

IPC | PRIVATE WEALTH

From The Desk of The Portfolio Management Team

Updated: February 11, 2025

Market Overview



- U.S. and Canadian labor markets are cooling
- Central banks in Canada and Europe are lowering interest rates
- China is implementing extensive stimulus to help bolster growth globally
- 2024 saw strong returns across sectors, especially within a handful of A.I. technology stocks
- Continued optimism on the outlook for Canadian bonds



- Annual inflation rates in Canada and the U.S. have stabilized right around the 2% target
- Both the Bank of Canada and U.S. Federal Reserve are expected to ease monetary policy throughout this year and next
- Geopolitical tensions are fueling some bouts of volatility in markets
- Tariffs are top of mind for investors



- The U.S. Federal Reserve and Bank of Canada have room to lower borrowing costs further if needed to stimulate economic activity
- Markets have responded positively to the re-election of President Donald Trump, with U.S. equities reaching record highs, a strengthening U.S. dollar, and a jump in Treasury yields
- Global economic activity remains robust, with few exceptions



- Nearly all supply chain bottlenecks related to the pandemic have been remedied, leading to a normalization of economic activity and inflation rates
- The Bank of Canada is likely to end quantitative tightening in the coming months
- With inflation now tamed in Canada, policymakers are focusing on improving the labor market, GDP growth, and productivity measures

Our Perspective



- Our 'Core Plus' Fixed Income strategy reduces volatility and enhances yield by combining directly-held laddered bonds with sleeves of Globally diversified and High Yield bonds
- The IPC Private Wealth Portfolios are designed to protect and grow capital over the long-term, in all market environments



- Our bond strategies are focused on high quality corporate credit, providing attractive yields, safety, and sustainable cash flow
- We continue to provide enhanced yield in our portfolios through allocations to higher yielding fixed income and dividend paying securities
- The industry outlook for bonds is still very strong, especially in Canada



- On November 19th, we removed our 20% hedge on the USD, while remaining unhedged on all other currencies
- We adjust our currency hedges based on various trading signals and changes in the macroeconomic environment
- Our currency management aims to lower the volatility caused by foreign exchange rate fluctuations



- We have reduced but still maintain slight overweight positions in high yield fixed income
- Our Multi-Factor strategies (Can., U.S., Int.) are designed to further enhance the consistency of returns over time in our portfolios
- Our Fixed Income managers see the best opportunities currently in shorter duration, Canadian corporate bonds

Performance Summary

Overview

- Mega-cap technology stocks outperformed again in 2024, driven by strong free cash flow generation and outsized growth potential
- We're at the end of this global monetary tightening cycle, which has brought inflation back to 2%, allowing policymakers to begin lowering interest rates
- Broadly speaking, equities and bonds posted exceptionally strong gains last year

Key Contributors

- U.S. Growth, Global Dividend, U.S. Value, Multi-Factor International Equity, International Growth, Canadian Growth, N.A. Growth (SMA), N.A. Equity High Income (SMA)

Detractors

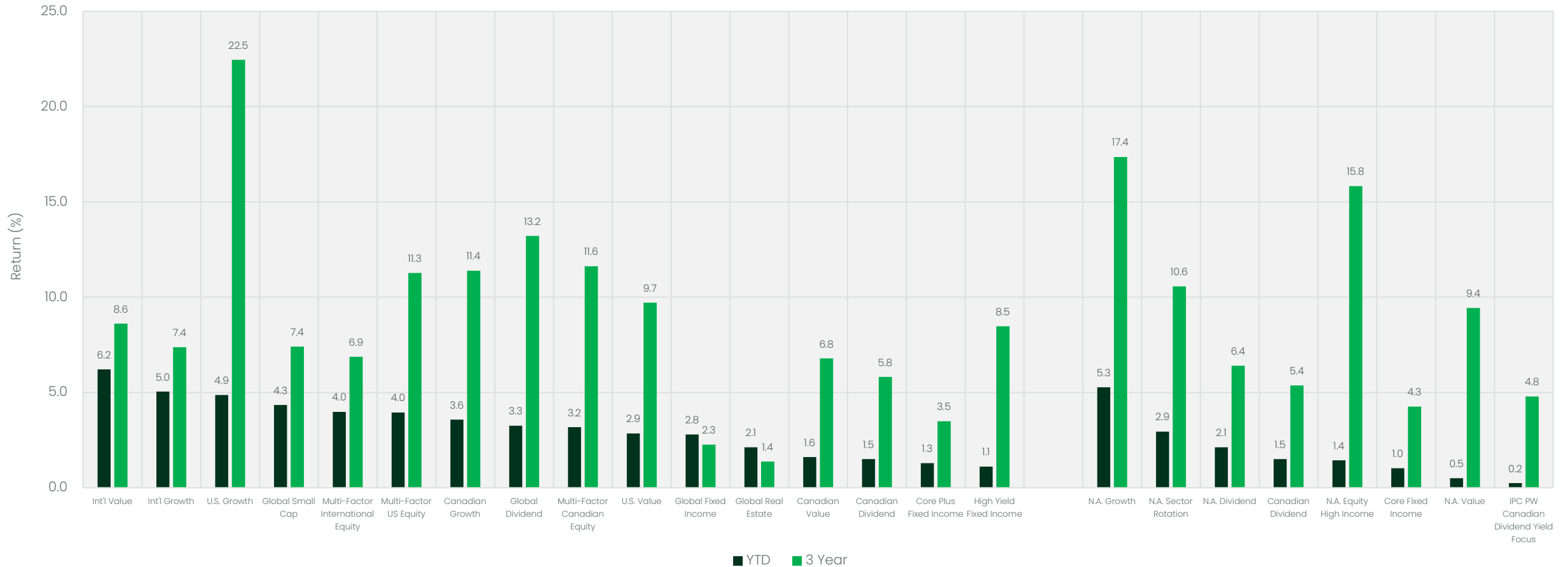
- Global Fixed Income

Performance Summary



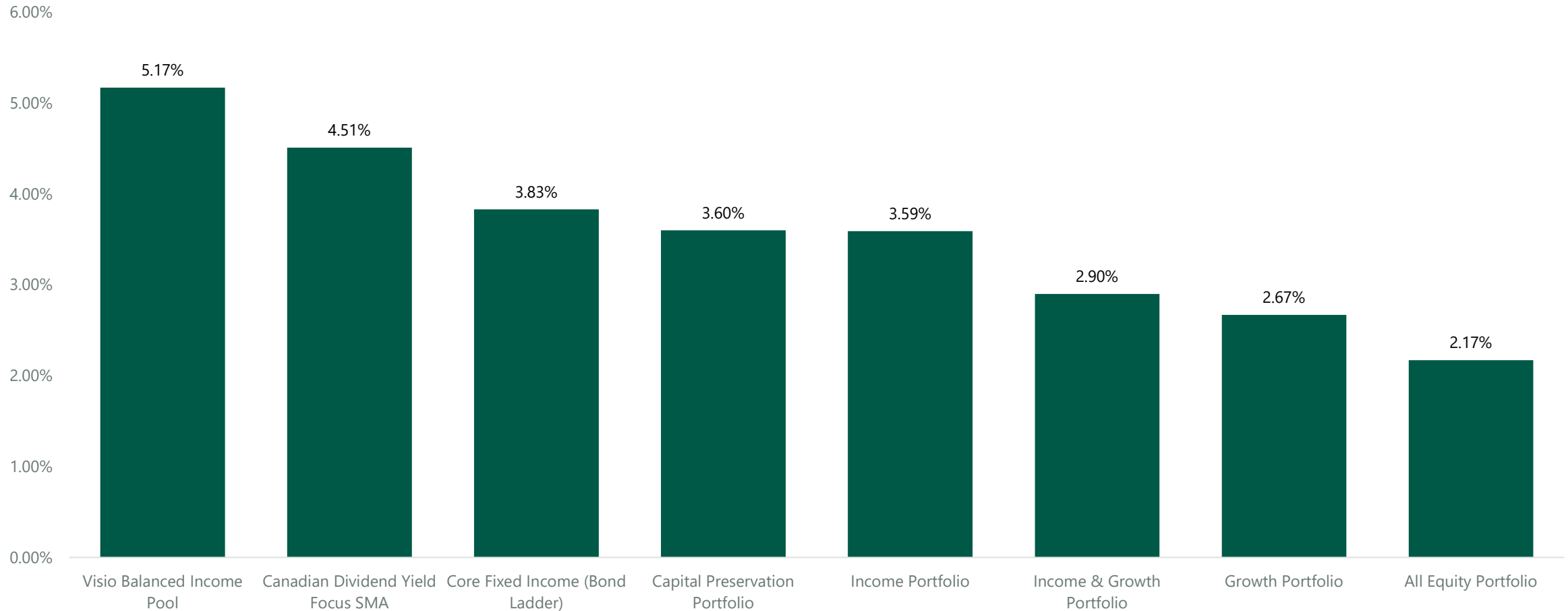
At February 10, 2025. Returns shown are gross of commissions, management fees and expenses which all may be associated with investing in IPC Private Wealth portfolios. The indicated rates of return are the historical annual compounded total returns and do not take into account income taxes payable by any security holder that would have reduced returns. Portfolio returns and are not guaranteed, their values change frequently and past performance may not be repeated. Portfolio performance returns may vary from actual returns dependent on certain factors including management fees, trading costs, client specific portfolio constraints, tax loss harvesting and timing and size of account cash flows.

Performance Contribution



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Portfolio Annualized Yields*



At December 31, 2024. The above estimated yields are the weighted average of the gross yields of the underlying investment solution's holdings. For equity holdings, yield is estimated as the most recent dividend payment (annualized) divided by its price as at the date shown above. For bond holdings, yield is estimated as the current yield as at the date shown above. Yield is only one aspect of an investment's performance. All forms of investment performance should be considered by investors. Yields experienced by investors may depend on several factors including but not limited to the time period the investment is held, and the proportionate mix of investment types owned. Yields change over time. The investment solutions above may be composed of several types of investment holdings including but not limited to equities, bonds, open and closed end mutual funds, and cash. These holdings may each make distributions to investors which may include interest, dividends, capital gains and return of capital. Distributions of return of capital reduce an investment's adjusted cost base. Past performance is not a guarantee of future results. For mutual fund holdings, please read the Simplified Prospectus carefully and consult your financial advisor before investing.

What We're Doing

Fixed Income Strategy

- When our RBC bond matured it was replaced with a BMO 2028 bond; increasing the bond ladder duration and yield to maturity from 2.02 to 3.15 and 5.38% to 6.05%, respectively
- In the 'Core Plus' fixed income strategy we recently reduced our overweight exposure to High Yield bonds, favoring select individual corporate bonds, as we seek to optimize income generation, safety, and liquidity
- Our 'Core Plus' fixed income strategy provides income from varied sources, lessens interest rate risk in investors' portfolios and provides a reliable, sustainable income stream

Equity Strategy

- We've entered a more defensive posture by tilting to shorter duration fixed income, while increasing exposure to U.S. securities
- Diverse exposures across asset classes, investment styles, factors and geographies provide returns from varied sources
- In 2024 we've tilted slightly to bonds while lowering exposures to Global Real Estate, and increasing exposures to Global Small Cap.
- We are now neutral or slightly underweight on equities overall. For a comprehensive, in-depth report on our most recent rebalance and portfolio positioning for 2024, [please click here](#).

Asset Allocation

- Our next portfolio rebalance will take place during the week of February 24, 2025
- Global and High Yield Fixed Income allocations have provided an additional annualized return of approximately 0.87%¹
- During our most recent program-wide rebalance we:
 - Increased fixed income overweight, targeting short term
 - Shifted portfolios from International equities and Global Real Estate towards Bonds, U.S. equities, and Global Small Cap
 - Within fixed income allocations, we reduced exposures to high yield, long term, and global bonds

¹ vs. FTSE Canada Universe Bond Index. Investment period: Nov. 1, 2012 to December 31, 2024. Source: IPC Securities Corp.

Currency Hedging

We take an active, dynamic approach to hedging the value of the Canadian dollar with an aim of capturing long-term currency moves. Our ongoing active hedge management helps ensure that our foreign currency denominated investments provide investors with an appropriate risk-return benefit, while limiting the short-term impact of their foreign exchange rate fluctuations

Current hedges: unhedged across all currencies.

Some of our rationale for this positioning includes:

USD/CAD:

- Canada's economy in recent months has not shown the same strength as south of the border, and as a result the Bank of Canada has moved to cut interest rates faster than its U.S. counterpart in an effort to avoid a recession.

EUR/CAD:

- With the political turmoil in France/Germany and with PMI releases across the Eurozone continuing to be in contractionary territory; the PM team believes there will be longer-term weakness in Euro and are seeking to initiate a hedge at appropriate levels.



GBP/CAD:

- Due to the strength of data coming out of the U.K., we have seen appreciation in the Sterling and economists expect the Bank of England (BOE) to be one of the last central banks to cut rates. The Sterling has been resilient and continues to trade sideways against the CAD and USD. We expect the Bank of England's benchmark lending rate to end this year at 4.50%, and end 2025 at 3.50%.

Due Diligence

- In September we met with Franklin Templeton, Acadian, and Brown Advisory, our Global Fixed Income, Global Dividend, and U.S. Growth Equity sub advisors. Acadian also oversees our U.S. Equity and North American Equity High Income SMAs.
- In August, we met with Picton Mahoney Asset Management, our Canadian Growth investment specialist. We also conducted our annual due diligence meeting with Mackenzie Investments, who oversees our Canadian Small Cap, Fixed Income, Short Term Bond, and Visio Core Fixed Income investments
- Our sub-advisors will be joining us for our Virtual Masterminds sessions throughout this year; these provide opportunities for you to hear from our portfolio managers directly regarding their strategies, notable market trends, outlooks, detailed performance attribution and portfolio positioning, with time allotted to Q&A.
- For the foreseeable future, we will be conducting our reviews by utilizing a combination of in-person visits and video conferencing technology, in a hybrid fashion. The Portfolio Management team continues to remain connected with all our sub-advisors day-to-day via video conferencing and email.

Selected Trading Activity

	Beutel Goodman U.S. Equity 	Acadian North American Growth 
BUY:	Campbell Soup Co. (NYSE:CPB)	Cintas Corp. (NASDAQ: CTAS)
DESCRIPTION:	<ul style="list-style-type: none"> Over the past 150-plus years, Campbell Soup has evolved into a leading packaged food manufacturer in North America, with a portfolio that extends beyond its iconic red-and-white labeled canned soup. 	<ul style="list-style-type: none"> Cintas is positioned as a one-stop shop that rents/sells uniforms and ancillary products and services, such as mops, first aid kits, and fire inspections. In its core uniform and facility services unit (a majority of sales), Cintas provides uniform rental programs for items including office attire, custom-tailored apparel, flame-resistant clothing, lab coats, and other profession-specific clothing. Facilities products include the rental and sale of entrance mats, mops, shop towels, hand sanitizers, and restroom supplies.
YIELD:	Dividend: 3.45% Buyback: 0.37%	Dividend: 0.68% Buyback: 1.49%
RATIONALE:	<ul style="list-style-type: none"> Removing excess costs should afford Campbell the fuel to reinvest in its brands, nearly one dozen of which generate more than \$100 million in sales each year. Campbell's innovation focus (leveraging technology, data insights, and artificial intelligence to aid its efforts to bring consumer-valued new products to the shelf in a timely fashion) is attracting new consumers to the aisle and its product mix. About half of Campbell's sales result from the faster-growing on-trend snack aisle, which stands to offset more muted long-term prospects for the mature soup category. 	<ul style="list-style-type: none"> Cintas' industry-leading operating efficiency stems from its significant scale-based cost advantages, achieved through superior route density. The firm's impressive sales execution is supporting robust new business wins and greater penetration among existing customers. There is still ample opportunity for expansion, as companies in the sizable unvented market look to outsource their uniform programs and facilities services.

January 2025 Trading Activity

SMA Mandate & Sub-Advisor	Buy	Sell	Add	Trim
U.S. Equity – Beutel Goodman		Kelanova	Amgen, Chubb, Comcast, The Campbell's Company, Westinghouse Air Brake Technologies	Biogen
North American Value – Beutel Goodman	Chubb	BlackRock	CCL Industries, Comcast, TD Bank	American Express, RBC
Canadian Dividend – Lincluden				
North American Dividend – Lincluden				
North American Growth – Acadian	CIBC, Atlassian Corp., Verisign Inc.	Intact Financial		Teekay Tankers, Nvidia Corp.
North American Equity High Income – Acadian	Cal Maine Foods, Intuit Inc., South Bow Corp.	Paramount Resources, Ardmore Shipping Corp.		Prudential Financial Inc.

(ONLINE) QUARTERLY REPORTS – Q4 2024

Quarterly Reports for the period ending December 31, 2024 will not be mailed; instead they are available online for all IPC Private Wealth investors. These reports provide you with an overview of your portfolio holdings, a summary of portfolio activity and your personalized investment performance for each of your accounts, as well as wholistically across your entire household.

Includes all SMA trades for the month noted above. If a certain type of trade did not occur during the month, the space is left blank.

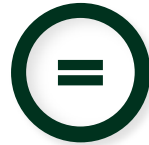
Overlay Tax Management



Sold across **5 Individual GICS equity sectors:**

- Communication Services
- Consumer Defensive
- Industrials
- Energy
- Technology

In December, we strategically sold securities that were previously sold to offset capital gains in select non-registered accounts.



Sold **8 securities:**

1. Rogers Communications
2. BCE Inc.
3. Premium Brands Holdings Corp.
4. Telus Corp.
5. Canadian National Railway
6. Canadian Natural Resources
7. Cenovus Energy
8. ASML Holdings



Holdings are always reassessed **for repurchase** after the requisite 31 day waiting period has passed

Invested tax savings can compound over time, leading to higher future value

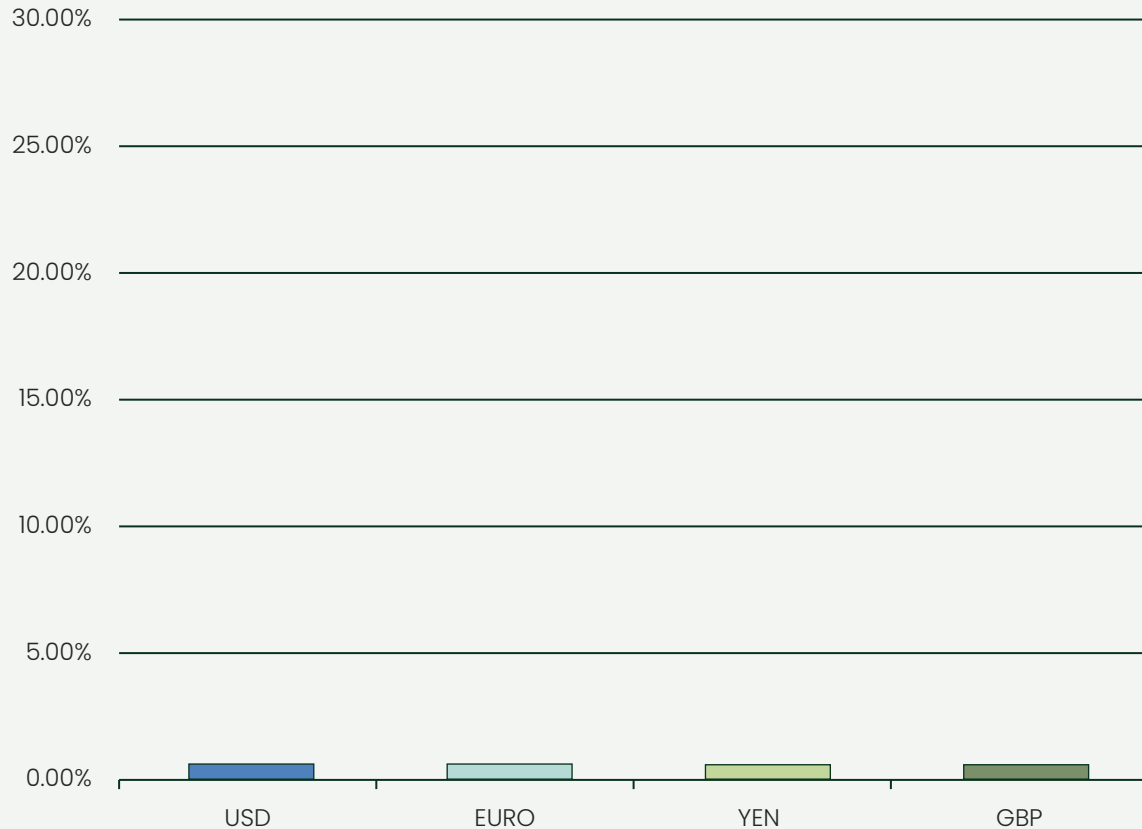


Initiates a tactical move to realize capital losses which can be used to off-set realized capital gains this year, carried back three years, or carried forward indefinitely

Strategically realizing capital losses reduces the net capital gains associated with non-registered accounts, leading to a reduction in tax liability for the tax year

Active Currency Management

Current Positioning



Approach

- Investment in U.S. and international securities provides diversification; e.g. access to the Technology and Health Care sectors
- We dynamically hedge the values of select U.S. dollar, Japanese Yen, U.K. Pound sterling and Euro denominated holdings to protect their value against currency fluctuations
- We actively monitor differences in interest rate policies, economic activity, and trade policies and adjust our hedge positions to reduce volatility and add incremental return

Disclaimers

This report is intended as a reference aid to IPC Securities Corporation Advisors who offer IPC Private Wealth accounts. Neither this report nor the mention of individual investments within it is intended as a solicitation to purchase securities.

Investment performance is not guaranteed, past performance may not be repeated and any charts, graphs, pictures or tables used in this presentation are for illustrative purposes only and are not intended to represent any future outcomes or results.

This report may contain forward-looking statements which reflect current expectations or forecasts of future events. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as: “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “preliminary”, “typical” and other similar expressions. In addition, these statements may relate to future corporate actions, future financial performance of a fund or a security and their future investment strategies and prospects. Forward-looking statements are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax law, unexpected judicial or regulatory proceedings, catastrophic events and the ability of the investment specialist to attract or retain key employees.

The foregoing list of important risks, uncertainties and assumptions is not exhaustive. Please consider these and other factors carefully and not place undue reliance on forward-looking statements. The forward-looking information contained in this report is current only as of the date of this report. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

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