolerance. When the market recovers (and it can turn sharply), investors will be rewarded.

Sincerely,

Gold Investment Management Ltd.

GOLD INVESTMENT
PORTFOLIO MANAGER

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