

Market Update

June 2025

Strong earnings reporting helped markets recover from on again / off again tariff announcements by the current regime in the U.S. That said a number of significant tariffs that were postponed until July 31st may soon reappear. Not a great time to be a customs broker.

Further, while earnings helped buoy the stock market near-term, the impact of tariffs will be better felt in coming quarters, particularly if heavier tariffs are applied.

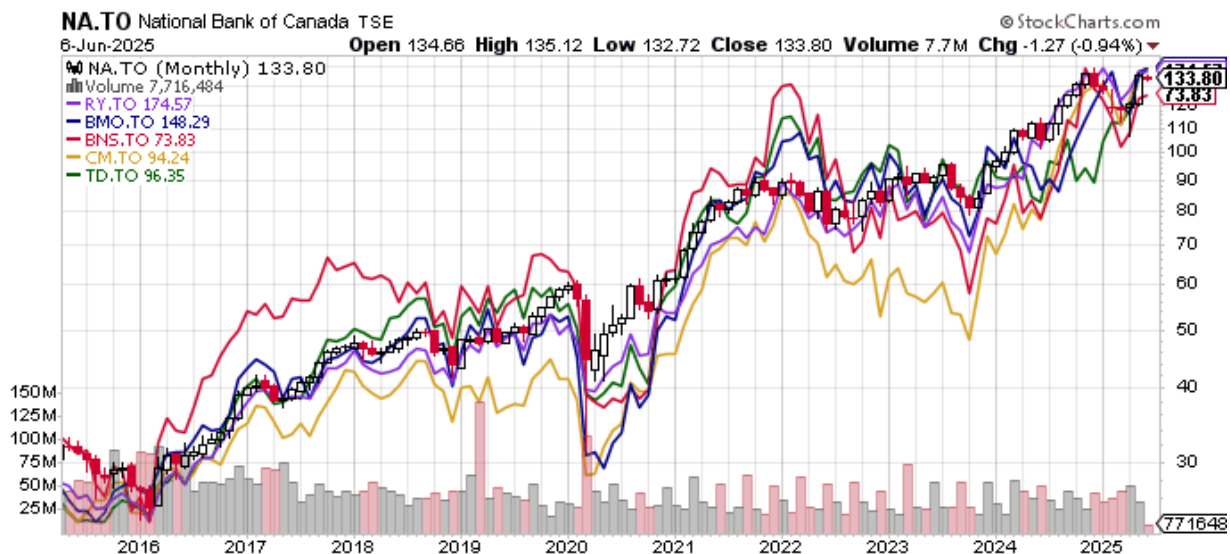
Here is how markets ended year-to-date after the first week of June...

TSX (Canadian broad market)	+6.88%
SPX (S&P 500 U.S. broad market)	+2.01%
Nasdaq (U.S. technology laden index)	+1.13%

We're pleased to announce that our **Geopolitical Analyst Angelo Katsoras** will be joining us for a Geopolitical & Economic Outlook webinar on **June 11th at 9am PST. This event is open to NBFWM Advisor teams and their clients.** Angelo will be sharing timely insights on the on the global and political landscape followed by a live Q&A where attendees can ask questions directly.

Registration emails were sent Thursday June 5th.

Canadian Banks just reported earnings last week.

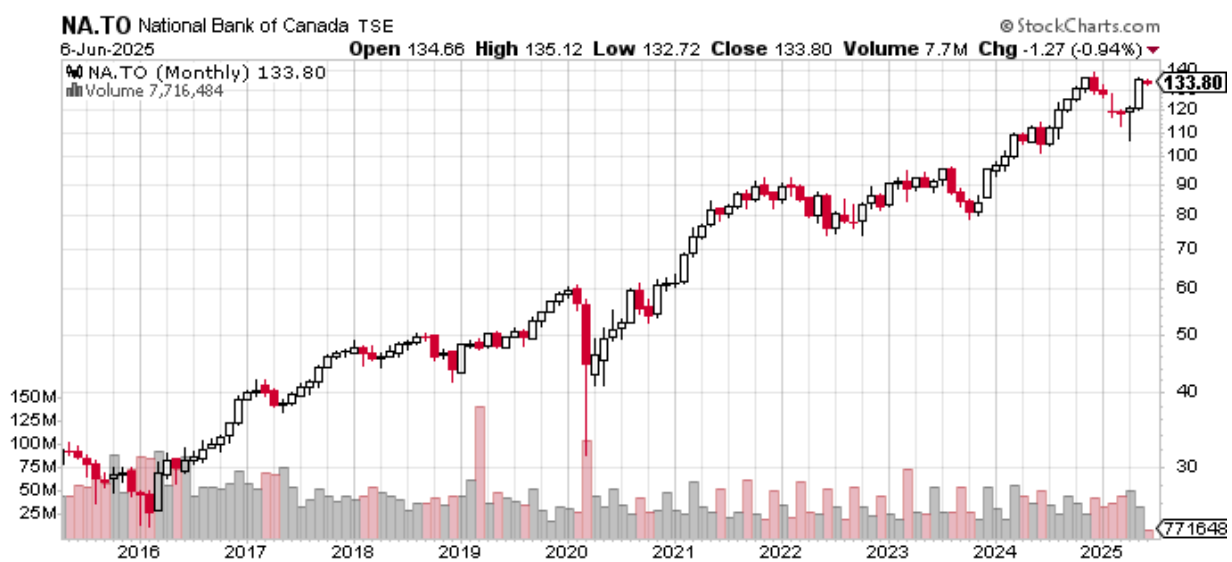


Four of the six banks raised their dividends (NA, RY, BMO, BNS). Four have active share buyback programs in place (RY, BMO, CM, TD)

I believe National and Royal are best positioned for growth over the next few years as a result of recent acquisitions that they can grow from (HSBC for Royal and Canadian Western Bank for National).

While the bank values have appreciated over the long-term, let's take a look at the difference between owning a bank and getting dividends versus being a depositor at a bank getting interest.

We could do this exercise on any bank but for this illustration I will use National Bank (NA) and its chart over the last ten years.



Current dividend yield of 3.5% paid quarterly.

5 year non-redeemable GIC 3.1%

Dividend gets dividend tax credit – taxed at your lowest marginal tax rate

Taxed at your highest marginal rate

Banks have a strong history of dividend growth
Today, NA pays \$4.72 in annual dividends. An investor who bought that stock ten years ago at say, \$30 would have dividend yield of 15.7% today.

Deposit rates are fixed

Bank stocks have a strong history of capital growth
An investor who has held NA stock from \$30 for the last ten years to the current value of \$133.80 has seen growth of 346% or an average of 34.6% per annum.

Deposits do not grow capital

Bank stocks are liquid. They can be sold anytime.

Deposits that are non-redeemable are just that.

Bank stocks are subject to volatility of markets.

Deposits are not.

Finally, you may have become aware of recent news from the United States regarding the **"big beautiful tax bill," specifically section 899** of the tax bill. We would like to inform you that our firm is diligently working on both sides of the border to represent our clients' best interests. We anticipate having more clarity on this matter and will share further information with you in due course.

At this time, we expect the impact of these changes to be minimal for our investors, who primarily focus on total returns and growth from their US equity exposure rather than simply dividends. Since we source minimal dividend income from US stocks, in relation to the Canadian side, even a worst-case scenario involving a 50 percent withholding tax on US dividends would have a negligible effect on the after-tax returns for our taxable Canadian clients.

In essence, the majority of our dividend income is derived from the Canadian side of your portfolio. Additionally, where we do not generate significant dividend income from the US portion of the portfolio, we will actively write calls to synthetically create the 'dividend' through call writing. It is important to note that the premiums (income) received from call writing are taxed as capital gains and would not be subject to the proposed new tax on US dividends. Please do not hesitate to reach out to Rob or Campbell if you wish to discuss further.

Best wishes for warm start to a great summer!

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Best,

National Bank Financial

Rob Hunter
Senior Wealth Advisor

Campbell Hunter
Wealth Advisor

Sources: Stockcharts.com, Reuters, National Bank

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The securities or sectors mentioned herein are not suitable for all types of investors. Please consult your Wealth Advisor to verify whether the securities or sectors suit your investor's profile as well as to obtain complete information, including the main risk factors, regarding those securities or sectors.

I have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed represent solely my informed opinions and may not reflect the views of NBF.

Selling calls against stock (Covered Writing): Shares may need to be sold at the strike price of the option at any time prior to expiration. If the calls are assigned, further opportunity for appreciation in the underlying security above the strike price is foregone.

Risk/Reward of the strategy = Strike price minus the purchase price of the underlying plus the premium received from the sale of the call. The maximum loss is the same as holding a long position less the premium received.

The investment advice given only applies to residents of the provinces of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario and Quebec.

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