June 2025
Quarterly Update

After a brief pause in our quarterly newsletter, we're excited to reconnect with you – this time with a little more joy (and noise!) in the background. Tamara is gradually returning to work, and our family has grown by one. Life has been full, and we are very grateful for your continued support during this special season. We truly value our relationship with you and appreciate that it has been a volatile period for investors this year.

As we return to regular communications, we're making a small change: **this newsletter is going digital**. This allows us to deliver more timely, relevant content while minimizing our environmental footprint.

Over the past quarter, we have been focused on navigating market volatility and uncovering potential investment opportunities. Beyond the markets, we've also been connecting in meaningful ways:

Damian Fernandes Market Outlook – A warm thank-you to all who joined us at the Oak Bay Beach Hotel in April. We hosted three sessions with a total of 80 guests. We hope to do this in the future & would welcome any feedback you may have.

Victoria Hospitals Foundation Miracle Gala – Giving back remains part of our values as business leaders, while philanthropy is becoming a bigger part of our client discussions. We were excited to support the VHF in May as they raised $1.76M for Women's Health on the Island!

Tamara Bonn, CFA, CIM, BBA

Nikola Gasic, CFA, BBA

Staying the Course Through Market Volatility

After strong performance up until January 2025, it was very unsettling to experience several months of negative equity market returns (February, March and April), in addition to constant news-flow dedicated to the uncertainty around the impact of tariffs and the impact of President Donald Trump.

As of today (June 6th, 2025), many client portfolios have benefited from the impressive rally experienced at the end of April and into May. Our portfolios are diversified by geography, sector, currency and asset-class which helps during volatile times as certain securities will perform better than others. Portfolio downside risk and draw-downs are often lower than major markets indices which the financial media mostly report on.

As cliché as our headline appears, this period is a good example of why staying invested and focusing on long-term company fundamentals remains the most effective strategy. History notes that some of the market's best and worst days often land side by side. Thus, walking away from the equity market after a major decline could mean missing out on the subsequent recovery that follows. On April 4th, 2025, the US S&P 500 (SPX) fell around 6% and was up 9.5% on April 9th, 2025. What the data suggests is that for most investors, remaining invested in a well-thought out and diversified portfolio, even during periods of high volatility, is one of the most effective strategies.

Staying invested through a market cycle is one of the best ways to build long-term wealth but emotionally, it can be taxing. There are a few reasons why:

- **Loss Aversion**: Behavioral finance suggests that our brains are wired to experience more *intense* negative emotions when losing money than the positive emotions we experience when gaining money on an investment. This can trigger fear-based decision-making during downturns.

- **Headline News:** Television, Social Media and Newspapers have changed a lot in the past decade. Headlines are meant to provoke and instigate an emotional response. Words like "plunges, meltdown, recession, and crash" can often be taken out of context. However, this generates more views or clicks (or profit). To the reader, it can create a sense of urgency even when none is warranted.

- **Volatility Feels Personal**: Even if we know that volatility is normal as market investors, it feels different when it is our own money. The short-term discomfort can often overshadow the original long-term plan. As we age, there can also be increased discomfort around volatility and the amount of risk we are willing and able to accept.

As your Portfolio Managers, we understand these intricacies deeply. Our role is to help you stay invested, zoom out, and stay focused on the things which we can control. We try to avoid making costly short-term decisions. Fundamentally, unless there has been a material change in your personal or corporate circumstances, it is very unlikely that a major shift in your Investment Policy Statement would be warranted during market volatility.

Understanding Our Role:
Portfolio Management vs. Asset Management

One question we sometimes hear is: "Who is actually selecting the stocks or bonds in my portfolio?" It’s a great question and often misunderstood in the financial management industry.

As discretionary-licensed Portfolio Managers, we work with you to:

- Understand your financial goals, timeline, and risk tolerance
- Build a tailored investment policy statement (plan) that aligns with your overall objectives
- Determine an appropriate asset mix across equities, fixed income, and alternative investments
- Make strategic asset allocation decisions and adjust them as conditions change
- Coordinate tax planning, cash flow needs, philanthropy, and estate considerations within your portfolio

We are your **first point of contact** and the architects of your investment strategy.

On the other hand, we collaborate with dedicated asset managers (i.e., TD Asset Management) – specialists, who focus exclusively on selecting individual stocks, bonds, and other securities within their mandates. These managers bring deep expertise in their specific domains, whether that's Canadian equities, global infrastructure, high-yield bonds, or emerging markets.

By combining our big-picture planning and oversight with the specialized knowledge of asset managers, your portfolio has access to both a personalized strategy and institutional-level execution.

During periods of intense market volatility, we have confidence knowing that each mandate is being rigorously managed and that individual companies are evaluated (bought/sold) based on very specific criteria.

Like our peers at TD Asset Management, we also have the Chartered Financial Analyst (CFA) designation, which is considered the gold standard in portfolio management. It reflects rigorous training in financial analysis, economics, portfolio construction, the highest ethical standards, a global perspective on markets and investing and a deep commitment to putting clients' interests first. Fewer than one in five candidates complete the full CFA program.

When you work with a CFA Charterholder, you can feel confident that your portfolio is being guided with both expertise and integrity.

Feature Article - The First 100 Days: Dazed and Confused by Beata Caranci, SVP & Chief Economist

It's been a whirlwind for forecasters, reminding me of the pandemic days when we were reviewing forecasts every couple of weeks to catch up to policy announcements without a historical reference for what was going to come next.

But we've learned a lot in the first 100 days:

The first is that tariffs will remain the economic weapon of choice on a scale greater than anything in recent history.

The second lesson is that regardless of whether the Administration back-peddles on initial tariff threats, the goal remains the same:

1.Create more production independence, particularly within strategic sectors like technology, chemicals, resources and industrial materials.
2.And, I believe, there's an end goal to have a permanently higher tariff regime at around 10% based on the initial results with the UK and China.

That base tariff rate is used as our forecast benchmark.

Why does 10% look reasonable?

It's low enough to be partially absorbed within the supply chain to limit the pass-through to consumer prices. And It's a revenue raiser for the government. The U.S. is the only OECD country without a national sales tax, which would be wildly unpopular . But under the guise of fairness to American workers, this tactic works by impacting only 14% of the economy (i.e. the share of imports), and consumers don't generally pay the full amount. In contrast, a sales tax is highly observable by consumers by being reflected on every shopping receipt of daily transactions. If imports held constant, it would generate up to $3 trillion in government revenues over the next decade to fund spending and tax cut initiatives.

But that still means forecasts have been broadly downgraded in the near term on the combination of DOGE cuts, tariff hikes, and a higher and more uncertain operating cost environment for many businesses.

As for Canada, the economy was quick to bend under the tariff-threat. Business and household sentiment has immediately retreated and manifested in the hard data, and now it's a question of how well the domestic political response can address
the external threat.

Access Beata's full article by using your camera app on your smartphone and point it towards the QR code or click The First 100 Days

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