



HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

JULY 2025 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- Although July was filled with announcements on tariff negotiations, the market is paying less attention to them and instead focusing on the Q2 earnings season. The shift away from tariffs led to a positive up-tick in sentiment, pushing both US and Canadian equity markets to new highs in July. The S&P 500 (in CAD) ended the month higher by +4.05% and the S&P/TSX Composite increased by +1.80%.
- Despite starting July strong, international equities (outside the US) fell 1.12%.
- Leaders:** The tech-led S&P 500 outperformed the commodity-heavy S&P/TSX Composite in July.
 - In the US, technology stocks had another strong month leading the S&P 500 to new highs.
 - In Canada, real estate stocks led the way.
- Laggards:**
 - In the US, health care was the biggest laggard.
 - In Canada, health care was the lowest performing sector.

Fixed Income

- Corporate bonds, both Investment grade (higher-quality bonds) and high yield (riskier-rated bonds) increased this month, in-line with risk-on sentiment in stocks. However, US Treasury bonds fell slightly as money moved into equities.
- The Canadian Universe Bond Index fell 0.74% for the month as the Bank of Canada held interest rates and money moved into stocks.

As at July 31, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	-0.74%	+0.69%
Canadian Equities <i>S&P/TSX Composite Index</i>	+1.80%	+12.07%
US Equities S&P 500, in C\$	+4.05%	+4.50%
Intl Equities (ex USA) iShares MSCI ACWI ex US	-1.12%	+17.17%
Gold	-0.45%	+25.31%
Oil <i>West Texas Intermediate Crude</i>	+6.53%	-3.29%
Canadian Dollar	-1.81%	+3.95%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) rallied this month, ending up +6.53% and closing around \$70 due to trade deal optimism and the threat of tariff pressure placed on Russia to end war in Ukraine:
 - With trade deals improving and geopolitical tensions easing, it would encourage global trade and foster economic growth, which should result in higher oil prices as demand for oil increases.
- Gold marked its first monthly loss for the year, ending its six-month winning streak. Gold ended below the \$3300 level, down slightly by 0.45%.
- The US Dollar spiked +1.84% this month, marking its first monthly gain since January 2025.

As at July 31, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	-0.74%	+0.69%
Canadian Equities <i>S&P/TSX Composite Index</i>	+1.80%	+12.07%
US Equities <i>S&P 500, in C\$</i>	+4.05%	+4.50%
Intl Equities (ex USA) <i>iShares MSCI ACWI ex US</i>	-1.12%	+17.17%
Gold	-0.45%	+25.31%
Oil <i>West Texas Intermediate Crude</i>	+6.53%	-3.29%
Canadian Dollar	-1.81%	+3.95%

Notable Monthly Highlights

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

- President Trump continues to dominate the news with tariff announcements. Here are some notable agreements that took place during the month:
 - *Mexico*: US agreed to another 90-day pause with its largest trading partner, coming one day before the tariff deadline.
 - *Canada*: No new trade negotiations took place and Trump hiked up the tariff rate on Canadian goods to 35%.
 - *China*: Little progress was made after the two powers met in Stockholm this month; however, the two countries are hopeful that the 90-day pause may be extended past the August 12 deadline.
 - *European Union (EU)*: The EU agreed to purchase \$600 billion of US goods, \$750 billion of US energy and to buy more US military goods in exchange for a 15% tariff on most European goods.
 - *Japan*: Japan will purchase \$550 billion USD of US goods, for a 15% tariff rate on Japanese goods flowing into the US.
 - *South Korea*: One day before the Friday deadline, South Korea and US managed to come to a trade agreement. South Korea will purchase \$350 billion USD of US goods, in exchange for a 15% tariff rate for Korean goods entering the US.
 - *Vietnam*: Vietnam agreed that it would allow US goods to enter duty-free, while Vietnam imports to the US would face a 20% tariff rate, which is much lower than the 46% rate that was previously charged.
- The US Federal (Fed) Reserve kept its policy rate unchanged, signaling no urgency to cut rates unless more concerning economic data emerges. This is the fifth straight meeting of holding rates steady despite pressures from President Trump.
- Despite signs of persistent inflation, the labour market remains solid and overall economic growth has been robust.
 - Retail sales grew by 0.6% MoM in June, which was more than the expected 0.1% increase and higher than the past two months.
 - US Gross Domestic Product (GDP), a measure of US' economic growth, rose by an annualized rate of 3.0% in Q2 2025, higher than the previous quarter and beating market expectations of 2.4% growth.
 - The US Fed's preferred measure for interest rate policy, the core personal consumption expenditures (PCE), rose to 2.8% YoY in June, higher than the previous month and higher than market expectations.
 - The annual inflation rate rose to 2.7% in June, the highest level since February, and was in line with expectations. The core inflation rate also increased to 2.9% YoY in June but was slightly below market consensus.
 - The unemployment rate fell to 4.1% YoY in June, which was below market consensus. This rate has been fluctuating within the 4.0% to 4.2% range since May 2024, which means that the labour market has been relatively stable.

Notable Monthly Highlights (Continued)

Canada – Bank of Canada held its target policy rate at 2.75% for the fourth consecutive meeting

- Bank of Canada's future interest rate cuts will largely depend on US tariff policies and the implications on Canada's inflation outlook.
 - Inflation increased to 1.9% YoY in June, which was in line with market expectations. In addition, core inflation also rose in June to 2.7% YoY.
 - Retail sales are expected to rise by 1.6% in June, which would be the highest increase since December.
 - Canada's unemployment rate ticked down slightly to 6.9% YoY in June from 7.0% in the previous month, coming in lower than what market expected.
 - Business confidence improved from 48.9 in May to 53.3 in June. In addition, consumer confidence also improved to 48.8 in June from 48.1 in May.





World – China held its benchmark lending rates in July

- Chinese equity markets ended positive in July as the investors wait for trade negotiations between the US and China:
 - The People's Bank of China held its benchmark lending rates at 3.0%.
 - GDP grew by 1.1% in Q2 2025, beating market expectations but was lower than the previous quarter.
 - Retail sales fell to 4.8% in June from 6.4% in May, much lower than expected.
 - The Manufacturing PMI (Purchasing Manager's Index) rose to 50.4 in June from 48.3 in May, which beat market expectations of 49.0.

Watermark Private Portfolios Outlook and Positioning

Equities continued higher with US technology stocks leading the move higher. The S&P 500 and the Nasdaq Composite reached all-time highs this month before giving up some of those gains near the end of the month. Despite strong investor sentiment and positive corporate earnings announcements, equity valuations appear to be extended.

In addition, July saw another “meme” stock craze with low quality stocks doubling early in the month, only to give back gains into the last week of the month. Furthermore, economically sensitive stocks, such as FedEx, United Parcel Service (UPS), and Ford dropped significantly during the month. We, therefore, decided to take some profits in equities in our larger portfolios by reducing equity exposure by 5.0%, waiting to see if we can redeploy that cash at lower equity valuations.

	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. Given higher equity valuations and the quick move up in equities from April, we trimmed equity exposure during the month but remain overweight this asset class, holding investments that have lower valuations. 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 increased our fixed income position in the Enhanced Plus portfolios at the end of the month by investing in the Invesco Canadian Government Floating Rate Note ETF. 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 Core:

- Sold iShares MSCI Global Minimum Volatility ETF in Enhanced Conservative Core portfolios.
- Bought BMO Low Volatility Canadian Equity ETF in Enhanced Conservative Core portfolios.

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

- Trimmed Fidelity All-in-One Equity ETF in all Enhanced Plus portfolios.
- Bought Invesco Canadian Government Floating Rate Note ETF in all Enhanced Plus portfolios.

Did You Know?

The great investor Warren Buffet developed an indicator to help with his analysis of the value of the US Stock market. He takes the total value of the US stock market and divides it by the total value of US Gross Domestic Product (GDP). This helps investors view the value of the US stock market on a relative basis to how well the US economy is performing.

$$\text{Buffett Indicator} = \frac{\text{Total US Stock Market Value}}{\text{Gross Domestic Product (GDP)}}$$

Our opinion:

While not a great timing indicator in the short-run, we do accept that this indicator has value over the long-run. As seen on the chart, we can see that public equities currently appear to be at the high end on the valuation side. However, there may be a couple of reasons for that:

1. US companies are earning more revenues from overseas so US GDP is less important than it was 50 years ago.
2. The largest companies are growing their revenue at a very fast pace. If they can continue to grow quickly, then the valuations are not as high as this chart appears.

Nevertheless, this is one tool we keep our eye on to manage the portfolios over the long-run, and it appears that we may need to reduce our exposure to public equities in the future. Currently, the portfolios are well diversified on the equity side with investments in private equity, private infrastructure and private real estate that complement the public equity investments. These private investments have historically had strong rates of return with much less volatility than the public equity markets.


























Buffett Indicator: Value vs. Historical Trend

www.currentmarketvaluation.com

CURRENT MARKET
VALUATION



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%		4.10%		2.00%		22.8	
Canada	1.90%		2.75%		6.90%		2.30%		16.4	
China	0.10%		3.00%		5.00%		5.20%		12.2	
Japan	3.30%		0.50%		2.50%		1.70%		15.2	
United Kingdom	3.60%		4.25%		4.70%		1.30%		13	

Source: Trading Economics

DISCLAIMER

The Watermark Private Portfolios team prepared this commentary to give you their thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects their opinions alone and may not reflect the views of Harbourfront Wealth Management. In expressing these opinions, they bring their best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of their informed opinions rather than analyses produced by Harbourfront Wealth Management Inc.

Disclaimer – This information transmitted is intended to provide general guidance on matters of interest for the personal use of the reader who accepts full responsibility for its use and is not to be considered a definitive analysis of the law and factual situation of any particular individual or entity. As such, it should not be used as a substitute for consultation with a professional accounting, tax, legal or other professional advisor. Laws and regulations are continually changing, and their application and impact can vary widely based on the specific facts involved and will vary based on the particular situation of an individual or entity. Prior to making any decision or taking any action, you should consult with a professional advisor. The information is provided with the understanding that Harbourfront Wealth Management is not herein engaged in rendering legal, accounting, tax or other professional advice. While we have made every attempt to ensure the information contained in this document is reliable, Harbourfront Wealth Management is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information is provided "as is," with no guarantee of completeness, accuracy, timeliness or as to the outcome to be obtained from the use of this information, and is without warranty of any kind, express or implied. The opinions expressed herein do not necessarily reflect those of Harbourfront Wealth Management Inc. The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are not to be construed as a solicitation or offer to buy or sell any securities mentioned herein. Harbourfront or any of its connected or related parties may act as financial advisor or fiscal agent for certain companies mentioned herein and may receive remuneration for its services. The comments and information pertaining to any investment products (The Portfolios) sponsored by Willoughby Asset Management are not to be construed as a public offering of securities in any jurisdiction of Canada. The offering of units of The Portfolios is made pursuant to the Offering Memorandum or Simplified Prospectus and only to investors in Canadian jurisdictions. Important information about The Portfolios is contained in the Offering Memorandum or Simplified Prospectus available through Willoughby Asset Management. Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with investments in The Portfolios. Investments in The Portfolios are not guaranteed, their values change frequently, and past performance may not be repeated. Historical annual compounded total returns including changes in unit value and reinvestment of all distributions do not take into account sales, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Unit values and investment returns will fluctuate and there is no assurance that The Portfolios can maintain a specific net asset value. Harbourfront Wealth Management Inc. ("Harbourfront") has relationships with related and /or connected issuers, which may include the securities or funds discussed in this commentary and are disclosed in our Statement of Policies Regarding Related and Connected Issuers. This policy is included in your new client package, on our website, or can be obtained from your investment advisor on request.

