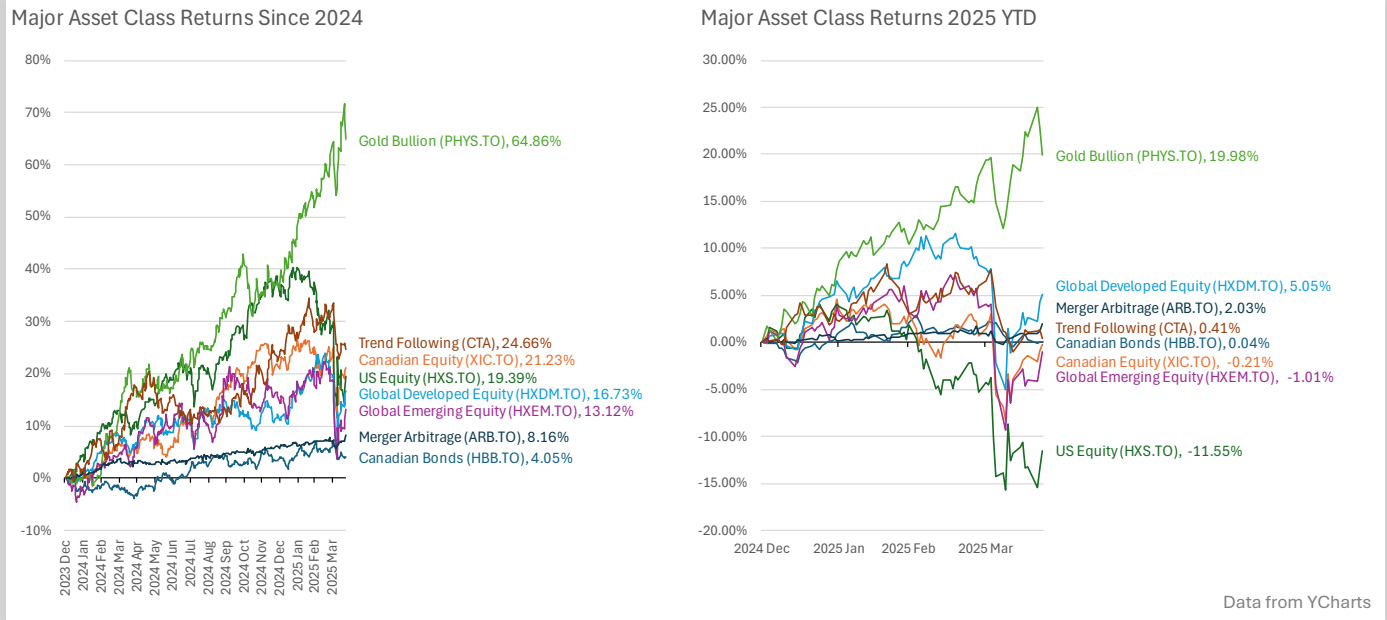


Quarterly Update – First Quarter of 2025

For clients of Christianson Wealth Advisors, the top part of this page is reserved for an update on their portfolio performance. For you, we put together our version of “How it started vs How it’s going”.



Financial Markets Update

There are a few lessons hidden inside the events of the first quarter. First, we can probably all spell “tariff” correctly on the first try (one r, two fs). Second, we have hopefully learned to avoid following the US administration's messaging on tariffs with our emotions. We should not be shocked if tariffs are on again or off again because they've been both so many times already. There's no doubt that volatility in political situation will stick around and we should expect it have a continued effect on financial markets.

That said, we feel that headlines have lacked valuable context in some cases. In this edition of our Financial Markets Update, we have three goals: to provide some context on the current market environment; to explain how the current environment is shaping our investment strategy; and to tell you what you can do to help us navigate your portfolio through these turbulent times.

First, context on the current market environment.

- A 25% tariff on Canada likely wouldn't materialize – The latest tariff taunted on Canada had a headline figure of 25%, but even if this level was imposed, reality would play out differently. Stéfane Marion, National Bank's chief economist and smartest person in the room, has helped us figure out what level of tariffs would actually apply to Canadian exports. His team [analyzed Canada-U.S. trade data](#) and they estimated (emphasis added):

“[U]nder the current measures, the effective trade-weighted tariff rate on Canadian exports remains below 5%.”

This is because any goods compliant with USMCA – the free-trade agreement between Canada, the U.S., and Mexico – are still exempt from the latest round of tariffs. They also noticed that there’s been a rush by Canadian companies to become USMCA-compliant. Quick action by some clever Canucks means that the effective tariff rate would be a fraction of the headline figure.

The US could back out of the free trade agreement with agreement from congress and 6 months notice; however, evidence shows the US administration prefers changing course to using patience.

We should mention that the quote from Stéfane is immediately followed by this caution:

“However, this short-term relief may be fleeting. The breadth and severity of tariffs imposed on other countries significantly heighten the risk of stagflation in the United States and raise the likelihood of a global economic slowdown or recession.”

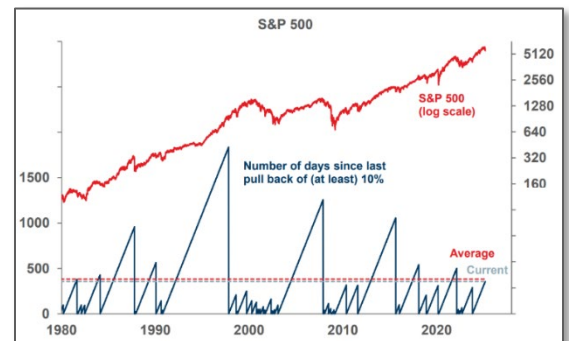
Like Stéfane, we are cautious about what might happen in 2025.

- Equity markets decline frequently – Since 1985, more than 90% of all calendar years include a period when Canadian equities decrease at least 5% before recovering. Decreases of 10% or more are less common, but even they have happened in almost 50% of years.

The story is similar for US stocks (see picture to the right). On average, a correction of at least 10% in the US stock market occurs approximately once every 17 months. The last one before this was 16 months ago.

In theory, there is nothing abnormal about the timing of this decline. Of course, the last 16 months or so haven’t been exactly normal....

Returns in the US stock market for the last two years have been exceptional, to say the least. The average annual return for the US stock market is around 9%, but 2023 and 2024 saw returns of more than 20%. If you’re a keen reader, you know that a lot of those returns were driven by the “Magnificent 7” stocks of the US market. These few returned an average of more than 160% from 2020 through 2024. Since their peak, however, they have declined an average of 34%. Remember...



- Financial markets are made up of more than US stocks – As of the time of writing this, the US stock market had declined almost 19% from its peak and sits down more than 8% since the beginning of the year. On the other hand, the Canadian stock market is down less than 4% and the overall

Canadian bond market is down less than 1%. On the positive side of the ledger, European stocks are up more than 8% and gold is up more than 18% since the start of 2025. Diversification helps a lot, unless you are in the business of writing news headlines.

Next, how does the current environment shape our investment strategy?

Now let's talk about what we have been doing over the last two years to prepare for this market.

- **Cash Reserve:** Leading into the end of 2024 and starting 2025, we increased our target reserve from 6 months of cash needs to 12 months. This means you sold investments as the market was rising, and you aren't likely to need to sell more soon.
- **Fixed Income:** When interest rates shot up following COVID, we jumped on opportunities to lock in the higher rates on bonds, GICs, and other fixed income securities. Now that rates have started coming back down, portfolios have benefitted from higher-yielding investments.
- **Canadian Equity:** Our tactical positions in the Canadian equity market are focused on our strong natural resources sector. In the last year and a half, we have increased allocation to companies in the precious metals sector, particularly gold royalty companies like Weaton Precious Metals (symbol WPM), Sandstorm Gold (SSL), and Osisko Royalties (OR). These companies own rights to the ore that miners extract. Whenever gold is mined, they get a piece. These companies benefit when the gold price increases and when miners expand operations, but they aren't actually responsible for operating the mines.
- **US Equity:** Outside of Canada, we shifted investments away from the US and into other developed countries. The allocation that remained in the US was shifted away from mega-huge technology names and towards the broader market in 2023. Specifically, we re-allocated holdings of the S&P 500 Index (which gives more weight to larger companies) towards the S&P 500 Equal Weight Index (which gives the same weight to each company) and the Invesco Risk-Adjusted Fundamental Index (which gives more weight to companies in strong financial situations). These two moves meant that the US Equity part of your portfolio performed a bit worse than the overall market in 2024 as the technology names soared. However, if the US economy continues to struggle, we expect the reverse to be true going forward.
- **Global Equity:** Compared to most benchmarks, our investment model includes a higher allocation to equity outside of Canada and the U.S. In 2022, we increased our exposure to developed countries outside of North America. Most of these countries are in Europe and the western Pacific (eg Japan, Korea, Australia). Europe is one market we are excited about for the future as major governments are beginning fiscal stimulus programs not seen since the end of the second world war.
- **Alternatives:** In 2022, we added meaningful investments in physical gold, which became the cornerstone of our alternative asset strategy. Gold returned basically nothing through the fall of

2023. Since then, it has appreciated more than 50%. We also added investments to alternative strategies which offer very good long-term returns but aren't dependent on the performance of equity markets.

Finally, what can you do to help us navigate your portfolio through these turbulent times?

If you know what news will come from the White House next, please share. Our only other request is simple. Let us know if there is a big change in your life because we want to make sure that your asset allocation fits your situation. If you get a new job, or retire, or you have plans for a big purchase, give us a call and we can discuss whether changes to your portfolio can help you reach your goals more quickly.

Our News

[Announcing the Retirement of Kim Mathers](#)

After more than 25 years in the industry, 9 years on the Christianson Wealth Advisors team, and billions of dollars transferred here, there, and all over the world, we are excited to let you know that Kim Mathers has retired! We want to take this opportunity to thank Kim for her dedication. Her presence in our office will be missed. After a few weeks of well-deserved R&R, Kim is traveling to Italy in May, spending summer at her partner's cabin, and plans to visit her daughter Sam anytime she wants!

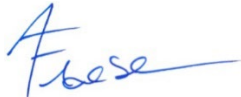
Kim, we wish you all the best. May the sun shine and may your wine glass flow over.

Sincerely,

Christianson Wealth Advisors



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Wealth Advisor & Portfolio
Manager
CFA, CFP,
B. Comm (Hons), B. Ed.



Andrew Froese
Wealth Advisor & Portfolio
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