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IMAGINE YOUR FUTURE

"The beginning is the most important part of the work" - Plato

THE WAY I SEE IT

By SERGIO SIMONE

If you've been watching the headlines or checking your portfolio lately, you know the markets have been on quite the rollercoaster. Volatility always makes people uneasy, but if there is one thing I've learned over my 40+ years in this business, it's that there's always a silver lining, no matter how turbulent the markets may seem. I've seen my fair share of market downturns, corrections, recessions, and unexpected economic shifts—but through it all, **opportunities have always emerged for those who stay focused and patient.**

Optimism isn't just about hoping for the best; it's about recognizing that even in challenging times, there are strategic moves that position investors for future success. Markets go through cycles, and while volatility can feel unsettling, it often paves the way for new possibilities.

THE WAY I SEE IT

It is not like this is the first time we are experiencing a "panic inducing" event. Every veteran investor has gone through these trying times. We've been through corrections, recessions, inflation scares, and global uncertainty before. It always feels overwhelming in the moment, but every single time, we've seen things turn around. Companies adjust, economies stabilize, innovators emerge, and long-term investors who stick to solid strategies end up ahead. Right now, despite all the noise, **many businesses remain strong, corporate earnings are holding up, and market fundamentals look better than the headlines suggest.**

One of the biggest advantages in times like these is being properly diversified. If history has taught us anything, it's that spreading investments across different industries, asset classes, and global markets helps weather the storm. **While U.S. stocks are facing challenges, European equities and emerging markets are showing strong growth,** opening the door to new opportunities. Defensive sectors—things like healthcare, utilities, and consumer staples—tend to hold steady in rough patches, making them an important part of any portfolio right now.

Let's also talk about **mutual funds**, because they really shine during uncertain markets. Unlike individual stocks, mutual funds **offer built-in diversification, professional management, and a disciplined approach to investing.** Fund managers make strategic decisions based on **economic trends, sector performance, and market shifts**, so investors don't have to react emotionally to every dip and swing. Mutual funds also allow for **systematic investing strategies like dollar-cost averaging,** which smooths out short-term volatility and keeps portfolios on track for the long haul.

Most importantly, this isn't the time to panic—it's the time to **stay focused on the fundamentals.**

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Despite the noise surrounding global markets today, **many key fundamentals remain intact,** providing reassurance for long-term investors. Corporate earnings continue to show resilience, especially in sectors such as healthcare, consumer staples, and utilities, which tend to perform steadily in uncertain environments. Inflation, while a concern, is also contributing to revenue growth, as businesses adjust pricing strategies and adapt to changing conditions. Meanwhile, diversification remains a powerful tool, with emerging markets and European equities showing signs of strength, offering opportunities outside the usual investment landscape. The bottom line is that businesses are still innovating, inflation—while a concern—is boosting corporate earnings, and history has repeatedly shown that **markets reward those who stick to their plan.**

Market volatility may seem unsettling in the moment, but if history has shown us anything, it's that **markets are resilient**. I know I must sound like a broken record but this needs to be repeated. Over the past several decades, we have faced financial crises, recessions, inflationary pressures, geopolitical uncertainty, and technological disruptions. Yet time and again, investors who remained disciplined and focused on long-term fundamentals came out ahead. Whether it was the **market crash of 1987, the dot-com bubble of the early 2000s, the Great Recession of 2008, or the COVID-19 downturn of 2020,** each period of uncertainty was ultimately followed by recovery and growth. Understanding this cycle can help ease concerns, reminding investors that markets reward patience and sound strategy.

Volatility isn't just something to endure—it's also a source of opportunity. Many seasoned investors recognize that downturns provide **valuable entry points**, allowing them to acquire high-quality assets at discounted prices rather than buying at market highs. When emotions drive markets downward, disciplined investors have the chance to build strong portfolios at lower valuations. Those who take advantage of these moments often find themselves better positioned when the inevitable recovery takes place.

Rather than reacting to short-term fluctuations, now is the time to **focus on fundamentals, stay diversified, and trust in the proven strategies that have worked through past market cycles.** While every correction feels unique, the underlying investment principles remain the same: maintaining a long-term perspective, adjusting strategically, and using volatility as an opportunity rather than a setback.

If you're feeling uncertain or have questions about your portfolio, let's connect. We are here to guide you through this moment and make sure you feel confident in the approach we're taking.

We've seen tough markets before, and we've always come out stronger. Let's navigate this together.

As of late, my brother, Jonathan, has been writing articles for a science magazine. The articles are written by scientists but written for people not involved in science. I thought it was a clever idea and a great way to show and explain complex science to anyone who doesn't remember how to turn on a Bunsen burner – or even remember what one is (it's a lab tool high school kids use to melt pens).

Jonathan's recent article was about universal measurement and how only recently (within the last 60 years), have parts of the world agreed on units of measurement. It was a fascinating read, and it got me thinking about the measurements we use in investment planning. Some of the more common ones you may have heard about include standard deviation or P/E ratios. But there are actually quite a few more measurements to help gauge whether an investment is good, bad, or just mediocre.

Batting Average

One of my personal favorites is the Batting Average Ratio. Baseball players use batting average to measure how well they hit. In 2024, Toronto Blue Jays Vladimir Guerrero Jr., who was recently signed for a 14-year term with a $500 million payday, had a batting average of .323. In a sport where failure dominates, that is an incredible average. But batting average can also be used to measure how well a mutual fund performs versus an index or benchmark.

Batting average is a measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period. For example, a manager who meets or outperforms the market every month in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50. Over a 5-year period, about 23% of all funds available to Canadians have a batting average over 50.

Batting average has the advantage of being a consistent measurement, is simple and straightforward, and offers a quick benchmark comparison. However, it ignores magnitude of returns and does not account for the size of gains or losses vs the benchmark. It is also risk blind meaning it does not consider the level of risk taken to achieve a higher return. Surprisingly, low and low-medium risk bond funds tend to have higher batting averages. This is because most actively managed bond portfolios tend to outperform passive bond portfolios. One of the more conservative funds we use in our model portfolios, the Forge First Conservative Alt Fund, has a 65-batting average over a 5-year period. This is on the higher end for many funds.

Upside/Downside Capture Ratio

This metric measures how well a fund performs in relation to the market during periods of gains (upside) and losses (downside). A fund with a high upside capture ratio and a low downside capture ratio is ideal since it indicates strong performance during market upswings and limited losses during downturns. One fund we've recently introduced into our model portfolios is the GQG Partners Global Quality Equity Fund. This fund has a three-year downside capture ratio of only 55.77%! In other words, this fund only captures half of the downside of its benchmark.

On the opposite end, our model portfolios include the more aggressive Fidelity Global Innovators fund which has a 5-year upside capture ratio of 144%.

Active Share

Active Share quantifies the percentage of a fund's holdings that differ from its benchmark index. A higher active share means a more actively managed fund which can be a sign of potential for higher returns or higher risk compared to passive funds. This is advantageous because it helps investors distinguish between truly active funds and the dreaded "closet indexer" funds who charge fees to mimic the benchmark. Funds with high active shares often have the best potential to outperforms their benchmarks. Active share also creates transparency for investors since it provides a clear picture of how much a fund deviates from its benchmark and this can lead to better understand of the fund managers' strategy.

A good active share number is anything over 80% and a poor active share number is anything under 60%. An active share between 60% to 80% are moderate but still acceptable. An investor should expect less outperformance potential, and a downside capture potential closer to the benchmark. Typically, US funds that use the S&P 500 as a benchmark will be in the moderate range. This is because the S&P 500 is notoriously difficult to beat over a 10-year period. Our Core US Large Cap holding in the KPW Model portfolios is the AGF American Growth Fund. It has an active share of 80% and has outperformed its benchmark on a 5-year and 10-year basis.

Metrics like Active Share, Upside/Downside Capture, and Batting Average are helpful when it comes to measuring the value a mutual fund can bring to a portfolio. However, no metric is perfect on its own and often we need to filter through many metrics to get a good picture of a fund. There are rating systems that help such as the Morningstar 5-star rating system or the Quartile rating system. These rating systems provide the quickest overall glance at whether a fund is worth a deeper exploration. Because when you're staring at a list of 20,000 potential candidates, narrowing a portfolio down to just a few funds would be a daunting task without the help of a few good measurements.

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Debt management, to varying degrees, impacts most of our client’s Life Plans. Although this may seem like a very basic concept, I am often surprised to learn the lack of understanding and misconceptions that people have surrounding one debt in particular: credit card debt. This lack of knowledge can lead to financial difficulties as well as dangerous and damaging long term consequences. My goal is to try and demystify credit card debt, highlight common misunderstandings, and offer strategies for managing it effectively.

It's important to lead with the fact that credit cards can be a useful financial tool, providing convenience and rewards for everyday spending. However, they can also lead to significant and unmanageable debt if not managed responsibly. There are several key points to understand when it comes to credit cards. Unlike installment loans (such as a mortgage or car loan), credit cards offer revolving credit, meaning you can borrow up to a certain limit, repay some or all of it, and borrow again. Credit cards typically have high annual percentage rates (APRs), often ranging from 15% to 30%. If you carry a balance from month to month, interest charges can add up quickly. While paying the minimum keeps your account in good standing, it extends the repayment period and increases the total amount of interest you’ll pay over time.

While credit cards offer flexibility, they also come with significant downsides if misused and there are several key risks to consider. Credit card interest compounds daily, meaning that balances can grow quickly if not paid off in full. This can lead to a cycle of debt that becomes difficult to escape. The ease of using credit cards can lead to excessive spending, making it easy to accumulate debt far beyond what one can reasonably repay. Carrying high levels of credit card debt can cause stress and anxiety, impacting mental health and overall well-being. Missed or late payments can severely damage your credit score, making it more difficult to qualify for loans, mortgages, or even rental agreements in the future. Many credit cards come with annual fees, late payment fees, cash advance fees, and foreign transaction fees that can add up quickly if you’re not careful. Worst case, if balances become unmanageable, individuals may default on payments, leading to collections, lawsuits, and even wage garnishment in extreme cases.

Many people misunderstand how credit card debt works, leading to financial mistakes and ultimately hindering their ability to live the life they envision. One of the biggest misconceptions is that paying the minimum due is a good strategy. In reality, only making minimum payments prolongs debt repayment and costs you more in interest. Whenever possible, pay more than the minimum to reduce your balance faster. Some believe that carrying a balance improves their credit score, which is false. Rather, what actually matters is your credit utilization ratio (the percentage of your credit limit you’re using). Keeping balances low and making on-time payments are the best ways to maintain a strong credit score.

While high-interest debt can be dangerous, using credit cards responsibly can be beneficial. Many offer rewards, cash back, and purchase protections. The key is to pay off balances in full each month to avoid interest charges. Closing a credit card account can actually hurt your credit score, especially if it reduces your total available credit and increases your utilization ratio.

Instead of closing a card, you may want to consider keeping it open with occasional small purchases.

If someone is struggling with credit card debt, we can offer several strategies to help regain control. The first is to create a debt payoff plan, such as the avalanche method (paying off the highest-interest debt first) or the snowball method (paying off the smallest debt first for quick wins). Another option is to consolidate debt, as balance transfer credit cards and personal loans can help consolidate multiple debts into one lower-interest payment. Alternatively, some may want to negotiate with creditors, as some credit card issuers may offer lower interest rates or hardship programs if you reach out and explain your situation. Ideally, you want to stick to a budget, identifying areas where you can cut back and allocate extra funds toward paying off your debt. Finally, you want to do your best to avoid new debt; while paying down your balances, and limit new credit card use to prevent further accumulation.

Credit card debt doesn’t have to be overwhelming if you understand how it works and avoid the common pitfalls. However, it is important to recognize the risks associated with carrying a balance and accumulating debt. By making informed decisions, paying more than the minimum, and utilizing strategic repayment methods, you can take control of your financial future. Working with a financial professional like us can offer personalized guidance to help you develop a plan, including the use of debt, tailored to your lifestyle needs.

PROTECTING YOUR LIFESTYLE BY KPW

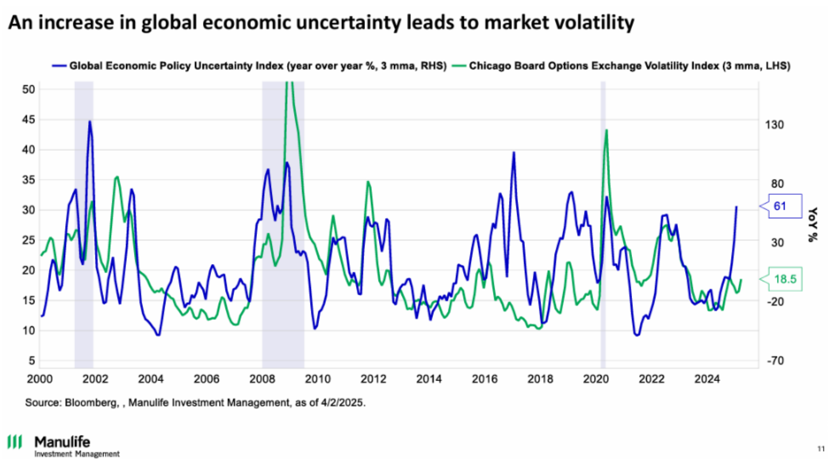
Q1 2025 Market Review: Analyzing the impact of tariffs and geopolitical dynamics

If the first quarter of 2025 were a movie, it would probably be another installment of the Fast and Furious franchise. The unanswered questions surrounding potential tariffs on Canada, Mexico, China, and Europe have indeed come fast and furious, leading to much uncertainty and volatility in the markets.

We received a bit of clarity on 'Liberation Day'. The Trump administration unveiled a baseline tariff of 10% on all countries that goes into effect April 5th. Even larger tariff rates will be applied on certain countries that have larger tariffs against the United States. For example, Vietnam will see a tariff of 46%. The tariffs that stood out were tariff rates of 34% on China, 20% on the European Union and 24% on Japan. Of note for Canada and Mexico, nothing additional was announced to what we already know. We believe that the exemption of Canada and Mexico were very significant as it leaves the door open for continued negotiations.

As the locals tend to say about the weather in Scotland, with an air of bemused resignation, "If you don't like the weather, wait five minutes." It's a sentiment that many investors can relate to in light of the current trading environment. The Trump administration has indicated that all these tariffs are not set in stone and depend on tariff policies of these countries moving forward.

The heightened sensitivity to this geopolitical landscape is reflected in the recent spike in the Global Economic Policy Uncertainty Index (GEPU), which tracks the frequency of mentions of certain words and terms that are used to describe and explain economic policy. It's perhaps no coincidence that the Cboe Volatility Index (VIX)—the market's go-to index to gauge market volatility—is strongly correlated with the GEPU.



Source: Macrobond, Manulife Investment Management, as of March 27, 2025. VIX refers to the Cboe Volatility Index. YoY refers to year over year. LHS refers to left-hand side. RHS refers to right-hand side. It is not possible to invest directly in an index. Past performance does not guarantee future results.

As a result, after two years of limited volatility—barring a brief spell last summer—investor appetite for risk assets has decreased. Equity markets in North America suffered during the first quarter: The S&P 500 Index, S&P/TSX Composite Index, Nasdaq Composite Index, and Russell 2000 Index were 4.6% $USD%, +0.8% $CAD, -8.3% $USD, and -9.8% $USD, respectively, during the quarter. There were some areas of positivity, however, as Europe and China fared much better, with the MSCI Europe Index and the MSCI Asia Pacific ex Japan Index respectively ending the quarter +5.3% $EUR and +1.4% $USD higher. It was as though investors took their proverbial ball out of North America and decided to play elsewhere. European markets were supported by changing attitudes toward additional fiscal spending among policymakers, leading to improved growth expectations. News that Purchasing Managers' Indexes in the eurozone region for both the manufacturing and services sectors have come off extreme lows also added to momentum. Chinese equities benefited from Beijing's renewed focus on domestic growth.

On the fixed-income side, there are signs that the negative correlation between stocks and bonds may be strengthening. North American fixed income had a relatively positive quarter: Canadian and U.S. bonds measured by the FTSE Canada Universe Bond Index and the Bloomberg U.S. Aggregate Bond Index respectively gained +2.0% $CAD and +2.8% $USD in the first three months of 2025. In our view, this highlights the important role that bonds typically play in asset allocation decisions as a tool to mitigate volatility.

How we're thinking about the markets

If it feels like we're repeating ourselves, that's because we are, but some messages are worth repeating. In periods of uncertainty, investors should ask themselves whether the situation is likely to be disruptive or destructive in nature. We believe the current backdrop is more likely to be disruptive, like the many other geopolitical developments that we've experienced in the past.

Policymakers may be planning to use tariffs as a tool in future trade negotiations. In our view, while it could be part of an effort to secure leverage in eventual trade talks with Canada, things may not be quite so straightforward. We highlight three critical areas that help support a strong argument in Canada's favour.

1 The auto industry

A car can cross the U.S.-Canada and/or the U.S.-Mexico border as often as eight times throughout the manufacturing process. According to reports, tariffs could cause car prices to increase by up to $12,000 for some models.

Canada exports roughly 1.5 million cars to the United States. Building car manufacturing capacity isn't just a capital-intensive undertaking—it also takes time. The process is likely to take years and may well lead to disruptions in the interim.

A report suggests that if U.S. automakers were to move manufacturing activities back to the United States, it would likely lead to higher prices. In the longer term, labour costs could increase 10%, while light-vehicle sales may decline by the same percentage.

2 Oil

Many U.S. refineries are designed to process Canada's heavy crude, Western Canadian Select (WCS). Of 130 U.S. refineries, 25 use Canada's WCS (roughly 20%). If they went offline, it's reasonable to assume that U.S. consumers would see a sharp increase in gasoline prices.

Fifteen years ago, about 140,000 barrels of Canadian oil made their way to the United States daily. Today, the number is closer to 450,000 barrels because of improved pipeline infrastructure. Oil transportation is much less efficient for oil imported from outside North America.

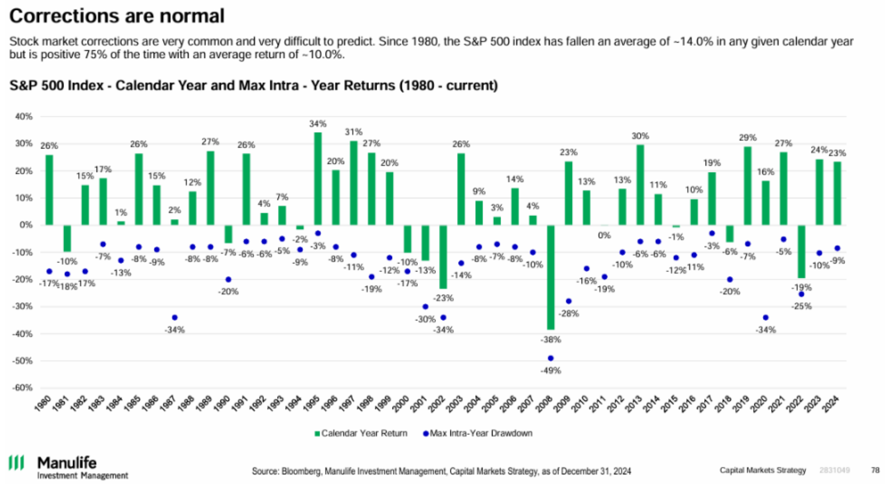
3 Potash

Canada is the world's biggest producer of potash, a key ingredient in fertilizers used in crop farming, followed by Russia, Belarus, and China.6 The United States, as it happens, imports some 85% of its potash from Canada.

Potash production in Russia and Belarus has fallen in the past few years due to geopolitical events, a development that may make it challenging for U.S. farmers to find alternative viable sources of potash in the short term, which could translate into higher prices for U.S. consumers.

We believe that the Trump administration judges its performance by the health of the U.S. economy and the stock market, and chances are that, at some point, the administration will seek to negotiate a solution with their counterparts. What that will take—a sustained pullback in the stock market, or even a bear market—is impossible to know. One thing that's clear to us, however, is that as of the end of the quarter, we're not near crisis levels yet.

Stock market corrections are both very common and very difficult to predict. Since 1980, the likelihood of the S&P 500 Index slipping into correction territory (i.e., a drop of 10% or more) within a calendar year is higher than 50%, and the average market retracement amid a sell-off in any given calendar year is ~14%. The broader context against that eye-catching data is that the market has historically stayed in the positive column roughly 78% of the time for the calendar year, posting an average return of ~10%.



Source: Bloomberg, Manulife Investment Management, January 2025. It is not possible to invest directly in an index. Past performance does not guarantee future results.

With policy uncertainty likely to remain heightened in the near term, outbursts of market volatility will likely continue. So what should investors do in times like these? Our response, once again, may sound familiar and, potentially, a little boring: In uncertain times, we believe that investors should focus on solutions that are more targeted to downside protection than trying to capture upside risk.

When you're at the height of the storm, it can be difficult to remember that sunny days might be just around the corner. Storms, however, do end. What's important is to remain calm until they do.

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PRIVATE WEALTH:
SOLUTIONS FOR HIGH-NET-WORTH INVESTORS

CREATING A LEGACY OF FINANCIAL AFFLUENCE

InsideWealth by CNBC

ROBERT FRANK
WEALTH EDITOR

A LOOK AT HOW WEALTHY INVESTORS RESPONDED TO THE MARKET MADNESS.

Wealthy investors made the best trade last week – largely doing nothing.

While many hedge funds and institutions were selling over the past week, wealthy individual investors were largely sitting tight or even doing a little buying.

Interviews with several top executives in wealth management suggest that unlike the crashes in 2020 or 2008, high-net-worth investors were feeling less pressure to sell over the past week. Some started buying Friday afternoon. And many used the lower prices as an opportunity to do some tax-loss harvesting and estate planning.

John Mathews, head of private wealth management for the Americas at UBS

Like most Americans, wealthy investors are feeling a wide range of emotions from the market and policy turmoil. They are split down political lines, shaping their economic outlook and investment impulses, according to Mathews.

"Our job is to take the emotion out of it and try to level-set," Mathews said. "Most of the time we're psychologists."

That helped clients to avoid making big trades or financial decisions based on feeling over logic. Mathews said many UBS clients started trimming their stocks and "de-risking" in January. While markets were soaring in the first two months of the year on hopes for the new Trump administration, many of the wealthy were selling and adding cash. Their large cash cushion helped keep them calmer during the past week's market turbulence and provided funding for later buying opportunities.

"There is a lot of dry powder on the sidelines right now," he said. "Some of the really wealthy clients were thinking [in January], 'I made a lot of money, it's been easy for two years in a row and everything was working exactly how we wanted it to. But in 2025, we're going to start to see some different things pop up so why not take profits now?'"

Many clients were buying on Friday, when the Dow dropped 2,200 points, Mathews said.

"Friday afternoon, we saw a lot of buying," he said. "Clients were asking whether they should buy individual stocks that have been punished that they always wanted to get into, or just go ahead and buy the indexes."

For the most part, wealthy clients have stopped trading, waiting for more clarity on policy and markets. Others added money to private equity, which is less volatile on a day-to-day basis but still faces challenges with a lack of IPOs and liquidity.

"The question is exits," Mathews said. "How are you going to get exits and when? Our wealthier clients have time horizons of 10 or 15 years to get their money back, so they're not as concerned."

Gold is another big theme among wealthy investors. While it's come off its highs over the past week, gold has been seen as a safe haven even before the week's market gyrations.

“We’re getting a lot of questions about gold,” Mathews said. "Everybody is interested in having a piece of gold as a hedge right now.”

Mathews said one client summed up the broader dilemma for investors this week with a property analogy: “He said, ‘It’s like I wanted to buy a property that had been $10 million and it goes to $8 million. It’s cheaper, and I still like it. But now it could also go to $5 million. So what do I do?’”

Pamela Lucina, head of family office solutions at Northern Trust

During market shocks, Lucina guides clients according to her “three Ps” – don’t panic, don’t predict and engage in planning.

She said Northern Trust makes sure clients always have plenty of cash and other liquid holdings on hand when markets fall, so they don’t have to sell at a loss. These so-called “portfolio reserves” can provide cash for spending when they need liquidity.

“We’ve been telling them forever to plan for volatility, which is inevitable,” she said. “They can pull from those risk-off assets to fund their lifestyle.”

Lucina said her clients didn’t make big moves to buy last week. But she said some clients who had just sold their businesses and excess liquidity started putting some of the money into the market.

“Some of them are starting to deploy it into equities,” she said.

The main advice Northern Trust gave clients over the past week was about estate and tax planning, she said. The market slide created three main planning opportunities.

First, lower asset prices make grantor retained annuity trusts (GRATs) more attractive. Many clients were creating or “freezing” GRATs while stocks were down to create tax savings when transferring wealth to family members.

She also said more wealthy clients were doing Roth conversions, or transferring funds from a pre-tax retirement account to a Roth IRA. Converting at market lows allowed the investors to pay the taxes on lower valuations and hedge the risk of possibly higher tax rates in the future.

Finally, she said, clients were tax-loss harvesting, or selling their losers to use the tax losses to offset investment gains later in the year.

“What we found is that when we were able to turn the conversation more towards planning opportunities, people feel more in control,” Lucina said.

Matthew Fleissig, CEO of Pathstone

“We’re getting less fear from our clients right now and more, ‘Should we be buying’” Fleissig said.

Fleissig said the fear levels from his clients didn’t feel anything like 2000, 2008 or 2020.

Family office clients, or those with $100 million or more, were “layering in” to the market and buying. Clients were also interested in structured products, which can offer protection on the downside but strong upside.

“In times like these, it’s our ability to find asymmetric opportunities, like opportunities in private markets or structured products that investors look to us for,” he said.

One warning: private credit. Wealthy investors and family offices have poured into private credit in recent years, leading to a flood of capital chasing deals with less regard for risk or returns.

“I think a lot of deals in private credit are extremely covenant-light,” Fleissig said.

Dmitriy Katsnelson, deputy chief investment office at Wealthspire

Katsnelson noted wealthy investors tend to hold more cash at the end of the first quarter for tax payments. This year, the cash is serving the added purpose of buffering them from stock and bond losses.

“That timing has been helpful,” Katsnelson said. "And people are asking whether this is a good time to start buying and becoming more aggressive.”

For the most part, investors across the wealth spectrum are avoiding major changes in their portfolio, he said. Yet smaller investors, those with $2 million or $3 million, and those who are close to retirement were feeling the volatility more than the ultra-wealthy clients. That latter cohort has more investments in alternatives, like private equity and direct deals, which don’t price on a daily basis.

“Mainly people are venting,” Katsnelson said. “They have direct exposure, and we’re there to listen.”

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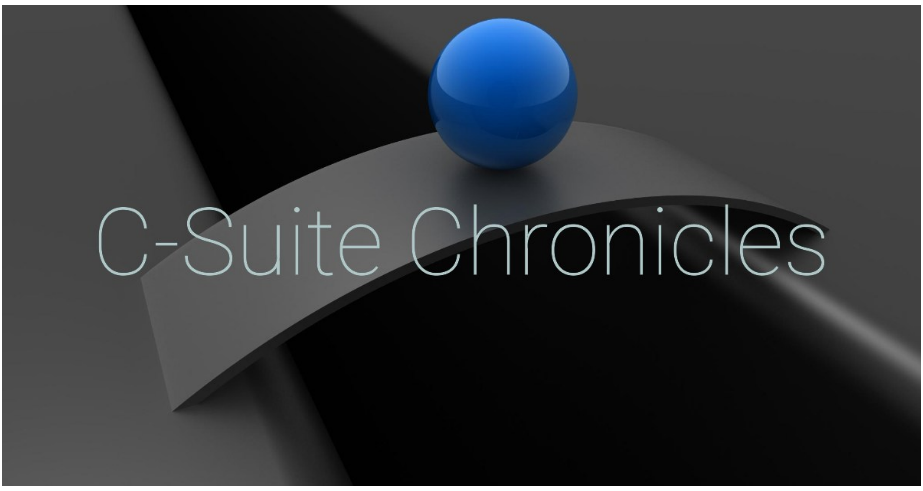

HOW CANADIAN BUSINESSES ARE ADAPTING TO TRADE CHALLENGES

The ongoing trade tensions between Canada and the United States have placed Canadian businesses in a difficult position, particularly those that rely on cross-border commerce. With the U.S. imposing **25% tariffs on Canadian automobiles and other goods,** Canadian corporations have had to **adjust their strategies** to remain competitive while mitigating financial strain. These tariffs have created ripple effects across multiple industries, forcing companies to rethink supply chains, pricing models, and consumer engagement strategies.

THE IMPACT ON KEY INDUSTRIES

The **automotive sector** has been one of the hardest hit, with major manufacturers like Stellantis temporarily shutting down their Windsor, Ontario assembly plant due to the tariffs. The ripple effect of these tariffs extends beyond automakers, impacting thousands of workers in the supply chain and leading to potential layoffs across both Canada and the U.S. The cost of vehicles is expected to rise significantly, with estimates suggesting that the average price of a car in the U.S. could increase by **$5,000 to $10,000** due to these tariffs. This price hike could dampen consumer demand, leading to reduced production and further job losses.

Retailers and consumer brands are also feeling the pressure. In response to the tariffs, Canadian grocery chains such as **Loblaws and Sobeys** have actively promoted domestic products, marking them with **red maple leaf sy**mbols to encourage consumers to support Canadian-made goods. This movement has gained traction, leading to a decline in sales for U.S. brands in Canada, with some American products even being pulled from store shelves. Several U.S.-based companies, including **Parasol Co. and Brown-Forman (Jack Daniels),** have reported significant losses due to declining Canadian demand.

CANADA'S COUNTERMEASURES

To push back against the U.S. tariffs, Canada has introduced reciprocal tariffs on non-compliant U.S. vehicles and auto parts. These measures aim to pressure the U.S. into reconsidering its trade policies while protecting Canadian industries. Unlike the blanket tariffs imposed by the U.S., Canada has **strategically targeted** specific goods to minimize collateral damage to its own economy.

Disclaimer

Additionally, the Canadian government is exploring **remission frameworks** that could provide relief to businesses that boost domestic production. This initiative is designed to incentivize companies to manufacture more goods within Canada, reducing reliance on U.S. imports while maintaining employment levels.

THE “BUY CANADIAN” MOVEMENT

One of the most notable responses to the tariffs has been the rise of **the "Buy Canadian" movement.** This initiative encourages consumers to prioritize Canadian-made products over American imports, helping local businesses maintain stability amid trade uncertainty. The movement has already led to **declining sales for U.S. brands,** with some companies halting their expansion plans in Canada due to shifting consumer sentiment.

Major Canadian retailers have embraced this trend, with **Sobeys launching national ad campaigns** emphasizing the quality of Canadian-made goods. Liquor stores have also removed certain American whiskey brands from their shelves, further reinforcing the shift toward domestic products.

CANADIAN COMPANIES CONSIDERING U.S. RELOCATION

In response to the tariffs, many Canadian companies are **actively considering moving manufacturing operations to the U.S.** to avoid financial strain. A recent **KPMG survey** found that **48% of Canadian businesses** are preparing to shift production or investment to the U.S., **while 60% are pursuing acquisitions in the American market**.

The survey highlights how **high taxes, regulatory burdens, and rising trade tensions** are pushing Canadian companies to seek more favorable business conditions south of the border. Some businesses took **preemptive action** before tariffs were officially imposed, shipping goods to the U.S. ahead of time to avoid cost surges.

Additionally, **Ontario Premier Doug Ford** has been in discussions with U.S. officials regarding trade policies, as several companies are shifting operations to the U.S. due to escalating tariffs on Canadian exports.

LOOKING AHEAD

While the trade tensions remain unresolved, Canadian corporations are proving their resilience by **adapting supply chains, lobbying for policy changes, and strengthening domestic production**. The situation remains fluid, but businesses that focus on innovation, diversification, and strategic planning will be best positioned to navigate these challenges.

As always, staying informed and proactive is key. If you have concerns about how these tariffs may affect your investments or business strategy, let’s connect and discuss the best approach moving forward.

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Janus Henderson INVESTORS

WHAT AN ANCIENT PHILOSOPHER CAN TEACH US ABOUT COPING WITH MARKET VOLATILITY

Wealth Strategist Ben Rizzuto shares timeless teachings from Greek Stoic philosopher Epictetus that may help investors navigate market volatility and uncertainty.

Recent events and the volatility they have created may have you rethinking investing, rethinking your asset allocation, and rethinking how much volatility you can handle.

While we're all eager to get the latest news and guidance on tariffs and market volatility, a philosopher who lived between c. 55 – 135 A.D. may be just the person to turn to right now. The Greek Stoic philosopher, Epictetus, shared ideas on how to live one's life, and these timeless teachings ideas may help investors navigate these volatile times.

Overall, it's important to stay invested. And while this emotional rollercoaster may be hard to stomach at times, below are three ideas that may make it a bit easier and help provide some perspective.

What do we control?

You don't control the markets. None of us do. They go up AND down and have done so for decades. Your experience over the past few days is an experience many have had over the years.

So, if you can't control the markets, what can you control? Our reactions to these external forces are key in markets like this. Over the past several days, you may have felt despair, anger, and frustration, and those emotions can lead to untimely errors like selling investments at the wrong time. Remember, a longstanding investing rule is to buy low and sell high. If you give in to these emotions and sell now, you'll being doing the exact opposite.

The wisdom of long-term perspective

Unfortunately, for many investors, the emotions that are stirred during significant market shifts lead them to make drastic changes in their asset allocation. Loss aversion looms large during volatile markets; it demonstrates that we feel the pain of losses twice as much as the satisfaction we feel from gains. This pain may lead some people to move completely to cash, not only to limit losses, but also to gain a sense of control and security. But this is only a short-term fix: Once the markets return to normal, investors frequently fail to reallocate themselves appropriately and continue to be more conservative than they should be.

As illustrated in the chart below, this leads many investors to miss out on gains when the market rebounds.

Source: FactSet Research Systems, Inc. from 1/1/99 – 12/31/24. The example provided is hypothetical and used for illustration purposes only. It does not represent the returns of any particular investment.

The lesson is this: Your asset allocation will change over time. As you get closer to retirement, it will get more conservative, but this is a change that happens gradually over your lifetime and should not be based on short-term swings.

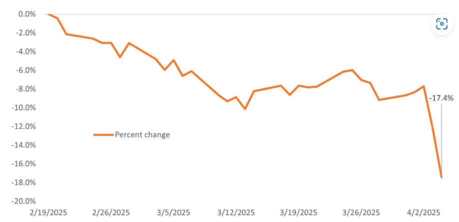
The educated investor

While you don’t need to become a professional investor, it is important to be educated on the markets from a historical perspective.

There have been several corrections and recessions over the years. A correction is defined as a decline of 10% or more from the recent peak. A recession often defined as when the gross domestic product (GDP) growth rate is negative for two consecutive quarters. And we’ve seen corrections and recessions in 1990, 2000, 2008, and 2020, as well as several other periods. But if you look at history, you can see that staying in the market over the long term has paid off.

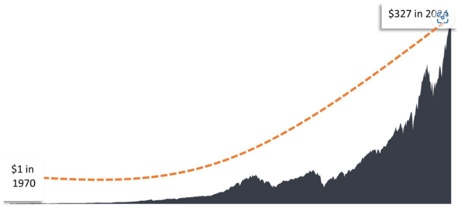
Viewing the performance of the market over a short period of time can look like this:

S&P 500® Index, February 19, 2025 – April 4, 2025



Source: Federal Reserve Economic Data, fred.stlouisfed.org. As of April 4, 2025.

$1 invested in S&P 500 Index since 1970



Source: Lipper, 12/31/69 – 12/31/24. U.S. Equity Market represented by the S&P 500 Index. **Past performance is no guarantee of future results.** Data reflects S&P 500 Total Return Index, which assumes dividend reinvestment. Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

The trend illustrated above looks like a losing proposition. But if we zoom out, we can see that this only a small piece of a larger – much more favorable – picture.

History has shown that many investors who have taken the long view and stayed invested have been rewarded in the end. If you look at several past recessions, they look like bumps in the road along the path of long-term growth.

That’s why it’s so important not to let short-term emotions distract us from our long-term goals. In fact, during these times, it might be a good idea to turn off the TV, stop looking at the markets, and contemplate some philosophy.

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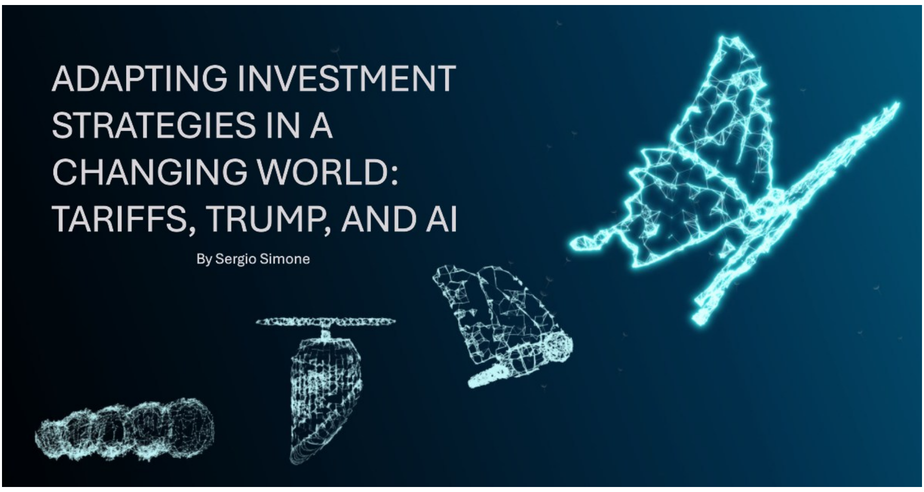

The global investment landscape is undergoing seismic shifts, driven by a combination of trade policies, political dynamics, and technological advancements. For investors in mutual funds, these changes present both challenges and opportunities, requiring a reevaluation of traditional strategies to navigate this new era effectively.

The Impact of Tariffs on Mutual Fund Investments

The introduction of tariffs has significantly impacted international trade, raising costs for industries that rely heavily on imports and global supply chains. This has created volatility but also opportunities within mutual fund categories that focus on domestic production, infrastructure development, and materials sectors. Funds that invest in companies with strong local supply chains may be better positioned to weather the storm. Additionally, commodity-focused funds, particularly those with exposure to energy and raw materials, have seen shifts in performance due to fluctuating trade policies.

Sector-specific mutual funds that emphasize industrial growth and domestic manufacturing could benefit from new government incentives designed to stimulate U.S. production. Investors looking for stability amid tariff-related market swings may find value in funds focused on defensive sectors, such as utilities, consumer staples, and healthcare, which have historically remained resilient during trade policy shifts.

Navigating Trump’s Economic Policies Through Mutual Funds

Trump’s approach to economic policy has reinforced the importance of reassessing how mutual fund portfolios are structured. Government-backed infrastructure projects and domestic energy expansion initiatives may create growth potential in funds focused on industrials, energy, and construction. Additionally, municipal bond funds could see increased demand if federal investments continue to prioritize large-scale projects.

Some equity mutual funds that are heavy on global trade-dependent companies may face near-term headwinds as trade relationships shift. Conversely, mid-cap and small-cap U.S.-focused funds—which have less exposure to international markets—could benefit as businesses focus more on domestic growth.

AI’s Influence on Mutual Fund Selection

Artificial intelligence is transforming industries at an accelerating pace, and mutual funds that emphasize technology and innovation have seen significant capital inflows in response to AI-driven advances. Funds that focus on sectors such as cloud computing, automation, cybersecurity, and AI-based solutions may experience strong long-term performance as companies integrate these technologies into their business models.

At the same time, AI is also being leveraged to optimize investment strategies. Many fund managers now utilize AI-powered analytics to enhance portfolio allocation and identify market opportunities. Investors may want to consider funds that adopt quantitative and data-driven investment approaches, as these strategies help navigate volatility and capitalize on emerging trends.

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Reevaluating Mutual Fund Portfolios for Today’s Landscape

Given the current uncertainty, diversification remains key for mutual fund investors. Instead of relying heavily on a single market sector, investors should explore balanced fund strategies that distribute capital across multiple industries, including defensive sectors, technology-driven funds, infrastructure, and domestic equity funds.

Additionally, multi-asset mutual funds can help stabilize portfolios, providing exposure to bonds, equities, and alternative assets that adapt to changing economic conditions. Fixed-income funds remain a valuable option for those seeking more stability, especially in a fluctuating interest rate environment influenced by political and trade dynamics.

While the world may feel unpredictable, history has shown that markets reward those who stay disciplined and adaptable. By reevaluating mutual fund allocations and embracing new opportunities, investors can position themselves for success in this evolving environment.

NAVIGATING UNCERTAINTY: A PRAGMATIC APPROACH TO INVESTING

In times of market turbulence, it's easy to get caught up in short-term swings and emotional decision-making. But experience has taught that now is not the time to chase fleeting rallies or attempt to be a hero. The focus today is capital preservation, ensuring that investments remain stable while positioning for future opportunities. Protecting capital and safeguarding client portfolios is the priority, with the understanding that the right moment for substantial gains will come—but it isn't today.

During a recent call, portfolio manager Mark Schmehl shared his latest thoughts on the market environment, highlighting how he is adapting his investment strategy in response to tariffs, political uncertainty, and evolving AI trends. He has made key portfolio adjustments—reducing exposure to AI, lowering overall portfolio beta, and shifting focus toward gold and European defense investments to build resilience. At the same time, keeping liquidity available ensures the ability to buy into opportunities when valuations become more attractive. This disciplined approach requires patience, but history has shown that it pays off.

This is the difficult part of investing—the time when strategic adjustments happen behind the scenes, often unnoticed. But when the dust settles, and the market finds balance again, the value of these decisions will become clear. The ability to navigate volatility successfully isn't just about reacting—it's about preparing, staying adaptable, and recognizing that opportunities will come at the right time.

The global investment landscape is undergoing seismic shifts, driven by trade policies, political dynamics, and technological advancements. For investors, these changes present both challenges and opportunities, requiring a reevaluation of traditional strategies to navigate this new era effectively. Mark Schmehl, a seasoned portfolio manager, shares his insights on how to approach these turbulent times with a focus on preserving capital and staying nimble.

Schmehl emphasizes the importance of adapting to bear markets, which he describes as volatile, dangerous, and requiring resilience. He advises against relying on strategies that worked in previous cycles, as they often decline the most during downturns. Instead, his focus is on protecting capital and avoiding impulsive moves during rallies. While bear markets typically end when the path to recovery becomes clear, Schmehl notes that the current trade war and strained U.S.-China relations make it difficult to see the other side. His approach is straightforward: safeguard investments, remain patient, and be ready to act when opportunities arise.

On the topic of tariffs, Schmehl observes that President Trump's recent 90-day pause in tariff escalation was driven by bond market pressures rather than equity declines. This, he argues, reveals Trump's inability to handle sustained pressure, giving trading partners leverage to push back. Schmehl believes the current tariffs are unsustainable, as they risk emptying Walmart shelves and harming both economies. While the situation remains fluid, he stresses that China holds the upper hand and is unlikely to back down, leaving investors to navigate an uncertain and rapidly changing environment.

Turning to Canada, Schmehl highlights the ongoing impact of auto and steel tariffs, which continue to weigh on the economy. While the lack of further escalation is a minor positive, he warns that a U.S. recession could exacerbate the situation. The Canadian stock market, dominated by energy, materials, and banks, often performs well despite economic challenges, particularly if the U.S. dollar weakens. However, Schmehl cautions against betting on a single outcome, advocating for scenario analysis to prepare for various possibilities.

Schmehl's perspective on China exposure reflects his cautious optimism. While he sees significant opportunities in the Chinese market, geopolitical risks have led him to reduce his investments. His recent trip to China underscored the country's advancements in AI, particularly in developing better algorithms with less reliance on compute power. These innovations, he notes, are accelerating the pace of AI improvement globally, presenting long-term potential despite current uncertainties.

Discussing the end of U.S. exceptionalism, Schmehl acknowledges the cyclical challenges facing the U.S. economy but stops short of predicting its secular decline. While the administration's tariffs have created confusion and hindered business investment, he believes the U.S. remains a leader in innovation and efficiency. However, he warns that the lack of a clear plan or visibility could deter capital inflows and prolong economic difficulties.

On AI, Schmehl highlights the shift from hardware-driven advancements to algorithmic innovation, particularly in China. He notes that the focus on better software is reducing the need for expensive data centers, potentially reshaping the industry. While AI remains a key area of interest, Schmehl advises investors to look for companies leveraging AI to gain competitive advantages rather than those solely focused on its development.

Schmehl also sees opportunities in tech outside of AI, including video gaming and European defense stocks. He views gold as a valuable diversifier, particularly in times of economic uncertainty, and has started to explore energy investments as a hedge against inflation. While the Canadian elections may bring policy changes, Schmehl believes the focus will remain on resolving trade issues and diversifying energy exports.

Finally, Schmehl underscores the importance of active management in today's dislocated markets. He sees alpha opportunities emerging during rebounds, emphasizing the value of experienced managers in navigating complex conditions. While the path forward remains uncertain, Schmehl's disciplined approach and focus on resilience offer a roadmap for investors seeking stability and growth in challenging times.

Navigating market uncertainty requires a thoughtful approach, and staying informed is key to making sound financial decisions. If any of the topics discussed in this article—whether tariffs, AI, portfolio adjustments, or broader market trends—raise questions or concerns, we're here to help. Let's connect and explore how these developments may impact your investments and ensure your portfolio is positioned to weather volatility while capturing future opportunities.

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[BRAD SIMPSON: WHAT INVESTORS SHOULD CONSIDER IN THIS "EVENT DRIVEN" MARKET]

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