A PERSONALIZED, INDEPENDENT, PRO-ACTIVE WEALTH MAMANGEMENT FIRM

RealGrowth Investment Counsel

SINCE 1981 MAY 2024

Our Current Stance

EQUITIES: Looking forward, when it comes to U.S. national debt (now over 120% of its GDP), we have been concerned that such abstract trillions of debt are also real-world deterrents to genuine (rather than debt-based) "growth."

Tax Free Savings Account (TFSA)

2024 TFSA Contribution: $7,000

Cumulative Contribution 2009 - 2024: **$95,000**

If productivity rose along with the growth, the added debts would be a long-term positive for our economy. On its own, however, without better productivity, debt-based "growth" is not actual growth. It's just higher prices of goods and services that make the Gross Domestic Product look bigger. It is just a number. The fact remains that there is more debt that has to be paid back, hopefully well into the future, along with interest payments on it today.

At the moment, the West seems to need inflation, and debased fiat currencies (via "clicked" added trillions), to not only pay for and inflate away the public debt, but also the trillions more needed in unfunded liabilities.

Caught in this potential fatal debt trap, Western governments and hence their economies, and their respective currencies, may now be openly trapped.

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Month in Review

TO OUR CLIENTS: The portfolios increased in value in April. They have been responding well to a developing stagflationary type economic environment where hard commodities rise in value and conservative companies, that pay high and old-fashioned dividends, become more highly valued.

What seems to be happening is that, while the economy is slowing, inflation remains stubbornly high. The central banks should be tightening; however, they are caught between the proverbial "rock and a hard place."

If they loosen the money supply, to reduce short-term interest rates, inflation will drive higher forcing medium to long-term interest rates to increase. That will hurt the economy.

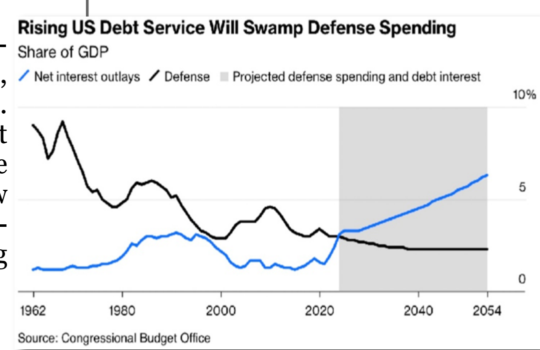
If they tighten the money supply, interest rates will increase, and the economy will falter. Both public and private debt interest costs will rise. At the same time, business will slow down, and tax revenues will decline, causing ever increasing levels of deficits and debts.

The most likely scenario is that they will stand pat and neither raise nor reduce interest rates. This will probably result in continuing high inflation and a slightly weakening economy.

Under the latter scenario, fiat currencies will decline in value against precious and other core metals like copper, oil and gas and real estate.

DEBT: Total U.S. Federal debt was below $1 trillion in 1980. As of the end of the year, the interest on the present debt alone is around $1.6 trillion annually.

Total U.S. debt today is about $35 trillion, and it is forecast to rise to $100 trillion by 2034.



CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	30/04/2024	28/032024	Change (1 Month)	Change (Dec 31/23)
Dow Jones Industrial Average (DJ)	38,150.30	39,807.37	(5.00%)	0.34%
Standard & Poor's 500	5,035,69	5,254.35	(4.16%)	5.57%
NASDAQ	15,657.82	16,379.46	(4.41%)	4.31%
Toronto Stock Exchange	21,714.50	22,167.00	(2,04%)	3.75%
London FT100	8,144.10	7,952.60	2.41%	5.31%
USD/CAD $	0.725800¢	0.739500¢	(1.85%)	(3.98%)
EUR/CAD $	0.680400¢	0.685200¢	(0.70%)	(0.35%)
Natural Gas	$1.99	$1.76	12.93%	(20.80%)
Oil West Texas	$81.93	$83.17	(1.49%)	14.35%
Gold	$2,291.40	$2,217.40	3.34%	11.10%

Our Current Stance

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In terms of equity valuations, those companies that can raise their prices while keeping their costs under control will do well. However, those that can't hold down costs of doing business or are not able to raise prices of goods sold, could have trouble. Hence not good places to invest.

Inflation: Inflation seems to have grabbed onto a strong foothold around the world. The fact is that 8.1 billion people have to be fed, clothed, housed, educated and transported, and wars have to be fought as well.

All that takes resources, such as copper and oil and gas, and that costs money to remove from the earth, processed, transported and the list goes on.

FIAT CURRENCIES: In order to cover unwieldly deficits and debts, along with a slowing economy (lower tax revenues) governments have to resort to printing more and more money. That is the very definition of inflation. All hard resources and goods are priced in fiat currencies. If there are more fiat currencies against a limited amount of resources the value of those resources goes up in value. Effectively, what is happening is that the currencies are falling in value and the resources are staying the same.

INTEREST RATES: The above chart says it all. It is critical for Western governments to hold rates where they are and hope for lower rates coming soon. The interest costs are enormous and could overwhelm the government's ability to function if they are not brought under control soon.

OIL AND GAS: We can say this about oil, considering worries about possible disruptions because of a

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Month in Review

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As Niall Ferguson stated in a recent article: "Any great power that spends more on debt service (interest payments on the national debt) than on defence will not stay great for very long. True of Habsburg Spain, true of ancien régime France, true of the Ottoman Empire, true of the British Empire".

If we look at the CBO (Congressional Budget Office), the U.S. will spend more on interest than the defence budget, by at the end of 2024, as the chart on page #1 shows:

The net interest outlays line is the one that starts out at the low end in 1962 and is highest by the projected date in 2054.

The world is based on a fractional fiat currency system. A small amount of "real" capital is leveraged up so that businesses can expand. However, this can come at a high cost if the leverage becomes too great.

We can see this in the chart in the next column, where $3 quadrillion (nobody can figure out how much that really means) in debt/liabilities is supported by a relatively tiny $2 trillion in gold bullion.

This means that either the liabilities have to implode (unlikely) or the value of the physical gold bullion held by central banks around the world have to increase in value many fold.

The U.S. and EU sanctioning of Russia and the freezing/confiscation of the Russian assets in foreign banks are very beneficial for gold.

Fewer sovereign states will hold their reserves in U.S. dollars any more. Instead, we will see central bank reserves move to gold and other fiat currencies and oil. That shift has already started and is one of the reasons for gold's rise, or should we say the U.S. dollar's fall.

In addition, gradually the BRICS countries are moving away from the dollar to trading in their local currencies. For commodity rich countries, gold will be an important part of their trading.

Thus, the falling value of fiat currencies in general, and the U.S. dollar in particular, will hamper any efforts by central banks to lower interest rates. As such, we suspect they may stay up here for longer than most expect.

LOOKING FORWARD: As of today, the markets, its pundits and the U.S. Federal Reserve (FOMC) followers are all wondering when U.S. Fed. President Powell's promised rate cuts will happen to save the "Divided States of America" and its fiat dollar-thirsty, debt-dependent growth narrative.

In the beginning of the year, Powell was "forward guiding" rate cuts and thus, right on cue, the pavlovian-like markets that react to Fed liquidity, in the same way Popeye's forearm muscles react to his downing a can of spinach, ripped higher on his words alone.

And who could blame them for reacting so quickly to his speeches? After all, Powell promised the same when

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Our Current Stance

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wider war breaking out in the Middle East. It is shocking that there has not been a greater attempt at refilling the U.S. Strategic Petroleum Reserves that were drained under the Biden administration in order to help lower the look of inflation.

PRECIOUS METALS: ***Gold is money — everything else is credit!!!***

The price of copper has been rallying and is trading around a record high, as this article is being written, nearing $5 per pound. Copper, importantly, is by far the most important industrial metal in the world. This is especially true in the push to this new electrification/ renewable world in which governments are investing so much money.

This is more proof that another wave of inflation could be unleashed by the beginning of next year. All of this is extremely bullish for gold and silver as well as the high-quality mining and exploration shares.

The gold mining shares in particular, are extremely undervalued and whether by mergers and acquisi-

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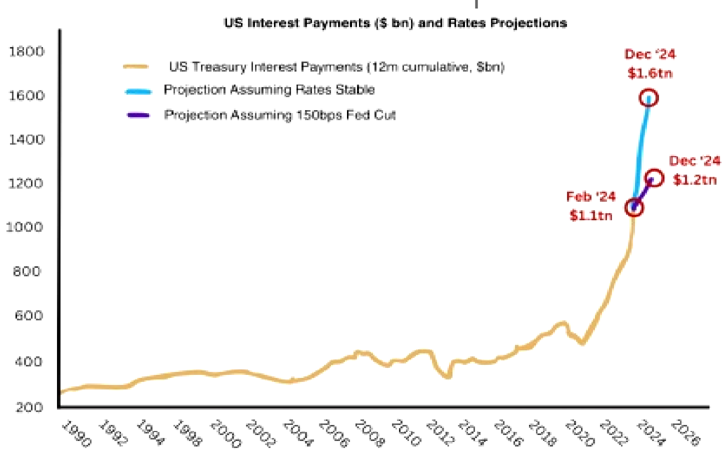

Month in Review

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he triumphantly voiced that inflation had become "transitory."

But now the markets so far in May, are worrying out loud about few to no rate cuts at all for 2024?

So, what will happen, what to do, how to know and how should we react? Higher for longer? No more cuts? Three cuts in 2024?

Of course, break out the tarot cards! Read Powell's palm, or possibly how big his briefcase looks?

Cost pressures remain the top issue for small business owners, including historically high levels of owners raising compensation to keep and attract employees. That also means not hiring anybody new. Overall, small business owners remain historically pessimistic as they continue to navigate these inflationary and regulatory challenges.

Small businesses are dealing with a rising level of uncertainty, in today's business environment, but will continue to do their best, by serving their customers first. The NFIB (Business Uncertainty Index) did rise to the highest since September. Not surprisingly, this as small businesses are less capable of dealing with many of the major issues businesses face like managing material cost pressures, labor, higher taxes, higher cost of capital and the ever-growing regulatory demands.

CONCLUSION: What we can foresee is that it is an election year and there are trillions in U.S. dollar treasury bonds maturing this year. To renew them at these higher rates will put a lot of upward pressure on government expenses.

So, it would seem likely that rates would fall. However, the fly in the ointment is that there is still inflation and in order to sell their bonds, to raise money, to operate the government, the lenders will be demanding higher rates to be compensated for the devaluation in fiat currencies.

We believe that rates will likely remain at these levels. They should be higher, but the government will do all it can to keep them as low as possible.

First Home Savings Account (FHSA), One of the newest tax breaks available - IS HERE!

1) Annual contributions to an FHSA up to $8,000, with a lifetime max. contribution of $40,000.

2) Contributions can be claimed as a deduction against taxable income. Investments grow in the account without being subject to tax.

3) Income and withdrawals aren't taxable, if they are used for a home purchase. No repayment is required on withdrawals.

4) Withdrawals not made to purchase a qualifying home are taxable income. HOWEVER, if the clients decide to use the funds for something else, they can transfer the money to an RRSP or RRIF without affecting their contribution room.

By taking advantage of both the FHSA and the Home Buyers Plan (which allows to withdraw up to $35,000 from an RRSP tax-free for a home purchase) the Client could save up to $75,000 to use toward a first home, plus any growth in the FHSA.

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tions or just a realization of the marked explosion in earnings, our upside targets for them are much higher than present levels.

EQUITIES. We believe the equity markets are unbalanced. This leaves room for profits in under loved areas. A Fed Put is defined as a mechanism by which the (typically the U.S.) Fed, by keeping bond yields/rates artificially suppressed (we think they should be higher), drives cash into risk assets/stocks. This "Fed Put," was previously known as the Greenspan Put.

Alan Greenspan, the then Fed Chairman, repeatedly lowered rates and implemented easy money policies to prop up the stock market during his tenure,1987-2006.

(A new Fed Put situation is about to begin).

Artificially suppressed rates open a doorway for cash to make its way into risk assets/stocks. Think of it like this. If a "Fed Put" is causing cash to make its way into the stock market, then it must mean that cash is being pulled out from other places.

A Fed Put causes cash mainly to be pulled from "risk off" assets, such as commodities. So, the setup here is simple. This action to prop up the markets causes large distortions in the price action of assets… it also creates opportunities!

Investors, understanding how a Fed Put works, will overexpose themselves to risky assets/stocks, further exacerbating and therefore fueling a stock market bubble.

Investors who are aware that during a Fed Put situation cash will make its way into stocks, also understand that assets like commodities will become massively undervalued.

This is what has happened to date and many opportunities have opened up in various areas of the stock market and that is where are core positions remain in place.

Political Shorts

Biden or Trump?

Liberalism - Biden vs Conservatism - Trump. We wonder if those two things, "leaders" have merged together into a new kind of liberalism.

Honestly, it's become quite confusing, but we must understand what is happening to our society in order to be able to invest for the future.

Liberalism is the willingness to respect or accept behaviour or opinions different from one's own; openness to new ideas.

Conservatism is a political or theological orientation advocating the preservation of the best in society and opposing radical changes.

This new "political correctness" started out as a good thing. Young adults became aware of many injustices they worked hard to fix.

However, what we've been seeing more recently, with the radical left who claim they are more informed is a political discourse that has been hijacked and has morphed in what seems like a kind of hypocrisy. That is, the contrivance of a false appearance of virtue, or goodness, while concealing real character.

This seems to have arisen out of the social media platforms where few can discern what is real or manipulated, to further a cause or two.

Thankfully, the markets are the smartest kids on the block and are unlikely to be influenced in the medium or long-term. Billions of people vote with their pocket book all day long, every day, and the average that emerges is probably the truth.

So, how do we decide what is a good investment strategy or not?

This requires a long history of experience getting knocked around by the markets, over many years, and remaining keen watchers of its direction, the true path.

An example is a Canadian company called Suncor. When President Bush was elected there was a massive media campaign to discourage oil and gas drilling, its use and investments.

The result was a knock down of interest and a lowering of its stock valuation.

But, watching closely, we could clearly see that Suncor was not only the perceived enemy due to its oil production, but it was also an important leader in the ongoing critical transition from fossil fuels to something else.

The overwhelming propaganda allowed us to increase our holdings in the battered oil and gas industry at discounted prices. These holdings have seen significant increases in both capital value and dividends over the last few years.

The moral of the story is to not be influenced by the crowds' loud voices, but rather to listen to the quiet underlying movements of reality.

In other words, especially in the stock markets, always, always think for yourself and always question "why" those with the loudest voices are saying what they are saying/promoting.

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