



**HARBOURFRONT**  
WEALTH MANAGEMENT

# **WATERMARK PRIVATE PORTFOLIOS**

**MARCH 2025 COMMENTARY**



**TRUE INDEPENDENCE™**

# Market Review in Minutes

## Equities

- March started off with heightened volatility, continuing the trend from mid-February, as the S&P 500 slid into correction territory for the first time since 2023. Tariff discussions and geopolitical tensions continue to dominate the news headline, leading to panic and recessionary fears. Both US and Canadian equity markets closed the month in negative territory, with the S&P 500 (in CAD) declining by 5.72%, while the S&P/TSX Composite falling by 1.51%.
- International equities (outside US) ended the month slightly higher by +0.23% with European equities performing well.
- **Leaders:** The tech-focused S&P 500 underperformed the commodity-heavy S&P/TSX Composite in March.
  - In the US, the only sectors eking out a gain this month were the energy and utilities sectors.
  - In Canada, the materials, including gold stocks, and energy were the top performing sectors.
- **Laggards:**
  - In the US, all the other sectors aside from energy and utilities ended in negative territory; consumer discretionary, information technology and communication services were the biggest laggards.
  - In Canada, the information technology sector experienced the most significant decline, while industrials and health care sectors also posted negative returns for the month.

## Fixed Income

- The fixed market remained volatile throughout March. Bond values peaked on the first trading day of the month on recession and tariff fears, driving investors towards this safer asset class. However, the seesaw battle in the bond market continues:
  - Tariffs drive prices higher and will likely cause consumer spending to slow, resulting in slowing economic growth and interest rates to fall.
  - Alternatively, higher prices are also inflationary, resulting in higher interest rates.
- The net result was the Canadian Universe Bond Index ended March slightly lower by -0.28%.

As at March 31, 2025	Monthly % Total Return	YTD % Total Return
<b>Canadian Bonds</b> <i>FTSE Canada Universe Bond Index</i>	-0.28%	+2.02%
<b>Canadian Equities</b> <i>S&amp;P/TSX Composite Index</i>	-1.51%	+1.51%
<b>US Equities</b> <i>S&amp;P 500, in C\$</i>	-5.72%	-4.20%
<b>Intl Equities (ex USA)</b> <i>iShares MSCI ACWI ex US</i>	+0.23%	+6.31%
<b>Gold</b>	+10.60%	+19.28%
<b>Oil</b> <i>West Texas Intermediate Crude</i>	+2.47%	-0.33%
<b>Canadian Dollar</b>	+0.45%	+0.10%

# Market Review in Minutes (Continued)

## Commodities

- Oil (WTIC) ended higher by +2.47%. The commodity has been experiencing volatility as any news related to ongoing peace talks between the US and Russia, supply concerns from Venezuela and tariff threats continue to move the price:
  - There have been supply concerns ever since US terminated the deal that would bring crude oil from Venezuela to US and more recently, threats to countries that would import oil and gas from Venezuela as well. This reduction in oil supply has supported elevated oil prices.
  - On the contrary, with the US pushing for a ceasefire in the Russia/Ukraine war, the market believes that sanctions on Russian oil could come to an end. This would lead to an increase in oil supply, placing downward pressure on prices.
- Gold had a strong gain of +10.60% in March, ending the month above \$3000. As uncertainty looms and the threat of increased inflation remains due to tariffs, investors flocked to gold as a safe-haven asset.
- The US Dollar continued to fall against the Canadian Dollar this month, ending lower by 0.44%.

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# Notable Monthly Highlights

## USA – US Federal Reserve held its target policy rate at 4.25%-4.50%

- President Trump continued to dominate headlines with tariff announcements on major global trading partners:
  - March 4: US will proceed with 25% tariffs on imports from Canada and Mexico and an additional 10% tariffs on Chinese goods.
  - March 6: Trump postponed the 25% tariffs on many imports from Mexico and some imports from Canada for a month.
  - March 12: 25% tariffs on imports of steel and aluminum into the US from all countries.
  - March 26: 25% tariffs on imported vehicles into the US, which is expected to take place on April 3.
  - Trump is expected to announce retaliatory tariffs on April 2 and has indicated that he will introduce sector-specific tariffs, such as semiconductors and pharmaceutical imports.
- The US Federal (Fed) Reserve kept its policy rate unchanged, signaling no urgency to cut rates unless more concerning economic signals emerge. It revised its growth forecasts downward for 2025–2027 due to heightened uncertainty under Trump’s administration, while still projecting two interest rate cuts this year.
- Despite signs of economic weakness, including consumer spending slowing down and persistent inflation, the labour market remains solid and overall economic growth is holding up.
  - Retail sales grew slightly by 0.2% MoM in February, rebounding from the previous month’s decline. However, this reading missed expectations of a 0.6% MoM increase.
  - The US Fed’s preferred measure for interest rate policy, the core personal consumption expenditures (PCE), came in at 2.6% YoY in February, beating the consensus forecast of 2.7% YoY.
  - The annual inflation rate declined to 2.8% YoY in February, which was slightly below the consensus expectations of 2.9%. The core inflation rate decreased to 3.1% YoY in February, which was also slightly below the 3.2% market consensus.
  - The unemployment rate ticked up slightly higher to 4.1% YoY in February, which came in slightly above expectations.

# Notable Monthly Highlights (Continued)

## Canada – Bank of Canada cut its policy rate by 0.25% to 2.75% as tariff announcements create uncertainty

- March 4: Canada proceeded with 25% tariffs on \$30 billion worth of goods imported from the US as a retaliatory response. Canada will continue with another 25% tariffs on \$125 billion in goods should the US apply additional tariffs on Canada.
- March 9: Former central banker Mark Carney replaces Justin Trudeau and has triggered a snap election on April 28.
- Bank of Canada's future rate cuts will largely depend on the economic supply and demand forces and foreign country policies and its implications on Canada's inflation outlook.
  - Inflation ticked up higher to 2.6% YoY in February, surpassing expectations of 2.2% and higher than the previous month. Core inflation spiked to 2.7% YoY from 2.1% YoY.
  - Retail sales contracted by 0.6% MoM in January, which was a bigger decline vs an expected drop of 0.4% MoM.
  - Canada's unemployment rate remained unchanged at 6.6% in February, lower than the 6.7% consensus forecast.





## World – China responds to US' tariffs by implementing its own tariffs; Bank of England left its policy rate unchanged

- China announced retaliatory tariffs by imposing additional 15% taxes on US farm goods, such as chicken, pork, soybeans and beef.
- Chinese equity markets ended positive once again in March. However, Chinese equity markets remain volatile as the underlying fundamental concerns, such as the real estate bubble, uncertainty around government stimulus and an ongoing trade war, are still in play.
  - The People's Bank of China held its benchmark lending rates steady this month.
  - The Manufacturing PMI (Purchasing Manager's Index) increased from 50.1 in January to 50.8 in February, beating market consensus of 50.3.
- The Bank of England (BOE) held its interest rates, leaving the benchmark rate unchanged at 4.5%.
  - The BOE saw signs of weakness in the economy, cutting its 2025 growth forecast for the UK by half.
  - On the contrary, the inflation rate in the UK declined to 2.8% YoY in February from 3% in the previous month, coming in below expectations of 2.9%.



# Watermark Private Portfolios Outlook and Positioning

With tariffs on investors' minds and the volatility we are seeing in both public equities and public fixed income markets, we would like to emphasize the importance of portfolio diversification through investing in private asset classes that have a different investment return profile than traditional equities and fixed income. These private investments historically hold up better in uncertain market environments, with less volatility. Additionally, maintaining globally diversified equity holdings remains crucial. As President Trump continues to issue unpredictable tariff announcements, driving market volatility, we are closely monitoring developments and their impact on your portfolios.

	Underweight	Target	Overweight	March 2025 Highlights
Equities				<ul style="list-style-type: none"><li>With market uncertainty around President Trump’s policy and continued volatility in March, we remain overweight equities that are defensive in nature and are income generating.</li><li>With the S&amp;P 500 pulling back 10% during the month and a level historically where rallies begin from, we realized profits on the RBC US Discount Bond ETF early in March and then put the cash to work by adding to the Dynamic Active Enhanced Yield ETF.</li><li>In the riskier portfolios, we have also sold the Fidelity US Value ETF and pivoted into lower volatility funds.</li><li>Holding equity investments that are high quality (i.e. Strong balance sheets and growing cash flows), across all sectors has benefitted your portfolios this month as technology focused companies sold off the most.</li></ul>
Fixed Income				<ul style="list-style-type: none"><li>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.</li></ul>
Private Credit				<ul style="list-style-type: none"><li>No changes. Maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.</li></ul>
Private Real Estate				<ul style="list-style-type: none"><li>No changes. Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class.</li></ul>

# Changes in Portfolio Positioning Over the Past Month

## **In the Enhanced Conservative Plus & Balanced Plus:**

- Sold RBC US Discount Bond ETF in Enhanced Conservative Plus & Balanced Plus portfolios.
- Bought Dynamic Active Enhanced Yield ETF in in Enhanced Conservative Plus & Balanced Plus portfolios.

## **In the Enhanced Conservative and Balanced Plus & Core:**

- Switched out of Rockridge Private Debt Pool, Forsyth Private Real Estate Portfolios & Laurier Private Equity Pool and into WBY Private Markets Pool.

## **In the Enhanced Growth and Max Growth Plus & Core:**

- Switched out of Rockridge Private Debt Pool, Forsyth Private Real Estate Portfolios & Laurier Private Equity Pool and into WBY Private Markets Pool.
- Sold Fidelity US Value ETF in Enhanced Growth and Max Growth Plus & Core portfolios.
- Bought BMO Low Volatility Canadian Equity ETF in Enhanced Growth and Max Growth Plus & Core portfolios.

## **In the Low-Cost Balanced & Growth Plus:**

- Switched out of Rockridge Private Debt Pool & Forsyth Private Real Estate Portfolios and into WBY Private Markets Pool.

## **In the Private Income, Equity Income & Equity Income Plus:**

- Switched out of Rockridge Private Debt Pool, Forsyth Private Real Estate Portfolios & Laurier Private Equity Pool and into WBY Private Markets Pool.

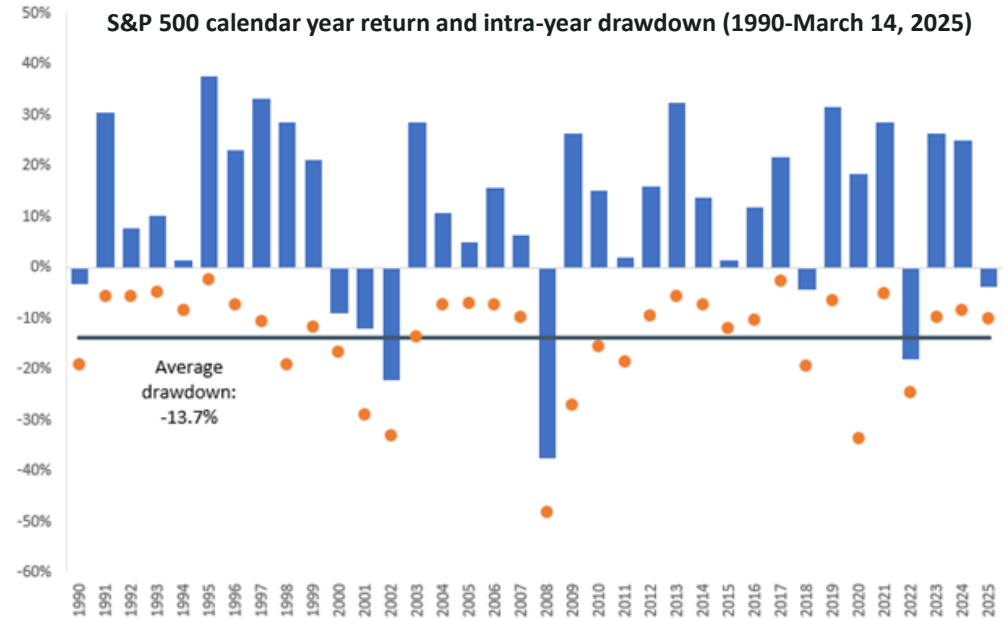
# Did You Know?

As illustrated in the chart below, history has shown that in a non-recessionary environment, equity drawdowns of about 5% to 15% are quite common and are healthy to alleviate overbought markets and keep greed in check.

## Our opinion:

As fearful as it can be when markets drop from highs, it is important to keep in mind that a 10% drop is a normal occurrence that happens almost every calendar year. Currently, most economists are not forecasting a recession this year, with the expectation that S&P 500 companies will continue to grow earnings; this means equity market gains could continue higher this year with the extension of the current bull market.


























However, should an outright trade war begin with escalation of tariffs globally, the picture may change and a larger sell-off may follow. Should this occur, we are well-prepared to reduce equity exposure and/or move current equity holdings to low volatility funds. Lastly, it is important to remember that a portion of your equity exposure is in private real estate, which should continue to perform well this year.



Data as of March 14, 2025. Sources: Bloomberg, WTIA.



# 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	2.80%		4.50%		4.10%		2.50%		20.9	
Canada	2.60%		2.75%		6.60%		2.40%		15.2	
China	-0.70%		3.10%		5.40%		5.40%		11.5	
Japan	3.70%		0.50%		2.40%		1.20%		14.4	
United Kingdom	2.80%		4.50%		4.40%		1.50%		12.2	

Source: Trading Economics

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