

ASSET MIX COMMITTEE ANNOUNCEMENT

Decision by Committee (February 13, 2025)

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

The global macroeconomic data flow has generally turned for the better since the AMC last met in December, with growth momentum showing increasing signs of broadening out beyond the US, while the American economy appears to remain on solid footing. Against the improved growth trajectory and firming in job markets, inflation has proven somewhat sticky in recent months which has, in turn, led to a shallower expected path for monetary policy that includes fewer rate cuts than previously assumed.

While this represents a pretty upbeat backdrop for markets, the rhetoric and persistent threat of aggressive tariffs being put in place by the new US Administration in the White House has driven a material increase in uncertainty that looms large over the outlook with the potential for significant negative implications.

Despite this, however, markets have, so far, taken everything in stride — perhaps because the most severe threats have not yet come to fruition. The fact that the market is not evidently demanding a higher risk premium at the moment, however, suggests that there is a degree of complacency in the marketplace that could prove problematic in the face of elevated headline risks and related volatility.

With that said, the extremely limited market breadth seen over the last two years suggests that company valuations, in general, may not be as elevated as would otherwise be the case — and this is particularly the case against indications of a broadening improvement in earnings momentum.

Further on this topic, a notable recent development has been the narrowing of the performance gap as the stocks of the group of mega-cap US Tech-adjacent companies (aka, the “Magnificent 7”²), which had previously been the driving force of markets, have lagged following the release of Chinese innovations in the artificial intelligence space — and this despite still reporting solid earnings.

While the Magnificent 7 stocks may prove to be safe havens should volatility pick up in earnest, absent a shock, there appears to be scope for a further narrowing of the performance gap going forward as the positive economic and earnings momentum and more favourable valuations support a broadening out of returns.

While the AMC is cognizant of the risks posed by the heightened uncertainty at the moment, it felt comfortable with its exposures to Equity and Fixed Income, and allocations within the asset classes. Accordingly, the decision was made to leave allocations unchanged.

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 allocation and areas for advice or communication to such clients as it relates to the makeup of their portfolio.

² Apple, Amazon, Google, Meta, Microsoft, NVIDIA, Tesla

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The AMC's asset allocations remain overweight Equity with a bias toward Global "quality growth" strategies. Fixed Income allocations are skewed toward high-quality corporate credit with below benchmark duration. The AMC will continue to monitor economic and market developments closely and stands ready to tactically exploit opportunities that may present themselves.

Asset Mix Committee Summary Views³

Growth Asset Allocation

| | Benchmark* | New Target Allocation** | Change from pre-decision positioning** |
|---------------------------------|--------------|-------------------------|--|
| Equity | 70.0% | 78.2% | — |
| Canadian Equity | 40.0% | 39.3% | — |
| Canadian Equity | | 13.8 | — |
| Canadian Growth Equity | | 13.0 | — |
| Canadian Focused Equity | | 9.4 | — |
| Canadian Equity Income | | 3.2 | — |
| Global Equity | 30.0% | 38.9% | — |
| Global Dividend Growth | | 12.5 | — |
| US All Cap Growth | | 10.6 | — |
| Fundamental Global Equity | | 10.5 | — |
| Emerging Markets Equity | | 2.5 | — |
| US Equity Select | | 2.0 | — |
| Japan Value Equity Index ETF | | 0.9 | — |
| Fixed Income | 25.0% | 21.8% | — |
| Investment Grade Corporate Bond | | 13.6 | — |
| Canadian Bond | | 8.2 | — |
| Cash | 5.0% | 0.0% | — |

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

³ These Asset Allocations represent the Asset Mix Committee's tactical views given their assessment of market conditions and performance expectations.

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Conservative Asset Allocation

| | Benchmark* | New Target Allocation** | Change from pre-decision positioning** |
|---------------------------------|--------------|-------------------------|--|
| Equity | 30.0% | 33.5% | — |
| Canadian Equity | 17.5% | 17.2% | — |
| Canadian Equity | | 6.0 | — |
| Canadian Growth Equity | | 5.7 | — |
| Canadian Focused Equity | | 4.1 | — |
| Canadian Equity Income | | 1.4 | — |
| Global Equity | 12.5% | 16.3% | — |
| Global Dividend Growth | | 5.2 | — |
| US All Cap Growth | | 4.4 | — |
| Fundamental Global Equity | | 4.4 | — |
| Emerging Markets Equity | | 1.0 | — |
| US Equity Select | | 0.8 | — |
| Japan Value Equity Index ETF | | 0.4 | — |
| Fixed Income | 65.0% | 66.5% | — |
| Investment Grade Corporate Bond | | 25.0 | — |
| Canadian Bond | | 41.5 | — |
| Cash | 5.0% | 0.0% | — |

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

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