



HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

JUNE 2025 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- While the month was volatile from a geopolitical perspective, as tensions escalated in the Middle East between Israel and Iran, equity markets shrugged it off and continued the ascent higher. Tariff agreements continued between the US and several other countries, while favorable economic data improved consumer and investor sentiment. Both US and Canadian equity markets closed the month in positive territory with the S&P 500 (in CAD) rising by +4.30% and the S&P/TSX Composite increasing by +2.92%.
- International equities (outside the US) had a strong month too, gaining +3.91%.
- **Leaders:** The tech-led S&P 500 outperformed the commodity-heavy S&P/TSX Composite in June.
 - In the US, technology stocks rallied the most, leading the S&P 500 higher for the month.
 - In Canada, the health care sector was the top performing sector, with its first monthly gain since October 2024.
- **Laggards:**
 - In the US, the consumer staples sector was the biggest laggard and was the only sector that had a negative monthly return.
 - In Canada, the consumer staples sector also lagged among the other sectors in the S&P/TSX Composite.

Fixed Income

- US bond prices gained as volatility ticked during the month and as investors navigate through the impact of tariffs on interest rates:
 - 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.
 - Currently, it seems consumers are continuing to spend, causing interest rates to moderate.
- The Canadian Universe Bond Index was essentially flat, ending the month +0.06% higher.

As at June 30, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	+0.06%	+1.44%
Canadian Equities <i>S&P/TSX Composite Index</i>	+2.92%	+10.09%
US Equities S&P 500, in C\$	+4.30%	+0.43%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+3.91%	+18.49%
Gold	+0.42%	+25.87%
Oil <i>West Texas Intermediate Crude</i>	+7.11%	-9.22%
Canadian Dollar	+0.99%	+5.86%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) witnessed very high volatility on the back of Middle East tensions, with the price rising 29% to a high of \$78.40 in the first half of the month and then falling to about \$65 to close the month.
 - June 13: Israel launched air strikes on Iranian military and nuclear sites; the price of US oil jumped about 7% higher. Since then, Iran retaliated and both countries exchanged missiles thereafter.
 - June 22: The US launched very targeted but limited strikes on specific Iranian nuclear facilities.
 - June 24: Israel and Iran entered a ceasefire agreement causing the price of oil to plunge.
- Gold continued its ascent gaining +0.42% during the month, marking its sixth consecutive positive month.
- The US Dollar fell this month by 0.98%.

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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:
 - June 16: Trump and United Kingdom came to a trade deal agreement. A few key highlights of the agreement included:
 - UK car makers have an annual quota of 100,000 cars that can be exported to the US at a 10% tariff rate vs the 25% tariffs that are imposed on other countries.
 - All tariffs on the UK aerospace industry, including parts and airplanes, will be eliminated.
 - June 27: The US and China reached an agreement that would expedite rare earth minerals to the US, which is essential in electronics and fighter jets, while the US will cancel a series of US countermeasures against China.
 - June 27: Trump announced he is ending all trade talks with Canada as a response to Canada's plan to implement a digital services tax on US technology companies.
 - June 30: Canada dropped the digital services tax to restart US trade negotiations.
- Ahead of the July 9 deadline, Trump believes 10 trade deals can be completed, notably an agreement with India is nearing completion.
- The US Federal (Fed) Reserve kept its policy rate unchanged, signaling no urgency to cut rates unless more concerning economic data emerges.
- 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 fell by 0.9% MoM in May, which was more than the expected 0.7% decline. This marks the largest decrease in four months.
 - The US Fed's preferred measure for interest rate policy, the core personal consumption expenditures (PCE), rose to 2.3% YoY in May, higher than the previous month but in line with market expectations.
 - The annual inflation rate rose for the first time in four months to 2.4% YoY in May but was lower than the expectations of 2.5% YoY. The core inflation rate was unchanged from the previous month but was less than the consensus expectations of 2.9% YoY.
 - The unemployment rate was unchanged at 4.2% YoY in May, which was in line with expectations.

Notable Monthly Highlights (Continued)

Canada – Bank of Canada held its target policy rate at 2.75%





- Bank of Canada's future interest rate cuts will largely depend on US tariff policies and the implications on Canada's inflation outlook.
 - Inflation remained unchanged at 1.7% YoY in May, which was in line with market expectations. In addition, core inflation also remained unchanged at 2.5% YoY in May.
 - Retail sales are expected to fall by 1.1% MoM in May, which would back the largest decline since March 2023.
 - Canada's unemployment rate ticked slightly higher to 7.0% YoY in May from 6.9% in the previous month and it was in line with market expectations.
 - Business confidence improved from 47.9 in April to 48.9 in May. In addition, consumer confidence also improved to 48.2 in May from 45.4 in April.

World – China and Bank of England held its benchmark lending rates in June

- Chinese equity markets ended positive in June as US and China reached a trade agreement in late June.
 - The People's Bank of China held its lending rates at 3.0%.
 - The Manufacturing PMI (Purchasing Manager's Index) unexpectedly fell from 50.4 in April to 48.3 in May and fell short of market forecasts.
- The Bank of England (BOE) held its benchmark rate at 4.25%.
 - The retail sales of the United Kingdom declined by 2.7% MoM in May, more than the expected decline of 0.5%. This was the largest decline since May 2021.
 - The inflation rate decreased from 3.5% in April to 3.4% YoY in May and was in line with market consensus.

Watermark Private Portfolios Outlook and Positioning

Equities continued higher with the US technology stocks leading the move higher. The S&P 500 and the Nasdaq Composite reached all-time highs. Investors seem to be more confident that the US can continue making agreements with key trading partners. However, US valuations appear to be expensive heading into Q2 earnings, where we will find out the health of these large global companies. We expect that economic data will likely start to come in below expectations as the impact of tariffs start to impact profit margins.

	Underweight	Target	Overweight	May 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. We maintain our exposures to Fidelity All-in-One Equity ETF, iShares MSCI Minimum Volatility Global Index ETF and BMO Low Volatility Canadian Equity ETF. These investments have lower valuations and are diversified through different sectors. We expect these funds to perform better in the intermediate term.Overall, the equity investments in the portfolios are high quality (i.e. strong balance sheets and growing cash flows) and diversified amongst different sectors.
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.

Did You Know?

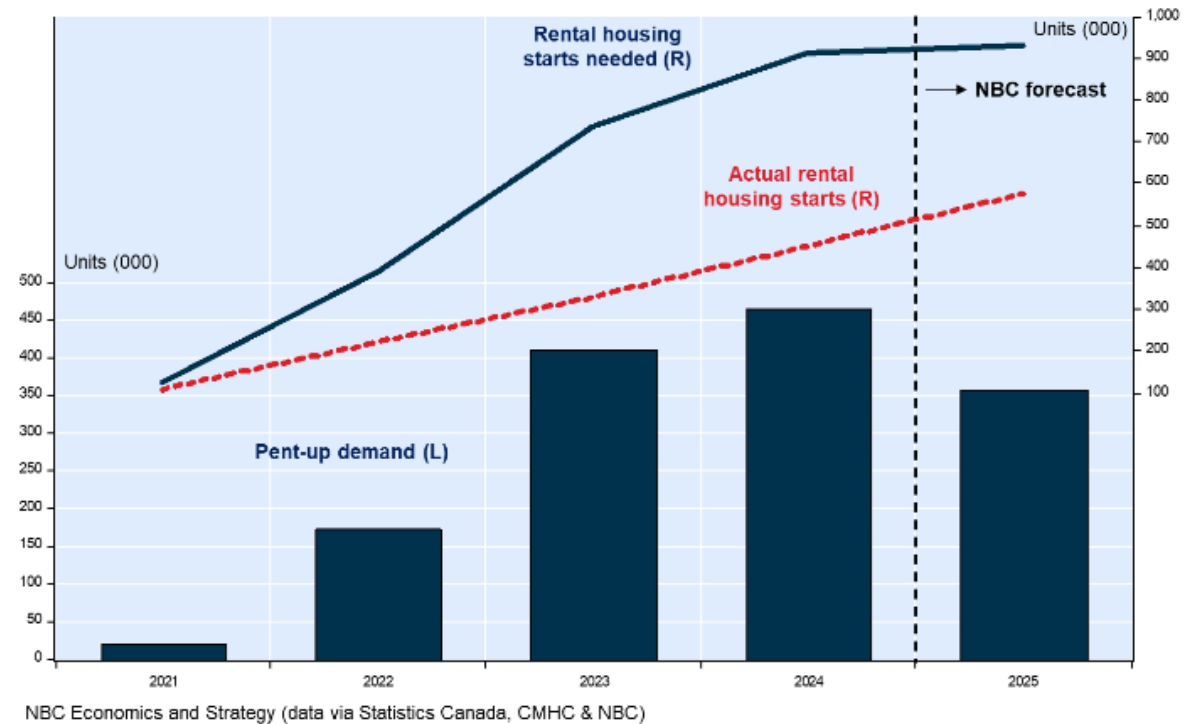
As seen in the chart, National Bank of Canada's study shows that there is a rental housing shortage of more than 450K units at the end of 2024 to fully meet housing demands.

Our opinion:


























Canada's government is trying to improve this gap by slowing immigration and increasing construction, but as of now, the structural supply/demand gap remains in play. We, therefore, continue to maintain our exposure to Canadian private real estate.

Canada: Rental housing deficit exceeds 450K units

Pent-up demand in rental housing since 2021 based on population growth needs and actual housing starts



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	2.40%		4.50%		4.20%		2.00%		22.3	
Canada	1.70%		2.75%		7.00%		2.30%		16.1	
China	-0.10%		3.00%		5.00%		5.40%		11.7	
Japan	3.50%		0.50%		2.50%		1.70%		14.4	
United Kingdom	3.40%		4.25%		4.60%		1.30%		12.3	

Source: Trading Economics

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