

Investor Insights



Q2 2025 - Investor Insights

Market Review

As we reach the halfway point of 2025, markets have delivered a mix of resilience and volatility. At the close of the second quarter the S&P/TSX Composite Index advanced 7.8%, supported by a defensive sector mix and a strengthening Canadian dollar, which appreciated against the U.S. dollar. Canadian equities have now outperformed U.S. markets on a year-to-date basis and Canada is up 8.6% versus our U.S. counterpart index S&P 500, which is up 5.6%. Although the U.S. markets did outpace Canada in the second quarter comparatively, had strong gains and up 10.6% for Q2. The rally was driven by robust corporate earnings, optimism around artificial intelligence, and expectations the Federal Reserve may begin easing interest rates later this year. Markets also responded positively to the temporary suspension of broad-based tariffs earlier in the quarter. Notable sectors for the second quarter in Canada were the IT Sector and Financial, particularly our Banking Sub Sector, each posted close to mid-teens returns. Energy was the poorest performing sector for the quarter, posting nearly flat returns, as oil prices declined amid geopolitical uncertainty and trade-related demand concerns. The Materials, more specifically the Gold Sub Sector, had decent returns for the quarter with a markedly slowdown in pace since the beginning of the year. But year-to-date, this sector has significantly outpaced others and is up over the 40% range. For the U.S. one of the top performing sectors was found in the continued enthusiasm for AI which led the Tech sector to close low twenties quarterly returns erasing the losses felt from the first quarter.



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Their Communication Services Sector was up in the high teens for Q2, with growth in the digital advertising and streaming platforms. Similar to Canada, the Energy Sector for the U.S. posted a dismal quarter down just shy of the 10% range. The Growth Index advanced at significant margins versus Value this quarter, it was up in the very high-teens compared to the low single-digit returns in Value. In comparison to the first quarter where Growth underperformed Value, made up all its losses and surpassed Value, year-to-date Growth is up 8.5% vs Value up 2.2%. Gold bullion had an up quarter, up 5% closing at \$3,277/oz and posting gains in the mid-twenties for the first half of this year. Crude Oil West Texas Intermediate (WTI) was down sharply for the second quarter at the high-single digit range and ending the first half of 2025 down 9.2%.

Our Portfolios

The Ternion Wealth Portfolios all posted positive returns for the second quarter of the year, as market indexes caught up from the closing of the first quarter and outperformed them. For this most recent quarter, the best performing portfolio is the Global Growth Portfolio, in similar fashion to the strength in the growth area and their tech and communication services sectors. This portfolio was underperforming our Canadian portfolios to start the year and has made substantial gains in the second quarter. The Dividend Growth portfolio led our Canadian portfolios with the Canadian Dividend portfolio closely behind. Our Canadian Fixed Income Portfolio maintained slow and steady with very moderate gains for the quarter. There were no major changes to our portfolios, there was a quarterly rebalance to bring the weightings in line and a cash sweep into our High Interest Savings Money Market Funds. Each of our equity portfolios now have an overweighted cash allocation ranging from 10% to mid-to-high teens in cash and/or cash equivalents. In our Canadian Fixed Income a new position of a High Interest Savings ETF, called Purpose High Interest Savings was added to the portfolio which yields about a 3.4% in interest income. For reference, our general aggregated returns based on the categories of client's investor profiles are as follows; majority our of clients fall under the Growth profile which had a quarterly return of 3.3% and year-to-date return of 5.8%. Our Maximum Growth profile aggregated quarterly returns shows 3.5% with a year-to-date return of 7.6% and our Balanced profile returned 4.2% for the quarter and 5.2% for the first half of the year. A reminder that your individual quarterly performance reports are enclosed with your specific returns that relate to your accounts.

Outlook

The most significant market-moving event was the U.S. administration's imposition of sweeping tariffs in April, dubbed "Liberation Day." This triggered a sharp selloff, but markets rebounded after a 90-day suspension and signs of trade truce progress with trading partners. Another area of major concern many investors puzzled over was how recent U.S. legislations and their "revenge tax" would affect us Canadian investors and U.S. investments held. Right before the final approval from senate, the bill was revised and at the moment those concerns have dissipated for the time being.

Nothing new in a sense from what we've experienced to start the year, major volatility and major headline driven market reactions continue and don't foresee any changes to this for the remainder of the year. For Canada, with recent change over to the new Liberal Party Leader and Prime Minister, Mark Carney, there has been positive momentum in reinvestment into our Canadian energy sector. His announcement to build out pipelines to our BC's coast is good news and to our existing holdings within our Canadian portfolios. Names like TC Energy (ticker TRP), could be a frontrunner to design, build or operate this pipeline, as well as Enbridge (ENB) and Pembina (PPL) could all potentially benefit. Another commitment to increase spending by our Prime Minister in the area of Defence could be an area that we could see gains in. Our relatively recent add of the company Exchange Income Corporation late last year is a name that saw a bolstered reaction to this recent news and does have strong prospects ahead. I still maintain an overall cautious outlook, global economic growth is unclear and trending down, the front running off of tariff news may have skewed some economic data as well as their effects on inflation may not be fully reflected just yet. The instability geo-political events are still very apparent and trade wars continue on. Nothing is clear with any type of conviction so we maintain a decent cash position, still are participating in strong equity markets and a potential for redeployment of some cash into Defensive names and/or loading up on some of the existing energy positions are how we will approach the second half of this year.

Probate Planning: What to Consider

What is probate? - It's the court process that confirms the validity of the will and gives someone the go-ahead to hand out assets. Each province in Canada has different rules and fees, so it's good to know what applies where you live.

Some typical probate fees across Canada:

- Alberta: Flat fee, up to \$525
- British Columbia: Up to 1.4% of estates over \$50K
- Ontario: 1.5% on amounts over \$50K
- Quebec: Notarial wills usually skip probate
- Other provinces: Fees based on estate size—check local rules

There are some strategies to make probate easier, lessen the burden or in some cases avoiding it:

- Name beneficiaries on things like RRSPs, TFSAs, and insurance. These skip probate.
- Own assets jointly (outside Quebec)—the survivor usually gets everything right away.
- Set up a trust to pass on assets outside probate.
- Gift assets while alive (but remember taxes might apply).
- Secondary wills for business owners (in ON and BC) can save on fees.
- Charity gifts can cut down your estate's value and fees.

Even with planning, probate is sometimes necessary—such as for solely owned assets, real estate (unless jointly owned with survivorship), or when a will is unclear, contested, or missing. Executors should file probate promptly, consult a lawyer for complex estates, and use provincial resources to streamline the process.

The Executor in probate planning is required to fulfill a number of duties. They must locate and take inventory of all assets. Ensure all debts and taxes are paid before distributing the estate. They are required to file final tax returns and obtain a Clearance Certificate from the Canada Revenue Agency (CRA). Keep detailed records to prevent any disputes among heirs. And if probate is contested, hiring legal assistance may be required to settle disputes.

A little probate planning now can save your family time and money later. We regularly review your estate plan and beneficiary designations to ensure everything aligns, striving to keep all aspects of your planning in order. This guide is for informational purposes only and does not constitute legal advice. If you need an estate lawyer, we can connect you with qualified experts.

Sincerely,

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