QUARTER ENDING MARCH 31, 2025

Portfolio Management Commentary

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INSIDE THIS ISSUE

The first quarter of 2025 has been eventful for global investors, with significant developments across Canadian, U.S., and international markets. This commentary aims to provide a balanced overview of these changes, offering insights into portfolio management strategies and emerging investment opportunities.

Market Overview

Global Tariffs: Recent adjustments in global tariffs have reshaped international trade dynamics. These changes have influenced various sectors, particularly manufacturing and technology, creating both challenges and opportunities for investors. For instance, aggressive trade policies under the Trump administration have created an atmosphere of economic uncertainty[1].

Canadian Election: The Canadian election held on April 28, 2025, resulted in a victory for the Liberal Party, led by Mark Carney[2]. This outcome is expected to bring stability and continuity in economic policies, which could positively influence market sentiment and investor behaviour.

Inflation and Interest Rates

Canada: Inflation in Canada has remained close to 2%[3], supported by past cuts in interest rates which have boosted economic growth. The Bank of Canada lowered its interest rate by 50 basis points to 2.75% in response to economic pressures from U.S. tariffs[4]. The 10-year Canadian government bond yield decreased from 3.22% to 2.99% over the quarter, reflecting concerns about slower economic growth and trade uncertainties.

United States: In the U.S., inflation rates have shown a slight decline, with the Consumer Price Index (CPI) indicating a yearly inflation rate of 2.4% in March 2025. The U.S. Federal Reserve held its interest rate steady at 4.25%-4.50%, focusing on controlling inflation. The 10-year U.S. Treasury yield saw a slight decline from 4.60% to 4.20%, influenced by mixed economic data and ongoing trade tensions.

Europe: The European Central Bank (ECB) lowered its key interest rates by 50 basis points, with the main refinancing rate settling at 2.65% for the quarter[5]. Inflation in the Eurozone has been relatively stable, with the CPI showing a yearly inflation rate of around 2.1[6]. The 10-year German Bund yield rose from 2.35% to 2.65%, driven by concerns over economic growth and geopolitical risks[7].

Asset Performance

Canadian Securities: The Canadian market has seen mixed performance, with certain sectors like energy and financials showing resilience. The S&P/TSX Composite Index managed to end the quarter with a modest 1.5% advance, driven primarily by a significant surge in gold prices[8]. Key performers include companies that have adapted well to the changing economic landscape. Notable GARP-style companies poised for growth include:

SOURCES:

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2. newsinteractives.cbc.ca/elections/federal/2025/results/
3. bankofcanada.ca/rates/indicators/key-variables/key-inflation-indicators-and-the-target-range/
4. bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/
5. ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html
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7. FactSet

- **Brookfield Asset Management (TSX: BAM.A):** As a global alternative asset manager, Brookfield's diversified portfolio and strategic investments position it well for future growth.
- **Canadian Natural Resources Ltd. (TSX: CNQ):** This top-tier oil and gas company has a diversified portfolio of high-quality assets and plans to increase its quarterly dividend by 4% which represents its 25 consecutive year of increases[9].

U.S. Securities: In the U.S., technology and healthcare sectors have continued to drive market growth. Notable movements include significant gains in tech stocks, driven by innovation and strong earnings reports. Conversely, traditional sectors like retail have faced challenges, highlighting the importance of sector-specific strategies. The S&P 500 fell 4.3%, while the Nasdaq Composite experienced a steep drop of 10.3% amid continued volatility in growth and tech stocks[10]. Companies to watch include:

- **Microsoft Corporation (NASDAQ: MSFT):** With its strong position in cloud computing and AI, Microsoft continues to show robust growth potential.
- **UnitedHealth Group (NYSE: UNH):** UnitedHealth Group is a leading health care and insurance provider, offering a wide range of services through its UnitedHealthcare and Optum subsidiaries. Its diversified business model and focus on innovation in health care delivery make it a compelling investment[11].

International Securities: Global markets have been influenced by geopolitical events and economic policies. Emerging markets have shown promise, particularly in Asia, where growth prospects remain strong. European equities achieved their strongest relative performance since the mid-1980s, rising 10.5%, while Chinese equities surged 15%. Companies to watch include:

- **Tencent Holdings (U.S.: TCEHY):** This Chinese tech giant continues to expand its influence in gaming, social media, and fintech, making it a strong contender for growth[12].
- **Novo Nordisk (DEN: NOVOb.CO):** As a global leader in diabetes and obesity care, Novo's innovative product portfolio (i.e., Ozempic) position it well for sustained growth[13].

Investment Themes on Our Radar for the Next 12 Months

Emerging Opportunities: Investors should consider themes such as deglobalization, technological innovation, and healthcare advancements. These areas are likely to offer substantial growth potential, driven by ongoing developments and increasing demand.

Potential Risks: Geopolitical tensions, regulatory changes, and economic uncertainties are key risks to watch. Diversification and proactive risk management will be essential in navigating these challenges.

Strategic Recommendations: Adopting a balanced approach that includes both growth and defensive assets can help mitigate risks while capturing opportunities. Staying informed and agile in response to market changes will be crucial for successful portfolio management.

Conclusion

The first quarter of 2025 has set the stage for a dynamic year in global investing. By staying informed about market trends, political developments, and economic indicators, investors can make strategic decisions to optimize their portfolios. As always, consulting with financial professionals can provide valuable guidance in navigating the complexities of the investment landscape.

SOURCES:

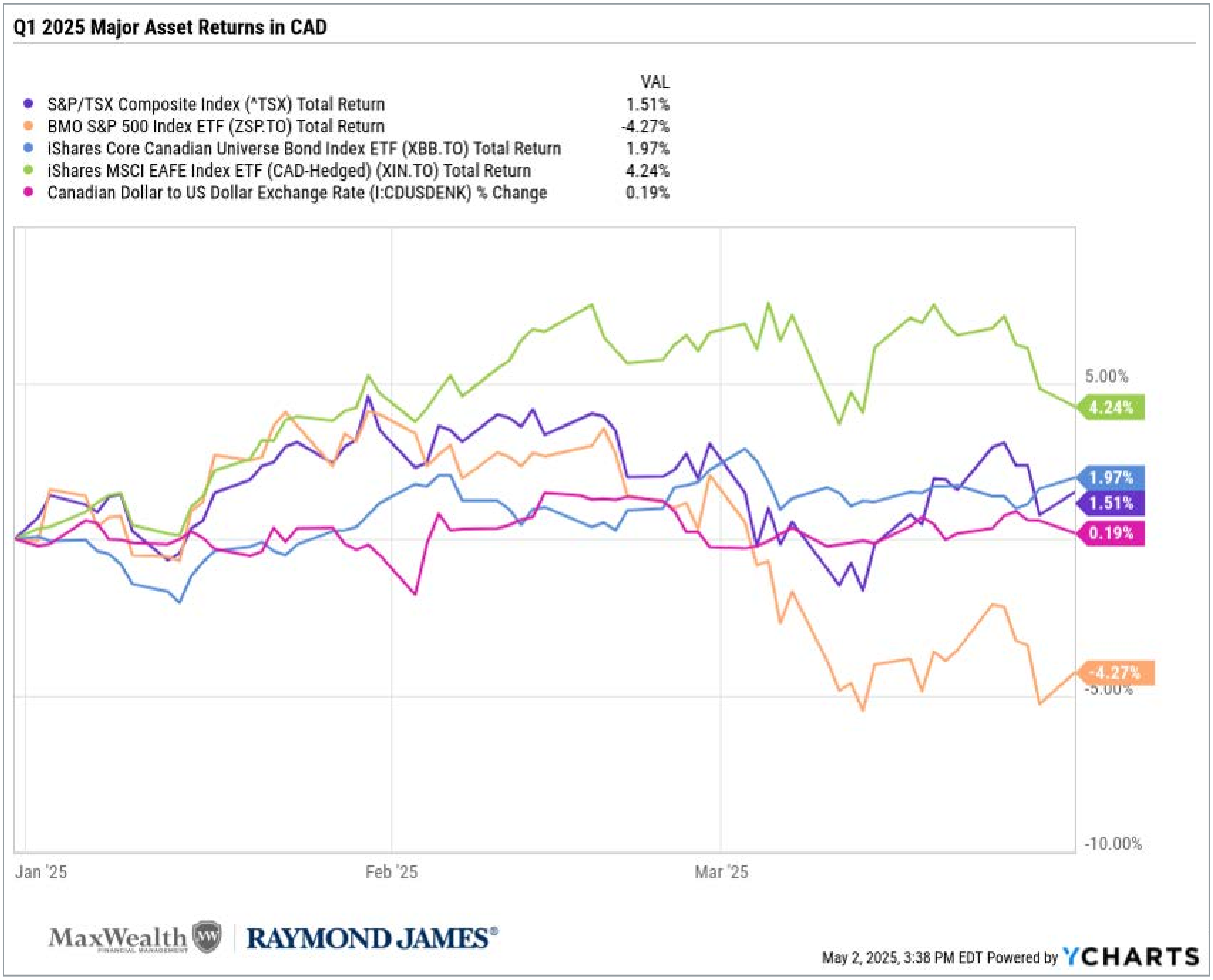
8. FactSet
9. Raymond James CNQ 4Q24: Smooth Sailing With Another Dividend Boost. March 7th, 2025
10. FactSet
11. Raymond James 12% Guidance Cut Mainly Due to Optum Health Issues—Some Transitory but Creates Tougher Set Up. April 21st, 2025
12. seekingalpha.com/article/4775861-tencent-leveraging-its-extensive-digital-network-distribution-to-lead-ai-revolution
13. research.db.com/research/Article?rid=f1aa1be7-d7b7-4c5c-a8ce-230e37f84102-604&kid=RP0001&documentType=R&wt_cc1=IND-3065323-0000

Your Portfolio

Given the level of geopolitical uncertainty, we decided to conserve cash in the portfolios and strategically rebalance unloved and underappreciated positions. It is important to note that by not selling (i.e., going to cash), we are deciding to "hold" our allocations. This is a conscious decision which aligns with our fundamental principle of "discipline". Furthermore, clients that added to their portfolios would have seen activity as selective rebalancing occurred over the quarter. We were cautious, however, on redeploying all of the cash reserves, as volatility is likely to be commonplace for quite some time. We will be reviewing all positions this quarter to determine their effectiveness over the next 24 months.

Charts of Interest

Asset Performance



Market Movers

Canada		US	
Leaders	**Laggards**	**Leaders**	**Laggards**
Agnico Eagle Mines (AEM) +39.21%	Cameco Corp (CCO) -19.85%	CVS Health Corp (CVS) +52.79%	Deckers Outdoor Corp (DECK) -44.95%
Wheaton Precious Metals Corp (WPM) +38.02%	Magna International Inc (MG) -17.51%	Philip Morris International Inc (PM) +33.06%	Tesla Inc (TSLA) -35.83%
Kinross Gold Corp (K) +36.16%	Rogers Communications (RCI.B) -11.96%	Newmont Corp (NEM) +30.48%	ON Semiconductor Corp (ON) -35.46%

Final Thoughts

As we move into the second quarter of 2025, we are encouraged to see some normalcy returning to the investment landscape. We don't believe that we are "out of the woods" yet, but we do see signs of a moderation in the aggressive tariffs enacted by President Trump. While we are unsure of the pathway going forward for global trade, it is not our job to predict the outcome of macroeconomic events. We serve as your trusted advisor to build and maintain long-term wealth. Given this, we will take advantage of any short-term price dislocations to add value to your unique plan.

Many Happy Returns,
Patrick