

ECONOMIC AND MARKET REVIEW

FOURTH QUARTER 2024



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Markets reward investors who stay invested

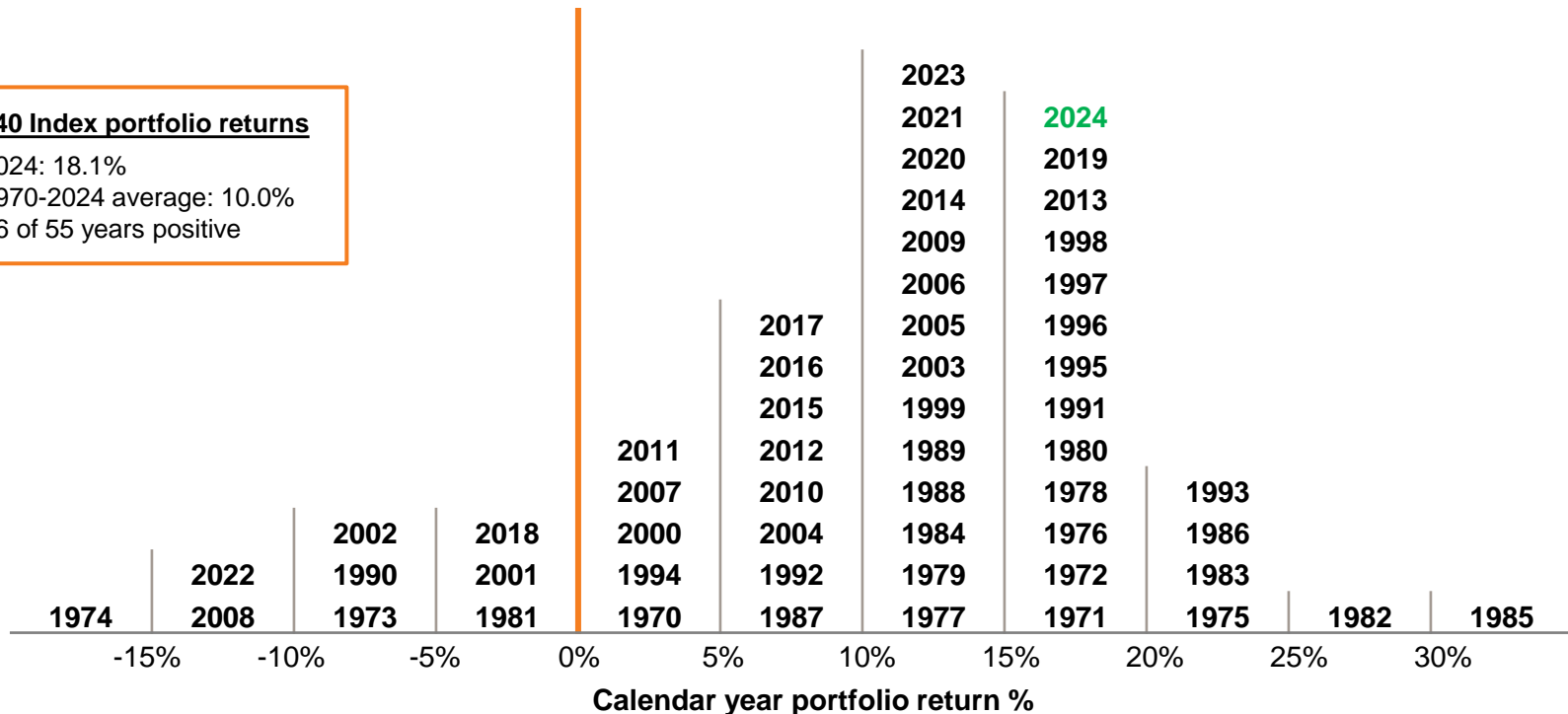
Solid returns in a 60/40 balanced portfolio

60% Stock / 40% Bond Index Portfolio

(Jan 1970 – Dec 2024)

60/40 Index portfolio returns

- 2024: 18.1%
- 1970-2024 average: 10.0%
- 46 of 55 years positive

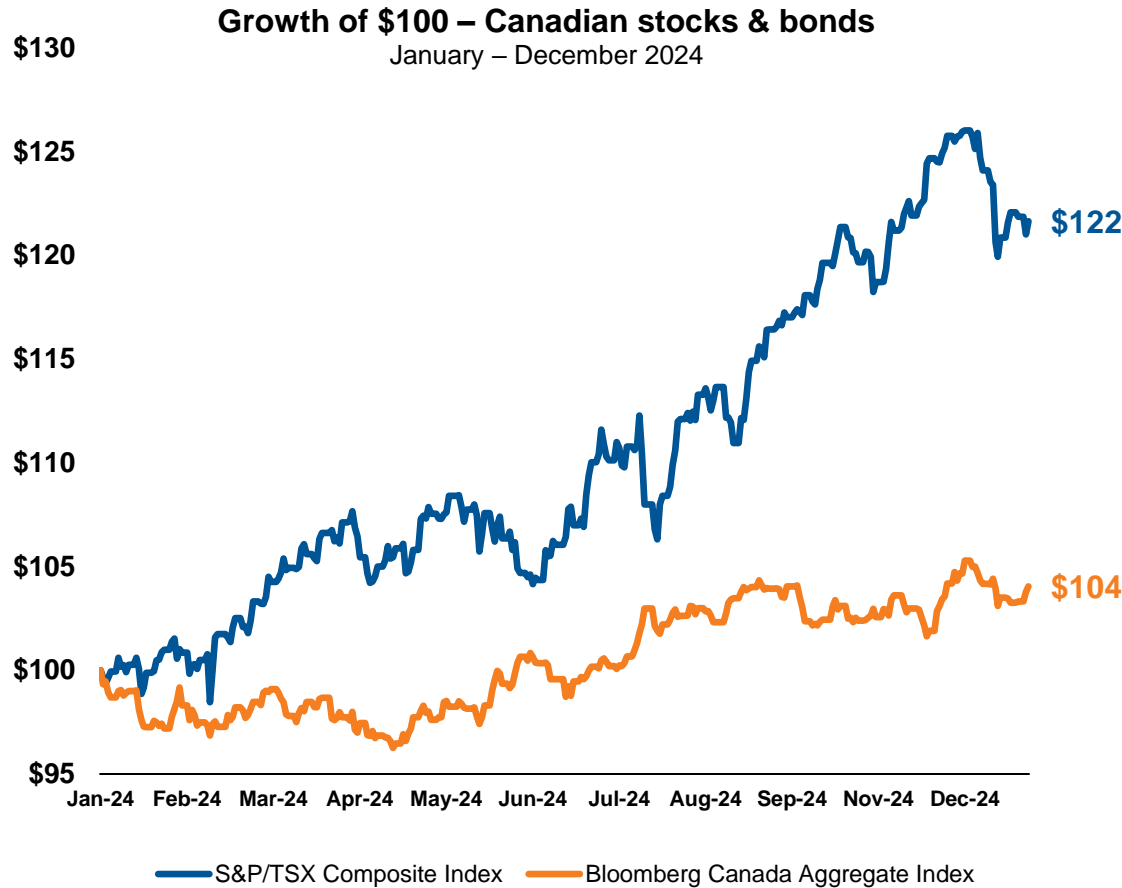


- Increasing cash returns or difficult market pull-backs can tempt investors to stay on the sidelines
- Those who stepped back after a discouraging 2018 or 2022 missed out on strong market recoveries

Source: Morningstar Direct. 60/40 Index Portfolio: 20% Canadian Stocks, 40% Global Stocks and 40% Canadian Bonds. Canadian Stocks: S&P/TSX Composite Index; Global Stocks: MSCI World ex Canada Index; Canadian Bonds: FTSE Canada Long Term Bond Index (1970-1979), FTSE Canada Universe Bond Index (1980-2023). Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

2024 recap

Stocks and bonds continue to move higher despite uncertainty



- Despite Canada's economic headwinds, the S&P/TSX Composite Index delivered double-digit returns
- Canadian bonds increased in value in 2024 amid the Bank of Canada's aggressive interest rate cuts

Source: Morningstar . Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Economic indicators dashboard – Canada

Q4 2024



Market Volatility

Still within the normal range

%

Yield

Yield spread remains relatively flat



Unemployment

Unemployment rate has risen noticeably from the 2023 low, reflecting a challenging Canadian labor market environment.



Economic Expansion

Decent headline economic growth helped Canada avoid an official recession, even as per-capita growth data exhibited weakness

MOST RECENT | 3-MONTH TREND | TYPICAL RANGE | ACTUAL RANGE

MARKET INDICATORS

MARKET VOLATILITY (CBOE VIX)

1/1/1990 - 12/31/2024



10 YEAR CANADA TREASURY YIELD

1/1/1986 - 12/31/2024



YIELD SPREAD

1/1/1987 - 12/31/2024



HOME PRICES

3/1/2000 - 11/29/2024



ECONOMIC INDICATORS

INFLATION (CPI)

1/1/1950 - 11/29/2024



UNEMPLOYMENT

1/1/1966 - 11/29/2024



ECONOMIC EXPANSION (GDP)

1/1/1962 - 9/30/2024



CONSUMER SENTIMENT (CSI)

3/1/2010 - 12/31/2024



HOUSEHOLD DEBT TO GDP

1/1/1990 - 9/30/2024



HOUSEHOLD DEBT TO GDP (YOY %)

1/1/1991 - 9/30/2024



Source: LSEG DataStream, St. Louis Fed, Russell Investments, as of December 31, 2024. See Slide 28 for category definitions. Russell Investments' Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.

Economic indicators dashboard – U.S.

Q4 2024

%

Yield Spread

The curve is no longer inverted, and the yield spread is up from -0.9% at the end of Q3

%

Inflation

Rose slightly from 2.6% at the end of Q3



Unemployment

Remained low and off 2024 high of 4.3% posted in Q3



Consumer Sentiment

Remained below the typical range, but improved from 67.8 at the end of Q3

MOST RECENT 15.87 3-MO. TREND 4.58 TYPICAL RANGE 0.21 ACTUAL RANGE 4.22

MARKET INDICATORS

Market Volatility (CBOE VIX)

[HISTORICAL DETAILS](#)

10 Yr. U.S. Treasury Yield

[HISTORICAL DETAILS](#)

Yield Spread

[HISTORICAL DETAILS](#)

Home Prices (HPI)

[HISTORICAL DETAILS](#)

ECONOMIC INDICATORS

Inflation (CPI)

[HISTORICAL DETAILS](#)

Unemployment

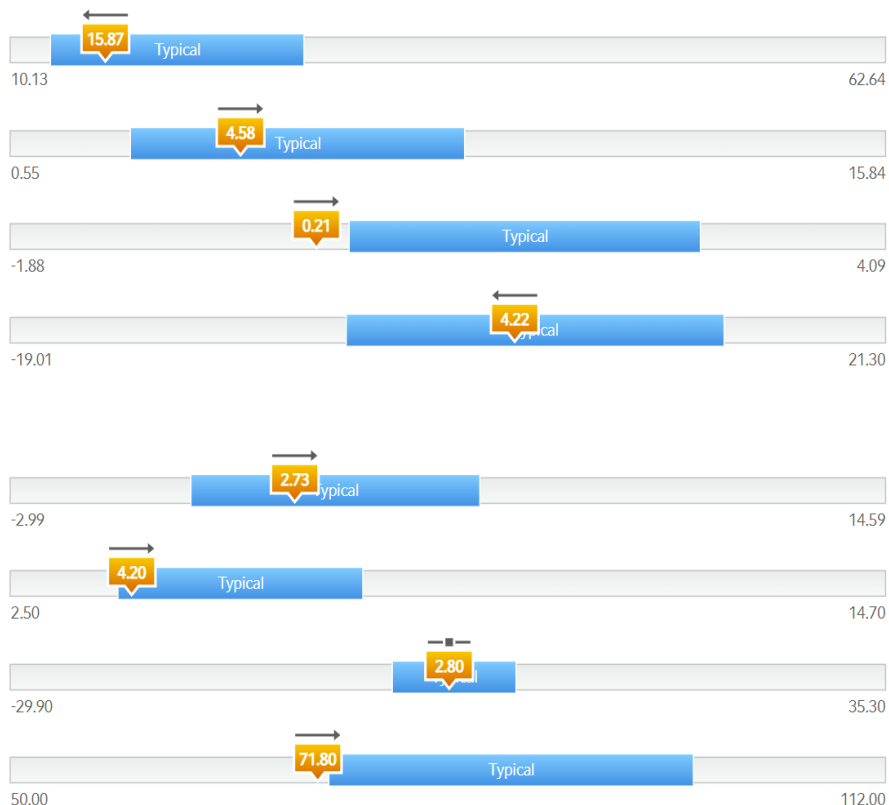
[HISTORICAL DETAILS](#)

Economic Expansion (GDP)

[HISTORICAL DETAILS](#)

Consumer Sentiment (CSI)

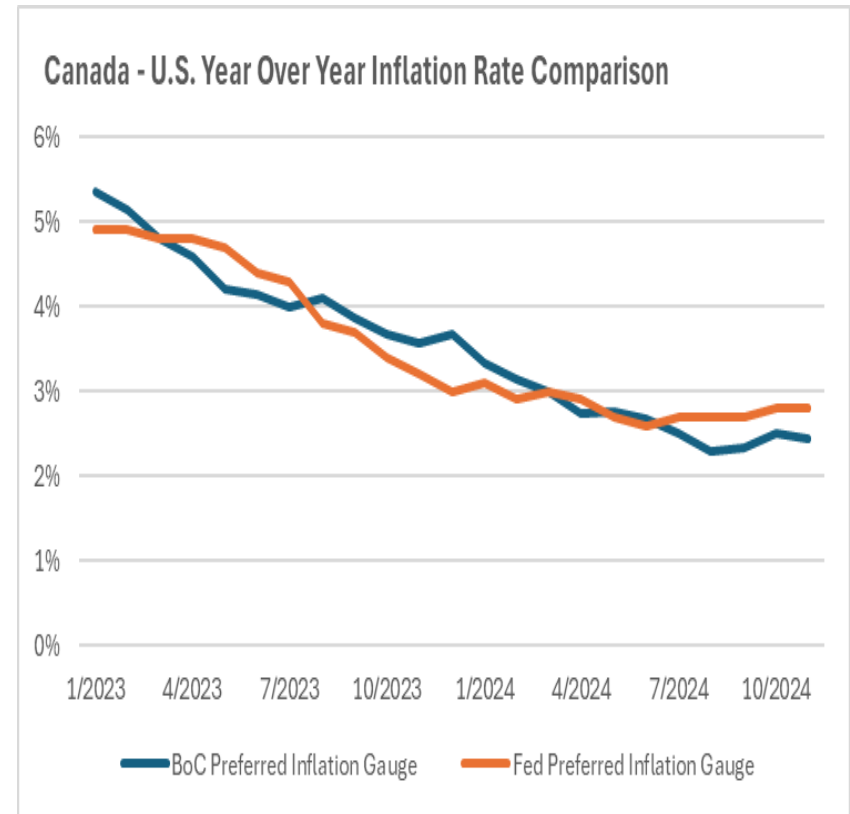
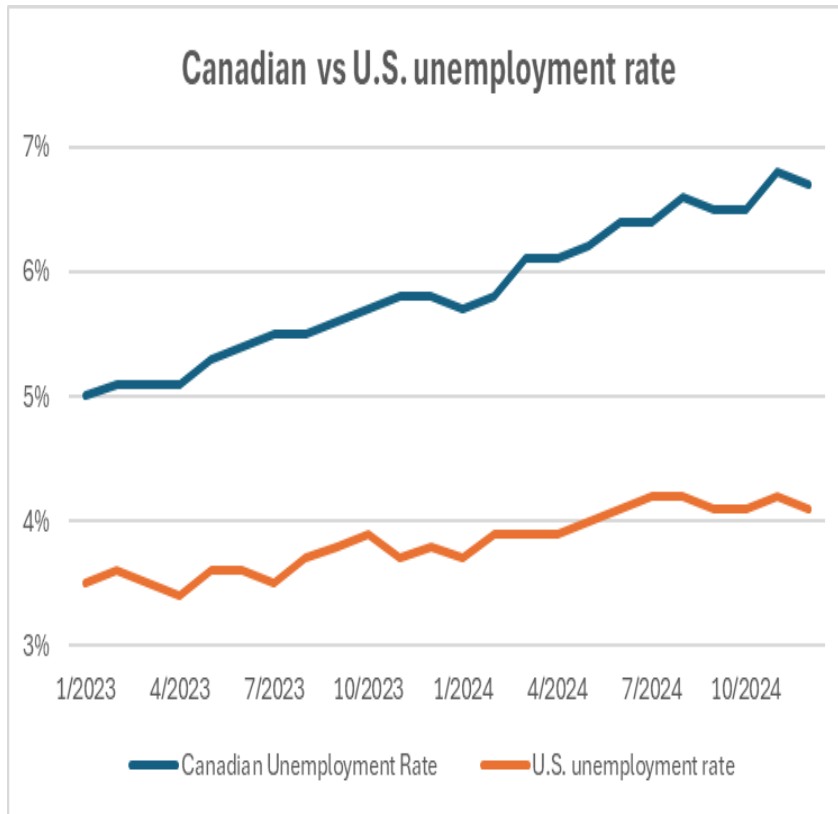
[HISTORICAL DETAILS](#)



Source: <http://www.russellinvestments.com>, current state as of 01/03/2025. See Slide 29 for category definitions. Russell Investments' Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.

Canada has seen a sharper rise in the unemployment rate

And made more progress on the fight against inflation

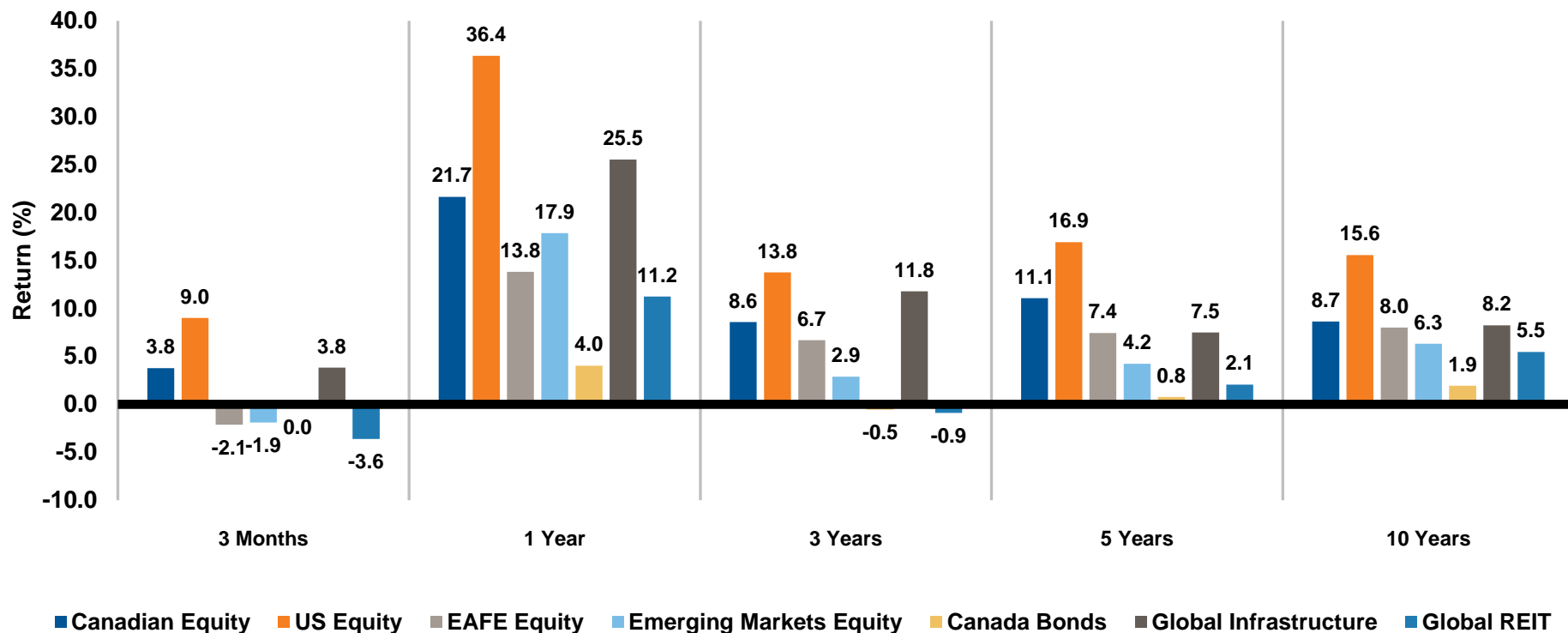


Source: LSEG Datastream. BoC Preferred Inflation Gauge refers to the Bank of Canada's preferred approach to computing core inflation: the average of the CPI-trim, CPI-median, and CPI-common core inflation rates. Fed Preferred Inflation Gauge refers to the Personal Consumption Expenditure (Less Food and Energy) Price index.

Capital markets

Periods ending December 31, 2024

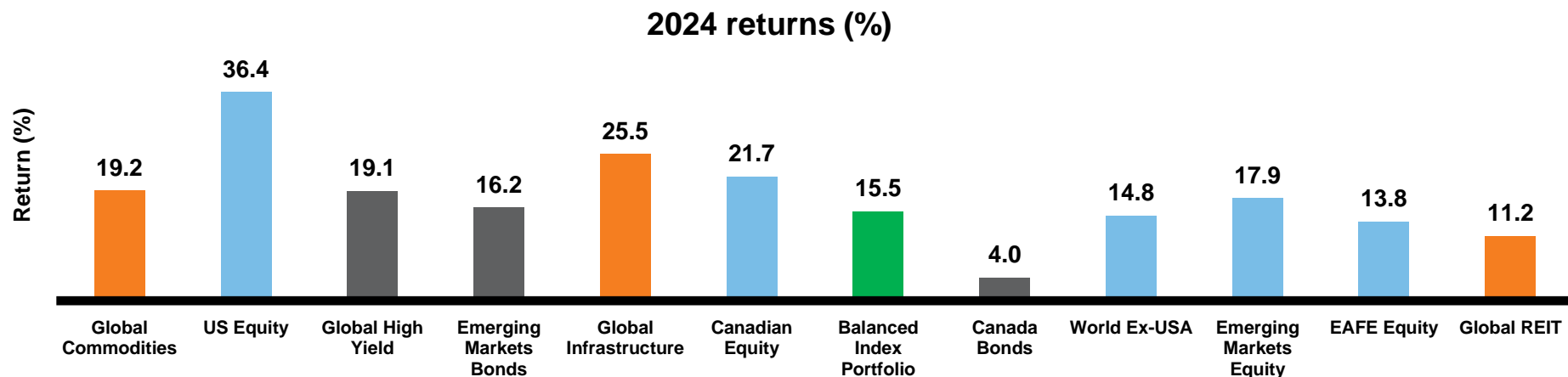
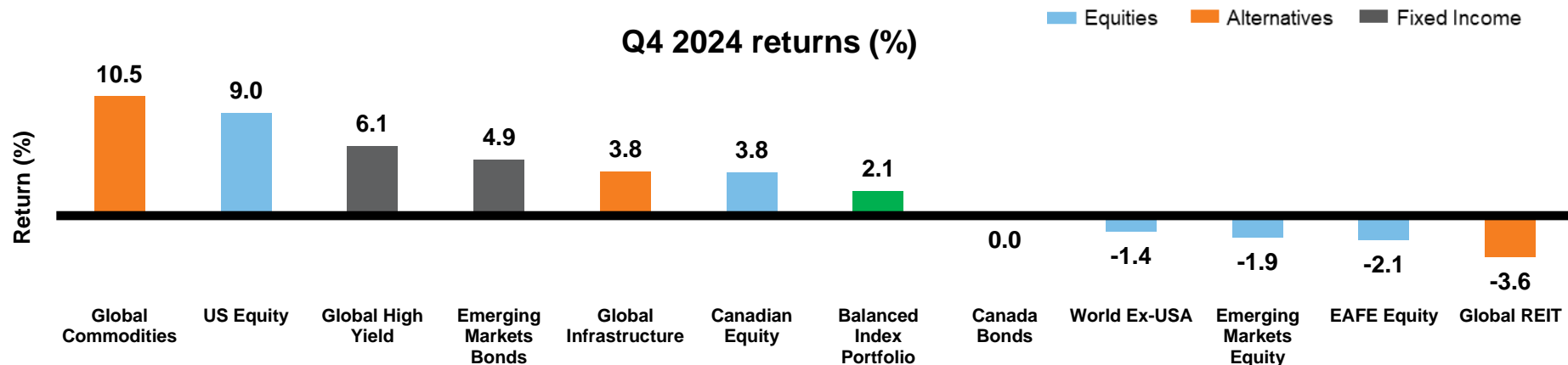
Capital market returns (%)
(Annualized for periods greater than 1 year)



Source: Russell Investments, Morningstar. In CAD. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Definitions: Canadian Equity = S&P/TSX Composite Index, US Equity = S&P 500 Index, EAFE Equity = MSCI EAFE Index, Emerging Markets Equity = MSCI Emerging Markets Index, Canada Bonds = Bloomberg Canada Aggregate Index, Global Infrastructure = S&P Global Infrastructure Index, Global Real Estate Investment Trusts (REITs) = FTSE EPRA NAREIT Developed Index. Returns are annualized except for periods less than one year. EAFE is an acronym referring to Europe, Australasia and the Far East.

What worked and what didn't

Q4 2024 vs. 2024



Source: Russell Investments, Morningstar. In CAD. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Definitions: Canadian Equity = S&P/TSX Composite Index, US Equity = S&P 500 Index, Global High Yield= Bloomberg Global High Yield Bond Index, World ex-USA=MSCI AC World ex-USA Index, EAFE Equity = MSCI EAFE Index, Emerging Markets Equity = MSCI Emerging Markets Index, Canada Bonds = Bloomberg Canada Aggregate Index, Emerging Markets Bonds = Bloomberg EM USD Aggregate Index, Global Infrastructure = S&P Global Infrastructure Index, Global REIT = FTSE EPRA NAREIT Developed Index, Global Commodities=S&P Goldman Sachs Commodities Index. Balanced Index Portfolio: 20% Canadian Equity, 20% US Equity, 20% EAFE Equity and 40% Canada Bonds. Returns are annualized except for periods of less than one year.

Lack of repeatable patterns

The case for diversification

	10 YEARS ENDING 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 YEARS ENDING 2024
Strongest	Emerging Markets 8.4%	US Equity 21.6%	Canadian Equity 21.1%	Emerging Markets 28.7%	EM Debt 6.3%	US Equity 24.8%	Emerging Markets 16.6%	Commodities 39.2%	Commodities 35.1%	US Equity 22.9%	US Equity 36.4%	US Equity 15.6%
	Global Infrastructure 8.4%	EM Debt 21.5%	Global High Yield 10.3%	International Equity 17.4%	Global High Yield 4.6%	Canadian Equity 22.9%	US Equity 16.3%	US Equity 27.6%	Global Infrastructure 7.1%	International Equity 15.7%	Global Infrastructure 25.5%	Canadian Equity 8.7%
	Global High Yield 7.6%	Global REITs 20.0%	Global Infrastructure 8.5%	Developed Ex-US Equity 16.6%	US Equity 4.2%	Global Infrastructure 20.6%	60/40 9.5%	Global REITs 26.1%	Canadian Equity -5.8%	Developed Ex-US Equity 15.4%	Canadian Equity 21.7%	Global Infrastructure 8.2%
	Canadian Equity 7.6%	International Equity 19.5%	US Equity 8.1%	US Equity 13.8%	Global REITs 3.8%	Developed Ex-US Equity 16.9%	Canada Bonds 8.4%	Canadian Equity 25.1%	Global High Yield -6.4%	60/40 12.6%	Commodities 19.2%	Developed Ex-US Equity 8.1%
	EM Debt 7.5%	Developed Ex-US Equity 16.8%	Emerging Markets 7.7%	Global Infrastructure 12.2%	Canada Bonds 1.3%	Global REITs 16.8%	International Equity 6.4%	Developed Ex-US Equity 12.2%	Developed Ex-US Equity -7.6%	Canadian Equity 11.8%	Global High Yield 19.1%	International Equity 8.0%
	US Equity 7.3%	Global High Yield 16.7%	Commodities 7.5%	Canadian Equity 9.1%	Global Infrastructure -1.3%	International Equity 16.5%	Developed Ex-US Equity 6.2%	60/40 11.1%	International Equity -7.8%	Global High Yield 11.0%	Emerging Markets 17.9%	60/40 7.3%
	Global REITs 6.5%	60/40 7.7%	EM Debt 6.1%	60/40 9.0%	60/40 -1.5%	60/40 15.5%	Canadian Equity 5.6%	Global Infrastructure 10.9%	EM Debt -9.1%	Global REITs 7.9%	EM Debt 16.2%	Global High Yield 6.8%
	60/40 6.3%	Global Infrastructure 6.2%	60/40 5.9%	Global REITs 4.1%	International Equity -5.6%	Emerging Markets 12.9%	Global High Yield 5.1%	International Equity 10.8%	60/40 -9.4%	Emerging Markets 7.3%	60/40 15.5%	Emerging Markets 6.3%
	Canada Bonds 5.3%	Canada Bonds 3.7%	Canada Bonds 1.4%	Global High Yield 3.2%	Developed Ex-US Equity -5.9%	Commodities 11.7%	EM Debt 4.7%	Global High Yield 0.1%	Canada Bonds -11.3%	Canada Bonds 6.5%	Developed Ex-US Equity 14.8%	EM Debt 5.5%
	Developed Ex-US Equity 4.8%	Emerging Markets 2.4%	Global REITs 1.4%	Canada Bonds 2.4%	Commodities -6.1%	EM Debt 7.4%	Global Infrastructure -7.4%	EM Debt -2.5%	US Equity -12.2%	EM Debt 6.2%	International Equity 13.8%	Global REITs 5.5%
	International Equity 4.6%	Canadian Equity -8.3%	Developed Ex-US Equity -0.3%	EM Debt 1.1%	Emerging Markets -6.5%	Canada Bonds 6.9%	Global REITs -9.8%	Canada Bonds -2.6%	Emerging Markets -13.9%	Global Infrastructure 3.9%	Global REITs 11.2%	Commodities 3.5%
Weakest	Commodities -5.1%	Commodities -19.5%	International Equity -2%	Commodities -1.2%	Canadian Equity -8.9%	Global High Yield 6.9%	Commodities -25.1%	Emerging Markets -3.1%	Global REITs -18.9%	Commodities -6.8%	Canada Bonds 4.0%	Canada Bonds 1.9%

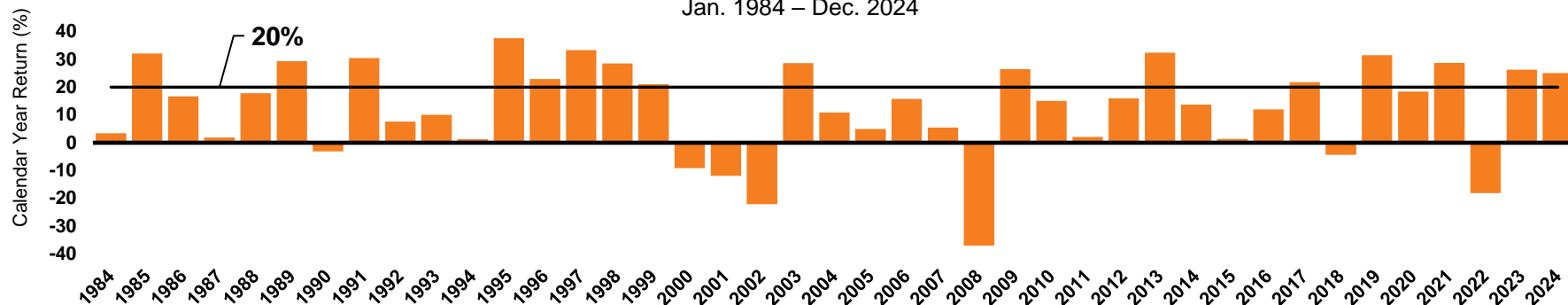
Source: Morningstar Direct, Russell Investments. *Annualized return in CAD. Canadian equity=S&P/TSX Composite Index, US Equity=S&P 500 Index, International Equity=MSCI EAFE Index, Emerging Markets=MSCI Emerging Markets Index, Developed Ex-US Equity=MSCI World Ex-US Index, Canada Bonds=Bloomberg Canada Aggregate Index, EM Debt=Bloomberg EM USD Aggregate Index, Global High Yield=Bloomberg Global High Yield Index, Global Infrastructure=S&P Global Infrastructure Index, Global REITS=FTSE EPRA NAREIT Developed Index, Commodities= S&P Goldman Sachs Commodities Index, 60/40 Balanced Portfolio=20% Canadian Equity (S&P/TSX Composite Index), 20% U.S. Equity (S&P 500 Index), 20% International Equity (MSCI EAFE Index), 40% Canadian bonds (Bloomberg Canada Aggregate Index). Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results. Index performance does not include fees and expenses an investor would normally incur when investing in a mutual fund. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Historically strong market returns

Time in the market has beaten timing the market

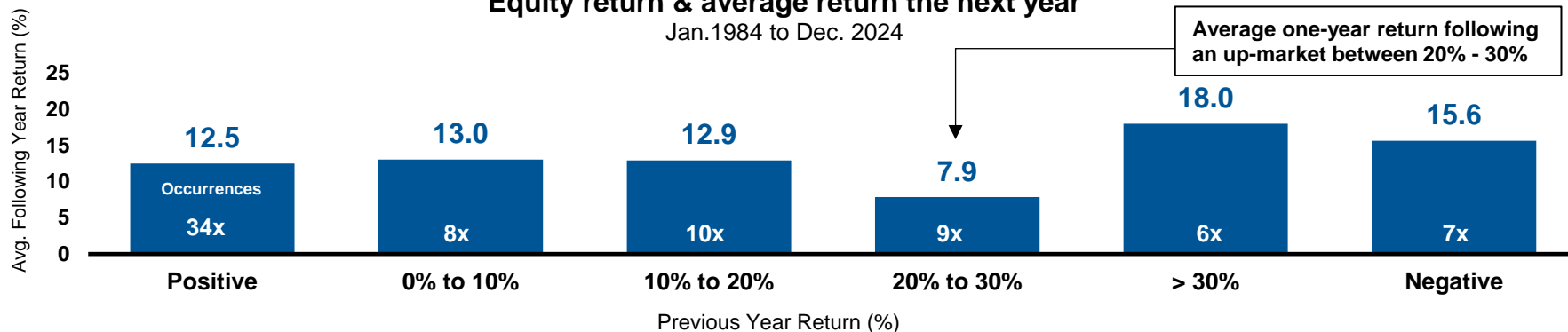
Calendar year U.S. equity returns

Jan. 1984 – Dec. 2024



Equity return & average return the next year

Jan. 1984 to Dec. 2024

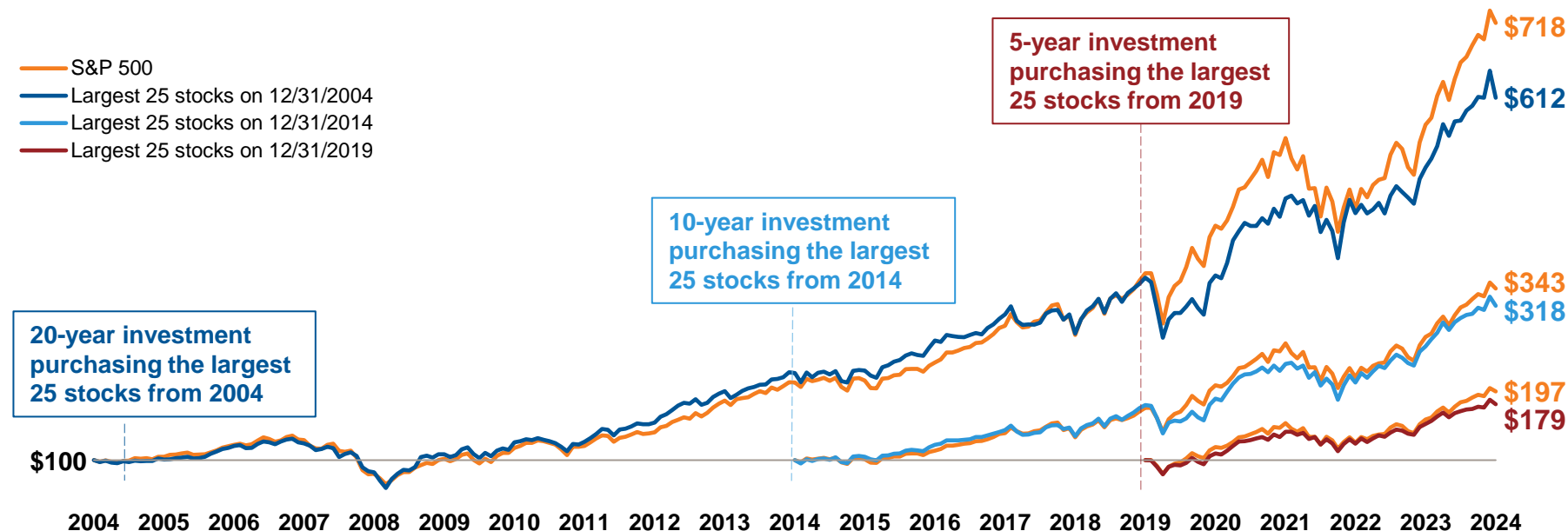


- Since 1984, U.S. equity markets have delivered calendar year returns exceeding 20% approximately 40% of the time
- While some may be concerned about what to expect in 2025, historically investors have been rewarded by staying invested

Source: U.S. Equity: Russell 3000 Index (1/1/1984 – 12/31/1989), S&P 500 Index (1/1/1990 – Present). Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Largest 25 stocks in the S&P 500 Index

Growth of \$100



- Buying the highest-weighted 25 stocks underperformed the S&P 500
- Stocks become highly weighted in the S&P 500 due to strong past performance, but these weights are not necessarily an indicator of future outperformance
- NVDA joined the top 25 holdings in the second quarter of 2020. As of 12/31/2019, NVDA had a 0.54% weight in the index, ranking 40th in weight among all stocks in the index

Weight of largest 5 stocks in the S&P 500 Index in 2004 vs 2024

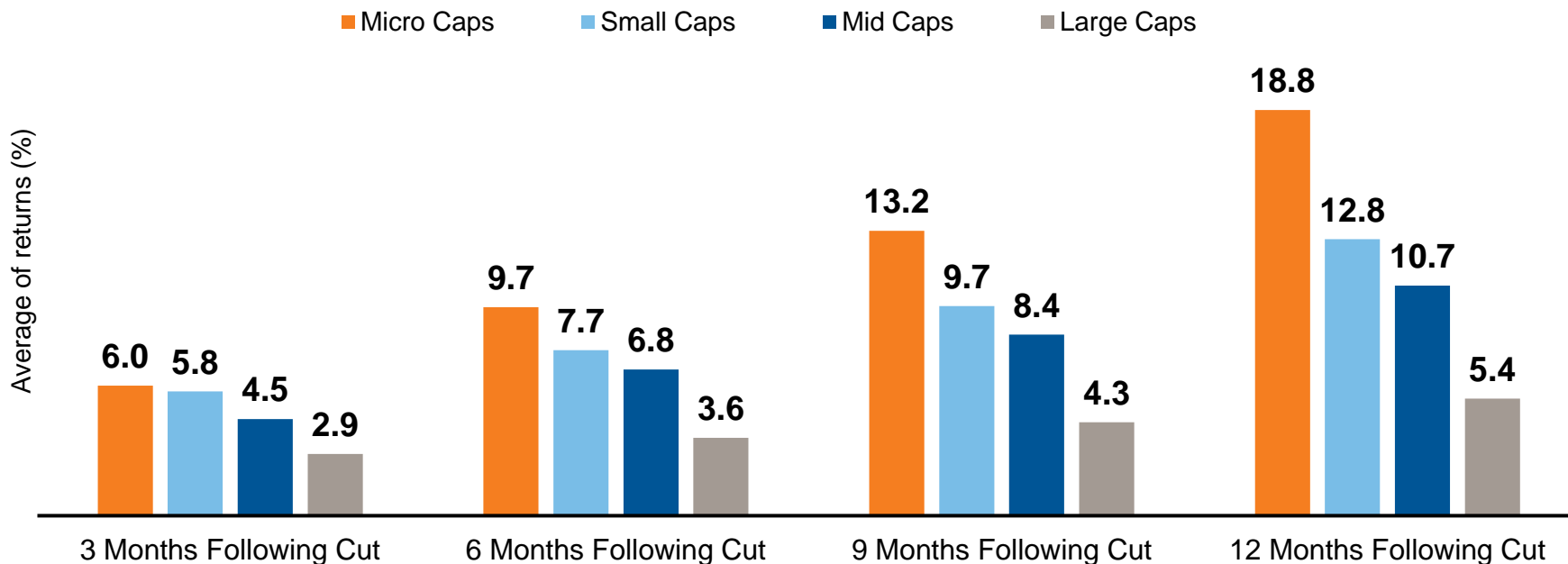
2004	2004 → Current	2024	2004 → Current
General Electric	3.4% → 0.4%	Apple	0.2% → 7.6%
ExxonMobil	2.9% → 1.0%	Nvidia	0.03% → 6.6%
Microsoft	3.0% → 6.3%	Microsoft	3.0% → 6.3%
Citigroup	2.2% → 0.3%	Amazon ¹	0.0% → 4.1%
Wal-Mart	2.0% → 0.8%	Meta ²	0.0% → 2.6%

1. Added 2005. 2. Added 2013

Source: Morningstar. Largest weighted stocks in the S&P 500 on 12/31/2004, 12/31/2014, and 12/31/2019, and 12/31/2024, respectively. Top 25 stocks are equal-weighted. On 6/14/2018, Warner Media was acquired by AT&T and was removed from the 2004 holdings, the remaining 24 securities are re-weighted equally on that date. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Returns following U.S. Federal Reserve rate cuts

Rate cuts have benefitted U.S. micro and small cap stocks



- On average, micro cap and small cap stocks have outperformed mid and large cap stocks following policy rate cuts over the last 35 years
- Lower interest rates can stimulate borrowing for expansion and create a more favorable environment for mergers and acquisitions

Source: Morningstar, Federal Reserve Bank of St. Louis. Micro Cap: Wilshire US Micro Cap Index, Small Cap: Russell 2000 Index; Mid Cap: Russell Mid Cap Index; Large Cap: S&P 500 Index. Data provided 1/1/1990 through 12/31/2024. Rate Cut defined as reduction to Federal Funds policy rate upper limit. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

U.S. stock market leadership

2000s have been dominated by... Mid Cap Value?

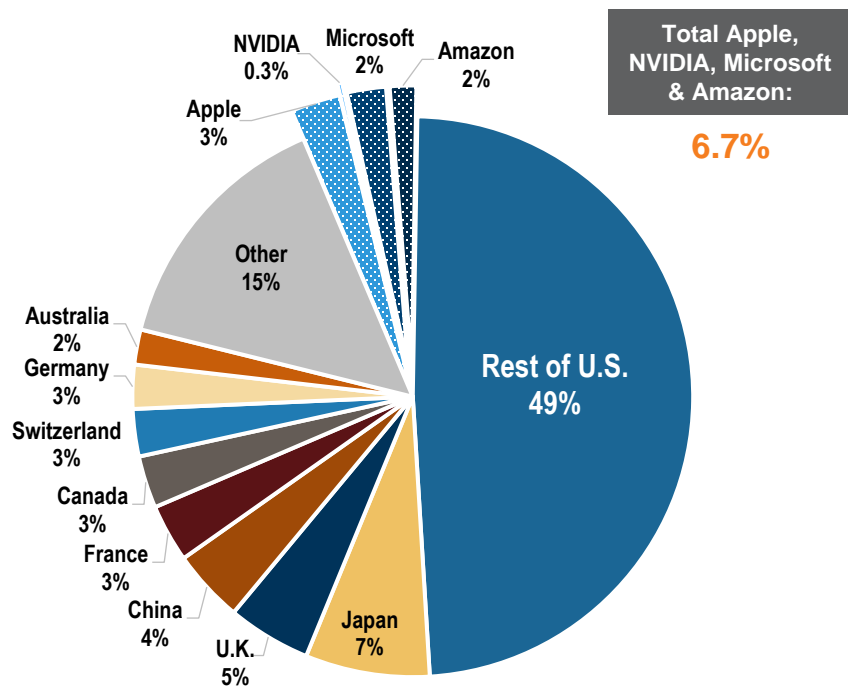
1990-1999	2000-2009	2010-2019	2020-2024	2000-2024
Large Growth 21.0%	Small Value 8.3%	Large Growth 15.6%	Large Growth 20.6%	Mid Cap Value 9.7%
Mid Cap Growth 19.0%	Mid Cap Value 7.6%	Mid Cap Growth 14.2%	Mid Cap Growth 11.5%	Small Value 9.0%
Large Value 16.4%	Large Value 0.4%	Small Growth 13.0%	Large Value 8.7%	Large Growth 7.8%
Mid Cap Value 13.8%	Mid Cap Growth -0.5%	Mid Cap Value 12.4%	Mid Cap Value 8.6%	Mid Cap Growth 7.6%
Small Growth 13.5%	Small Growth -1.4%	Large Value 11.6%	Small Value 7.3%	Large Value 6.4%
Small Value 12.5%	Large Growth -4.8%	Small Value 10.6%	Small Growth 6.9%	Small Growth 5.8%

Source: Large Growth: Russell 1000 Growth Index, Large Value: Russell 1000 Value Index, Mid Cap Growth: Russell Mid Cap Growth Index, Mid Cap Value: Russell Mid Cap Value Index, Small Growth: Russell 2000 Growth Index, Small Value: Russell 2000 Value Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

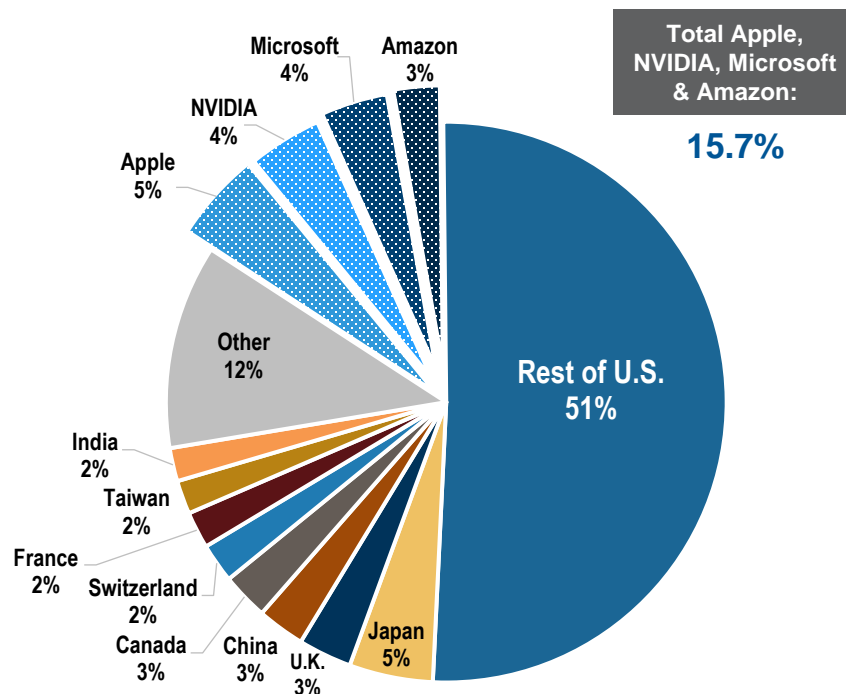
U.S. share of global stock market continues to expand

Largest U.S. stocks have surpassed weight of most other countries

GLOBAL STOCK MARKET WEIGHTS: 2019



GLOBAL STOCK MARKET WEIGHTS: 2024

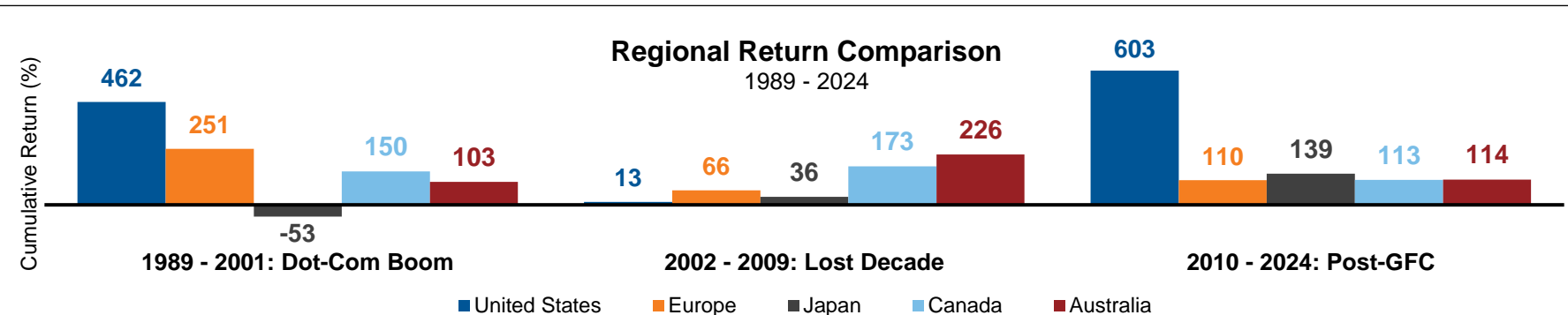
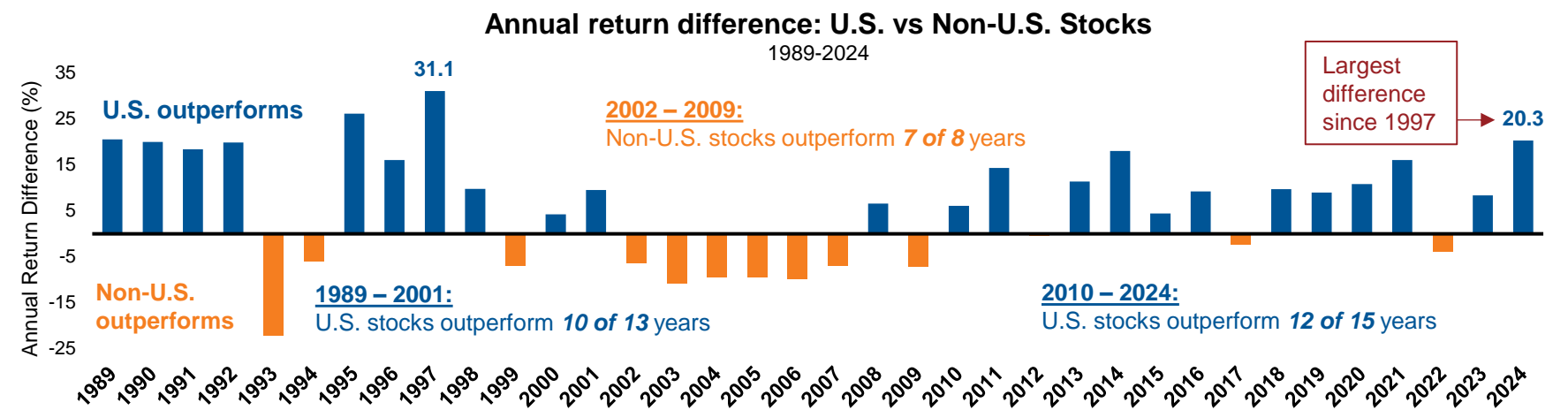


	Apple	NVIDIA	Microsoft	Amazon	Japan	U.K.	China	Canada	Switzerland	France	Taiwan	India
2024 return %	30.6	171.2	12.9	44.4	8.3	7.5	19.4	11.9	-2.0	-5.3	34.4	11.2
P/E ratio	32.8	32.4	31.7	35.2	14.4	11.5	11.1	15.5	15.9	13.6	16.7	20.7

Source: Morningstar, Russell Investments and MSCI. Global Stock Weights represented by MSCI ACWI Index. Data as of each year end. Countries represent MSCI Indexes. P/E indicates Forward P/E ratio. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

U.S. stocks widen performance difference over non-U.S.

2024 performance differential reaches levels not seen since the 1990s

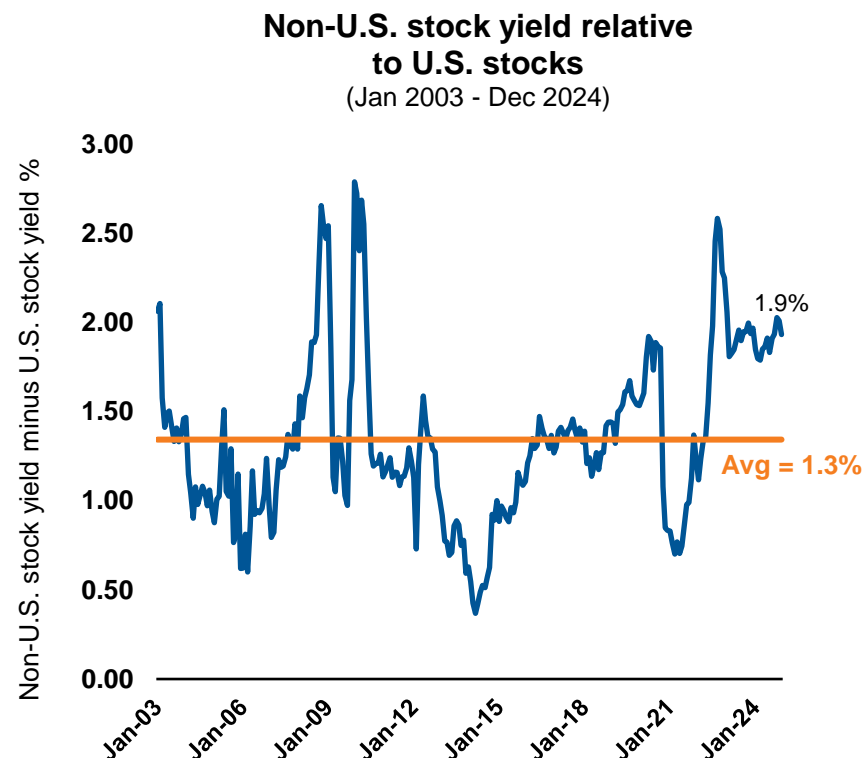
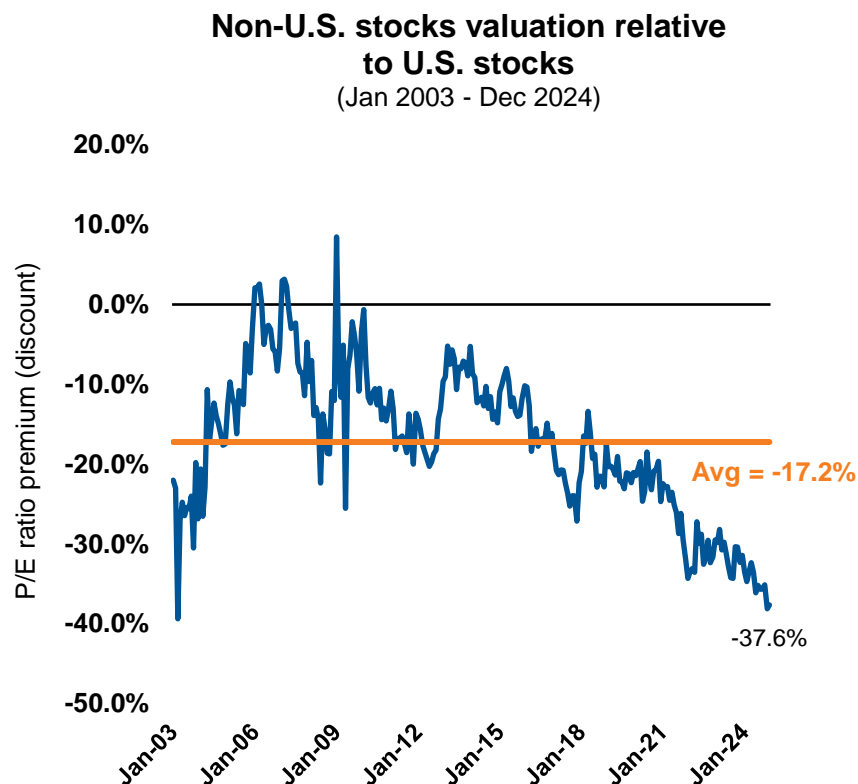


- U.S. stocks outperformed their non-U.S. counterparts by over 20% in 2024, marking the widest spread since 1997
- This result adds to the trend of U.S. dominance since 2010
- The reversal of leadership experienced in the 2000s shows importance of regional diversification

Source: Morningstar, Russell Investments and MSCI. U.S. stocks represented by S&P 500 Index. Non-U.S. stocks represented by MSCI World ex-USA Index. Europe, Japan, Canada and Australia represented by MSCI Indexes. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Valuations & yields could be catalyst for non-U.S. returns

International stock fundamentals look attractive

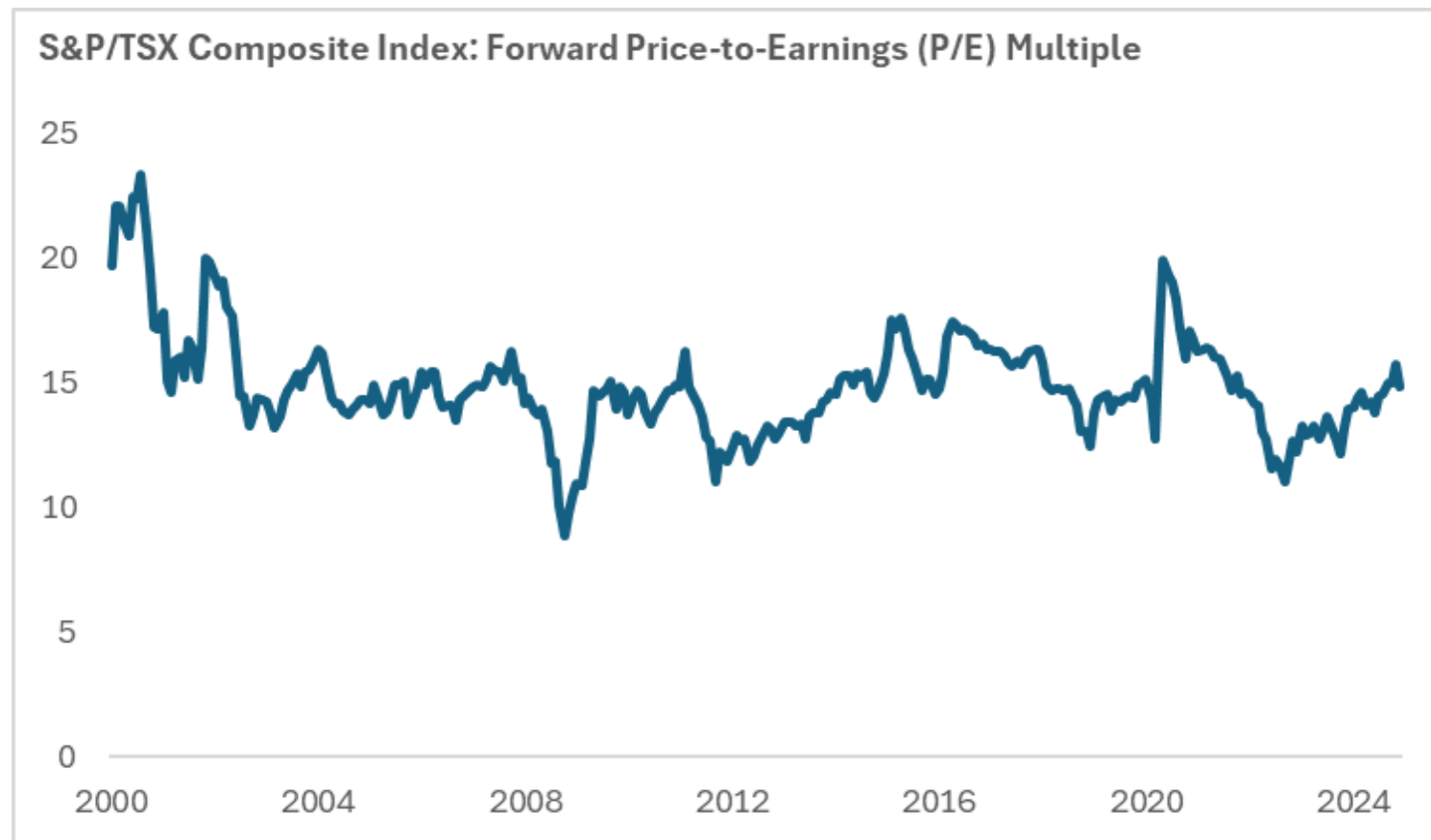


- Relative valuations, as measured by Price/Earnings ratio, are at 20-year lows
- International stocks are providing investors with an attractive yield

Source of Data: Morningstar's Current and Historical Price/Earnings Calculations and Dividend Yield Calculations for the S&P 500 Index (US Stocks) and MSCI EAFE Index (Non-U.S. Stocks). Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Canadian stock valuations in line with long-term average

Even as the S&P/TSX Composite Index trades near all-time highs

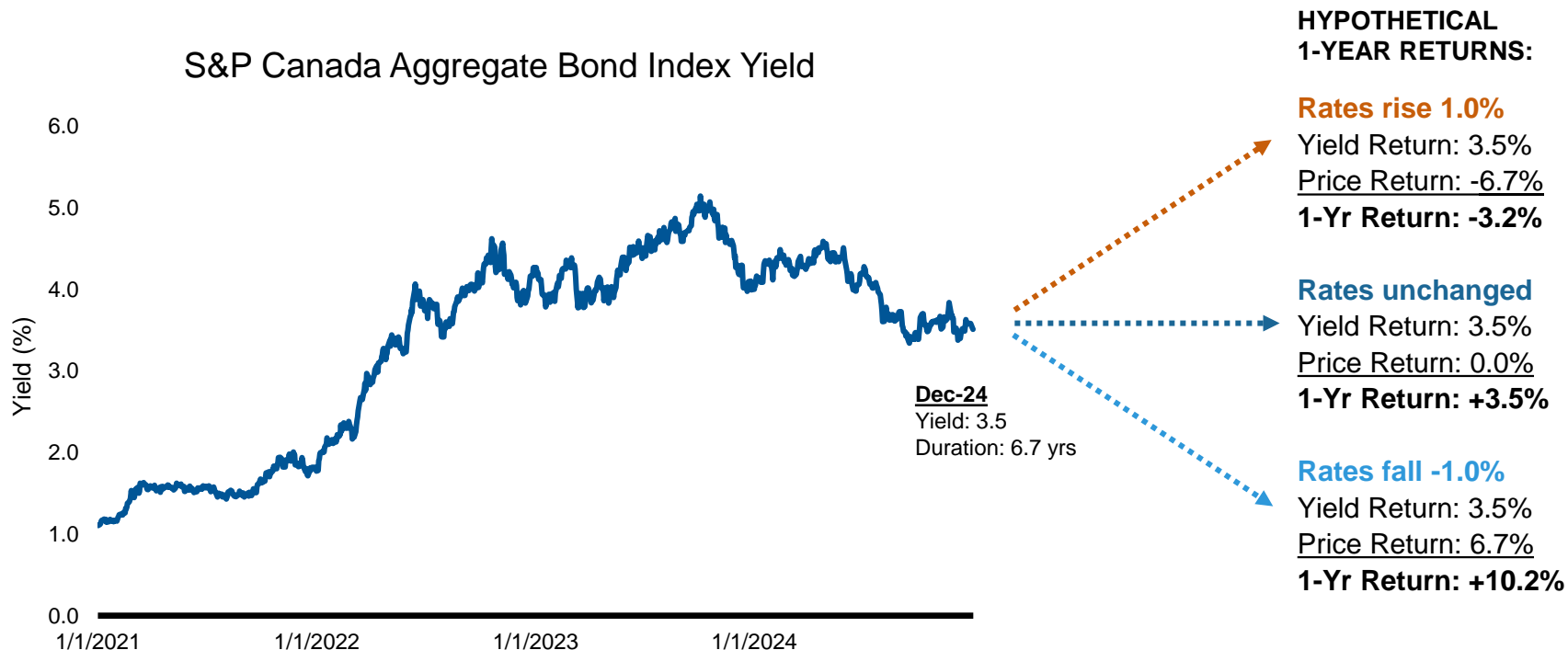


- Canadian equity valuations do not appear to be at an unsustainable extreme
- Investors may benefit from staying invested in Canadian equities, despite macroeconomic headwinds

Source of Data: LSEG Datastream, data through December 2024. Indexes are unmanaged and cannot be invested in directly

Understanding the impact of changing rates

Falling rates can boost return from bonds

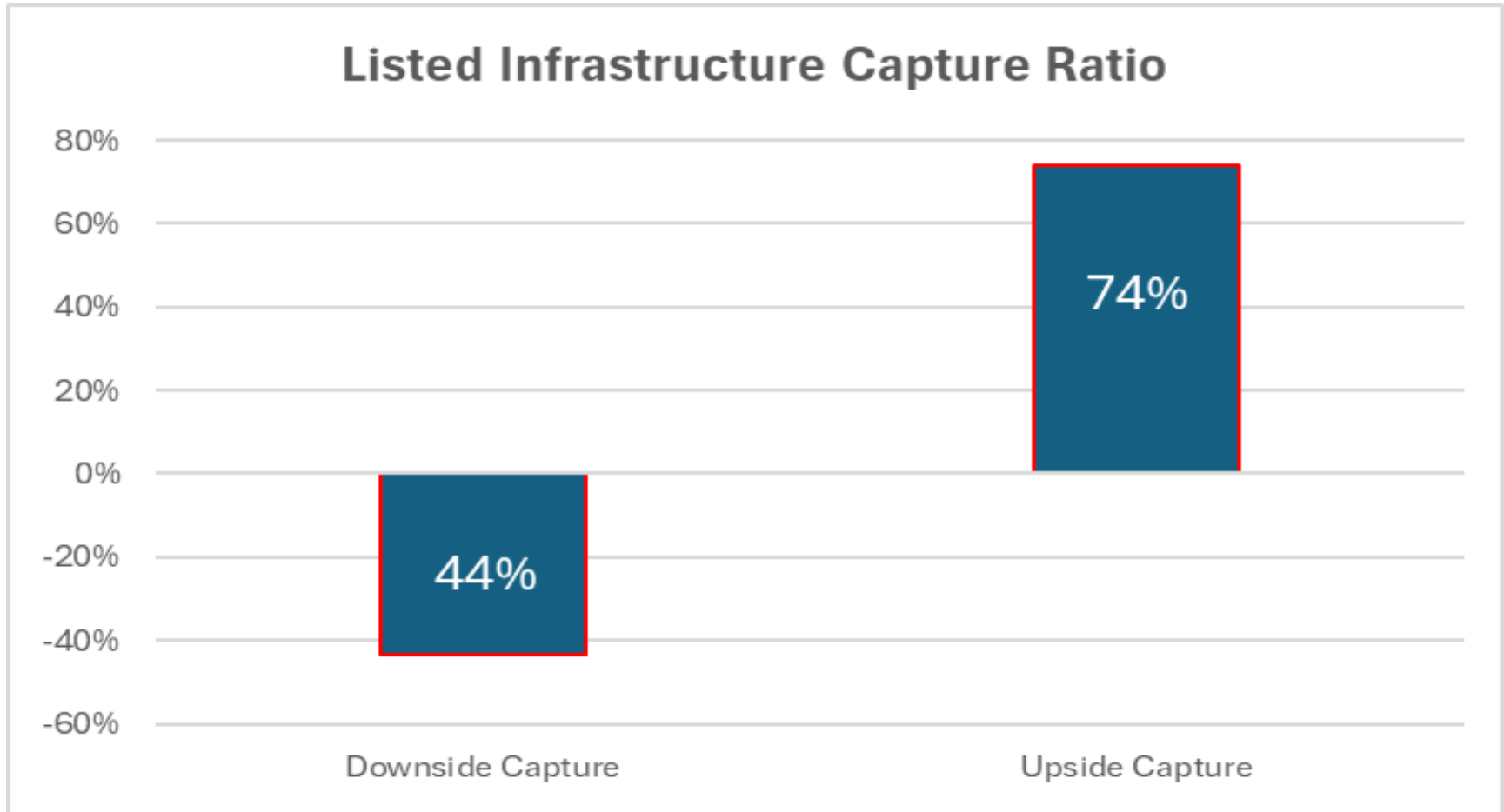


- Fixed income is a crucial diversifier of equity market volatility
- The Bank of Canada has already cut interest rates aggressively, but more rate cuts could be necessary if economic softness continues, offering the potential for price appreciation in bonds

Source: LSEG DataStream. Data as of 12/31/2024. Hypothetical projections are based on the yield and duration of the S&P Canada Aggregate Bond Index as of December 31, 2024. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Bps = basis points.

Infrastructure can be a defensive asset class

Preserving most of the equity market upside while buffering equity market downside



Source: Russell Investments, LSEG Datastream. Capture ratios are based on the rolling annual returns of the S&P Global Infrastructure Index from 2002 to 2024, relative to the rolling annual returns of the MSCI All Country World Index. Indexes are unmanaged and cannot be invested in directly.

Russell Investments' global market outlook

ECONOMIC VIEWS

U.S. ECONOMY



- Soft landing is the base case, but other outcomes are possible too
- Recession odds at 30% (still above-average)
- Inflation should reach target by 2025; labor market has been softening but not yet worrisome
- Path of forward interest rates will continue to be data dependent

CANADIAN ECONOMY



- Inflation has fallen substantially from the peak, though a minor reacceleration has been seen in recent months
- Growth and employment dynamics generally weaker than in the U.S.
- Risk of economic slowdown may be higher than in the U.S.

EUROZONE



- Inflation is tracking towards central bank targets
- ECB started cutting interest rates in June, but risk of interest rates being too tight for too long remains
- European economy faces persistent challenges – with German economic activity subdued, and French policy uncertainty from bond markets pushing back on some of the fiscal plans

PACIFIC BASIN



- Wage growth and inflation expectations have moved towards Bank of Japan's inflation targets.
- Chinese fiscal policy a continued key watchpoint into 2025

ASSET CLASSES

GLOBAL EQUITIES



- Potentially limited upside given expensive multiples and markets' optimistic earnings growth assumptions
- Non-U.S. developed stocks at discount compared to U.S., but may be more prone to cyclical risks

FIXED INCOME



- Bond yields are modestly attractive and can play a key defensive role in a portfolio. However, we would like to see higher yields before initiating a tactical duration overweight
- Credit spreads are very tight in the U.S., dampening return expectations for investment grade and high yield

REAL ASSETS



- INFRA and REIT valuations appear attractive relative to broad equities

CURRENCIES



- USD appears expensive on a purchasing-power parity basis and could depreciate over the medium-term
- Near-term path more uncertain

There is no guarantee the stated expectations will be met. As of December 2024. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

U.S. recession risks have come down from their peak

But not fully abated

MEDIUM-TERM RISK INDICATORS	JUN 2022	DEC 2023	DEC 2024
Slope of the curve (10y-2y)	Orange	Red	Orange
Labor market slack	Red	Red	Green
Stance of Fed policy	Yellow	Red	Orange
Output Gap	Red	Red	Yellow
Corporate financing gap	Green	Green	Green
Household debt levels	Green	Green	Green
Household debt services	Green	Green	Green
Corporate debt levels	Red	Red	Red
Corporate debt service	Green	Green	Yellow

SHORT-TERM INDICATORS	JUN 2022	DEC 2023	DEC 2024
Business Cycle Index	Green	Yellow	Green
Yield Curve (10y – 3m)	Green	Red	Orange
Employment Growth	Green	Green	Green
Consumption Growth	Yellow	Yellow	Yellow
SOFR Spread*	Yellow	Yellow	Yellow
Credit Spread	Yellow	Yellow	Green
Temporary help employment	Green	Red	Red
Consumer spending decomposition	Yellow	Green	Orange
Architectural billings	Yellow	Red	Orange
Financial Conditions Index	Orange	Orange	Yellow
Banking lending standards	Green	Red	Orange
ISM Manufacturing	Yellow	Red	Orange
ISM non-manufacturing	Yellow	Orange	Green
Initial jobless claims	Green	Green	Green
Bank loan demand	Green	Red	Yellow

- Business Cycle Index is bolstered by improvement in Credit Spreads
- Corporate debt servicing is more difficult with interest rates remaining elevated despite first Fed cut
- Despite some improving indicators, the economic outlook remains mixed with higher-than-normal level of uncertainty

Source: Russell Investments, December 2024. Red represents areas of high risk. Orange and yellow represent areas of intermediate risk. Green represents areas of low risk. *SOFR Spread: Ted spread was used for June & December 2023. SOFR=Secured Overnight Financing Rate.

U.S. policy watchpoints into 2025

KEY POLICIES



Tariffs

- Raise tariffs against China and other trading partners
- Drag growth (0.5ppt) and earnings (1ppt), boost prices (0.3ppt)



Immigration

- Restrict immigration to 2017-2019 levels, mass deportations?
- Potential growth slows from 2.5% to 2%, little impact on prices



Fiscal policy

- Extend TCJA cuts past 2025, cut corporate tax
- Boost earnings (5ppt), more government debt



Deregulation

- Focus on financials and energy sectors

ESTIMATED FUNDAMENTAL IMPACT



Economic growth

- Little impact on balance
- Tariffs & immigration (-) offset by fiscal & deregulation (+)



Inflation

- Modest (0.3 ppt) one-time increase in core PCE inflation
- More in extreme scenarios for tariffs, fiscal, immigration



Earnings

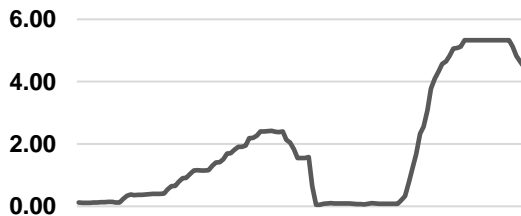
- S&P 500 earnings expected to get a 4ppt boost in 2026
- Corporate tax cuts (+5ppt) outweigh tariff drags (-1ppt)



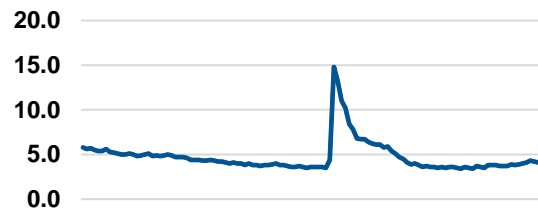
Interest rates

- Little impact on Fed near-term, long rates up on fiscal risk
- Mix across tariffs (dovish) and fiscal (hawkish) is key

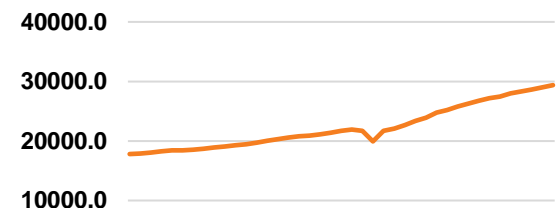
Federal Funds Rate%
(10 years through 2024)



Unemployment Rate%
(10 years through 2024)



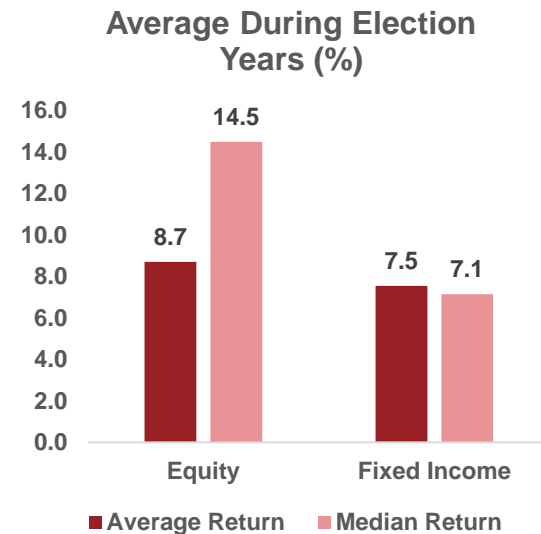
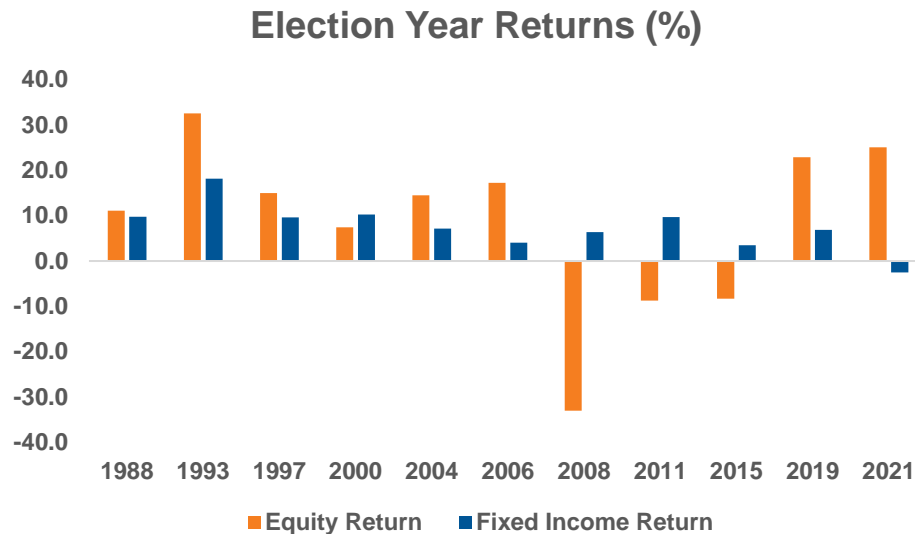
Gross Domestic Product (\$B)
(10 years through 2024)



Source: Russell Investments, December 2024 and The St. Louis Federal Reserve (FRED)

Canadian elections and market returns

Macro matters more than elections



- Over the past 30 years, Canadian equities have delivered an average return of 8.7% and a median return of 14.5% during election years. In contrast, Canadian fixed income saw nearly identical figures, averaging 7.5% with a median of 7.1%.
- The three instances when equities experienced declines were driven by macroeconomic factors rather than political issues. Specifically, Canadian equities dropped during the Global Financial Crisis of 2008, the volatility stemming from the European financial crisis and the U.S. debt downgrade in 2011, and the energy price collapse in 2015. Bonds posted a negative return 2021 due to the inflation surge and yield increases.
- Staying disciplined and diversified across asset classes and geographies is crucial.

Source: LSEG DataStream. Equity Return based on S&P/TSX Composite Index; Fixed Income Return based on FTSE Canada Universe Bond Index.

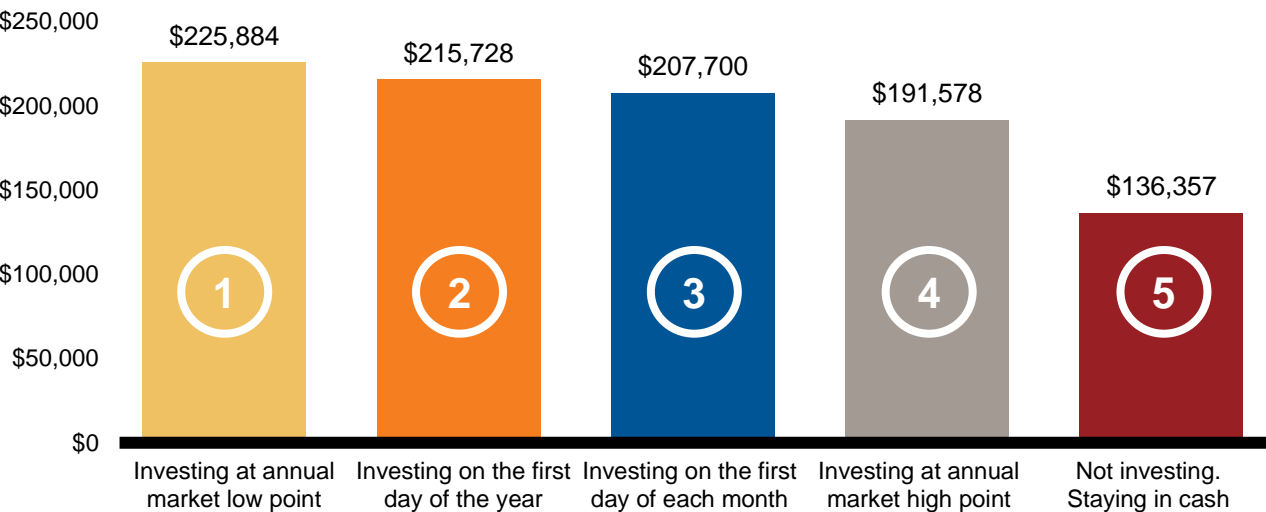
Be invested, stay invested

Time in the market, not timing the market

1 Perfect timing	2 First of year	3 Dollar cost averaging	4 Perfectly wrong timing	5 Holding cash, no investment
This strategy is ideal, yet implausible.	Investing your money for the most amount of time can yield the most gain in most market environments.	A popular rules-based strategy. Can help investors cope with uncertain or volatile markets.	Despite bad timing, assets invested in the market may grow faster than if left in cash.	Holding cash too long can result in the least growth of wealth.

Hypothetical ending wealth after investing \$12,000 per year for 10 years

Period ending December 31, 2024



Note that one year represents a 12-month period ending the last day of December each year.

Assumes a one-time investment of \$12,000 per year into the S&P/TSX Composite Index with no withdrawals between December 31, 2014 and December 31, 2024.

Cash return based on return of \$12,000 invested each year in the FTSE Canada 91-Day T-Bill Index without any withdrawals between December 31, 2014 and December 31, 2024.

Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Hypothetical analysis provided for illustrative purposes only.

Index definitions

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

MSCI country indices: Indices which include securities that are classified in that country according to the MSCI Global Investable Market Index Methodology, together with companies that are headquartered or listed in that country and carry out the majority of their operations in that country.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets Index: A float-adjusted market capitalization index that consists of indices in 24 emerging economies.

MSCI World Ex-US Index: A broad global equity index that represents large and mid-cap equity performance across 23 developed market countries.

Russell 1000® Growth Index: Measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index: measures the performance of the 2,000 smallest companies in the Russell 3000 index.

Russell 3000® Index: Measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

FTSE Canada Long Term Overall Bond Index - a market capitalization index designed as a broad measure of the Canadian long-term fixed income market.

FTSE Canada Universe Bond Index measures the performance of marketable government and corporate bonds outstanding in the Canadian market.

S&P/TSX Composite Index: The benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange.

S&P 500® Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

S&P Goldman Sachs Commodities Index: A composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

The **S&P Global Infrastructure Index:** Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

Bloomberg Global High Yield Index: An index which provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents the union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices.

The **Bloomberg Canada Aggregate Bond Index** measures the Canadian investment grade fixed income market and is comprised of government, government-related and corporate securities.

The **FT Wilshire US Micro-Cap Index** is a float-adjusted, market capitalization-weighted index of the issues ranked below the 98th percentile by market capitalization of the FT Wilshire 5000 Index.

Economic Indicators Dashboard definitions - Canada

LSEG DataStream source for all data.

Market Indicators

HOME PRICES – Teranet - National Bank House Price: Composite 11, Index. The index is estimated by tracking the observed or registered home prices over time.

MARKET VOLATILITY(VIX) – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

10 YR. CANADATREASURY YIELD – The yield on the 10 year Canadian Treasury note issued by the Canadian Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

YIELD SPREAD – The spread between 3 month Treasury bill yields and 10 year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

Economic Indicators

CONSUMER SENTIMENT – The Thomson Reuters/Ipsos Consumer Sentiment Index (CSI) is based on a monthly random sample of consumer citizens in chosen countries who answer 11 standard quantitative questions. The eleven tracked questions are then used to create a series of Indexes.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

INFLATION – The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

UNEMPLOYMENT – Number of unemployed persons expressed as a percentage of the labour force. The unemployment rate for a particular group (age, sex, marital status, etc.) is the number unemployed in that group expressed as a percentage of the labour force for that group.

HOUSEHOLD DEBT TO GDP – Canada, Household Sector, Debt to Gross Domestic Product

Economic Indicators Dashboard definitions – U.S.

Market Indicators

HOME PRICES – The S&P/Case-Shiller Home Price Index is a measurement of U.S. residential real estate prices, tracking changes in top 20 metropolitan regions. This indicator value represents the trailing year over year % change in the home prices index as of last month-end. Residential real estate represents a large portion of the U.S. economy, and the Home Price index helps us monitor the value of real estate.

MARKET VOLATILITY(VIX) – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30-day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

10 YR. U.S. TREASURY YIELD – The yield on the 10-year U.S. Treasury note issued by the U.S. Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

YIELD SPREAD – The spread between 3-month Treasury bill yields and 10-year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

Economic Indicators

CONSUMER SENTIMENT – The University of Michigan Survey of Consumer Sentiment Index is an economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

INFLATION – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

UNEMPLOYMENT – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.