Tactical Asset Allocation

An Active Investment Management Strategy

In this Tactical Asset Allocation report, we provide insights and our short-term (<12 months) biases towards investing in various asset classes, geographic regions and equity sectors. We express these in summary tables showing underweight or overweight allocations, with further explanations in the following paragraphs. These tilts should be taken within context and in relation to our longer-term Strategic Asset Allocation report.

Tactical Asset Allocation

The tactical asset allocation approach is based on short-term (<12 months) market movements, business cycles, or other perceived opportunities and threats. It is considered a form of active management aimed at enhancing portfolio return potential, but it also exposes the portfolio to greater market and timing risks.

These tactical weightings should be considered within the context of our recommendations for each major asset class represented in our Strategic Asset Allocation report. Where possible or convenient, we have provided more detailed opinions on sub-segments of each major asset class.

Overview: Balance between Equities and Fixed Income - Neutral

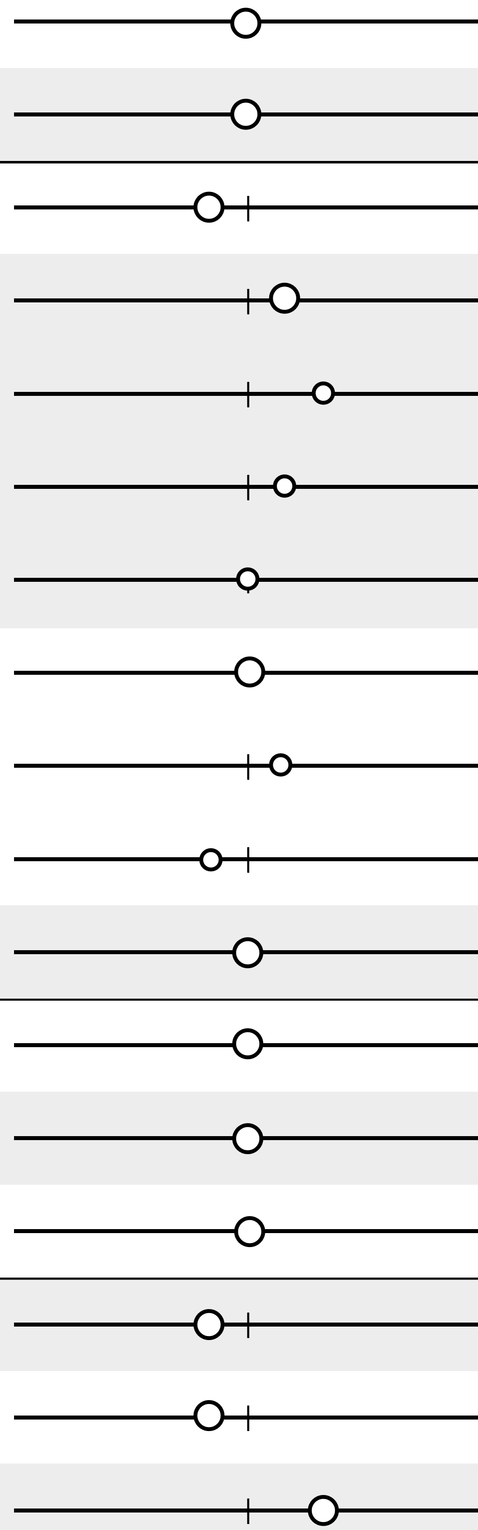
Tactical Asset Allocation Tables are on pages 2 and 3, with detailed comments on individual asset classes starting on page 4.

The highest-level breakdown is typically the weighting of riskier equities investments versus the less-risky fixed income components. At the current time, we see equities continuing to be supported by economic tailwinds and corporate profitability in the U.S. and an improving environment in Canada due primarily to the relatively aggressive and early rate cutting by the Bank of Canada (BoC), notwithstanding the potential negative impacts of sustained and elevated tariffs. International markets are a mixed bag of political and economic environments through both developed and emerging markets, but with some compelling valuation advantages. Overall, interest rates continue to be on the decline, although at varying speeds, and therefore the overall environment for equities continues to be favourable, except that the current environment is also clouded by the uncertainty of tariffs by the U.S. and retaliatory tariffs from targeted countries. Although we still expect heightened volatility, we maintain a neutral weighting to our equity/fixed income balance.

The factors that could shift our weightings, away from equities and towards bonds, would be a significant movement higher in the 10-year U.S. Treasury yield and/or aggressively enacted tariffs, expected to be maintained over an extended period of time, that could threaten economic growth and risk a resurgence of inflation. We could become more biased towards equities if there were signs of a long-lasting settlement of the tariff landscape.

Tactical Asset Allocation Table (by Asset Class)

	Asset Class	Underweight	Neutral	Overweight
Overview	Equities			
	Fixed Income			
Equities	Canadian Equities			
	U.S. Equities			
	U.S. Large Cap Equities			
	U.S. Mid Cap Equities			
	U.S. Small Cap Equities			
	Developed Markets Ex North America Equities			
	Developed Markets - Europe Equities			
	Developed Markets - Pacific Equities			
	Emerging Markets Equities			
Fixed Income	Canadian Government Bonds			
	Canadian Investment Grade Corporate Bonds			
	U.S. Treasury Bonds			
FX/Commodities	CAD/USD			
	Oil			
	Gold			



Tactical Sector Allocation Table (by TSX Sector)

S&P/TSX Composite Sector (Sector Weight*)	4Q24 Return	2025 YTD Return*	Historical P/E NTM	Current P/E NTM	Underweight	Neutral	Overweight
Financials (32.0%)	6.6%	-0.2%	11.4	11.3			
Energy (17.1%)	6.6%	3.3%	14.6	13.7			
Industrials (12.2%)	-0.4%	-0.6%	15.9	21.0			
Materials (13.4%)	-4.7%	20.6%	17.0	17.6			
Information Technology (10.1%)	22.2%	1.6%	22.9	34.0			
Consumer Staples (3.7%)	3.6%	-3.1%	15.9	16.8			
Utilities (3.9%)	-1.5%	4.3%	18.0	21.7			
Consumer Discretionary (3.2%)	0.8%	0.5%	14.4	15.2			
Communication Services (2.3%)	-19.2%	-0.5%	15.7	12.2			
Real Estate (1.9%)	-10.5%	-0.3%	14.6	13.9			
Health Care (0.3%)	-3.7%	-6.7%	15.9	4.6		N/A	

*pricing and data as at March 24, 2025

Equities

Canadian Equities

Overall, we expect Canadian equities, as represented by the S&P/TSX Composite, to perform similarly to U.S. equities, as represented by the S&P 500, over the next 12 months. However, given the potential for tariffs to have a more negative impact on Canadian issuers than U.S. issuers, we currently have a slight underweight on Canadian equities in recognition of the higher risk level. This is a short-term bias, as we expect that within a year we should have a more stable environment, with progress towards renegotiation of the USMCA agreement well underway.

The TSX Composite return over the next 12 months is expected to be primarily driven by earnings growth. The current forward-looking P/E multiple, which has been expanding since late 2022, is approximately 14.9x, slightly above its long-term historical median of 14.5x, leaving limited room for further expansion in the current volatile environment. Tailwinds include potential corporate profitability improvements as Artificial Intelligence (A.I.) applications are adopted, a central bank that is willing to continue lowering its policy rate to promote economic growth, and the potential for fiscal stimulus measures to offset potential short-term impacts of tariff pressures. In the longer-term, we also see more intention from federal and provincial governments to reduce interprovincial trade barriers and better promote natural resource development and distribution. We do not expect Canadian equities to replicate last year's performance due to macro headwinds such as ongoing tariff threats, slower population growth, and global excess supply in crude oil. These headwinds, particularly tariffs, negatively impact most TSX sectors, but with materials, utilities, communication services and info tech being relatively more insulated.

Detailed comments on individual TSX Composite sectors start on page 11.

U.S. Equities

Overall, the U.S. economy has been particularly strong over the last few years, with solid consumer spending and A.I. enthusiasm, despite the high inflation and interest rate environment. The market cap weighted S&P 500 has therefore benefitted, with particular support from the A.I. theme driving up the Magnificent Seven stocks. These liquid mega-cap stocks have also been a safe haven for international investors given more uncertain environments in most other markets. More recently, international investors have likely become more cautious due to elevated valuation multiples of some mega cap growth names. These concerns come against a backdrop of normalizing profitability, technological developments outside the U.S. (e.g.: DeepSeek, BYD), and more compelling valuations in other international markets. We continue to see strong tailwinds in the U.S., with still solid economic growth and A.I. applications helping to drive profitability improvements in multiple sectors, which should offset any valuation multiple contraction. A somewhat erratic rollout of tariffs is creating an uncertain environment for businesses to plan and expand, but we see this as stabilizing over the next 12 months, with U.S. companies being less adversely affected than many Canadian or international sectors, and we therefore maintain a slight overweight to U.S. equities in general.

U.S. Large Cap

Our core U.S. Equities asset allocation is for large cap stocks as exemplified by the S&P 500 (market-cap-weighted) index. While we are currently seeing pressure on the mega-cap growth segment, as represented by the Magnificent Seven, we see more support in the remaining S&P 493, which have more reasonable valuation multiples and improving earnings contributions. As such, we continue to like the overall index, and would further prefer the equally-weighted index to the market-cap weighted version.

The index could face continued pressure and volatility from tariff-induced uncertainties in the short-term, although we expect some stability or certainty returning within the next 12 months allowing the positive macroeconomic tailwinds and corporate profitability to prevail.

Although the S&P 500 has recently experienced a sharp decline in valuation multiples from 22.5x on Feb 19 (the most recent peak) to 20.7x, the valuations, especially for the Magnificent Seven, remain relatively high for many investors. As a result, we anticipate further multiple contraction, offset by earnings growth, which will play a pivotal role in driving total returns. While the U.S. economy remains on a solid footing and the 4Q24 earnings growth aligned with the historical trend, potential trade wars with other nations pose the greatest risk to large-cap earnings. Tariffs are likely to have a more pronounced effect on U.S. large caps compared to the broader economy, as exports account for 11% of U.S. GDP, whereas foreign sales contribute 41% to the S&P 500's earnings. Retaliatory tariffs, in particular, could significantly impact the performance of U.S. large caps. However, we also expect U.S. initiatives on corporate tax cuts and deregulation to generate some positive market sentiment, partially offsetting the tariff-related challenges in the latter half of the year. As such, within our U.S. equity exposure, we would still overweight large cap equities, but generally preferring the equal-weighted index to the market cap-weighted index. Within the S&P 500, we prefer the S&P 493 over the Magnificent Seven, value over growth, and defensive sectors over cyclical ones this year, as market participation continues to broaden and economic growth slows.

U.S. Mid Cap

We believe U.S. mid caps will benefit from the ongoing market broadening trend and the anticipated macroeconomic conditions, while their earnings have demonstrated resilience. The valuations of U.S. mid-caps at 15.0x are also quite attractive. This group is currently trading at a discount compared to its historical long-term median of 15.8x. In contrast, small caps are trading at 22.8x, which is above their historical median of 20.3x, and large caps are trading at 20.7x, also above their historical median of 15.7x.

Compared to the S&P 500, the sector allocation of the S&P 400, particularly its overweight in industrials and financials, is better aligned with potential economic policies, such as re-industrialization and deregulation. These policies are expected to move more to the center of focus in the latter half of the year. Additionally, the S&P 400 has a greater domestic revenue exposure of 77%, compared to the S&P 500's 59%, making mid-cap earnings less vulnerable to ongoing tariff threats and potential retaliatory tariffs.

At this stage of the market broadening process, we also prefer mid-caps over small caps. Using a similar framework to our discussion last year on the sustainability of small cap outperformance, we consider two key factors: earnings growth and a supportive macroeconomic backdrop, including declining interest rates. In terms of earnings, unlike small caps, which failed to stabilize their earnings in the second half of 2024, U.S. mid-caps have shown strengthening year-over-year earnings growth, remaining positive since November 2023.

Regarding the macroeconomic backdrop, the increasing uncertainties surrounding the U.S. economy may put mid-caps in a better position than small caps, as mid-caps are generally more established.

U.S. Small Cap

As discussed in the mid-caps section, small caps, represented by the Russell 2000, are more rate-sensitive and heavily influenced by sentiment, which tends to lead to more volatile performance. Most recent commentary by the Federal reserve implies a rate easing bias, which should favour small cap stocks, although these companies can also be less resilient within the context of the economic uncertainty created by tariffs. Thus, we slightly underweight small caps, relative to our somewhat positive bias on U.S. equities.

International Equities (Developed and Emerging Markets)

International exposure can be gained through mutual funds and ETFs that focus their exposure outside North America. Adding international exposure to a portfolio helps enhance diversification, which typically results in a smoother return pattern.

In a broader sense, we generally consider International Equities exposure aligned with the MSCI EAFE index, which provides exposure to large and mid-cap companies across developed markets (DMs), excluding the U.S. and Canada. This generally includes Europe (the U.K., France, Germany, Switzerland, and others), Australasia (Australia and New Zealand), and the Far East (Japan, Hong Kong, Singapore, and others).

To further enhance the risk-adjusted return of the portfolio, we also incorporate emerging markets (EMs) equity as an asset class. EMs generally offer higher growth potential compared to DMs, but they also come with increased risk and volatility. These markets tend to experience larger losses during downturns due to their "less-established" nature. However, the relatively low correlation between EMs and North American equity markets means that a well-considered allocation to EMs can improve the overall risk-adjusted return of the portfolio. We use the MSCI EM index to represent EMs.

As we await clarity on the reciprocal tariffs threatened by the U.S., we can start to consider which countries might be more targeted. Recent commentary has suggested that only the 15 countries with the largest trade imbalances will be targeted. Although these reciprocal tariffs are expected to consider a multitude of factors, including value-added taxes and currency manipulation, if we look at trade deficits in 2024, of the top 15 potential targets specifically, we can focus on China (US$295B), Mexico (US$172B), Vietnam (US$123B), Ireland (US$87B), Germany (US$85B), Taiwan (US$74B), Japan (US$68B), and South Korea (US$66B), Canada (US$63B), India (US$46B), Thailand (US$46B), Italy (US$44B), Switzerland (US$38B), Malaysia (US$25B), and Indonesia (US$18B).

Developed Markets (DMs)

The allocation between the U.S. market and other developed markets ultimately comes down to uncertainty versus fundamentals. The tariff environment and other geopolitical uncertainties have weighed on U.S. stock market performance recently. Meanwhile, some major developed markets that aren't heavily dependent on trade with the U.S. face less uncertainty on the tariff front, although their economic fundamentals are comparatively weaker. Given the relatively attractive valuations of these developed markets compared to the U.S., we anticipate that the rally in their stocks may continue until there is greater clarity on U.S. tariff policies. Below, we provide detailed comments on specific countries and regions.

Europe

European markets have been experiencing a surprising rally since the beginning of 2025. The anticipation of more rate cuts by the BoE and ECB compared to the Fed, along with much cheaper valuations of 14.5x versus the S&P 500's 20.7x, potentially higher spending and stronger economic activity in the defense sector, and an improved earnings outlook, may continue to support this year's performance. The macroeconomic backdrop is somewhat mixed, but on the positive side, Europe is less reliant on trade with the U.S. than other regions (notably Canada), which could shield these markets from substantial tariff impacts. Additionally, there are encouraging signs that major European countries, led by Germany, are beginning to relax their fiscal rules, and that financials will benefit from increased borrowing to support defense and infrastructure spending.

Conversely, strong trade ties with China, particularly for countries such as Germany and France, might hinder their market performance, while China struggles with more structural issues. Furthermore, while the relatively limited exposure to the technology sector has protected European stock markets from sharp declines and volatility thus far this year, it may also limit gains from the overarching A.I. theme once the market has gone through this correction phase. Nevertheless, we anticipate that the rally in European stocks may continue in the short term.

Pacific

Japanese equities' returns in local currency may continue to be hindered by a stronger yen due to the predominance of dollar-based export receipts and invoicing. However, returns in CAD may be better due to the currency effect if the Bank of Japan (BoJ) delivers more rate hikes this year. The tech-heavy composition of the Japanese equity markets could continue to benefit from the A.I. tailwind after the current correction, and Japan has strong earnings momentum, but we have yet to gauge the impact of potential U.S. tariffs. There's not much excitement on the Australia front, but there might be some valuation expansion for the Hong Kong market amid the hype over DeepSeek and Chinese A.I. developments. Overall, we expect the performance of developed markets in the Pacific region to remain subdued in the short term.

Emerging Markets (EMs)

EMs are likely to see more volatility in the next few months due to uncertainty around the U.S. tariff agenda and which countries will be targeted. Countries like China, Mexico, and Vietnam might be hit hard by potential tariffs, while India and Thailand, being lower down on the target list, could benefit somewhat from the rerouting of global trade. Also, due to weak commodity price forecasts, commodity exporters in Latin America and Eastern Europe may struggle. On the bright side, the higher tech weighting in the MSCI EM Index compared to the MSCI EAFE Index (DM excluding North America) suggests that the main EM index is better positioned to benefit from the ongoing A.I. trend. Overall, we hope to see the market broaden and capital flow from U.S. mega caps to riskier assets later this year. Until then, we remain neutral on EM equities.

China

Despite being the second largest economy in the world, China is considered an emerging market due to its economic development, market accessibility, and regulatory environment. It might be more aptly referred to as a "developing giant".

We continue to watch for signs that a rebound in growth in China can be sustained. The Chinese government tried to deploy unused budget funds at the end of 2024 to help stimulate activity and property sales appear to be lifting slightly from depressed levels. Further loosening of monetary and fiscal policy could lead to further improvements, but concerns are that the measures will be short-lived and too small to make any serious dent in the structural issues (high savings rate, low consumption, and heavy reliance on investment and exports) weighing on the Chinese economy. The average U.S. tariff rate on Chinese goods has increased to 35% from 15% at the start of the year, and we expect more tariff hikes to come. Any future escalation to the trade war could exacerbate these structural issues.

On the bright side, investors may become more optimistic about its Info Tech and other A.I.-related sectors, encouraged by DeepSeek. Chinese tech companies have been significantly cheaper than their U.S. techs, and this sector is poised to receive strong government investment support.

Fixed Income

Canada Government Bonds

With our expectation of more policy rate cuts by the BoC, we anticipate further declines in yields, particularly at the front end of the curve. If U.S. tariffs are implemented broadly and for an extended period, the BoC may decide to cut rates more than the market currently anticipates, which would increase bond prices. Even without substantial tariffs being imposed, the mere threat of tariffs and the uncertainty of ultimate levels and extent has already led to a decline in business confidence and investment intentions, prompting a more dovish stance from the BoC. Although the upside potential for bond prices looks limited when compared to U.S. Treasuries, after Canada has already experienced substantial cuts totaling 225 basis points, we still consider Canadian government bonds to bring a good amount of diversification benefits to a portfolio, with a still decent yield.

Canada Investment Grade Corporate Bonds

Canada's economy has been improving, and the spread between Canadian investment-grade (IG) corporate bonds and Canadian sovereign bonds gradually narrowed in 4Q24. However, it has recently widened due to rolling tariff threats. Looking forward, we see an asymmetric risk due to ongoing tariff challenges (the spread could further widen if extensive tariffs are implemented, but there's limited room for improvement if Canada avoids significant tariffs). Nonetheless, Canada's IG corporate bonds are primarily issued by leading companies in sectors like financials, energy, infrastructure, and telecom, with high credit quality. We recommend a neutral weighting on IG corporate bonds for risk-aware investors looking to enhance their yields.

U.S. Treasuries

In February, the U.S. yield curve for maturities over one year experienced a significant drop. This trend continued into March, with long-term bond yields falling further, mainly due to some concerning readings from leading indicators and increased negative sentiment about the macroeconomic conditions. However, policy uncertainties might keep the Fed on the sidelines for the upcoming meetings. Despite the ten-year yield dropping more than 20 basis points in just one month, our U.S. team specialists expect it to remain range-bound between 3.75% and 4.75%, ending 2025 around 4.5%. The ten-year yield is still attractive compared to the past decade. Given that equity markets are expected to be more volatile this year, adding some U.S. treasuries to your portfolio may reduce overall risk.

FX/Commodities

USD/CAD

We believe the U.S. dollar rally still has some momentum left. The strong economy, persistent inflation, and inflationary policies have led the market to expect fewer rate cuts and kept yields high across different maturities. While most major central banks (except Japan) are leaning towards more dovish policies, we think this will continue to boost the U.S. dollar against other major currencies. In Canada, factors like tariff threats and low (potentially negative) population growth pose downside risks to economic growth.

Increased export activity in 1Q25, as U.S. importers have rushed to front-run tariffs, has likely given short-term support to the Canadian dollar, but as this balance normalizes and major export products such as crude face a potentially weaker pricing outlook, we could see more pressure on the Canadian dollar against the U.S. dollar. Although there may be some rebound in the Canadian dollar if tariffs ultimately prove less onerous than feared, we expect the Canadian dollar to remain weak against the U.S. dollar in the near term.

Oil

Due to the desire to regain market share, OPEC+ cannot delay reopening the oil taps indefinitely. OPEC+ has confirmed their existing plan to increase oil output by 2.2 million barrels per day over the next 18 months. The supply waiting on the sidelines could more than offset any potential increase in demand in the second half of 2025. Additionally, U.S. plans to incentivize U.S. oil producers to ramp up production could further add to the supply, while we are still working through weak global growth in demand. On the tariffs front, the heavy grade of crude imports from Canada is a crucial input for U.S. refineries, which makes the energy sector's exclusion from blanket tariffs a possibility. Considering all these factors, we anticipate oil prices to remain relatively stable, but with more downside potential growing towards the end of the year. With that, we maintain a slight underweight bias.

Gold

Recently, traditional factors like the U.S. dollar and real yields haven't been influencing gold's performance as much. Instead, gold prices are being driven by things like tariff uncertainties and central bank purchases. We think these non-traditional factors will keep affecting gold prices in the near term. However, as the market adapts to tariff dynamics and gains a clearer understanding of U.S. policies, this influence could fade. Central bank purchases might continue, but the high prices could make them more cautious. Therefore, in the medium to long term, we expect gold prices to revert to being influenced by traditional factors, but in the short-term we expect uncertainty continuing to support the commodity.

S&P/TSX Composite Sector Commentary

Financials: This sector's performance, particularly the banks', closely follows the economy. The banking industry rallied in the second half of 2024, driven by ongoing policy rate easing and increased certainty around a soft economic landing. However, concerns about loan losses have resurfaced due to ongoing tariff threats, which could disrupt the credit moderation process. These tariff threats might also dampen investment intentions, negatively impacting the banks' lending business. Given the breadth and weighting of this sector, it's advisable to be highly selective, paying extra attention to credit metrics and revenue geographic exposure.

Energy: The energy sector's performance has been quite muted since mid-January, closely tracking the trend in crude oil prices. The tariff threats on energy products from the U.S. add further pressure on future performance, although our base case remains that energy products will be excluded (partially or fully) from the blanket tariffs. We anticipate an excess supply of crude oil, as OPEC+ has confirmed their existing plan to increase oil output by 2.2 million barrels per day over the next 18 months, along with a potential ramp-up in U.S. production. Combined with weak demand, this is likely to keep oil prices flat or even declining in 2025 or into 2026. Therefore, we expect the energy sector's performance to remain relatively muted.

Industrials: This sector is significantly impacted by ongoing tariff threats from the U.S. Even companies that generate most of their revenue in Canada could be affected by potential retaliatory tariffs from Canada if they source products from the U.S. We see the highest risk in industries such as intermodal, equipment supplies and distribution, automotive, and manufacturing, although we expect that the front-loading of orders in 1Q25 may boost immediate sales and earnings. Exceptions to the tariff impact include the general waste collection industry and service-oriented companies. Overall, we anticipate the industrial sector's performance to be volatile and maintain an underweight rating.

Materials: Given that about half of this sector's exposure is in gold, we consider it one of the best-insulated sectors from tariff threats and potential retaliation. In a way, it almost acts as a hedge against tariff policies, which have introduced significant market uncertainties. Therefore, we favour materials in the short term. Recently, traditional factors like the U.S. dollar and real yields haven't been as influential on gold's performance. Instead, gold prices are being driven by tariff uncertainties and central bank purchases. We believe these non-traditional factors will continue to support gold prices in the near term until the market adapts to tariff dynamics and gains a clearer understanding of U.S. policy. While central bank purchases might persist, high prices could make them more cautious. Therefore, in the medium to long term, we expect gold prices to revert to being influenced by traditional factors.

Information Technology: Info tech has given back most of its gains from January of this year. While we think info tech stocks might be under pressure, we don't believe the A.I. rally is over yet. When economic sentiment turns negative, capital tends to flow into more defensive sectors. We should also be cautious about the concentration in the TSX Composite info tech sector. However, the quick and strong rebound after the initial DeepSeek shock suggests that the potential for more affordable and efficient A.I. tools is good news for the TSX Composite's info tech sector, which is mainly made up of software and IT services companies. In fact, the TSX Composite info tech sector has delivered higher returns than the S&P 500 info tech sector over the trailing 6-month, 1-year, and 2-year periods, all in CAD terms. Additionally, since the TSX info tech sector is more service-oriented, it should be less affected by U.S. tariffs.

Consumer Staples: This sector has a mixed outlook. Companies with significant revenue from the U.S. will benefit from the strong USD, boosting their earnings after converting to CAD. However, grocers are facing challenges as consumer spending shifts towards discounts and promotions, which have weakened their pricing power and profits. Additionally, the potential trade war with the U.S. could disrupt pricing, leading to expected volatility in company profits in the coming months.

Utilities: Several factors contributed to utilities being the top-performing TSX Composite sector year-to-date. First, most companies in this sector are service providers, making them less affected by tariffs and the ongoing tariff threats, which primarily target goods. Market reactions on February 3 and March 4 have also indicated that utilities are more insulated from tariffs than most other sectors. Additionally, as a traditional defensive sector, utilities benefit from a potential shift in economic narrative—from an economy turning the corner (favouring cyclical sectors) to one potentially facing recession due to tariff wars (favouring defensive sectors), which was the case in February and may continue for some time. Furthermore, as the policy rate easing cycle continues, the dividend yields of utility stocks become gradually more attractive compared to government bond yields. Last but not least, although utilities underperformed in January due to market concerns about the future need for data centres given the improved efficiency of A.I. models (e.g., DeepSeek), we believe the market overreacted. Enthusiasm for future power demand could rise again as the market realizes A.I. can be applied more broadly. Therefore, we see several reasons to favour the utilities sector over different investment horizons.

Consumer Discretionary: The sector's significant weight in discount stores adds some defensiveness, as consumers are likely to become more value-conscious amid the worsening macroeconomic backdrop due to tariffs. Additionally, its exposure to quick-service international restaurants may mitigate some impact of tariffs, which mainly target goods. However, we are concerned about the automobile components and leisure products industries, as their performance is likely to be hit the hardest by tariffs or ongoing tariff threats. Looking ahead, given the potential for a weakening economic outlook, we anticipate that the consumer discretionary sector as a whole will face more pressure.

Communication Services: The outlook for this sector has brightened up a bit after a gloomy 2024. Given that most companies in this sector are service providers, we consider it more insulated from tariff threats. While uncertainties from major M&A activities have gradually eased as deals closed and markets better understand their impact on future operations, there are still significant concerns about balance sheets and debt leverage. Slower population growth remains the primary macroeconomic headwind for the telecom industry.

Real Estate: This sector's performance has been flat since the start of the year. While slower population growth is expected to be a macroeconomic headwind for this sector, the potential for tariffs between the U.S. and Canada could bring additional challenges. One major concern is the rise in building costs if Canada imposes retaliatory tariffs on items imported from the U.S., such as appliances or plumbing fixtures. Some industries, like residential, might be more insulated from the immediate impact of tariffs compared to others, such as industrials and retail. However, since real estate is generally seen as a cyclical sector, we expect its performance to be muted if tariffs are imposed and the economy slows down significantly.

IMPORTANT INVESTOR DISCLOSURES

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

Asset classes as described above can generally be modelled against the following generally available and investable indexes:

U.S. LARGE CAP EQUITIES| S&P 500 Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization in the U.S.

U.S. MID CAP EQUITIES| S&P 400 Index: The index, which is distinct from the large-cap S&P 500, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

U.S. SMALL CAP EQUITIES| Russell 2000 Index: The index measures the performance of the small-cap segment of the US equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

CANADIAN EQUITIES| S&P/TSX Composite Index: This index is the headline index for the Canadian equity market, tracking around 250 of Canada's largest public companies. Its total market cap is over 3.9 trillion CAD, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange.

DEVELOPED MARKET EQUITIES EX NORTH AMERICA EQUITIES| MSCI EAFE Index: The index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia, and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

DEVELOPED MARKET EQUITIES (EUROPE)| MSCI Europe Index: The index captures large and mid-cap representation across 15 Developed Markets (DM) countries in Europe. With 414 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets (DM) equity universe.

DEVELOPED MARKET EQUITIES (PACIFIC)| MSCI Pacific Index: The index captures large and mid-cap representation across 5 Developed Markets (DM) countries in the Pacific region. With 294 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKET EQUITIES| The MSCI Emerging Markets Index: The index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,252 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

CANADA GOVERNMENT BONDS| FTSE Canada All Government Bond Index: The index measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government and quasi-government bonds. The index is designed to track the performance of marketable Canadian, Provincial and Municipal Government bonds outstanding in the Canadian market.

CANADA INVESTMENT GRADE CORPORATE BONDS| FTSE Canada All Corporate Bond Index: The index measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian corporate bonds. The index is designed to track the performance of marketable corporate issuance outstanding in the Canadian market.

U.S. TREASURY BONDS| ICE U.S. Treasury Core Bond Index: The index is intended to assess the U.S. Treasury market. The Index is market value weighted, and is designed to include U.S. dollar denominated, fixed rate securities with minimum term to maturity greater than one year and less than or equal to thirty years.

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