

RealGrowth Investment Counsel

SINCE 1981

SEPTEMBER 2026

Our Current Stance

EQUITIES: The equity markets have been rising for some time and there is a lot of talk about its sustainability. However, just because equities are “high” it doesn’t necessarily mean that it has to fall back down. The fundamentals of equities are twofold. On one hand inflation is good because prices can rise and, in response, many companies can increase the prices that they sell their products for. They may also be able to increase their margins. However, on the other hand, their customers may have to limit their purchases of particular goods as deciding where to spend their money comes into their decision making. That would make revenues fall. Prices of equities are also determined by how many times investors are willing to pay for a stock over and above their earnings per share. That would be their price to earnings ratio. In a good market (high growth and low risk) that p/e ratio could rise, but it would do the opposite in a risky geopolitical environment where the future of the economy is unknown. There’s more. When investors are bullish about an industry’s future, all boats will rise with the tide.

The markets are of two minds presently. In industries that is associated with the AI trade, many companies are doing well, however, are potentially very volatile because their p/e ratios are very high. And, well, where the future is concerned, nothing is for sure. What will happen to all those AI customers that are being replaced by those new AI systems?

One thing is for certain. To pay for all of this, companies and governments are borrowing a lot of money. And, as it turns out, they are competing for the same things. If rates rise due to too many trying to borrow and not enough with cash to lend, then interest rates will rise and all the borrowers will suffer. We don’t think that with the record, and growing, levels of debt, and rising competition between the west and the east,

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Month In Review

TO OUR CLIENTS: Your portfolios continued to rise during the first 8 months of 2026. This strength is a continuation from the exceptionally strong performance from the previous year. The gains have, to date, continued to be notable and, we believe, this trend should hold up for the balance of 2026.

This is primarily due to a long-term plan of action that has been in place for some time now. We’ve invested using a top-down approach focusing on geopolitical developments and our assessment of how they will affect the world economic situation and ultimately the markets. In particular, the continued strength has been most evident from growth in the precious metals, utilities, agricultural, manufacturing and energy industries.

STRATEGIC THEME MOVING FORWARD: The United States’ handling of Iran gave Iran the resilience, and (in their minds) permission, to seize of the Strait of Hormuz. The actions by the U.S. have also led global leaders, especially those in Asia, to conclude that the American public does not have the disposition to endure the discomforts of war. Nor do they have, it seems, the resources to fight wars

on two or more fronts. The wider world, not just the west, can see that the U.S. doesn’t have what it takes to fight to maintain its empire, to hold onto its past hegemony over the world’s economic order.

We wonder, are these recent events similar to the British handling of Egypt’s taking of the Suez Canal, which signaled the end of the British Empire?

It is inconceivable that the broader American public would support an American military response to Chinese pressures a) aimed at Taiwan or b) against countries that are trying to do more business with China. The thinking and actions of leaders in countries that are U.S. allies, and that are hosting American bases as a counterweight to China under the assumption that the U.S. will protect them, may have changed forever. If true, this would have big consequences for the world geopolitical order, especially for Taiwan, Japan, the Philippines, and, to a lesser degree, other Asian countries. The biggest change would be a move away from the U.S. dollar being used solely as the world’s reserve currency. That

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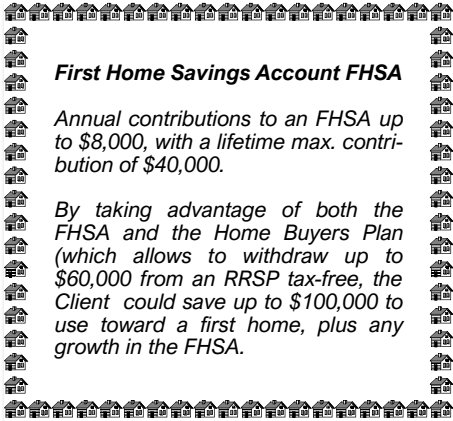
CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	08/31/2026	07/31/2028	Change (1 Month)	Change (Dec 31/25)
Dow Jones Industrial Average (DJ)(DJ)	53,185.90	52,485.03	1.34%	10.66%
Standard & Poor’s 500	7,686.14	7,489.72	2.62%	12.28%
NASDAQ	26,370.89	25,373.85	3.93%	13.46%
Toronto Stock Exchange	36,270.50	35,226.10	2.96%	14.37%
London (FT100)	10,792.50	10,868.10	-0.70%	8.57%
U.S. \$/CDN \$	0.7195	0.7137	0.81%	-1.47%
Euro/CDN \$	0.6208	0.6191	0.27%	-0.15%
Gas	2.94	2.75	6.84%	-20.24%
Oil (West Texas Inter)	85.76	84.67	1.29%	49.36%
Gold	4,431.10	4,049.10	9.43%	1.40%

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that western governments will let interest rates rise, at least by too much. That means that growth should continue and so will inflation and by default. At the same time, the markets may not want to give back too much, at least not before the end of this year.



First Home Savings Account FHSA

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

By taking advantage of both the FHSA and the Home Buyers Plan (which allows to withdraw up to \$60,000 from an RRSP tax-free, the Client could save up to \$100,000 to use toward a first home, plus any growth in the FHSA.

INFLATION: The wars with Russia and Iran have been going on for some years now. It is shocking really, that oil prices are not much higher. Our only explanation is that the world has been releasing their strategic reserves. We understand that those reserves are pretty much at an end. Even if the wars end today, those reserves will have to be replenished and that may take years. As the modern world needs oil to turn, inflation will rise. Probably faster than the U.S. Federal Reserve can counter further rises by tightening the money supply. Going that route would cause a major recession and likely exacerbate the wars ongoing presently.

FIAT CURRENCIES: Most western currencies are fiat. Fiat money is a government-issued currency not backed by a physical commodity like gold. Its value originates from supply, demand, and the stability of the issuing government.

The flexibility of fiat money is that it allows central banks to control economic factors such as money supply, interest rates, and inflation. BUT, it carries risks of inflation or hyperinflation (we are already at the point of no return) if overprinted.

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would have huge implications for the U.S.'s ability to fund its wealth and to project its power.

This change looks to have been reflected in the many visits to Beijing by heads of state and their delegations to build tribute-type associations with President Xi. The most significant reflection of this shift was President Xi making clear to President Trump, in the form of indirect threats, that planned U.S. arms sales to Taiwan would not be acceptable by China.

We think that Bank of Canada Governor, Tiff Macklem, said it best at the central bank forum on stage with peers Kevin Warsh (U.S. Federal Reserve Chairman new this year), Christine Lagarde (president of the European Central Bank since 2019) and Andrew Bailey (Governor of the Bank of England since March 2020). "We have to be humble in this time of uncertainty." In other words, and I think those thoughts are shared by the markets, that the west is no longer able to control economic outcomes with simple tools, such as controlling interest rates by manipulating the money supply.

With respect to Warsh, he reiterated again that we won't get any clues as to what he'll want to do next in terms of policy in the upcoming meetings for the balance of 2026. Going forward, markets are going to be left very much guessing, as the past hand holding by the central bank will now be much less clear. Warsh has stated that it will be the other way around. Instead of the markets looking to the Federal Reserve for answers, the Fed. will be looking to the markets. And, so will we!

DEBT AND THE ECONOMY: The United States debt isn't \$40 trillion? Some analysts are saying it is closer to about \$126 trillion of debt. Oh, and now the government that owes the debt, and controls interest rates at the same time, is going to raise interest rates and pay more interest on their debt? Unlikely.

The U.S. government is going to do everything it can to prop up this economy, especially just before the November mid-term elections. The lower real interest rates go, the lower the dollar falls against other fiat currencies. The deeper the dollar falls, the higher real hard assets, such as gold and silver prices, will go.

HOW TO MITIGATE WORLDWIDE FIAT CURRENCY DESTRUCTION:

What does it mean when you say "the dog that caught the car?" It describes someone who achieves a goal but has no idea what to do next, and who may end up suffering unexpected negative consequences. After all, catching a car would not necessarily be a hospitable experience. Since Kevin Warsh, the new head of the U.S. Federal Reserve, resigned from his role as Fed governor in 2011, he has devoted a lot of time and energy to criticizing his former employer the previous head of the Federal Reserve Jerome Powell. Now, after years as an outsider, far from power, he has been handed the keys to the candy shop. No wonder markets are struggling to decide what kind of Federal Reserve chair he will be: it is one thing to howl at others' mistakes, but altogether another to carry out the burden of leadership. Two questions have attracted our attention. Will Warsh bend to the will of Donald Trump, who appointed him and wants lower rates? And will Warsh's desire for a quieter, less open Fed open the door to dangerous market volatility? Neither is cause for much worry. Trump tried to bully the last Fed chair, Jay Powell, and failed spectacularly. Given that, Warsh would be a fool to risk his reputation in the eyes of history to win the friendship of the current president. And it is unclear, to put it mildly, how much Fed "forward guidance" matters.

We believe what will be more consequential, especially for financial markets, is Warsh's view of the Fed's \$7tn balance sheet. His doubts about sustained "quantitative easing" —

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Examples of fiat currencies include the U.S. dollar, euro, and British pound. The shift away from commodity-backed currencies provides governments with a greater ability to manage economic policy and adapt to global market demands. The “real” value of money when valued against hard assets has fallen precipitously since the U.S. stopped using the gold standard. At this point, with government debts unsustainable, hyperinflation may not be far off.

Tax Free Savings Account (TFSA)
2026 TFSA Contribution: \$7,000
Cumulative Contribution 2009 - 2026:
\$109,000

INTEREST RATES: We believe that even if governments raise interest rates to “reel-in” inflation, they will be printing money at the same time to buy ever increasing bond demands from those same governments whose spending is out of control. Think defence (wars), interest payments, social security and the list is long. Long story short, the yield curve may steepen. However, governments will do all they can to stop them from rising to protect their own interests...i.e. they want to stay in power more than doing the right thing.

OIL AND GAS: The best cure for low oil supplies is higher oil prices.

Oil supplies that were stored in vast caverns have been depleted and oil production is less than even the most basic demand. At the same time, the massive AI data centres that need to be built require vast amounts of energy. We see demand as being less elastic today than at any time over the past 4 decades. Even if oil production can get back up to full speed, we don’t see any relief from prices heading higher from here, and possibly much higher.

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central bank purchases of government bonds to smooth markets and support demand, were part of the reason he left the Fed 15 years ago. He still dislikes the exceptionally large balance sheet, mainly because he believes it encourages fiscal deficits. Last year he said that “policymakers . . . found it considerably easier appropriating money knowing that the government’s financing costs would be subsidised by the central bank . . . It’s no longer obvious whether monetary policy is downstream or upstream from fiscal policy.”

Warsh sees a danger that “the central bank becomes the ultimate arbiter of fiscal policy”. This argument has a certain logic: a large Fed balance sheet holds down interest rates; low interest rates encourage borrowing; the U.S. then borrows too much; so, the balance sheet needs to get smaller to curb fiscal excess. But disbelief is in order.

The idea that members of Congress will look at QE (quantitative easing) and say: “hurrah, let’s borrow!” is unlikely. After all, how many members of the appropriations committees could explain, even in outline, how the Fed balance sheet works? It would, however, be enough that QE brought the interest rate on Treasuries down, making it easier for elected officials to borrow. There is not, however, much evidence that outside moments of acute market crisis (when Warsh agrees that asset buying is a good idea), QE has brought down interest rates dramatically. Certainly, not enough to get a senator excited. A main point is that lowering interest rates by printing money, to buy government bonds (government borrowing), smooths market functioning, by pushing liquidity (cash) into the financial system.

Even this charitable interpretation of Warsh’s view is contentious. It is not obvious that there is a strong relationship between U.S. market crises and fiscal excess, or that U.S. politicians respond to market crises by pushing for economic strictness.

But even if we reject the QE-fiscal connection, we should agree with Warsh on the broader point: that the central bank has taken on too much risk that belongs in private hands. This suppresses day-to-day volatility and encourages recklessness, storing up, rather than removing, risk. A smaller balance sheet is, in this more modest sense, the right goal.

The big worry is that Warsh’s commitment to the unlikely fiscal story marks him as a small-government ideologue, rather than a pragmatist who simply aims for a financial system fit to support employment and price stability. He might go too far, too fast.

A wrinkle in all this, and looking at another side of a very complicated balance sheet, is that banks carry large reserves at the Fed “window” and are earning interest there.

These reserves keep payments among banks and their counterparties moving smoothly, because the cost of liquidity is low. Banks trust the Fed., but not each other. But as the Fed balance sheet shrinks (as Warsh wants) and reserves become scarcer, banks will pay more for liquidity, pressuring their profitability. They may pull back on the liquidity they provide to other market participants — private equity and private credit funds, for example. At the same time, new buyers will have to be found to hold all the government bonds not being held anymore by the Federal Reserve. Ideally, these will be stable long-term holders, from sovereigns to insurance companies. But, more likely, it could be leveraged hedge funds, or stablecoin managers. The ways all this could go wrong are easy to imagine. Just capping the Fed’s balance sheet might be hard enough at first. Banks need more margin for error in a scarce reserve regime, not less. As he takes on the Fed’s balance sheet, it won’t take us long to find out.

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

As U.S. and global debt-servicing costs continue to rise, with little sign of worry, demand for hard assets as a hedge against mounting debt concerns and currency debasement will likely re-emerge once the markets realize that rates can't rise as fast as most fiat currencies are being devalued.

Many investors bailed out of gold over the past few months, on the way up, and now claim they caught all of the move. One can not play a bull with an outdated bearish mindset. You have to believe in the bull or one can end up being a victim of the wall of worry, (emotions). These kinds of opportunities are very rare, so we don't plan on missing what could be a once in a generation move higher.

POLITICAL SHORTS

YEN FOR OIL?

It has been about six months since the U.S. and Israel first launched air strikes against Iran. It is a struggle that has shaken world energy markets and disrupted global shipping, carrying many goods the world relies on such as fertilizer. While, we are told, Iran's military capabilities have suffered major damage, it retains full leverage in the Strait of Hormuz and China is central to the calculation.

Elaine Dezenski, head of the Center on Economic and Financial Power at the Foundation for Defense of Democracies, said China's economic relationship with Iran is significant but not an alliance in the traditional sense. About 80 percent of Iran's exported oil goes to China, she said, but Iranian oil accounts for only about 12 to 13 percent of China's crude imports.

The topic has a longer-term financial dimension. Iranian oil sales in Chinese yuan and payment through systems outside the U.S. dollar network can strengthen alternative financial infrastructure and keep Iran's control over the shipping lane solidly in their hands.

"The way that Iran is engaging in these transactions and the way that China is

supporting those transactions is an attempt to erode the U.S. dollar's role in the global energy market," Dezenski said.

While further U.S. military action has not been ruled out, officials have suggested it may have reached the limits of its effectiveness -- in other words, there's not much else to target. Also, Washington, he added, does not have the political will to send "thousands and thousands" of troops into Iran and sustain the casualties such an operation would entail.

Bowman also said the war has also demonstrated the scale of U.S. weapons expenditure and raised questions about the quantities of offensive and defensive munitions available for other potential theaters.

IRAN IS PRESENTING A DIFFERENT STORY. Some elements, including the IGRC, seem in no hurry to push ahead with talks ahead of November's midterm elections in the United States. Other key members of the clerical authorities have spoken recently and repeatedly of the economic pain and of the importance of reviving diplomacy.

HORMUZ: IRAN'S KEY LEVERAGE. Even if a temporary agreement is signed, it will be temporary, but in the future, they will keep threatening to close the strait.

The more difficult question is whether Washington can accept some form of Iranian control over, or economic benefit from, the waterway.

Bowman argues that the critical issue is whether commercial ship captains and insurers regard the route as safe.

Iran therefore does not necessarily need to close Hormuz completely. Intermittent missile or drone attacks can raise insurance costs and deter shipping, while at-

tacks on infrastructure in Gulf states can create additional pressure on countries that cooperate with Washington.

"That actually turns our Arab partners into vehicles of leverage that Iran is exerting on Washington," Bowman said.

IRAN'S HELPING HAND FROM RUSSIA, CHINA: Another major question is whether Iran's external partners can help it rebuild. Bowman cited Chinese shipments of chemical precursors and Russian targeting information and drone support as evidence of growing assistance. He said Moscow is considering whether to deliver Su-35 fighters to Iran, while Beijing could move from supplying dual-use materials toward finished weapons and munitions.

The future of that support, he said, will depend heavily on how Beijing and Moscow assess the likely U.S. response.

Two things seem clear, and that is China is not going to suppress its growth and go back to allowing the U.S. dollar to remain the world's reserve currency so the U.S. can continue to print wealth and power. Oil for Yen? The second is that the U.S. seems intent on maintaining its hegemony, (by force if necessary) to ensure the world continues to maintain the status quo. Oil for dollars? we are maintaining our Asset Allocation with the view that China and the rest of the world will continue with their attempts to move their trade away from the dollar and towards the Yen. For them, it is just good business.

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Firm managing Financial Assets
For Wealthy Clients

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