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# WEALTH *builder*

## BIG GAIN FOR GROWTH PORTFOLIO

***By Gordon Pape, Editor and Publisher***

*"It was the best of times; it was the worst of times." – Charles Dickens, "A Tale of Two Cities".*

If you're a conservative investor with a portfolio full of bonds and interest-sensitive dividend stocks, these are indeed the worst of times. You probably want to run and hide when the monthly brokerage statement arrives.

But growth investors with well-selected, technology weighted portfolios can't wait to open the envelope to see how much money they made last month. That includes anyone who modelled their investments on our IWB Growth Portfolio.

It has been a powerhouse performer ever since it was launched 11 years ago. The past six months were one of the best periods we have ever experienced, with all securities but one posting strong gains. We even had one stock double in value, a remarkable achievement in such a short time frame.

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**Growth portfolio—continued from page 1...**

We created the IWB Growth Portfolio in August 2012. It had an initial value of \$10,000 and a target annual growth rate of 12%. It's a high-risk portfolio, with 100% exposure to the equity markets. It's not a place for cautious investors.

Here are the securities that make up the current portfolio, with an update on how they have performed since our last review in February. Prices are as of the close on Aug. 30.

## IWB GROWTH PORTFOLIO HOLDINGS

**iShares US Aerospace and Defense ETF (BSX: ITA).** This ETF invests in the US defense and aerospace industry. We added it to the portfolio in 2021, based on its long-term record of profitability and the heightened tension in Europe. We posted a small gain of \$0.67 per unit in the latest period and received two distributions for a total of \$0.517 per unit.

**Alimentation Couche-Tard (TSX: ATD, OTC: ANCUF).** Alimentation operates convenience stores in Canada, the US, and Europe. This stock has been a huge winner for us and continues to generate handsome profits. It's up \$6.93 since our last review. The company pays a quarterly dividend of \$0.14 a share. We received two payments during the period.

**WSP Global Inc. (TSX: WSP, OTC: WSPOF).** Montreal based WSP is an international engineering and design firm. Like Couche-Tard, this stock has been a big winner for us. It gained \$15.67 in the latest six-month period, plus we received two dividends totaling \$0.75 per share.

**TFI International Inc. (TSX, NYSE: TFII).** This Montreal-based trucking firm is a remarkable Canadian success story. We added it to the portfolio in February and since then the shares are up \$15.15. We also received two dividends for a total of \$0.939 a share.

**Nvidia (NDQ: NVDA).** Nvidia is the big beneficiary of the AI craze. The company makes computing chips for AI processors, and its sales have gone through the roof. We added the stock, which was recommended by contributing editor Adam Mayers, to the portfolio last February and it has more than doubled in the six months since. The dividend is a miniscule \$0.04 per quarter but with gains like that, who cares?

**Apple Inc. (NDQ: AAPL).** Apple shares have recovered nicely since taking a hit early in the year. They are up \$38.25 since our last review plus we received two dividends of \$0.24 each.

**Costco (NDQ: COST).** After a big loss last winter, Costco shares rebounded strongly. They have gained \$49.12 per share since February and we received two dividends totaling \$2.04 per share.

**United Parcel Service (NYSE: UPS).** This is the world's largest package delivery company and is on the leading edge of new delivery technologies, especially in the healthcare sector. The shares lost ground in the latest period, dropping \$7.33. That's the second consecutive period the shares have been down. We received two dividends of \$1.62 each.

**Cash.** We received interest of \$65.86 on our cash holdings at Saven Financial.

Here is how the portfolio stood at the close on Aug. 30. Commissions are not considered. The US and Canadian dollars are treated as being at par but

obviously gains (or losses) on the American securities are increased due to the exchange rate differential.

## IWB Growth Portfolio (a/o Aug. 30/23)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Retained Distributions	Gain/Loss %
ITA	8.0	50	\$107.42	\$5,371.00	\$116.72	\$5,836.00	\$78.85	+10.1
ATD	12.5	140	\$8.32	\$1,164.10	\$71.26	\$9,976.40	\$335.39	+785.8
WSP	21.7	90	\$27.00	\$2,430.29	\$190.58	\$17,152.20	\$466.61	+625.0
TFII	6.9	30	\$168.06	\$5,041.80	\$183.21	\$5,496.30	\$28.17	+9.6
NVDA	13.0	40	\$236.64	\$9,465.60	\$492.64	\$19,485.60	\$3.20	+109.1
AAPL	10.3	50	\$30.43	\$1,521.50	\$187.65	\$9,382.50	\$470.44	+547.6
COST	13.6	20	\$344.27	\$6,885.40	\$542.26	\$10,845.20	\$404.00	+63.4
UPS	12.4	50	\$118.45	\$5,922.50	\$172.01	\$8,600.50	\$950.00	+61.3
Cash	1.6			\$727.81		\$1,232.67		
Total	100.0			\$35,428.69		\$88,007.37	\$2,736.66	+156.1
Inception				\$10,000.00				+807.4

**Comments:** All the securities but one were up during the latest six-month period. The biggest gain was posted by Nvidia, which more than doubled during that time. We also saw big contributions from Alimentation Couche-Tard, WSP Global, TFI International, Apple, and Costco. The only laggard was UPS, which has been on a downtrend for the past year.

The total value of the portfolio (market price plus retained distributions) now stands at \$90,744.03. That's a gain of 21.2% since the February review.

For the 11 years since this portfolio was launched, we have a cumulative return of 807.4%. That's an average annual compound growth rate of 22.2%. That's well ahead of our target.

**Changes:** You know what they say: "If it ain't broke, don't fix it". But this is a momentum portfolio and UPS has lost that momentum. As a result, we'll sell our

position for a total of \$9,550.50, including retained earnings.

We'll replace it with CGI Group (TSX: GIB.A, NYSE: GIB). It's a Montreal-based international consultancy company that has been on our recommended list since August 2012. The chart shows a long history of steady growth, and the shares are ahead 20.4% so far this year.

CGI is trading at \$140.51. We'll buy 70 shares for a cost of \$9,835.70. We'll take \$285.20 from cash to make up the difference.

All else stays the same.

Our total cash plus retained earnings is now \$2,734.15. We will move the money to Duca Credit Union, which is offering a high interest rate of 5.25% until Jan. 31, 2024, with no minimum requirement.

Here's a look at the revised portfolio. I will review it again in February.

## IWB Growth Portfolio (revised Aug. 30/23)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Retained Distributions
ITA	8.0	50	\$107.42	\$5,371.00	\$116.72	\$5,836.00	\$78.85
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WSP	21.7	90	\$27.00	\$2,430.29	\$190.58	\$17,152.20	\$466.61
TFII	6.9	30	\$168.06	\$5,041.80	\$183.21	\$5,496.30	\$28.17
NVDA	13.0	40	\$236.64	\$9,465.60	\$492.64	\$19,485.60	\$3.20
AAPL	10.3	50	\$30.43	\$1,521.50	\$187.65	\$9,382.50	\$470.44
COST	13.6	20	\$344.27	\$6,885.40	\$542.26	\$10,845.20	\$404.00
GIB.A	12.4	70	\$140.51	\$9,835.70	\$140.51	\$9,835.70	\$0
Cash	1.6			\$727.81		\$947.47	
Total	100.0			\$35,428.69		\$88,957.37	\$1,786.68
Inception				\$10,000.00			



# OUT-OF-THIS-WORLD INVESTING

**By Adam Mayers, Contributing Editor**

In early August, after decades of promises, billionaire Sir Richard Branson's Virgin Galactic Holding's Inc. took its first three space tourists into orbit.

A mother and daughter won a competition and the third passenger paid US\$250,000 for the trip, which lasted an hour and included a period of weightlessness.

It was almost 20 years ago that Branson announced his intention to do this, with the belief then he could start a commercial service by 2007. Technical difficulties, including a 2014 fatal crash during a test flight, delayed things until now.

For all the excitement surrounding its first paying space tourists, Virgin Galactic (NYSE: SPCE) is barely hanging on. The shares have lost 95% of their value since their peak of US\$56 in June 2021. They were trading recently at \$2.66.

Space-themed stocks were hot commodities as little as two years ago as Branson, Amazon's Jeff Bezos, and Elon Musk teased investors with plans for sub-orbital launches. It made for great headlines on the nightly news. Since then, most of the stocks and ETFs have crashed, taking a lot of investor money with them.

Two Canadian exchange traded funds

launched within weeks of each other in April 2021 no longer trade. Oakville's Harvest Portfolios Group Ltd. launched a space innovation fund in April 2021 and closed it a year later. It had fallen 28% in the 12 months after launch.

Emerge Canada Inc. launched a Canadian version of the ARK Space Exploration & Innovation ETF (ARCA: ARKX), sub-advised by Cathie Wood's Ark Investment Management team. In mid-April, EmERGE's funds were placed under a cease trading order. At that point, the EmERGE Ark Space Exploration ETF (NEO: EAXP) was 33% below its 2021 issue price. EmERGE Canada's funds are still in limbo, as we updated last month. ARKX is still standing, but trades at 60% of its 2021 issue price.

In April, Elon Musk's SpaceX rocket exploded minutes after launch. A few weeks later, a lander operated by Japan's ispace Inc. crashed on the moon. On Aug. 19, Russia's first lunar mission since the 1970s, an unmanned spacecraft, also crashed on landing. (A week later India made a successful landing near the moon's South Pole.)

Meanwhile, Virgin Orbital Holdings Inc., another Branson company, collapsed. It had planned smaller scale rocket launches than SpaceX but filed for bankruptcy April 4, two years after a US\$3 billion initial public offering.

The many missteps highlight the risks of this particular sector, as well as the perils of theme investing in general. Whether space, cannabis, or the metaverse, themes tend to focus on new ideas that hold promise but are unproven. The investment choice is narrowed to the theme, which raises the level of risk. Investors pile in when the theme receives the most media attention, which is often when prices are about to peak.

Even so, there is opportunity in space. While space tourism makes the news, it has no real business. It is the satellites, the rockets to launch them, and command and control systems that are a better bet.

Satellite demand is being driven in part by the replacement of military and civilian devices launched as far back as the 1960s. There are new demands for cyber security and military use and increasing demand for internet and 5G communications. Satellite costs have fallen because of lower launch costs and reusable rockets.

Those pluses might lead investors to aerospace and defence companies who have the size, experience, and scale to build complicated and expensive systems. They have well developed relationships with governments and space agencies.

There are two aerospace and defence ETFs with space components that have drawn the attention of investors.

The iShares US Aerospace & Defense ETF (NYSE: ITA) is the largest and oldest with \$5.5 billion in assets. It was launched in 2006 and holds US companies that manufacture commercial and military aircraft and other defense equipment.

It has an average annual return of 10.5% since inception. RTX (see below) is its second largest holding. It also holds Virgin Galactic. This ETF is part of our high-performance Growth Portfolio, which is updated elsewhere in this issue.

The Invesco Aerospace & Defense ETF (NYSE: PPA) has \$2 billion in assets. It was launched in 2005 and has an average annual return since inception of 12%. RTX is a top five holding.

Both these ETFs are current IWB recommendations, and both have performed well this year.

One company that's worth a look is RTX Corp. (NYSE: RTX), formerly Raytheon Technologies. It was originally recommended in this newsletter by contributing editor Glenn Rogers in June 2022. This is a stock for aggressive investors. Details follow.

***Adam Mayers is a contributor to The Globe & Mail's Report on Business and a former investing columnist at The Toronto Star. His website is [adammayers.com](http://adammayers.com). He lives in the greater Toronto area.***

# ADAM MAYERS LIKES RTX CORP.

Here are up-to-date details on RTX.  
Figures in US dollars.

**Background:** RTX manufactures aircraft engines, avionics, cyber security solutions, guided missiles, air defense systems, satellites, and drones. This includes satellite command-and-control systems as well as spacecraft components. NASA's Mars Rover used RTX's optical systems to view the landscape as it moved. A Raytheon assembly within the Rover serves up the drill bits it uses to mine the surface.

**Performance:** After a sharp drop in late July, the stock is down about 15% year-to-date.

**Financials:** RTX has annual revenues of \$67 billion. Year-over-year, revenue rose 12.3% in the second quarter to \$18 billion with adjusted earnings per share of \$1.29, about 11% higher than in 2022. The company attributed the strong results to global growth in commercial aviation, which has rebounded post-pandemic, and strong defence spending in the wake of Russia's invasion of Ukraine. RTX has adjusted its full year sales outlook to \$73-\$74 billion, up from \$72-\$73 billion, and confirmed its plans to spend \$3 billion to repurchase shares.

**Dividend:** The company has increased its dividend for 30 consecutive years. It raised it with the June payment to \$0.59 quarterly (\$2.36 a year), for a current yield of 2.7%.

**Action now:** RTX is a buy.

## RTX Financials

### Valuation

Market Capitalization	125.582B
Enterprise Value (MRQ)	177.013B
Enterprise Value/EBITD...	15.7524
Total Shares Outstanding	1.456B
Number of Employees	182K
Number of Shareholders	41.554K
Price to Earnings Ratio ...	22.8126
Price to Revenue Ratio (...)	1.7906
Price to Book (FY)	1.7369
Price to Sales (FY)	1.9061

### Balance Sheet as of Jun 29, 2023

Quick Ratio (MRQ)	0.8122
Current Ratio (MRQ)	1.0995
Debt to Equity Ratio (MR...	0.5094
Net Debt (MRQ)	31.532B
Total Debt (MRQ)	36.923B
Total Assets (MRQ)	162.161B



**ADAM MAYERS' UPDATES**

Recommendations are colour-coded:  
**Green indicates Buy**  
**Yellow indicates Hold**  
**Red indicates Sell**

## Nvidia NDQ: NVDA

**HOLD**

*Originally recommended on May31/21 (#22121) at \$162.45. Closed Friday at \$485.09. (All figures in US dollars.)*

**Background:** Nvidia is best known for the graphic processor units (GPUs) used in gaming systems, but it is also a leader in the chips used in artificial intelligence (AI) and cloud-based computing. These chips run autonomous robots, self-driving cars, and drones.

**Performance:** The shares are up 235% year-to-date and are almost 200% higher than their 2021 recommended price. We took half profits on the stock in June for a gain of about 160%.

**Recent developments:** Shares of Nvidia hit a high in late August after the company reported blowout quarterly earnings and continued strong demand for its AI-focused chips. Adjusted revenue in the quarter ended July 30 was \$13.51 billion, compared with estimates of about \$11 billion. After extraordinary items, the company earned \$2.70 per share, compared with estimates of \$2.09.

**Dividend and buybacks:** The stock pays a modest dividend of \$0.04 a quarter (\$0.16 a year), for a yield of 0.03%. The

company unveiled a \$25 billion stock buyback plan with the quarterly results.

**Outlook:** Nvidia sees third-quarter revenue of about \$16 billion, which is about a third higher than analysts expected. Jensen Huang, Nvidia's chief executive, said in a statement the results indicate that a new computing era has begun. Nvidia sees widespread demand for its chips as AI startups and tech giants like Microsoft Corp. add sophisticated computing power to their cloud services. Microsoft has incorporated Nvidia's AI chips in the servers used in its Bing search engine. Chinese demand is strong as companies stockpile chips as a hedge against additional US sanctions that will curb exports.

Nvidia has been the biggest beneficiary of the rise of ChatGPT and other generative artificial intelligence apps, virtually all of which are powered by its chips. It continues to spend heavily on research and development to maintain its lead.

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# Nutrien Corp. TSX, NYSE: NTR

# HOLD

*Originally recommended on Aug. 10/20 (#22029) at C\$44.83, US\$35.48. Closed Friday at C\$87.84, US\$64.59. (All figures except share price in US dollars.)*

**Background:** Nutrien is the world's largest producer of agricultural fertilizers, including nitrogen and phosphates which it sells in bulk. At the retail level farmers buy its products through a network of more than 2,000 stores.

**Performance:** The shares are down 17.5% year-to-date and 34% in the past 52 weeks. They are 81% higher than their recommended price.

**Recent developments & discussion:** Nutrien's share price accelerated following the Russian invasion of Ukraine. It received a big boost from sanctions applied to Russian fertilizer producers at the same time as a secular rebound increased demand. Nutrien planned to expand production as potash prices peaked at \$1,200 a tonne last April.

Potash prices have since fallen by 70% to their current level and Nutrien has called off the expansions. Demand has weakened as China's economy slumps and Russian producers have found ways to subvert sanctions, putting pressure on prices. The strike at the Port of Vancouver also hurt.

In consequence, Nutrien has reduced its 2023 adjusted net earnings per share guidance by roughly 30% to \$4.72 a share, the second revision of the year.

**Dividend:** Nutrien has raised its dividend in each of the last five years. The latest was the April payment, which rose 10% to US\$0.53 quarterly (US\$2.12 a year). It yields 3.3% at current prices.

**Action now:** Hold.

## *Nvidia—continued from page 8...*

Following release of the results, analysts revised Nvidia's forward p/e ratio, bringing it down to 33 times forward earnings, from 46 previously. That revision brings expectations more in line with estimates but is still high.

**Action now:** Nvidia is a Hold for conservative investors and a Buy for highly aggressive ones.

# Questions?

## We have answers!

Send your questions to  
[gordonpape@hotmail.com](mailto:gordonpape@hotmail.com)

# THE FUTURE OF INTEREST RATES

**By Gordon Pape**

If the response to our latest poll turns out to be accurate, interest rates are about to stabilize.

We asked my social media followers where they believed interest rates would be one year from now. There were four options from which to choose. Here are the results.

The same - 38%

Lower - 35.2%

Higher - 22.5%

Don't know/not sure - 4.2%

The overwhelming majority (73.2%) believe that rates have reached or are near their peak and will drift down from here. Only 22.5% of respondents think they will be higher a year from now.

This is a random social media sample, so the results should not be viewed as scientifically accurate. However, they provide an insight into how a segment of the population is thinking.

The implications are significant for investors. If you are among the minority that believes rates will keep rising, your investment strategy over the next year will be very different from someone who expects them to drop.

A rising rate environment suggests that inflation will continue at an unacceptably

high rate, forcing the central banks to keep tightening. The result will continue to favour cash-type securities like high-interest ETFs and guaranteed investment certificates, along with shares in companies that have strong pricing power. Oil and gold stocks should do well in such a scenario.

Any securities related to real estate will continue to remain under pressure, as higher rates make housing more expensive. Interest-sensitive stocks like telecoms and utilities will also continue to struggle.

Stable or falling rates will create profit possibilities in a range of securities. Bonds, which have been hard-hit in the past 18 months, will offer the potential for capital gains as rates drop. Bank stocks should rebound as the risk of default lessens. Pipelines and REITs will be attractive again.

We'll get an indication of the current Bank of Canada thinking on Sept. 6, with the release of the next policy announcement. The surprise revelation last week that our economy contracted 0.2% in the second quarter has some economists predicting the central bank will stand pat for now.

No one knows with certainty how the coming months will unfold. But if you have a strong belief on the direction rates will take, make sure you implement an investment strategy that reflects your views and that will reward you if you're right.



# GORDON PAPE'S UPDATES

Recommendations are colour-coded:  
**Green indicates Buy**  
**Yellow indicates Hold**  
**Red indicates Sell**

## Alphabet Inc. NDQ: GOOGL

*Originally recommended on June 16/14 (#21421) at \$30.37 (split-adjusted). Closed Friday at \$135.66. (All figures in US dollars.)*

**HOLD**

**Background:** Alphabet is the umbrella company that owns Google (which includes Android, Chrome, and YouTube), Nest (home automation), Calico (anti-aging research), Fiber (high-speed Internet), Google Ventures (new company investments), Sidewalk Labs (city infrastructure), and Waymo (driverless cars). Other services include Google Maps, Google Play, and cloud computing.

**Share splits:** The stock split 2 for 1 shortly after we recommended it. If you owned 100 shares at that time, that gave you a total of 100 each of GOOG (non-voting C shares) and 100 of GOOGL (voting A shares). We track only GOOGL, as it represents the original shares acquired, but GOOG trades at about the same price, or a small premium.

The company implemented another split on July 15, 2022. Investors received a special dividend of 19 shares for every share owned as of the July 1 record date. All classes of shares benefited. So, readers who bought 100 shares at the time of my original recommendation now own 2,000

shares each of GOOGL and GOOG. The market price adjusted accordingly.

**Performance:** The share price continues to edge higher. The stock touched a one-year high of \$136.57 last week.

**Recent developments:** The company reported second quarter revenue of \$74.6 billion, an increase of 7% from \$69.7 billion in the same period last year. In constant currency terms, revenue was ahead by 9%.

Net income was \$18.4 billion (\$1.44 per diluted share), up from \$16 billion (\$1.21 per share) in the prior year. The company has been aggressively reducing staff and office space world-wide and booked \$633 million in related charges during the first six months of the year.

Ruth Porat, CFO of Alphabet and Google, said: “Our financial results reflect continued resilience in Search, with an acceleration of revenue growth in both Search and YouTube, as well as

**Continued on page 15...**

# Suncor Energy TSX, NYSE: SU

**SELL**

*Originally recommended on June 12/06 (#2622) at C\$41.63, US\$37.57 (split-adjusted). Closed Friday at C\$46.45, US\$34.15.*

**Background:** Suncor is a Canadian-based global energy company. It is a major player in the Oil Sands but also owns overseas assets and retail outlets that were acquired some years ago when it merged with Petro-Canada.

**Performance:** The stock started the year strongly, then fell back in March. We've seen a recovery since late July and the shares are approaching their early January level.

**Recent developments:** Suncor's new CEO, Rich Kruger, has embarked on a policy to maximize returns from the company's fossil fuel deposits while getting out of the green energy business. Earlier this year, the company sold off its entire wind and solar portfolio.

During a second quarter conference call, Mr. Kruger said the company had placed a disproportionate emphasis on the long-term energy transition to low-emission fuels.

"Today, we win by creating value through our large integrated asset base, underpinned by oil sands," he was quoted as saying by the Globe and Mail.

Those comments provoked an angry

reaction from federal Environment Minister Steven Guilbeault, who described them as disappointing.

"To see the leader of a great Canadian company say that he is basically disengaging from climate change and sustainability, that he is going to focus on short-term profit, it's all the wrong answers," he said.

The Minister's anger may be bad news for the whole fossil fuel sector. Ottawa is preparing new rules to cap emissions from oil and gas production, and comments like those from Mr. Kruger may contribute to making the revised rules even tougher. It's never a good idea to throw sand (especially oil sand) in a government's face.

**Financials:** Second quarter results saw an increase in production to 741,900 barrels of oil equivalent per day (boe/d). Net earnings came in ahead of expectations but were down from last year, at \$1.9 billion (\$1.44 per share) compared to \$4 billion (\$2.84 per share) in the second quarter of 2022.

The company said the profit drop was primarily due to "decreased crude oil and refined product realizations

**Continued on page 15...**

# ARC Resources Ltd. TSX: ARX

**BUY**

*Originally recommended on July 10/23 (#22335) at \$18.33.  
Closed Friday at \$21.22.*

**Background:** ARC was founded in 1996. It is the largest pure-play Montney producer, and Canada's third-largest natural gas producer and largest producer of condensate.

**Performance:** The shares are up 15.8% since we recommended them about two months ago.

**Recent developments:** The company released second quarter results, which came in slightly better than expected. For the six months to June 30, ARC reported net income of \$853.8 million (\$1.39 per share), compared to \$693.5 million (\$1.01 per share) for the same period in 2022.

Funds from operations for the six months came in at \$1.3 billion (\$2.08 per share), down from \$1.8 billion (\$2.59 a share) last year.

Total production for the six months was slightly ahead of last year at 341,018 boe/d. Second quarter production was impacted by approximately 4,100 boe per day related to the wildfires in Alberta and associated downtime on third-party pipelines and infrastructure. Production was fully restored in June.

**Dividend and buybacks:** The stock

pays a quarterly dividend of \$0.17 a share (\$0.68 a year) to yield 3.2% at the current price. The company is also buying back large quantities of shares. ARC repurchased 2.3 million shares in the quarter at an average cost of \$16.56. So far this year, the company has repurchased 12.8 million shares for a total cost of \$203 million.

This aggressive buyback program will continue into 2024. Last week, ARC announced that the TSX has approved a new normal course issuer bid (NCIB) that allows the company to buy up to 60,744,912 of its outstanding common shares, representing 10% of its public float, over a 12-month period that started Sept. 1.

**Outlook:** Guidance for 2023 was unchanged. Full-year 2023 production is forecast to average between 350,000 to 355,000 boe/d, of which 62% will be natural gas and 38% crude oil and liquids. This implies average production of approximately 360,000 boe/d in the second half. ARC plans to invest between \$1.8 billion and \$1.9 billion in capital expenditures for 2023.

**Action now:** Buy.



# Tourmaline Oil Corp. TSX:TOU, OTC:TRMLF

# HOLD

*Originally recommended by Michael Corcoran on Aug.*

*10/15 (#21529) at C\$31.32, US\$23.60. Closed Friday at C\$70.87, US\$52.06.*

**Background:** Calgary-based Tourmaline is Canada's largest natural gas producer. Started in 2008, the company has assembled an extensive undeveloped land position with a large, multi-year drilling inventory and operating control of important natural gas processing and transportation infrastructure in three core long-term growth areas in the Western Canadian Sedimentary Basin.

**Performance:** After dropping below \$54 in March, the shares have been trending higher and are now close to their high for the year.

**Recent developments:** Wildfires in Alberta and British Columbia reduced second quarter production output by 17,000 boe/d, according to the company's second quarter report. The average for the three months was 495,918 boe/d, down from 502,987 boe/d last year.

Combined with lower energy prices, the net result was a year-over-year decline of 56% in commodity sales during the quarter, to \$1.16 billion. Net earnings were down 71% to \$510.7 million (\$1.49 per diluted

share). Although the numbers were down, they were slightly ahead of analysts' estimates.

**Dividend and buybacks:** The company is continuing its policy of paying special dividends and declared a payout of \$1 a share, which was received on Aug. 11. It was the third special dividend this year. The regular quarterly dividend is \$0.26 a share.

The company announced that the TSX has approved a new normal course issuer bid that allows the company to buy up to 16,989,041 common shares, representing 5% of its issued and outstanding stock as of July 25. The NCIB will expire no later than Aug. 7, 2024. How much use will be made of this authorization remains to be seen; the previous NCIB expired with no repurchases made.

**Outlook:** Full year output is now estimated to average 520,000 boe/d, which is at the low end of the previous guidance range.

**Action now:** Hold. This is a well-run company and the special dividends provide good cash flow.

**Alphabet—continued from page 11...**

momentum in Cloud. We continue investing for growth, while prioritizing our efforts to durably reengineer our cost base company-wide and create capacity to deliver sustainable value for the long term.” Ms. Porat assumed the newly created role of President and Chief Investment Officer of Alphabet and Google on Sept. 1.

**Dividend and buybacks.** The stock does not pay a dividend, but the company continues to repurchase shares.

**Outlook:** The company is outperforming expectations and its heavy involvement with AI is helping to sustain investor interest.

**Action now:** Hold. The stock is performing well, and the p/e ratio is improving (currently 28.44). However, I don’t like buying when a stock is near its 52-week high. If you’d like to own the stock (disclosure: I have shares), wait for a pull-back to enter.

**Suncor—continued from page 12...**

reflecting a weaker business environment in the current quarter”.

Adjusted funds from operations were \$2.7 billion (\$2.03 per share), compared to \$5.3 billion (\$3.80 per share) in the prior year quarter.

**Dividend and buybacks:** The stock pays a quarterly dividend of \$0.52 per share (\$2.08 per year). The yield is 4.5% at the current price. During the quarter, Suncor spent \$684 million on share repurchases.

**Outlook:** Suncor maintained its previous guidance, which was for total production this year of 740,000 -770,000 boe/d. Cash operating costs for Oil Sands production are expected to be \$30-\$33 per barrel.

**Action now:** Sell. The stock isn’t moving, the new policy puts the company on a collision course with Ottawa, and you can find better yields elsewhere in the energy sector.

## RYAN IRVINE AT MONEY SHOW

Contributing editor Ryan Irvine of KeyStone Financial and his associate, Aaron Dunn, will be speaking at the Toronto Money Show early next month, and the event is free.

The presentation is titled: A Simple New Way to Build Your Stock Portfolio in 2023 Plus 5 Great Stocks You Should Buy Today. It takes place Friday, Sept. 8 from 4:15-5:00 pm EDT at the Toronto Convention Centre.

Register here for a complimentary pass: <https://conferences.moneyshow.com/moneyshow-toronto/registration/?scode=060197>