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So far, this year has been one of the constant changes. I had just finished my quarterly review when news broke that Israel and Palestine had agreed to a cease-fire. There is still much work ahead, but this time there seems to be genuine hope for peace.

Amid this positive development, other global tensions persist. The situation in Ukraine continues to evolve, though the U.S. appears to be stepping up its support. Perhaps Mr. Trump's efforts in the Middle East will extend to encouraging peace elsewhere.

Trade and Tariffs

The global trade environment remains volatile, with alternating periods of escalation and easing. In Canada, we are feeling the effects through rising costs in steel, lumber, and other commodities. Fortunately, the USMCA (United States–Mexico–Canada Agreement) continues to provide some protection. That said, the agreement is set to expire in the latter half of 2026, and while the U.S. must give six months' notice before withdrawal, the political climate makes early renegotiation a possibility. For now, the best outcome may be for all sides to maintain the status quo until formal talks begin.

Economic Conditions

Unemployment is rising globally. Companies remain cautious about hiring, given political uncertainty, new tariffs, and the disruptive potential of AI. In the U.S., the situation is exacerbated by partial federal government shutdowns, which have weighed on job growth.

Inflation has declined, but we have yet to see the full effect of tariffs. So far, companies have absorbed much of the cost—but they cannot do so indefinitely. Higher consumer prices are likely ahead.

Consumer spending remains resilient, supporting GDP growth. It appears that wealthier households—benefiting from strong equity markets—are sustaining spending levels through the so-called "wealth effect."

Markets and the Long View

When investing, we always emphasize the long term. Financial markets often rise when the news seems at its worst. That disconnect exists because investors look beyond the headlines, anticipating government actions that will eventually support recovery. Remember: economic data is a lagging indicator.

Despite periods of volatility, major markets continue to hit new highs. This has created a renewed sense of wealth in both Canada and the U.S., even as housing remains weak. Those who most need homes are often those least able to afford them, while high interest rates continue to dampen activity.

Meanwhile, many companies are turning to AI—not necessarily to expand, but to cut costs or reshape roles, leading to slower hiring trends.

Technology and AI

The so-called "Magnificent Seven" — Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, and Tesla — continue to lead the market. While AI has proven powerful in editing, analysis, and research, it remains imperfect. Anyone who's spent an hour navigating automated customer service systems knows the frustration of dealing with a "bot" that can't solve your problem.

AI also brings high energy costs and growing demand for data centres and electricity. It's far from clear whether the technology will prove economically efficient in the near term.

Cycles and Corrections

A correction will come eventually. Markets are at all-time highs, unemployment is rising, tariffs are inflationary, and consumer strength could wane. The truth is - no one knows when or how this will play out.

When I worked at Wood Gundy, my department handled millions in short-term loans between financial institutions. I remember a conference where two chief economists—one from Morgan Stanley and one from Wood Gundy—presented the same data and reached opposite conclusions: one predicted a recession; the other, continued expansion. They were both persuasive—and both used identical charts. The lesson has stayed with me: data can be interpreted in any direction, and predictions are always uncertain.

Markets can't rise forever, especially when speculation runs high. Even the most sophisticated economists and central bankers often rely on lagging data. Historically, we've been several months into a recession before it's officially recognized. Yet markets have often turned upward just when data looked worst—as in the early 1980s, when unemployment hit 10% and mortgage rates topped 20%. In that context, today's 6.5% rates look far more manageable.

Alternative Investments

Recently, there's been a surge in marketing for ETFs and mutual funds offering exposure to "alternative investments" like private equity and private debt—areas traditionally reserved for large pension plans, endowments, and institutional investors.

While these strategies can make sense for organizations with billions in assets and predictable cash flows (like the Canada Pension Plan), they carry significant risks for individuals and smaller endowments:

- Liquidity risk: income can be halted without notice
- Valuation risk: private assets are difficult to price accurately
- Redemption risk: during the 2008 crisis, many real estate funds froze withdrawals and stopped paying income

For these reasons, I've avoided these products in favour of transparent, liquid, dividend-paying investments that offer steady income and long-term growth. A company like Brookfield provides indirect exposure to alternative assets while remaining publicly traded and accessible.

Staying the Course

It's worth remembering that headlines—and even political leaders—often stir markets for attention. Early this year, the word "tariff" alone caused sudden swings. Fear of missing out has also driven investors into overvalued, low-quality stocks. Meanwhile, value stocks and dividend payers have quietly done well, providing stability and income.

At some point, markets or the economy will decline—whether it's a bear market or a recession, time will tell. That's why we remain focused on quality and value, not hype. Your portfolio is built to weather volatility with minimal damage.

Yes, Bitcoin and gold have rallied, but your portfolio participates indirectly through the utilities, financials, and industrials that use these technologies or benefit from their growth.

Our Philosophy

I build portfolios not based on today's headlines, but on your long-term goals—retirement, steady income, or legacy planning. Markets don't move in straight lines, but over time, with patience and discipline, they rise.

The noise—clickbait, pundits, and "experts" predicting the future—can be overwhelming. Most of it is designed to provoke fear, not to inform. When I see research filled with "could", "might", and "should", I take it with a large grain of salt.

What I do know is this: quality companies, steady dividends, broad diversification, and patience remain the best path forward. Markets recover. Capital grows. Dividends compound. And your portfolio is built with that in mind.

Looking Ahead

Your portfolio remains diversified across major sectors—utilities, manufacturing, consumer goods, and resources. Some areas will struggle, others will hold firm, and a few will rebound strongly. The fundamentals remain solid: we all need banks, food, heat, and telecommunications.

Dividends may not grow quickly this year, but importantly, they are not being cut.

I won't offer platitudes, only perspective: markets rise and fall, but the long-term trend is upward. Staying invested, collecting dividends, and maintaining a disciplined savings plan remain proven strategies. It's the classic tortoise and hare story—steady, patient investing wins over time.

We aim for an annual return of 6–8% with growing dividends—realistic, conservative, and sustainable. I invest in the same companies and funds I recommend to you. My retirement, like yours, depends on prudence, patience, and persistence.

Warm regards,

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