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ASSET MIX COMMITTEE ANNOUNCEMENT

Decision by Committee (November 8, 2024)

This commentary is authored by the Guardian Capital LP Asset Mix Committee (AMC)[1]

The global economic backdrop has been broadly positive since the AMC last met in August, with growth momentum remaining solid in the US and showing signs of nascent improvement elsewhere, and inflation continuing to moderate to more tolerable rates.

The ongoing indications of easing price pressures have supported more central banks beginning to ease monetary policy, resulting in short-term interest rates coming down globally, which is helping to reduce the growth headwinds from tight monetary conditions.

While the outlook remains constructive with a “soft landing” or “no landing” scenario looking like the base case and offering support for further profit growth providing a fundamental boost to equity markets, the outcome of the recent US election has created increased uncertainty about American economic policy that could have significant implications for global markets.

A more market-friendly tax and regulatory regime is clearly welcome by risk assets, which have rallied in the immediate aftermath of the election, but the prospect of expansionary fiscal policy at this stage of the economic cycle, funded by larger deficits and increasing debt loads, has seen interest rate expectations and market term premia move higher to the detriment of bonds.

As well, the threat of imminent broader and higher tariffs being imposed by the US — and met with retaliation abroad — carries significant implications for the outlook abroad that may result in slower growth, high inflation, higher longer-term interest rates and a stronger US dollar.

With all of this said, there is substantial uncertainty as to what the new US Administration’s economic policy agenda will actually look like. While it suggests that there will be heightened volatility near term, and that the event risk has passed with a clear result, combined with expectations of looser fiscal and monetary policy in the US, it may permit markets to continue to perform well in the months ahead of the transition.

For Fixed Income, the likelihood of longer-term yields remaining generally anchored, while policy-sensitive short-term rates move lower, looks to drive a steepening in the yield curve. That raises the reinvestment risk at the short end of the curve while the performance at the longer end of the curve may well get capped at the yield on offer.

Combine this with views that valuations appear to be fairly reasonable (spreads may be tight, but nominal yields are at levels that are supporting demand) and expectations that the economy is expected to remain

[1] *Guardian’s Asset Mix Committee (AMC) consists of investment professionals and asset class specialists and is charged with overseeing the development and management of multi-asset investment portfolios, specifically addressing asset mix composition/allocation and areas for advice or communication to such clients as it relates to the makeup of their portfolio.*

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on decent footing, the focus in bond markets at the moment would appear to be return-seeking, with credit issues in the belly of the curve appearing to offer good risk-adjusted prospects.

For Equities, with the risks to the outlook appearing skewed in favour of the US over its international peers (with the prospects for Europe and Emerging Markets in the face of the shift in US policy looking least favourable on a relative basis), the AMC had a preference for adding exposure to American equities at the expense of other geographic locations.

Though Canada's reliance on trade with the US may be a source of uncertainty, the potential for strengthening momentum in the US would benefit Canada, while a weaker currency could give a lift to corporate bottom lines. Further, the Canadian market's bias toward commodities (real assets) and Financials (and "value" more generally) could prove beneficial should real interest rates remain elevated.

Overall, the AMC felt comfortable with its overall exposures to Equity and Fixed Income in the 70/30 "Growth" model portfolio asset mix, however, changes were made to allocations within asset classes. For the "Conservative" 30/70 model portfolio, the passive drift in favour of Equity in recent months has been much more pronounced and as a result, the decision was made to rebalance the asset allocation to better align risk exposures with the more conservative mandate.

For the 70/30 "Growth" Asset Allocation, the decision was made within Equity to reduce the allocation to Emerging Markets equity strategy and reallocate to the US All Cap Growth strategy. As well, the allocation to the Global Dividend Growth strategy was trimmed and redeployed to Canadian Equity, split equally between a more value-oriented strategy and a domestic growth equity strategy.

For Fixed Income, the decision was made to move weight in the core bond strategy to a strategy focused on mid-term and high-quality Investment Grade credit.

As a result of these decisions, the portfolios overseen by the AMC remain overweight Global Equity with a bias toward Quality Growth strategies. Fixed Income allocations are skewed toward corporate credit and below benchmark duration.

The AMC will continue to monitor economic and market developments closely in the coming weeks and stands ready to tactically exploit opportunities that may present themselves.

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Asset Mix Committee Summary Views[2]

Growth Asset Allocation

	Benchmark*	New Target Allocation**	Change from pre-decision positioning**
Equity	**70.0%**	**78.2%**	**—**
Canadian Equity	***40.0%***	***39.4%***	***+0.5***
Canadian Equity		13.9	—
Canadian Growth Equity		12.7	+0.3
Canadian Focused Equity		9.5	—
Canadian Equity Income		3.2	+0.3
Global Equity	***30.0%***	***38.8%***	***-0.5***
Global Dividend Growth		12.2	-0.5
US All Cap Growth		10.7	+1.0
Fundamental Global Equity		10.6	—
Emerging Markets Equity		2.5	-1.0
US Equity Select		2.0	—
Japan Value Equity Index ETF		0.9	—
Fixed Income	**25.0%**	**21.8%**	**+1.9**
Investment Grade Corporate Bond		13.6	+8.3
Canadian Bond		8.3	-8.3
Cash	**5.0%**	**0.0%**	**—**

**Benchmark=portfolio strategic asset allocation **Figures may not add up due to rounding*

Conservative Asset Allocation

Canadian Equity	***17.5%***	***17.2%***	***-0.9***
Canadian Growth Equity		5.6	+0.9
Canadian Equity Income		1.4	+0.1
Global Dividend Growth		5.1	-0.4
Fundamental Global Equity		4.4	—
US Equity Select		0.8	-0.2
Fixed Income	**65.0%**	**66.6%**	**+2.6**
Canadian Bond		25.2	-21.9

**Benchmark=portfolio strategic asset allocation **Figures may not add up due to rounding*

[2] These Asset Allocations represent the Asset Mix Committee's tactical views given their assessment of market conditions and performance expectations.

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