

ASSET SUMMARY AND ALLOCATION

Artificial intelligence and the looming threat of recession were two of the main themes of 2023. However artificial intelligence continued to propel stock market growth in 2024, and the recession narrative shifted to the soft landing of economies following the onset of a new cycle of interest rate cuts by central banks.

Unsurprisingly, stock market index performance was impressive for the second year running, particularly technology-heavy indices such as the S&P 500 and NASDAQ. The “Magnificent 7” (Apple, Amazon, Alphabet, Meta

Platforms, Microsoft, Nvidia and Tesla) alone posted returns of 67%. This means that 2024 ended with a 21.7% return for the Canadian stock market, 25% for the S&P 500 and 28.6% for the NASDAQ. Annual returns were also positive for most of the major European stock indices: 5.7% for the FTSE 100 (UK), -2.2% for the CAC 40 (France) and 18.8% for the DAX 30 (Germany).

On the bond market, the FTSE Canada Universe Bond Index generated a positive return of 4.2%. Lower key rates and declining inflation helped reduce interest rates across the curve. In spite

of falling rates, we believe that fixed income securities remain an attractive asset class at current levels.

As far as asset allocation is concerned, our current targets are still close to neutral positions. We slightly reduced the equity weighting of our portfolios over the past year to reallocate this capital primarily to alternative products. Our alternative products are structured to deliver an overall positive absolute return, regardless of the performance of equities and bonds.

- The key factors that **kept Canada out of recession** were large government **budget deficits**, strong **immigration** and **wage growth**.
- The **challenges** for 2025 abound: around 50% of **mortgages** are up for renewal, the federal government announced a reduction in **immigration targets**, and the new Trump administration is threatening **tariff barriers**.
- Financial markets are increasingly concerned about **re-accelerating inflation**.
- In the United States:
 - The economy continues to grow **above potential**.
 - Growth expectations were revised upwards in 2025 following President Trump’s **election promises** of new **tax cuts, deregulation** and **higher tariffs**.
 - One of the major themes of 2025 will be **uncertainty**, and Mr. Trump’s incendiary remarks could create even more volatility

ECONOMY AND FIXED INCOME SECURITIES

In Canada, economic growth (GDP) remains below potential, and GDP per capita was negative throughout 2024. The cumulative decline in per capita GDP over the past 18 months reached a staggering -3.5%, a decline never seen outside of a recession. Key factors that kept Canada out of recession were large government budget deficits, strong immigration and wage growth. Challenges lie ahead in 2025, as mortgage renewals begin at around 50%, the federal government reduces immigration targets, and the new Trump administration threatens tariff barriers. Against this backdrop, what will drive

Canada’s economic growth in the face of an uncertain future? In reality, it is not all doom and gloom, and some factors work in our favour. To begin with, the Bank of Canada has already reduced its key rate from 5% to 3.25%. Monetary policy is no longer considered restrictive at this level, and we expect further interest rate cuts in 2025. These should further boost consumption and support economic growth. Secondly, recent fiscal measures announced by the Trudeau government, although provisional, will temporarily support the economy. These include a GST exemption on certain products, the

reinstatement of 30-year mortgages (in certain situations) and an increased mortgage insurance limit. Finally, many economists agree that certain tariffs are likely to come into effect towards the end of 2025. The Canadian economy stands to benefit briefly, as U.S. companies are expected to increase their inventories, and Canadian companies will need to expand their workforce to offset the temporary rise in exports. This latter factor would result in a short-term gain in growth, but also in a setback once the tariffs come into force.

The U.S. economy continues to grow above potential. Growth expectations for 2025 have been revised upwards, largely as a result of President Trump’s election promises: new tax cuts, deregulation and higher tariffs. As in Canada, barriers are expected to stimulate the economy in 2025 but cause adverse effects later in 2026. It is not only economic growth that is being revised upwards, but also inflation. Indeed, financial markets are increasingly concerned about re-accelerating inflation, creating lingering doubts about the U.S. Federal Reserve’s ability to cut rates.

What can we expect in 2025? We believe that uncertainty will be a major theme of 2025. We cannot hide the fact that Mr. Trump will account for much of this uncertainty. As investors, we will have to be prepared for various scenarios and often overlook the incendiary comments that the new president will make, if his first term in office is any indication. In this context, we expect interest rates to be volatile, depending on the latest economic data and government policies of the new U.S. administration. The bond markets are showing less and less tolerance for

large budget deficits and will require a higher risk premium on longer-dated bonds. We maintain our cautious stance on corporate credit while credit spreads are at historically low levels.

Bobby Bureau, MBA, CIM[®]

Senior Fixed Income Manager
Portfolio Manager

CANADIAN EQUITIES

In spite of lower exposure to technology stocks, the S&P/TSX index finished the year on a high note. E-commerce company Shopify, a cloud-based platform for businesses to sell products online, in physical stores and on social networks, represented 5.2% of the index at year-end and returned +48% for the year, mainly in the fourth quarter. We do not hold Shopify for a number of reasons, including its high valuation measures and

a risk profile that does not align with our fundamental management style for private clients. The other main contributor to the Canadian index’s performance in 2024 was its most imposing sector, financial services, representing 33% of the index. The leading stocks driving the sector were Royal Bank (+34%), Brookfield Corp (+57%), Manulife (+57%) and CIBC (+50%). And finally, the energy sector, led by oil pipeline companies,

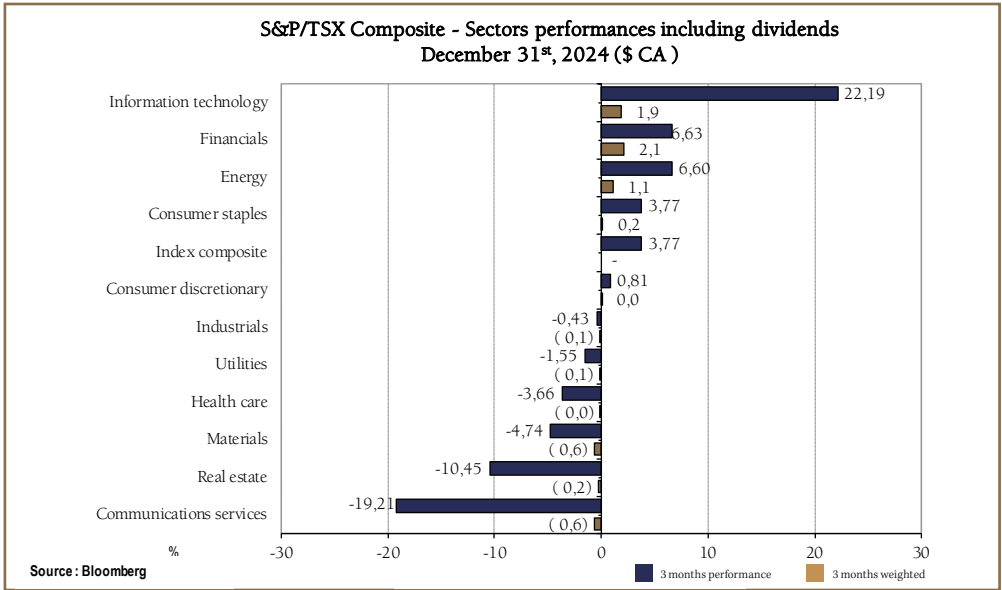
gained 24% in 2024, while gold stocks took advantage of geopolitical and economic uncertainty and rate cuts to outperform the market.

Quebec equities also performed well in 2024. Positions in Atkins-Réalis, Bombardier, Dollarama, Heroux-Devtek and 5N Plus helped our Quebec equity strategy outperform the Canadian index in 2024 and in the fourth quarter.

Looking ahead to 2025, we see the Canadian market is well positioned to sustain its momentum. Even though the Canadian economy is slowing down, valuation measures are more attractive than in the U.S., interest rates are likely to fall at a faster pace, and the potential election of a Conservative government, which would be more willing to stimulate economic growth and reduce regulation, may attract foreign investors to Canada.

Philippe Côté, M.Sc., CFA

Vice-President and Senior Manager,
Canadian and Quebec Equities



AMERICAN EQUITIES

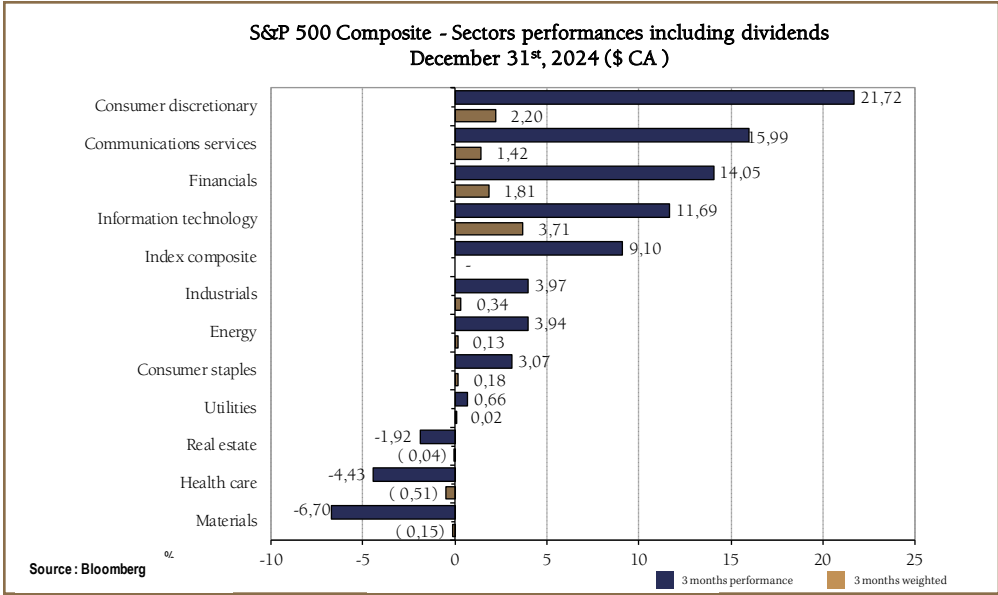
U.S. equities closed 2024 with a positive, if volatile, fourth quarter, as the overall market set a new record high during the quarter. The November election results drove stocks higher as investors looked ahead to the potential positive impacts of Republican policies on the U.S. stock market, including deregulation and tax cuts. However, the situation abruptly ended in December, when the Fed cut its forecasts for further rate cuts amid slowing inflation and uncertain political prospects.

The consumer discretionary sector was the top performer in the final quarter (+21.6%), largely due to Tesla’s impressive performance (+64.3%). Indeed, Tesla’s stock reached record highs and the company is seen as benefiting from CEO Elon Musk’s influence on President-elect Trump’s administration. The materials sector underperformed (-6.8%), as a result of macroeconomic factors, such as concerns over the health of the U.S. economy and an economic slowdown in China.

The U.S. market maintained its excellent performance in 2024, returning +36.2%. All S&P 500 sectors recorded positive returns in Canadian currency. Only the materials sector experienced a negative year in local currency, but +8.5% in Canadian dollars. The communications sector was the best performer (+52.9%), driven by themes such as 5G, which boosted shares in AT&T and T-Mobile, or artificial intelligence, which propelled shares in Alphabet and Meta. The artificial intelligence theme also boosted technology companies (+42.9%), where Nvidia was the best-performing S&P 500 stock across all sectors (+196%) in 2024.

The “Magnificent 7” once again pushed the S&P 500 higher, with these seven leaders now accounting for over 33% of the index and 55% of its return. This marks the third consecutive year in which they have accounted for at least 55% of the index’s return. Expectations of earnings growth for these companies are well ahead of the rest of the S&P 500 (21% vs. 13%).

Maxime Bertrand Gilbert, CFA
Senior Equity Analyst



INTERNATIONAL EQUITIES

The fourth quarter of 2024 witnessed heightened volatility on international markets, but with a positive turnaround as year-end approached. Several factors contributed to this dynamic, including:

1. Economic performance: Economic growth in many developed regions, particularly Europe and Asia-Pacific, demonstrated resilience. However, global economic prospects remained uncertain, with growth forecasts for 2025 tempered by geopolitical tensions and persistent inflationary pressures.
2. Interest rates and monetary policy: Central banks in the world’s leading economies maintained relatively

restrictive monetary policies, with increased vigilance over inflation. The markets responded positively to this stability, but future adjustments are still possible, depending on economic developments.

3. Market performance: In terms of equity performance, the international market performed moderately better than the U.S. markets. However, some economies, such as Japan and Australia, delivered particularly strong results, powered by Technology, Industrials and Natural Resources. Conversely, some European regions experienced economic challenges,

which adversely affected the indices. For example, the French market significantly underperformed its European and global counterparts. A number of factors explained this weakness, including political instability, fiscal concerns and weak GDP growth of around 1%.

Over the last quarter, we diversified our portfolio to align sector and geographic weights more closely with those of the indices. We added large-cap stocks such as LVMH, Air Liquide and Novo Nordisk, among others. As we enter 2025, several key factors are expected to shape the outlook for international equities, including growth

prospects, central bank monetary policy, and technology and innovation, such as artificial intelligence.

Moreover, it will be worth keeping an eye on the valuation of international markets versus the U.S. market. International equity valuation measures are relatively attractive compared to the U.S. market, presenting opportunities for investors

seeking more reasonable valuations in an uncertain environment. The U.S. market now accounts for approximately 70% of the global index, a figure that doubled over the past 30 years. In valuation terms, U.S. equities trade at around 24 times earnings, while global ex-U.S. equities trade at around 15 times earnings. Over the past 10 years, investors have focused on large U.S.

technology companies, as reflected in their average valuation measure (45x earnings); it will be very interesting to see if the market continues to reward them with this value premium, or whether a rebalancing may occur.

Philippe Tardif, LLB, MBA, CFA
Vice-President

MANAGEMENT CHANGE FOR U.S., GLOBAL AND INTERNATIONAL EQUITY FUNDS

As part of our asset management strategy and in order to strengthen our internal capabilities, we have decided to repatriate our U.S., global and international equity fund management activities, which were previously entrusted to an external sub-manager. This move is part of our commitment to optimizing our management processes and improving control over our portfolios, while guaranteeing greater responsiveness to market trends. By internalizing these activities, we also aim to strengthen the consistency of our investment approach, by drawing on in-depth expertise and knowledge of our funds, while taking advantage of more responsive management aligned with our long-term objectives.

STATISTICS ON DECEMBER 31ST, 2024

CANADA			UNITED STATES			CURRENCIES		
Unemploy. rate (November)	6.8 %	↑	Unemploy. rate (November)	4.2 %	↑	\$ USA / \$ CAN	0.70	↑
C.P.I. (November)	1.9 %	↓	C.P.I. (November)	2.7 %	↑	\$ USA / € Euro	1.04	↑
3 months treasury bills	3.14 %	↓	3 months treasury bills	4.31 %	↓	¥ Yen / \$ USA	157.20	↓
Bonds 5 years	2.97 %	↑	Bonds 5 years	4.38 %	↑			
Bonds 10 years	3.23 %	↑	Bonds 10 years	4.57 %	↑			
S&P/TSX	24 728	↓	Dow Jones - Industrial	42 544	↓			
			S&P 500	5 882	↓			

The arrow indicates the trend since the publication of the last monthly data or end of the month.

MARKET INDICES IN CANADIAN DOLLARS AS OF DECEMBER 31ST, 2024

	3 months	6 months	1 year	3 years*	5 years*
FTSE Canada 91 Day TBill Index	1.08 %	2.31 %	4.92 %	3.81 %	2.48 %
BONDS					
FTSE Canada Universe Bond Index	-0.04 %	4.62 %	4.23 %	-0.60 %	0.79 %
FTSE Canada Short Term Overall Bond Index	0.65 %	4.06 %	5.70 %	2.13 %	2.13 %
Indice adapté gestion privée Eterna ¹	0.22 %	4.43 %	5.29 %	1.25 %	1.82 %
FTSE Canada Mid Term Overall Bond Index	-0.41 %	4.97 %	4.65 %	-0.12 %	1.31 %
FTSE Canada Long Term Overall Bond Index	-0.80 %	4.91 %	1.35 %	-4.59 %	-1.49 %
NORTH AMERICA STOCK MARKETS \$ CAN					
Canada - S&P/TSX	3.76 %	14.71 %	21.65 %	8.58 %	11.08 %
United States - Standard & Poor's 500	9.10 %	14.11 %	36.22 %	13.73 %	16.92 %
United States - Dow Jones	7.52 %	15.47 %	25.29 %	12.28 %	12.86 %
INTERNATIONAL STOCK MARKETS \$ CAN					
United Kingdom - FTSE-100	-0.66 %	5.92 %	17.20 %	9.25 %	6.32 %
France - CAC-40	-4.40 %	0.28 %	-0.28 %	2.18 %	4.76 %
Germany - DAX	2.11 %	11.19 %	21.39 %	8.95 %	8.90 %
Japan - Nikkei-225	1.86 %	8.32 %	16.16 %	4.49 %	5.14 %
Hong Kong - Hang Seng	1.15 %	19.77 %	28.92 %	-0.70 %	-4.58 %
Australia - S&P/ASX 200	-6.31 %	2.44 %	5.98 %	1.95 %	3.57 %
CURRENCY					
USD versus CAD	6.35 %	5.15 %	8.62 %	4.41 %	2.06 %

* Annual compounded total return.

¹ The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.ada..

Source : Bloomberg