



HARBOURFRONT
WEALTH MANAGEMENT

**WATERMARK
PRIVATE PORTFOLIOS**

AUGUST 2025 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- Global equity markets began August with a rocky start as US economic data showed that the job market was slowing. However, equity markets ended the month higher on solid Q2 earnings, positive news about Russian and Ukraine potentially reaching a peace deal and weaker US employment data signaling that the US Federal Reserve will likely cut interest rates next month.
- The S&P 500 (in CAD) ended the month higher by +1.08% and the S&P/TSX Composite increased by +4.89%.
- International equities (outside the US) ended the month higher by +4.12%.
- Leaders:** The commodity-heavy S&P/TSX Composite outperformed the S&P 500 as the technology stocks weighed down the US large cap index.
 - In the US, the materials led the way as gold mining and mining subsectors contributed to gains.
 - In Canada, gold stocks lifted the S&P/TSX Composite higher.
- Laggards:**
 - In the US, the utilities sector was the biggest laggard, followed by information technology and the industrial sector.
 - In Canada, utilities lagged the most, followed by the industrial sector.

Fixed Income

- Corporate bonds, both Investment grade (higher-quality-rated bonds) and high yield (riskier-rated bonds) continued higher this month, as interest rates fell. US Government bonds fell slightly as money moved into equities and out of safety.
- The Canadian Universe Bond Index was flat this month, slightly rising by 0.37% for the month as the Bank of Canada is expected to hold interest rates next meeting.

As at August 31, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	+0.37%	+1.07%
Canadian Equities <i>S&P/TSX Composite Index</i>	+4.89%	+17.55%
US Equities S&P 500, in C\$	+1.08%	+5.63%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+4.12%	+21.99%
Gold	+5.00%	+33.14%
Oil <i>West Texas Intermediate Crude</i>	-7.58%	-12.97%
Canadian Dollar	+0.82%	+4.80%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) fell this month, ending the month lower by 7.58% and closing around \$64. The weaker employment number in the US may signal that economic growth is slowing, thereby reducing oil demand. In addition, a ceasefire in the Russian/Ukraine conflict reduces geopolitical risk.
- Gold continued higher this month, posting a gain of +5.00%.
- The US Dollar moved slightly lower by 0.82% in August.

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Notable Monthly Highlights

USA – US Federal Reserve signaled potential rate cut coming in September

- Although tariff talk continues to hit the newsfeed, the market seems to brush this off as noise.
- During the Federal Reserve's Jackson Hole meeting, Fed Chair Jerome Powell indicated that a rate cut may be warranted.
- Despite signs of persistent inflation, the labour market has been weakening.
 - Retail sales grew by 0.5% MoM in July, which was in line with market expectations.
 - The US Fed's preferred measure for interest rate policy, the core personal consumption expenditures (PCE), rose to 2.9% YoY in July, higher than the previous month but in line with market expectations.
 - The annual inflation rate remained unchanged at 2.7% in July, coming in slightly below the 2.8% expectations. The core inflation rate jumped to 3.1% YoY in July, which was slightly higher than the 3.0% consensus.
 - The unemployment rate rose to 4.2% YoY in July, which was in line with market expectations. US nonfarm payrolls, the main employment measurement, showed jobs rose by 73k in July, coming in well below the expected 110k job growth.

Notable Monthly Highlights (Continued)

Canada – Canada will remove all retaliatory tariffs on goods from US; however, tariffs on US steel, aluminum and autos remain in place





- Prime Minister Mark Carney announced late August that Canada will remove all retaliatory tariffs on US imports that are covered by Canada-US-Mexico Agreement (CUSMA) effective September 1. As Canada and US work through a trade agreement, tariffs on US steel, aluminum and autos will remain in place. Any Canadian imports going into the US that are not covered by CUSMA will continue to have the 35% tariff rate.
- Bank of Canada's future interest rate cuts will largely depend on US tariff policies and the implications on Canada's inflation outlook.
 - Inflation declined to 1.7% YoY in July from 1.9% in the previous month, which was slightly lower than market expectations. In addition, core inflation remained essentially flat at 2.6% YoY in July.
 - Retail sales are expected to fall by 0.8% MoM in July, according to a preliminary estimate; this would mean the second largest monthly drop within the past year.
 - Canada's unemployment rate remained flat at 6.9% YoY in July, coming in slightly lower than what market expected.
 - Business confidence jumped from 53.3 in June to 55.8 in July. Meanwhile, consumer confidence fell to 48.1 in July from 48.8 in June.
 - Canada's GDP fell by 0.4% in Q2 2025 because of a decrease in exports and weak business investment in machinery and equipment.

World – China held its benchmark lending rates steady for three consecutive months

- Chinese equity markets ended positive in August as US and China agreed to pause tariff increases for an additional 90 days.
 - The People's Bank of China held its benchmark lending rates at 3.0%.
 - Retail sales slowed from 4.8% YoY in June to 3.7% YoY in July, coming in well below the consensus of 4.6%.
 - The Manufacturing PMI (Purchasing Manager's Index) decreased to 49.5 in July from 50.4 in June, which came short of the expected 50.2 level.

Watermark Private Portfolios Outlook and Positioning

Global equity markets continued to rally with most sectors and countries participating in the upside. We continue to see investors diversify outside of mega-cap US technology companies and into more reasonably valued sectors. As uncertainty with global trade remains in play, we continue to seek out opportunities of profit taking on market upswings so that we can allocate those proceeds into sectors or securities that have a higher risk-to-reward potential.

	Underweight	Target	Overweight	July 2025 Highlights
Equities				<ul style="list-style-type: none">We continue to favour global equities as they balance the lower valuations of international equities and the momentum of US stocks. This month, we took some profits from the BMO Canadian Low Volatility ETF and moved the proceeds into the health care sector. Health care companies are trading at extremely undervalued levels with strong future growth potential due to AI and robotics.The equity investments in the portfolios are high quality with strong balance sheets, growing cash flows and diversified globally.
Fixed Income				<ul style="list-style-type: none">We remain underweight fixed income, holding Brandsen Global Income Opportunities Pool, which offers several fixed income strategies that focus on achieving positive returns in all investment environments, thereby providing more diversification than traditional fixed income.
Private Credit				<ul style="list-style-type: none">No changes. Maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.
Private Real Estate				<ul style="list-style-type: none">No changes. Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class.

Changes in Portfolio Positioning Over the Past Month

In the Enhanced Conservative Plus, Balanced Plus, Growth Plus & Maximum Growth Plus:

- Trimmed BMO Low Volatility Canadian Equity ETF in all Enhanced Plus portfolios.
- Bought Harvest Healthcare Leaders Income ETF in all Enhanced Plus portfolios.

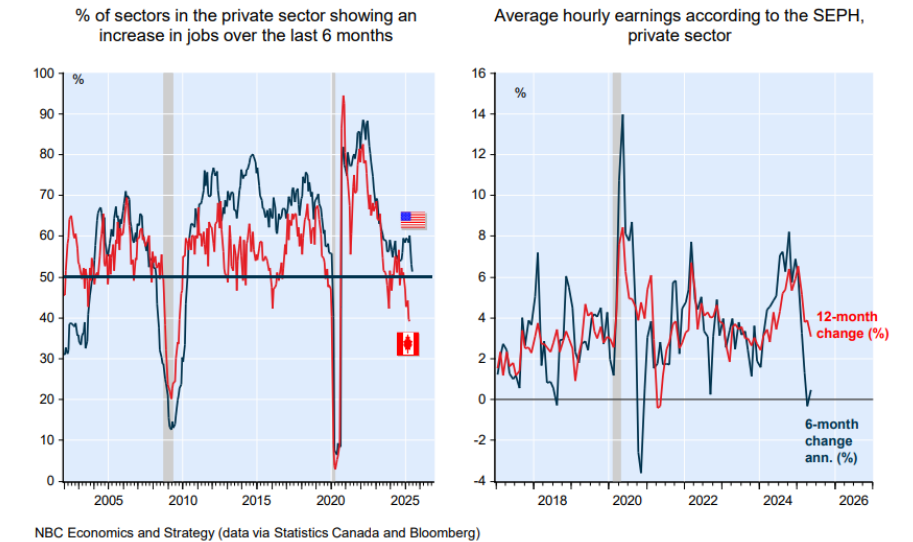
Did You Know?

Canada is showing signs of labour market weakness as only 39% of industries have shown job growth over the last 6 months. Additionally, wages in the Canadian private sector have fallen over the past 6 months.


























Our opinion:

We continue to see signs of weakness in Canada's economy, particularly in the labour market. With Canada's economic growth potentially waning and the uncertainty with trade policies, we currently favour low volatility exposure in Canada. Should the economic weakness persist, we will remove that position from the portfolios. Currently, the portfolios are very well diversified with investments in private equity, private infrastructure and private real estate that complement our public equity investments. Historically, these private investments have had consistent rates of return with much less volatility than their public equity counterparts.

Canada: Sharp moderation in wages as private job market weakened



Key Economic Indicators

	Inflation Rate		Interest Rate		Unemployment Rate		GDP Annual Growth Rate		Stock Market Valuation (Forward P/E)	
	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.
USA	2.70%		4.50%		4.20%		2.00%		22.8	
Canada	1.70%		2.75%		6.90%		2.30%		16.6	
China	0.00%		3.00%		5.20%		5.20%		12.5	
Japan	3.10%		0.50%		2.30%		1.20%		15.8	
United Kingdom	3.80%		4.00%		4.70%		1.20%		13.1	

Source: Trading Economics

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