

Canada Income Pick List

May 2025

The Canadian Income Buy list underperformed the S&P/TSX 60 Index during the month of April, posting a total return of negative 0.5% compared with the benchmark's return of 0.1%. The top performers were **Nutrien NTR** and **Toronto-Dominion Bank TD**, with total returns of 11.3% and 3.4%, respectively. The weakest performers were **Restaurant Brands International QSR**, which posted a total return of negative 7.4%, and **BCE BCE**, which posted a total return of negative 7.2%. The Income Buy list has generated a cumulative return since inception of 355.7%, underperforming the S&P/TSX benchmark's return of 383.1%

over the same period by 27.4 percentage points.

For May's Pick list, our model recommended that **Fortis FTS** be moved to the Sell list from the Hold list.

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The Morningstar Canada Income Pick List Strategy
The Morningstar Canada Income Pick List features our highest-yielding names among Canadian companies with sustainable competitive advantages (what we refer to as "economic moats"). These best ideas are further refined into a Consider Buy and a Consider Hold list.

Canada Income Picks

Company	Ticker	Sector	Morningstar Rating	Current Price (CAD)	Fair Value (CAD)	Economic Moat™	Uncertainty Rating	Market Cap (CAD Mil)	Dividend Yield (%)
Consider Buying									
BCE	BCE	Communication Services	★★★★★	30.64	45	Narrow	Low	27,940.50	13.16
Telus	T	Communication Services	★★★★★	21.22	29	Narrow	Low	31,782.21	7.67
Bank of Nova Scotia	BNS	Financial Services	★★★★	68.98	76	Narrow	Medium	85,356.31	6.19
Rogers Communications	RCI.B	Communication Services	★★★★★	35.94	66	Narrow	Low	19,562.43	5.63
Bank of Montreal	BMO	Financial Services	★★★★	132.09	146	Narrow	Medium	95,932.01	4.82
The Toronto-Dominion Bank	TD	Financial Services	★★★★	88.09	93	Wide	Medium	153,388.67	4.8
Restaurant Brands International	QSR	Consumer Cyclical	★★★★	88.83	109	Narrow	Medium	28,947.27	3.95
Nutrien	NTR	Basic Materials	★★★★	78.70	99	Narrow	High	38,410.35	3.91
Consider Holding									
Canadian National Railway	CNR	Industrials	★★★	133.51	151	Wide	Medium	83,716.43	2.66
BRP	DOO	Consumer Cyclical	★★★★★	46.70	94	Wide	High	3,432.51	1.83
Consider Selling									
Enbridge	ENB	Energy	★★	64.47	56	Narrow	Medium	140,601.38	5.84
↓ Fortis	FTS	Utilities	★★	68.27	62	Narrow	Low	33,877.70	3.64

All prices as of April 30, 2025. | ↑ = Upgrade, ↓ = Downgrade, ★ = New Addition

The Income Consider Buying list is ranked by dividend yield. Note that our fundamental approach to evaluating stocks does not begin with yield.

We value companies based on a discounted cash flow approach to arrive at our fair value estimate.

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Economic Moat

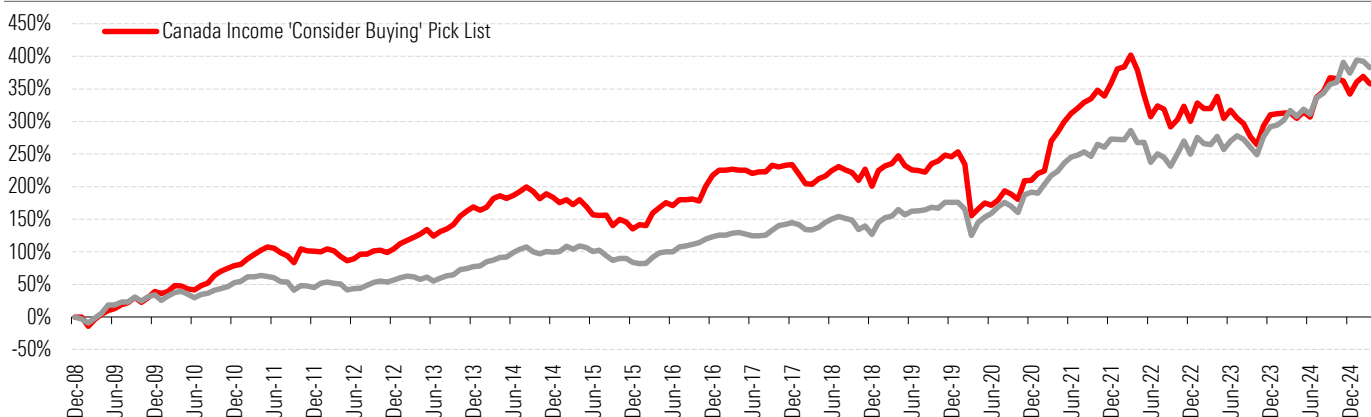
Morningstar’s proprietary measure of the quantifiable, sustainable competitive advantage a company enjoys. All things held equal, we would expect a wide-moat firm to sustain relatively high returns on invested capital for longer than a narrow-moat firm and a narrow-moat firm to sustain relatively high returns on invested capital for longer than a no-moat company.

Uncertainty Rating

Morningstar’s proprietary measure of the degree to which the economic value of a company is uncertain. Three factors go into the uncertainty rating: revenue variability, operational leverage, and financial leverage. The greater each of these measures, the greater the difficulty in bounding the ranges of a fair value for the firm.

Performance vs. S&P/TSX 60 (%)	This Month	Trailing 12 Months	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Since Inception
Income Pick List	-0.46	12.56	39.08	28.60	12.21	1.86	31.49	5.41	-17.02	34.91	5.24	-9.95	14.99	-10.41	47.94	-12.69	2.56	7.73	355.73
S&P/TSX 60	0.10	18.50	33.93	13.89	-4.92	8.06	13.25	12.27	-7.76	21.36	9.78	-7.58	21.94	5.56	28.05	-6.25	12.05	21.04	383.10

Total Return: Canada Income Pick List vs. S&P/TSX 60 (%)



A Recap of the Stocks on This Month's Buying List

BCE remains on the list from last month. The stock offers a dividend yield of 13.2% and trades at a 31.9% discount to our fair value estimate of \$45.

Telus remains on the list from last month. The stock offers a dividend yield of 7.7% and trades at a 26.8% discount to our fair value estimate of \$29.

Bank of Nova Scotia remains on the list from last month. The stock offers a dividend yield of 6.2% and trades at a 9.2% discount to our fair value estimate of \$76.

Rogers Communications remains on the list from last month. The stock offers a dividend yield of 5.6% and trades at a 45.5% discount to our fair value estimate of \$66.

Bank of Montreal remains on the list from last month. The stock offers a dividend yield of 4.8% and trades at a 9.5% discount to our fair value estimate of \$146.

The **Toronto-Dominion Bank** remains on the list from last month. The stock offers a dividend yield of 4.8% and trades at a 5.3% discount to our fair value estimate of \$93.

Restaurant Brands International remains on the list from last month. The stock offers a dividend yield of 4% and trades at an 18.5% discount to our fair value estimate of \$109.

Nutrien remains on the list from last month. The stock offers a dividend yield of 3.9% and trades at a 20.5% discount to our fair value estimate of \$99.

An Overview of the Canada Income Pick List

The purpose of having a Consider Buy list and a Consider Hold list is to continually surface our best ideas in the Consider Buy list, while allowing users to track what's happened to former Consider Buy picks in the Consider Hold list. A Consider Buy list name "graduates" to the Consider Hold list once it is no longer among the top eight names based on our selection criteria, or once other fundamental factors have necessitated a change in our view of the company.

The Income Consider Buy list includes only Canadian companies with:

- Narrow or wide economic moats.
- A fair value uncertainty that is not very high or extreme.

We keep sector exposure for the Consider Buy list capped at 38%. Because we use an absolute rather than a relative approach to a valuation, there will be times that some sectors have greater representation in the Consider Buy list than others. This is especially true for Canadian stocks, which tend to be concentrated among a few major sectors like financials, energy, and basic materials.

The Morningstar Methodology

The central tenet of the Morningstar approach to equity research is to buy strong businesses at appropriate margins of safety to what they're worth. This is what drives the star rating you'll find in each company report. A 5-star company is one we'd consider undervalued, meaning that its stock price is trading at a discount to its true worth that is greater than the margin of safety we'd need to consider buying it. A 1-star stock is, conversely, overvalued.

Performance Tracking

Morningstar tracks the performance of the Core Consider Buy and the Income Consider Buy lists on a trailing month, year-to-date, and trailing year basis. As more time passes, we'll be able to add longer terms of measurement. To track performance, we began with a fictional \$100,000 invested equally in each stock on the buy lists. At the end of each month, we reinvest the value of the lists (including dividends) back into the new buy list, again with equal weighting.

For Recipients in Canada: This research is not prepared subject to Canadian disclosure requirements.