



# Wise Investor



## To Tariff, or not to Tariff

### Bi-Monthly Newsletter March 2025

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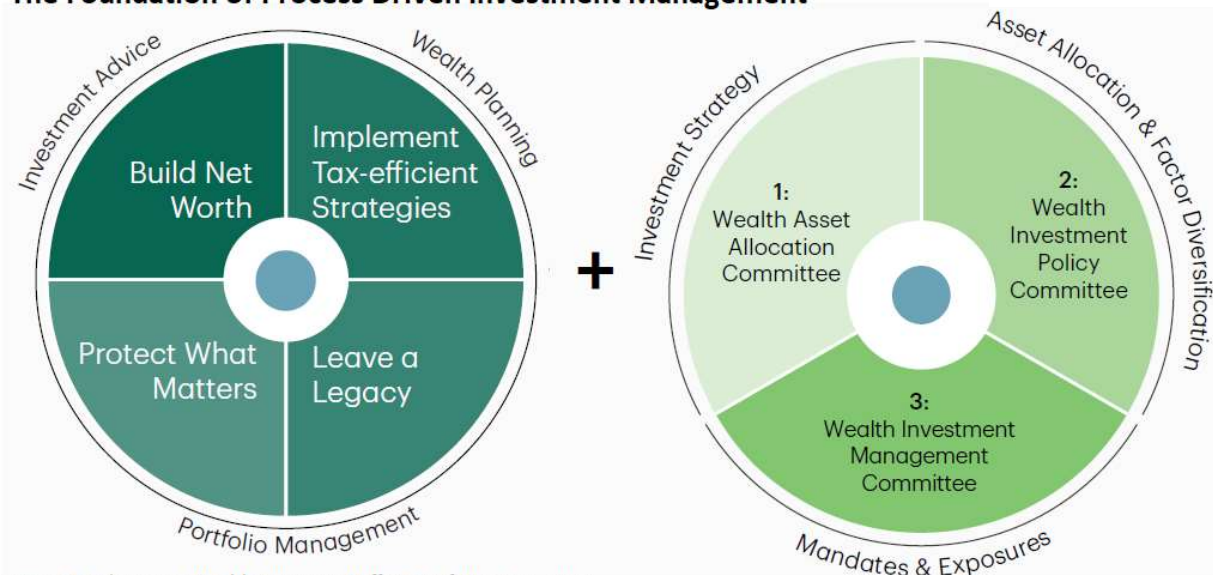




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## The Foundation of Process Driven Investment Management



Source: Marley Snow, Wealth Investment Office, as of January 1, 2025

## Wise Investor – January 2025 – *To Tariff or not to Tariff*

### Executive Summary

2025 was kicked off by new hockey tournament replacing the all-star break called the 4 Nations Cup. The tournament pitted the best NHL players from Canada, U.S., Finland and Sweden competing for their home country. Canada came out on top and beating the U.S. in hockey always feels good – but given the ongoing trade battle and ridiculous rhetoric, this one felt extra satisfying. While Canada's players were battling on the ice, our economy and companies have been facing their own fight with tariffs, trade disputes and President Donald Trump once again looming over Canada and the world with U.S. posturing. If only we could slapshot some of those economic concerns away as easily as we did the tournament-winning goal.

On a side note, my personal gripe has been the booing of the U.S. National Anthem by some Canadians. Whether in response to Trump, tariffs or the perception of the '51<sup>st</sup> state', this is, in my view, unbecoming of our nation. It damages our reputation and the honor generations of Canadians who partnered with our American neighbors in times of anguish. While I personally find Trump's geopolitical stance and lack of diplomacy deeply disheartening, I don't believe this excuses the behavior. Of course, concerns about tariffs and the blasphemy of Canada as the 51<sup>st</sup> state are warranted, escalating the negativity does nothing to help. Our focus should be directed to our government who needs accountability which would start with an immediate election. We need to ensure legitimate leadership to be taken seriously to lead our negotiations.

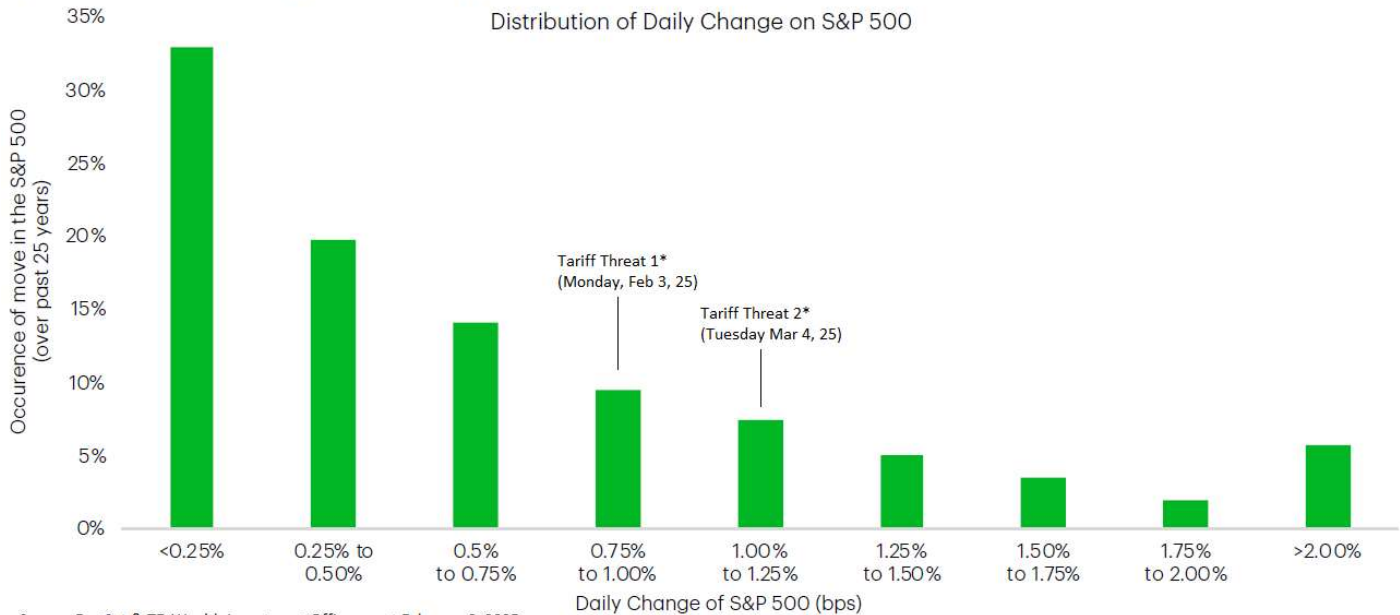
In this issue, we'll break down what rising U.S. protectionism means for Canada, your investments, and whether the current trade tensions need to be acted upon.

### Most specifically, we'll discuss:

- **How the markets have reacted to the trade uncertainty**
- **The impact that energy has on the US trade deficit with Canada**
- **How to think about portfolio positioning for the new protectionist environment**
- **Understanding Powers of Attorney**

The challenge to the art of investing, with the objective of earning a return to fund some future goal, is dealing with uncertainty and we have more of that than ever these days. We believe, successfully navigating this period will require adaptability and a flexible framework to be able to adjust strategy as the economy reacts to policy changes and shocks.

**Figure 1: Terrible Tariffs - just another day for markets**



## What's Happened Lately

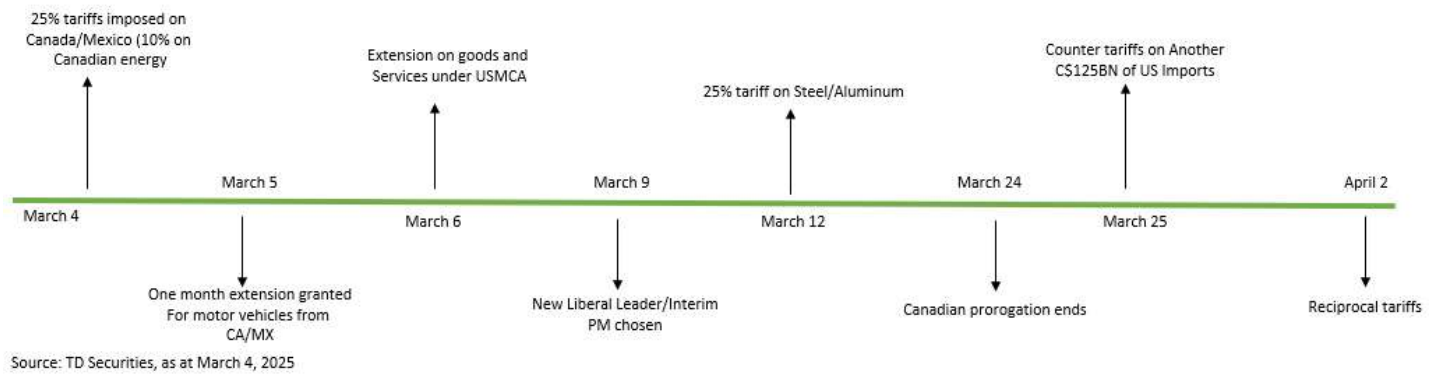
It's been a surreal 2025 thus far. We've spent countless hours at the start of each of the last few months in and out of meetings and conference calls pontificating on the potential impact of tariffs on the economy and financial markets only to have the information discussed become obsolete within a day or two. I've had to double check my computer screen many of the days in amazement to see that equity markets have, for the most part, remained calm. In fact, major indices were only down 1% or 2% in reaction to announcements and surprising Canadian markets and our portfolios are more-a-less flat year to date.<sup>1</sup> Surprisingly, the biggest underperformer has been the darling of the last few years and technology heavy NASDAQ followed by the S&P 500. For reference, Figure 1 shows the likelihood of the S&P 500 being up or down a certain percentage going back to 2000. On the days of the initially announced tariffs, the index moved between 0.75% and 1.25%, something the market has done 10% of the time over the past 25 years. My point: although a little hectic, not out of the ordinary.

I'm by no means making light of the magnitude of the situation. For Canada, on a national scale, the threat of painful tariffs from our largest trading partner is a huge deal, threatening thousands of jobs and economic weakness. What I'm trying to get at is that most investors were already aware that tariffs were coming. Historically, Canada and the United States have enjoyed one of the most extensive mutually beneficial bilateral relationships in the world. Goods and services worth nearly C\$3.6 billion crossed the border each day in 2023. The U.S. is the single largest investor in Canada while Canada returned the favour by being the biggest source of foreign direct investment.

1. Factset & TD Wealth Investment Office



Figure 2: What's Next on the Tariff Timeline?



## Why Should We Care?

My theme for 2025 outlined in the aptly named January newsletter is certain uncertainty. This is self-explanatory and has not changed as I believe we are in a very different environment than the past. As investors, it's imperative that we come to terms with that and make decisions based on the environment that we're in and not the one wish wished for or the one the news tells us we're in. I hesitate to write on what's known now for fear of it being outdated before it's read, but as of March 7, all goods covered by the USMCA (old NAFTA) are exempt from the 25% tariff until April 2<sup>nd</sup>. This lines up with the timeframe for the implementation of reciprocal tariff announcements. The White House estimates that 62% of Canadian imports will still be subject to tariffs which constitutes only a partial reprieve. The first round of Canadian counter tariffs remains in place as of this publication, see Figure 3.

It's impossible to predict how Washington's policies will evolve over the coming months. Will the Trump administration quickly pivot if gasoline prices rise materially, or millions of Americans lose their power? If tariffs continue to be extended to Canadian crude oil, it could lead to a jump in U.S. gasoline prices as much as \$0.30 - \$0.70 per gallon. Elsewhere, Ontario has threatened cutting off power to the south and in 2023, the province directly supplied electricity to 1.5 million U.S. homes and is a major exporter to Michigan, Minnesota, and New York. Interestingly, if you remove Canadian energy exports from the equation, the U.S. enjoys a trade surplus with Canada of around C\$60 billion. Can someone please let Trump know?

Lastly, it's assumed that Trump uses the stock market and the economy as a report card. If we believe that his administration judges its performance according to the health of investment portfolios, it begs the question of at what point would Trump retract painful policies. Do markets need to fall 10%, constituting a 'bear market before he changes course? Whatever the case, we should expect market volatility to continue.

Figure 3: Canadian Counter Tariffs

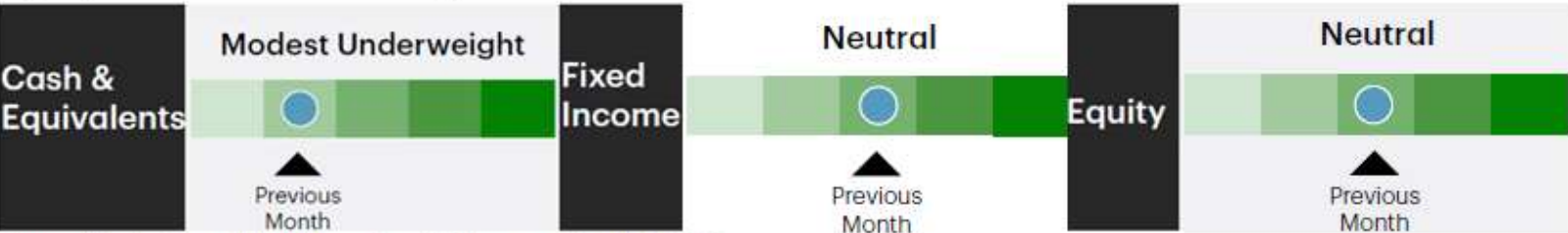
What did Canada Target in the First Round of Countertariffs?	
Description	Imports Targeted (C\$, Bns)
Paper & Paperboard & Articles (Inc Paper PulpArt)	2.7
Essential Oils Etc. Perfumery, Cosmetic Etc. Preps	2.5
Nuclear Reactors, Boilers, Machinery Etc.; Parts	1.9
Nat. Etc Pearls, Prec Etc Stones, Pr Met Etc.; Coin	1.6
Wood and Articles of Wood; Wood Charcoal	1.4
Furnit, Bedding, Mattress, Luminaires, Light Fix; prefab	1.3
Coffee, Tea, Made and Spices	1.0
Plastics and Articles Thereof	1.0
Apparel Articles and Accessories, Knit or Crochet	0.9
Beverages, Spirits And Vinegar	0.7

Source: Global Affairs, Census Bureau, TD Securities, as at Mar 4, 2025

What is Canada Targeting with Next Wave of Countertariffs?	
Description	Imports Targeted (C\$, Bns)
Electric Machinery Etc.; Sound Equip.; TV Equip; Pts	15.4
Plastics and Articles Thereof	13.2
Vehicles, Except Railway or Tramway; and Parts Etc.	12
Nuclear Reactors, Boilers, Machinery Etc.; Parts	11.4
Iron and Steel	5.6
Ores, Stag and Ash	3.0
Articles of Iron or Steel	3.0
Food Industry Residues & Waste; Prep Animal Feed	2.8
Mineral Fuel; Oil Etc.; Bitumin Subst; Mineral Wax	2.8
Fertilizers	2.7

Source: Global Affairs, Census Bureau, TD Securities, as at Mar 4, 2025

**Figure 4: Asset Allocation Positioning**



Source: Marley Snow, Wealth Investment Office, as at March 7, 2025

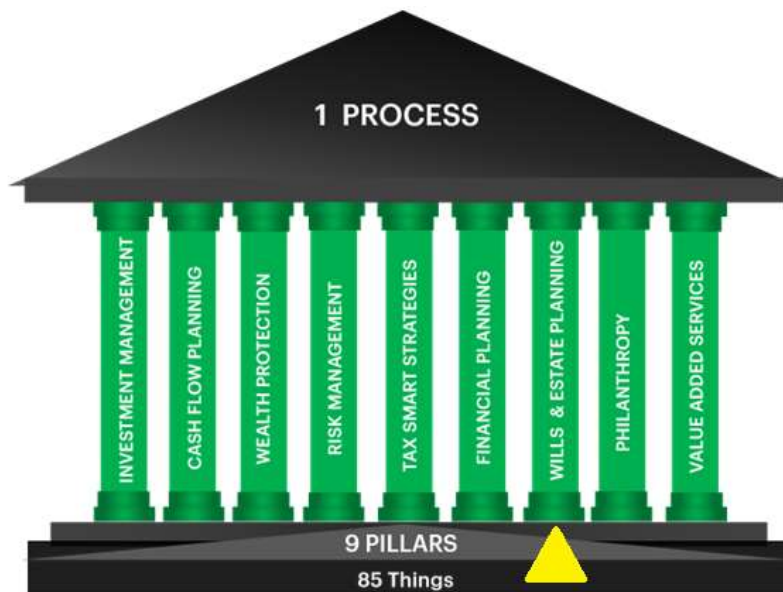
## What Should We Do? – Investment Strategy

What we can be relatively certain of, is that tariffs are here. Trying to predict the scope and length of such frictions has proven to be a guessing game. By resigning ourselves to the inevitability of tariffs, we need to have a process to monitor them. The first place we always start is the economy because the performance of stocks are driven by the prospect of corporate earnings, which are derived by the strength of the economy. The good news is that the economic backdrop remains supportive for stocks, especially in the U.S., where growth is still running around trend. Therefore, if we view tariffs as a certainty, we can frame where we are in the economy and how we can update our view of their impact, then we can start thinking about how best to invest.

Tariffs are likely for goods deemed strategic and important for national security, including semiconductors, pharmaceuticals and certain commodities and materials. Other areas likely to be taxed would be those deemed to have enough production domestically to encourage buying at home, including agriculture, food and a lot of consumer goods. Areas that may see longer term reprieve could include those with strategic supply chains like the automotive industry and some manufacturing. Ultimately, within Canada caution should be taken with exposure to companies relying heavily on U.S. imports and export-heavy industries due to increasing costs and reduced demand.

We remain modest underweight cash as interest rates have fallen making cash a poor alternative to fixed income, figure 4. Within fixed income, we still prefer high quality corporate bonds where we can take advantage of the tax benefits of buying them at a discount in order to realize a tax-efficient capital gain. For our client's equity component, we took our stance to neutral last month to reflect the uncertainty. Within equities we have a modest overweight to the US given the higher earnings expectations and our focus is on high quality blue-chip stocks that pay us a dividend.

It's impossible to eliminate uncertainty as it'll always be part of the investment journey. What's important at times like these is to retain objectivity, versatility, and clarity of thought. We always take it back to the basics and adhere to our investment process to focus on each of our clients' individual goals. We firmly believe that we are going to be alright!



Source: Marley Snow, as at March 7<sup>th</sup> 2025

## What Else Should We Be Thinking About? – *Power of Attorney (POA)*

As a reminder we use one process focusing on nine pillars through our long-term relationships with clients. Investment Management is just a small component of all the things that we should be thinking about. Today I wanted to touch on a topic that relates to Will and Estate Planning, specifically power of attorney. A POA is a legal document in which you (the “grantor”) grant a person or corporation named as attorney the power to make decisions on your behalf while you are still alive. Historically, a power of attorney will be terminated upon the grantor’s death. Importantly, all Canadian provinces have enacted legislation to provide for powers of attorney that permit the attorney to continue to manage the grantor’s affairs after the grantor’s loss of mental capacity. As people are on average living longer now, coping with the incapacity that comes with age, illness or accident is often a reality of life. For this reason, powers of attorney have become an indispensable part of modern estate planning.

### Limitations:

- **Estate Planning:** Counterintuitively, an attorney is not permitted to make, change, or revoke a Will on behalf of the grantor. This prohibition also extends to altering documents that have testamentary implications. Thus, an attorney cannot make or change the designated beneficiary on a Tax-Free Savings Account (TFSA), Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), pension plan, or an insurance policy.
- **Fiduciary duty:** The attorney is required to exercise reasonable care and not to permit his or her personal interests to conflict with those of the grantor.

### Factors to Consider:

- **Trust:** When appointing an attorney, the most important consideration is trust. You should have absolute trust that the attorney will always act in your best interests. After all, the attorney may have full access to your assets. For the same reason, judgment, knowledge, financial experience and skill are important factors.
- **Conflicts of interest:** In situations where the appointment of a given family member may create or exacerbate existing discord within the family, you may consider appointing a trust company. Engaging a trust company may also remove other potential conflicts of interest as it is bound to act in the best interest of the client and has no personal stake in the outcome of decisions.
- **Number of attorneys:** You can have more than one attorney. However, you should state clearly whether the attorneys should act unanimously, or “joint and severally”. “Joint and severally” means that each of your attorneys will be able to act alone on your behalf. [Note: some financial institutions only accept powers of attorney with joint and several authority]. It is not necessary to name more than one and in fact, having more than one can lead to complications when it comes to family dynamics. Parents sometimes feel they should name all their children, however this can be impractical to carry out and lead to family acrimony. These types of situations should be discussed as a family prior to formalizing the applicable legal documentation.

Of course this just scratches the surface of all of the important documents to have in place along with your will. We, in collaboration with TD specialists, are always here to help and can liaise with your legal representatives to understand what estate planning documents may need to be drafted or updated and to ensure they are worded appropriately for your specific situation.

## Personal Note:

Consistency! I know we've all heard it through our lives in some form or fashion. "Consistency and discipline result in success". To expand on that, I truly believe that small disciplines repeated with consistency every day lead to great achievements gained slowly over time. Consistency is the difference maker. The one common thread behind most major success stories.

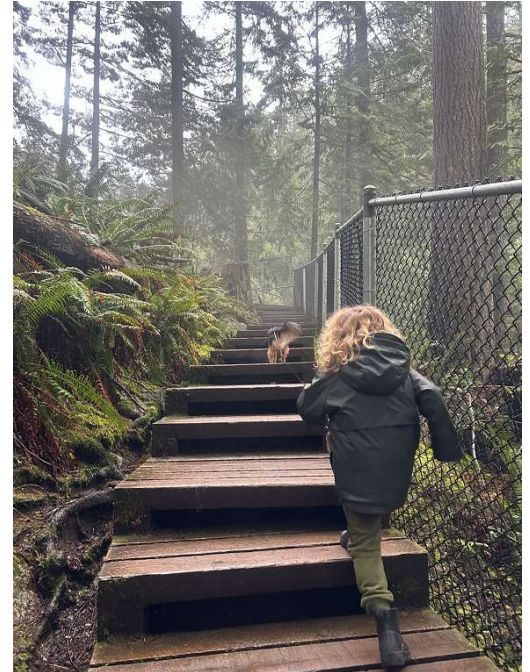
I've had to remember this with our kindergartener and has alphabet. More importantly, we put this into practice every day in what we do for our clients. Whether that be in the form of our 1 Process and 9 Pillars or in our investment thesis and portfolio management. With the ongoing uncertainty in the world these days, it's more important now than ever to reframe what's going on today to what we are trying to achieve long-term. Just like covid is a distant memory and our retirement savings are higher than ever, this too shall pass, markets will recover, and our long-term objectives should not be impacted. Life gets chaotic, confidence fades, and discipline can waver. Consistency should be our guiding light.

The feeling of uncertainty is very common and warranted at times like these. It's easy to stay positive when everything is working, and the results feel predictable. It's very hard to remain optimistic when we get thrown into turmoil. Those who can tolerate uncertainty are the ones who will eventually come out ahead.

When life throws us a curve ball, I like to make sure I find time for myself and my family. Taking a break from the day to day and the media is the best way for me to unwind and reset. One of my favourite pastimes is getting into nature and breathing some fresh forest air. We don't let some crummy weather or rain get us down despite the extra long clean up upon our return home. If you're feeling uneasy or uncomfortable, I suggest trying to clear your mind with the sounds of chirping birds and running streams.

We're always here to chat and happy to jump on a call or connect to help with any unsettling feelings.

Marley.



*"Wealth is not his that has, but his that enjoys it."*

Benjamin Franklin

We will take as much time as needed to get to know what matters most to you while establishing a strong working and personal relationship. We have every confidence that this relationship can benefit you greatly. We have proven our value time and time again by helping a small niche of successful affluent Canadians realize their lifelong goals.

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