Our expertise, your success

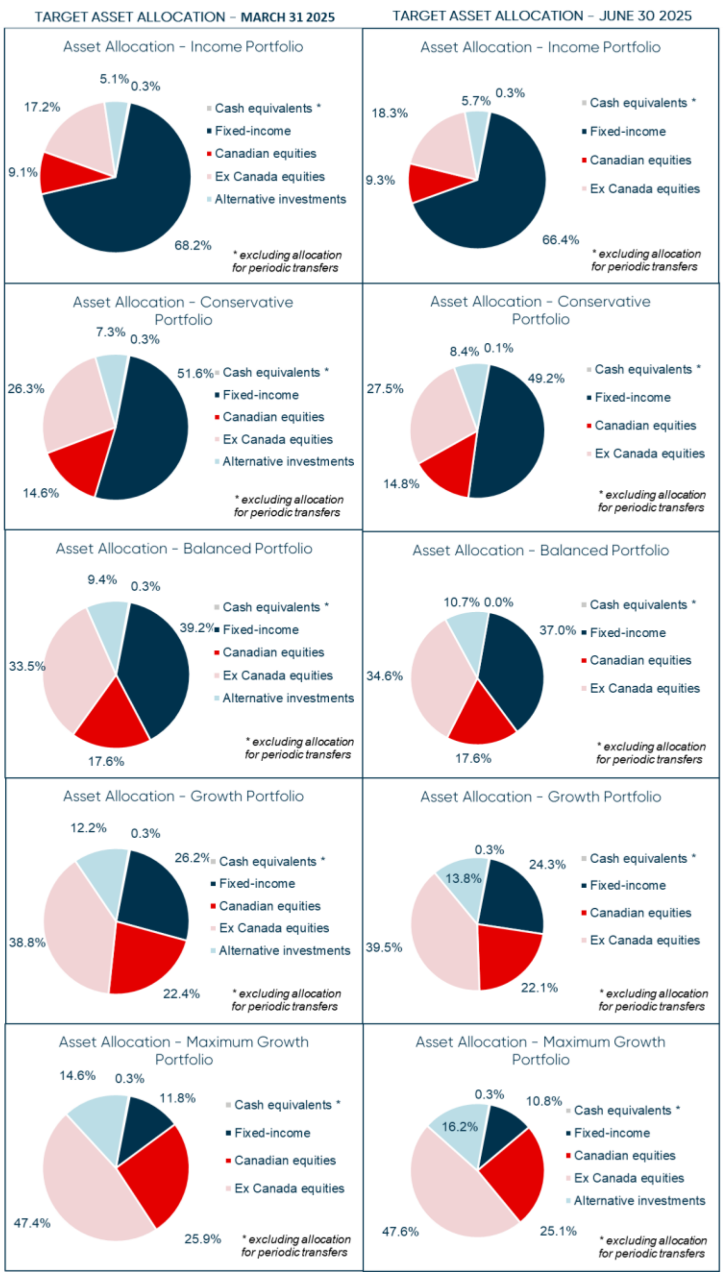
Team Chartier Grandmaison Leclerc

Managers of your family's wealth

2nd QUARTER 2025 SUMMARY

Asset Allocation Strategy

Several adjustments were made this quarter, increasing the weighting of international equities and alternative investments, and reducing that of U.S. equities. The other changes reflect market movements.



Portfolio Model Revisions

At the beginning of the quarter, we decided to reduce our exposure to U.S. equities in favor of international equities, which offered better valuations, stronger growth prospects, and greater stability amid ongoing economic uncertainty in the United States since early 2025.

To implement this, we halved our position in the IA Clarington Global Equity Fund (CCM5013) to strengthen our allocation to the High Conviction International Equity Private Portfolio (NBC4080), managed by Pinestone Asset Management.

Later in the quarter, we reallocated the bulk of the remaining balance of CCM5013 to a new alternative fund, the IA Clarington Alternative Multi-Strategy Mandate (CCM8752), which enhances portfolio stability even in uncertain market conditions. This fund combines several alternative investment strategies, allowing for better risk diversification.

We also sold our position in FTT (Finning International) after a strong performance, as it had reached our target price. In its place, we purchased shares of WSP Global, a well-established Canadian company that provides engineering consulting services (such as planning and managing infrastructure, transportation, and energy projects) worldwide. WSP is known for its stability, strong management, and growth potential. It benefits from global demand for improved roads, bridges, energy networks, and other essential infrastructure. Unlike other companies in the sector, WSP does not handle construction itself, which reduces financial risk.

We also sold our position in Canadian Tire to reposition the portfolio toward a stock offering greater stability and long-term growth potential. While Canadian Tire remains a well-established company in Canada, it faces certain challenges, including relatively high debt levels and pressure on non-essential product sales in a more cautious economic environment. Additionally, the company is undergoing a strategic restructuring, which may create short-term uncertainty. The proceeds from this sale were reinvested in Manulife, a strong and well-diversified international financial company offering an attractive and stable dividend—higher than that of Canadian Tire—and solid growth potential driven by the digitization of its services and growing demand for retirement products.

To reduce our exposure to a potentially more volatile asset class in the short term, we exited our positions in U.S. mid-cap equities. This decision was made in the context of macroeconomic uncertainty in the U.S., marked by conflicting signals regarding growth and monetary policy.

Accordingly, we sold the iShares S&P U.S. Mid-Cap Index ETF (CAD-Hedged) – XMH, the TD U.S. Mid-Cap Fund (TDB2305), and our position in Lululemon (LULU), whose outlook had deteriorated in recent months. The proceeds were reinvested in the iShares MSCI International Quality Factor ETF – IQLT and in TJX Companies.

IQLT provides exposure to over 300 high-quality international companies characterized by strong fundamentals and long-term resilience. Its geographic and sector diversification reduces dependence on the U.S. market by including developed markets such as Europe, Japan, and Australia across key economic sectors (finance, industrial, healthcare, consumer staples and discretionary, etc.). Companies included in this ETF are selected based on return on equity, earnings stability, and low debt ratios.

TJX Companies is a global leader in off-price retail, operating under banners such as T.J. Maxx, Marshalls, HomeGoods, Winners, Homesense, and Sierra. The company specializes in selling apparel, home goods, and accessories at prices lower than those of traditional retailers. Its business model is based on an opportunistic buying strategy, rapid inventory turnover, and a treasure-hunt shopping experience. Since the beginning of the year, TJX has shown strong sales growth, demonstrating the resilience of its business model even in an uncertain economic environment.

Quarter Highlights

The second quarter of 2025 was marked by intensifying economic and geopolitical challenges. Following an already turbulent start to the year, trade tensions between the United States, Canada, and Mexico continued to deteriorate. The U.S. administration expanded tariffs to additional economic sectors, increasing uncertainty for businesses and investors.

In the United States, consumer spending remained stagnant, and GDP growth delivered disappointing results. Aggressive trade policies further fuelled concerns about a prolonged economic slowdown. In contrast, Canadian exports continued to grow, providing some relief despite an overall fragile economic environment. However, trade tensions weighed on market optimism and domestic challenges such as inflation and housing market pressures added to the complexity.

In this climate of uncertainty, U.S. equity indices showed signs of increased volatility and they underperformed. Investors sought to adapt to these changing conditions by favouring a cautious and diversified approach. This complex economic backdrop highlights the importance of staying focused on long-term goals despite immediate challenges, and of not placing too much weight on current events when making investment decisions.

Outlook

Although the economic environment remains fragile, the baseline scenario of modest but positive growth appears increasingly likely. Recession risks are diminishing, which supports an investment strategy that is cautious yet open to opportunities, with enough flexibility to adapt as conditions evolve.

By maintaining optimal diversification across equities, fixed income, and alternative investments, and by applying disciplined investment strategies, our portfolios are well positioned to navigate a complex economic landscape. With a focus on quality and a keen eye for opportunities, these periods of turbulence can become levers for generating long-term growth potential.

"A goal without a plan is just a wish." - Antoine de Saint-Exupéry