Quarterly Portfolio Management Commentary for Q2 2025

Prepared for MaxWealth by Patrick Choquette at Raymond James Ltd.
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For more information,
contact 604.514.5305, patrick.choquette@raymondjames.ca, or visit www.maxwealthfinancial.ca

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Capital Markets Summary

Data as of: July 25, 2025

Here's a summary of the Canadian financial markets for the second quarter of 2025:

Stock Performance:

- The Canadian equity market, as measured by the S&P/TSX Composite Index (^TSX), delivered a strong second quarter. The total return rose by approximately +7.98% from April 1 to June 30, 2025, reaching new record highs and closing at 113,406.8 on July 3.
- Resilience was notable despite economic headwinds. Momentum was driven by gains in healthcare, mining, technology, and telecom stocks. Several days saw healthcare (+2.5% to +4%) and miners (+1.5% to +4.6%) leading the market, while energy tended to lag or decline.
- Investors responded positively to signals of improving trade relations, with market optimism buoyed after political changes (notably Prime Minister Mark Carney's leadership and policy orientation) and anticipation of a favorable Canada-U.S. trade agreement.

Debt Markets:

- The Canadian bond market was shaped by expectations of further support from the Bank of Canada. Despite inflation's persistence in some measures, weak economic data (sluggish GDP, rising unemployment, and muted consumer spending) kept rate cut expectations alive.
- Banks like CIBC and Capital Economics forecast two additional 25bp rate cuts in the second half of 2025, especially as evidence mounts of economic softness in the labor market and consumer sectors. The overnight rate is widely expected to fall to 2.25% by year-end.

Artificial Intelligence (AI) Adoption:

- Technology and industrials are favored sectors as firms seek productivity improvements—a dynamic partly linked to increased AI adoption. While explicit Canadian AI headlines are limited, the trend tracks global enthusiasm for AI-enabled efficiency and capital expenditure, particularly in sectors lagging in performance that are now catching up.
- Caution remains about overvaluation in tech, but investor focus on innovation and efficiency is fueling selective outperformance.

Tariffs & Trade:

- The expiration of a 90-day tariff reprieve on July 9 and the imposition of fresh 25% U.S. tariffs on Canadian vehicles significantly impacted trade outlook and sentiment. Canada's removal of the Digital Services Tax and renewed trade talks offer hope for relief, with a potential agreement targeted for July 21. Still, trade uncertainty has clearly weighed on exports—exports to the U.S. have fallen for four consecutive months and are down -14% YoY as of April.
- Canada also imposed new quotas and tariffs on steel imports from non-free trade nations, effective June 27, aiming to protect domestic producers.
- Businesses and consumers have responded with caution, front-loading purchases (notably vehicles), but broader discretionary spending is slowing under tariff anxiety.

Inflation:

- While headline inflation has softened due to energy price relief and the removal of the carbon tax, core inflation remains firm and above the Bank's 2% target. Real GDP and consumer data suggest a stalling economy, and further tariff-related inflation is possible if oil prices surge or additional tariffs are implemented.

Geopolitical Events:

- The conflict between Israel and Iran and the risk of a broader Middle East war have roiled commodity markets, particularly oil, adding another layer of uncertainty. Oil prices have moved higher since late May. However, market focus remains more on trade negotiations and domestic policy changes.
- Political and fiscal policy shifts under Mark Carney (including infrastructure and defense spending) are aimed at cushioning the economy from trade shocks and positioning it for medium-term recovery.

Conclusion:

- Despite pronounced economic headwinds and trade uncertainties, Canadian stocks showed resilience and even outperformance in Q2 2025, supported by sector rotation, evolving trade outlook, and investor optimism in political leadership and upcoming policy responses. The outlook for the remainder of 2025 hinges on trade resolution, monetary policy support, and ongoing management of inflationary and geopolitical risks.

Sources: YCharts and MT Newswires

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Charts of Interest

Data as of: July 25, 2025

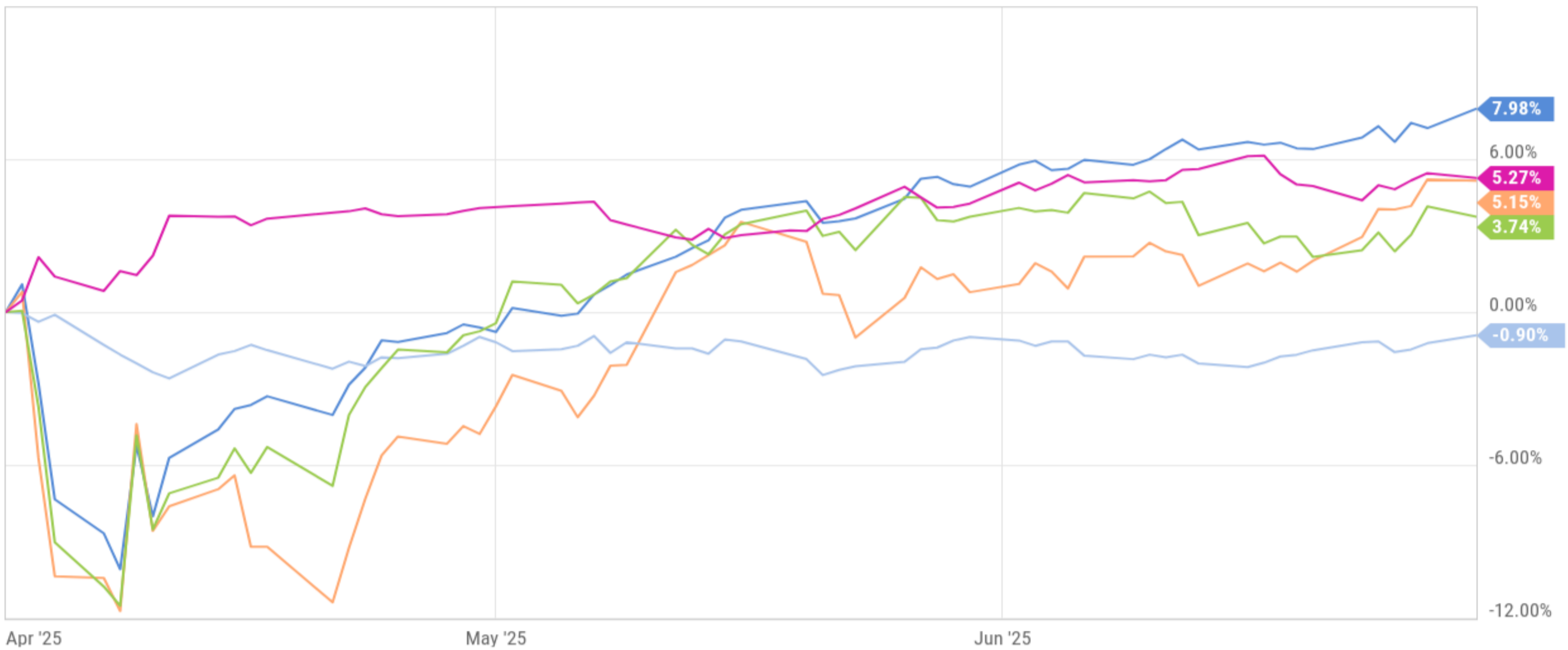
The following charts provide a deeper picture of the strengths and weaknesses of the capital market over the past quarter.

- The first chart describes the relative performance of the major asset classes in Canadian dollars. For the past quarter, Canada led the pack. What is interesting to consider is the strong performance of the Canadian dollar relative to the US. Clearly, talks of tariffs have not derailed Canadian equities and its currency.
- The second chart depicts the Canadian equity style that was most dominant. The clear winner over the past 3 months was momentum. Momentum is largely a measure of short-term price performance, so its effects can reverse quite rapidly as news occurs.

Q2 2025 Major Asset Returns in CAD

Q2 2025 Major Asset Returns in CAD

	VAL
S&P/TSX Composite Index (^TSX) Total Return	7.98%
BMO S&P 500 Index ETF (ZSP.TO) Total Return	5.15%
iShares Core Canadian Universe Bond Index ETF (XBB.TO) Total Return	-0.90%
iShares MSCI EAFE Index ETF (CAD-Hedged) (XIN.TO) Total Return	3.74%
Canadian Dollar to US Dollar Exchange Rate (I:CDUSDENK) % Change	5.27%



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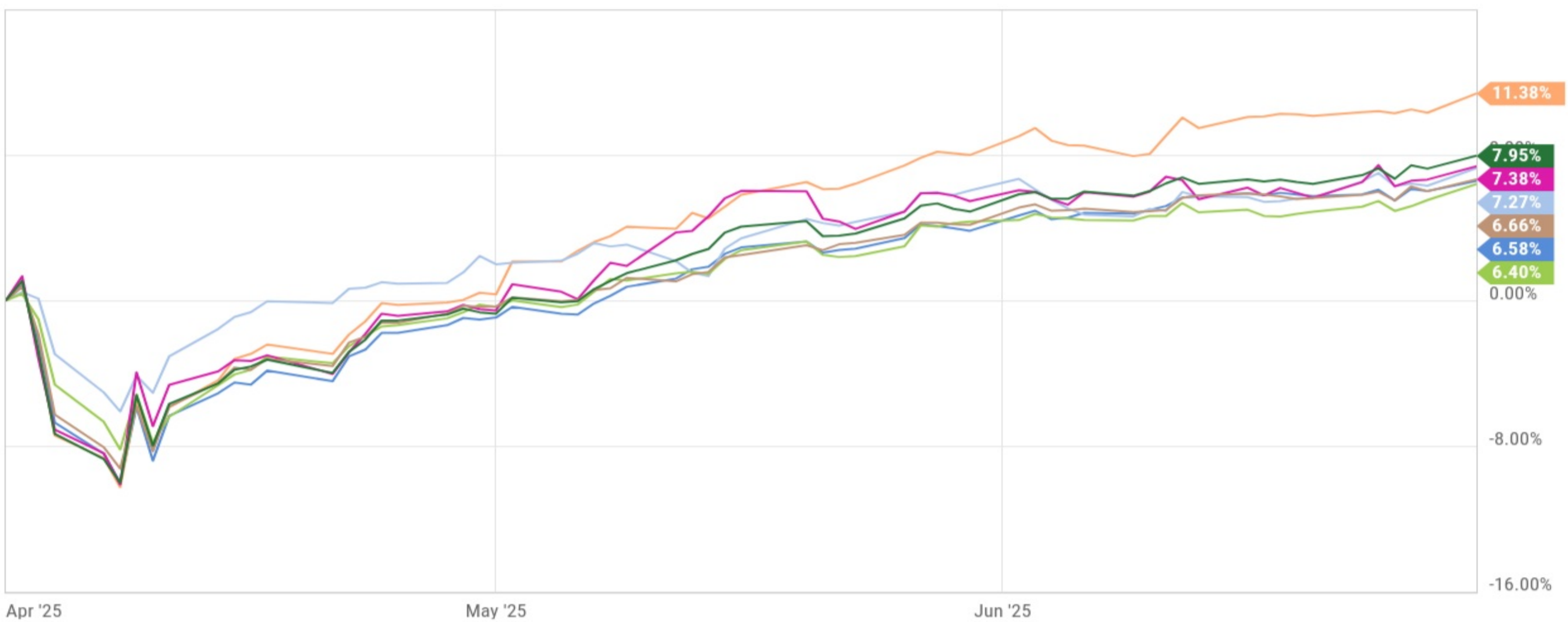
CAD Market Style Analysis

Q2 2025 Canadian Market Style Analysis

	VAL
Invesco RAFI Canadian Index ETF Total Return	6.58%
CI Morningstar Can Momentum Idx ETF Total Return	11.38%
BMO Low Volatility Canadian Equity Fund Srs ETF Total Return	7.27%
iShares S&P/TSX Cdn Div Aristocrats Idx ETF-Com Total Return	6.40%
iShares Canadian Growth Index ETF Total Return	7.38%
iShares Canadian Value Index ETF Total Return	6.66%
iShares Core S&P/TSX Capped Composite Index ETF Total Return	7.95%



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Your Portfolio

Data as of: July 25, 2025

The ongoing shadow of tariffs, inflation, and war made us cautious on the deployment of residual cash into new or existing positions. With that being stated, we did add to portfolio positions where actual cash was too high relative to the risk taken. This was done on an individual model basis.

The following changes occurred at the model level:

Socially Responsible Global

- **RY** (Royal Bank of Canada) was replaced by **BNS** (Bank of Nova Scotia) because the ESG score was the best in the banking sector. A 2% weighting was established.

MaxWealth Canadian Focused Equity

- Many positions changed in this model to align the holdings to underlying investment strategy. The strategy emphasizes low price-to-book and price-to-earnings multiples, high yields, and high earnings revisions.

Megacap US Tech Profitability

Data as of: July 25, 2025

Symbol	Name	Profit Margin	Return on Equity	Return on Investe. Capital	Cash from Operati. (TTM)	Free Cash Flow	Price to Free Cash Flow
AAPL	Apple Inc	24.30%	146.8%	57.99%	109.56B	98.49B	33.02
AMZN	Amazon.com Inc	10.14%	25.28%	20.90%	113.90B	20.81B	119.77
GOOGL	Alphabet Inc	31.12%	35.06%	33.65%	133.71B	66.73B	35.66
META	Meta Platforms Inc	39.11%	39.74%	34.64%	96.11B	52.31B	35.66
MSFT	Microsoft Corp	35.79%	33.70%	28.69%	130.71B	69.36B	55.77
NFLX	Netflix Inc	24.58%	43.22%	26.47%	9.070B	8.501B	60.73
NVDA	NVIDIA Corp	51.69%	114.1%	101.0%	76.16B	72.06B	59.63
TSLA	Tesla Inc	6.58%	8.36%	7.59%	15.76B	5.586B	199.39

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Final Thoughts

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We are now in the back half of the year with the most recent quarter representing a positive move in our portfolio returns. While the news headlines retain some of their former drama, it seems that sunshine is in the forecast for the immediate future. One thing on our minds is the affordability of US growth companies. As the previous table showed, US Megacaps are trading at lofty prices to cash flow. In the next quarter we will be looking to increase our exposure to underappreciated assets with acceptable margins of safety.

Many Happy Returns,

Patrick