

ETF Managed Portfolios

ETF Balanced

Quick facts

Inception date:
January 31, 2017

Asset class:
Balanced
Equity: 60%
Fixed Income: 40%

Minimum investment:
\$50,000¹

Number of ETF holdings:
5

Portfolio risk:

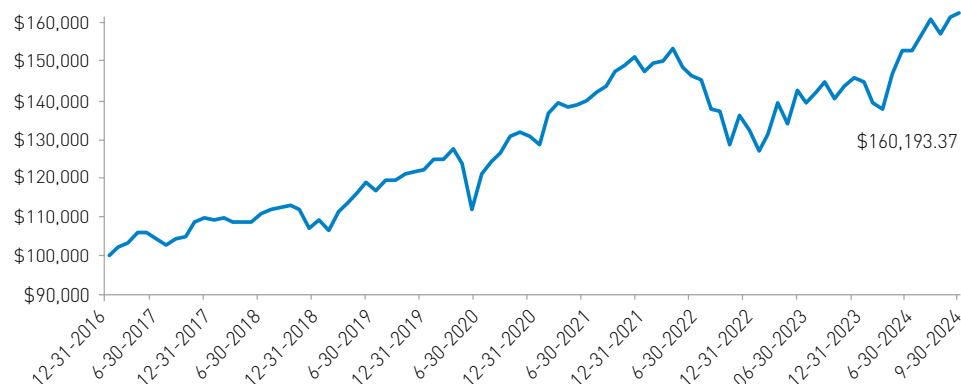
Medium

What does the Portfolio invest in?

The ETF Managed Portfolios provide clients with a wide range of exposure across asset classes, geographies, industries, and sectors. Using various ETF issuers further ensures the unbiased selection and added diversification of each holding. The Balanced Portfolio places equal emphasis on regular income and capital appreciation.

Performance

(Gross of ETF Managed Portfolios fees)



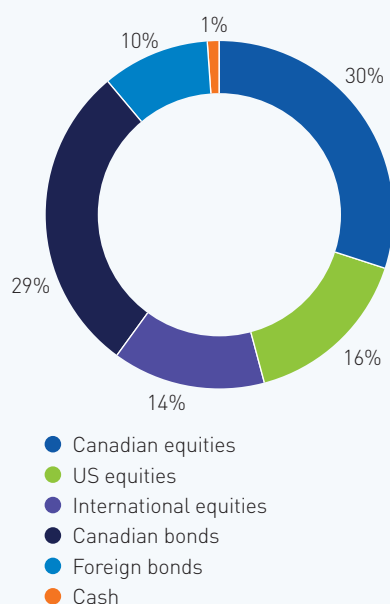
	QTD	YTD	1 yr	3 yr	5 yr	Since inception (annualized)
Portfolio	6.6%	12.5%	21.6%	5.1%	6.4%	6.3%
Standard deviation	8.2%					
Sharpe ratio	0.65					

Suitable for investors whose objective is to achieve capital preservation and income generation, with the willingness to accept some market volatility to achieve moderate growth.

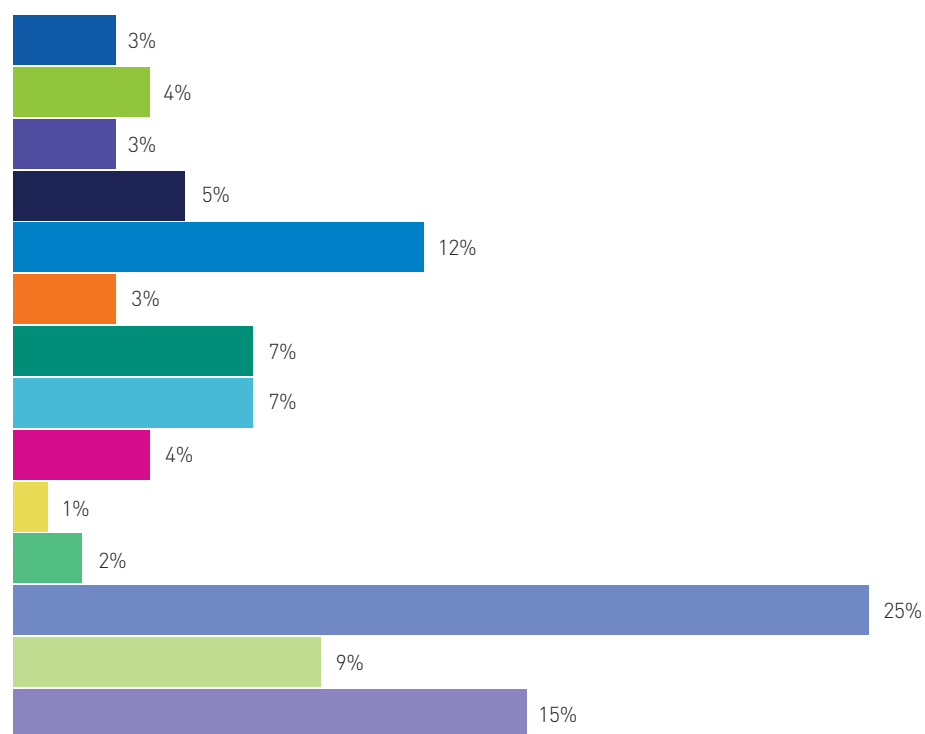
Holdings

Ticker	ETF	Target
ITOT	iShares Core S&P Total U.S. Stock Market ETF	16.0%
IXUS	iShares Core MSCI Total International Stock ETF	14.0%
VAB	Vanguard Canadian Aggregate Bond Index ETF	29.3%
VCN	Vanguard FTSE Canada All Cap Index ETF Vanguard	30.0%
VBU	Vanguard U.S. Aggregate Bond Index ETF	9.8%
	Cash	1.0%

Asset allocation



Sector allocation



- Communication services
- Consumer discretionary
- Consumer staples
- Energy
- Financials
- Healthcare
- Industrials
- Information technology
- Materials
- Real estate
- Utilities
- Canadian government bonds
- Canadian corporate bonds
- Foreign bonds

Portfolio attributes

Weighted average MER	Number of constituents	Portfolio yield	Average credit rating	Modified duration (fixed income only)
0.09%	8,023	2.77%	AA	7.50%

Quarterly commentary

Global Equity Markets

Global equity markets saw strong gains in Q3 2024, with the MSCI All-Country World Index advancing significantly. This rally was driven by the Federal Reserve's commencement of its rate-cutting cycle in September, which boosted investor confidence. The Fed's decision to cut its key rate by 50 basis points, larger than expected, signaled a shift in monetary policy that supported risk assets globally. Excluding the U.S., global markets performed even better, as measured by the MSCI All-Country World Ex-US Index. This outperformance reflects the broader market rally beyond U.S. borders, as investors sought opportunities in other developed and emerging markets.

The Canadian S&P/TSX Composite TR Index led with strong returns, demonstrating the resilience and attractiveness of Canadian equities in the current global economic environment. The U.S. S&P 500 TR Index lagged, posting moderate gains, as some mega-cap tech stocks experienced a pullback. This underperformance relative to other markets reflects a rotation out of technology stocks into other market segments, including small-caps and value stocks. Despite this, the S&P 500 still delivered solid returns, with the index reaching new all-time highs by the end of the quarter.

Canadian Equities

Within the Canadian equity landscape, the S&P/TSX Composite TR Index rose markedly. This strong performance was supported by the Real Estate, Health Care, and Financials sectors. Larger Canadian companies, represented by the S&P/TSX 60 TR Index, outpaced smaller firms within the S&P/TSX SmallCap Index. This outperformance of large-caps suggests a preference for more established companies with stronger balance sheets during the quarter. Sector-wise, Real Estate, Health Care, and Financials were the best-performing sectors, while Consumer Staples, Industrials, and Energy sectors struggled.

USA Equities

In the U.S., the S&P 500 Total Return Index rallied higher, alongside the Dow Jones Industrial Average TR Index that outperformed the NASDAQ Composite TR Index. This divergence was partly due to a rotation out of technology stocks into other market segments. Small-cap stocks, represented by the Russell 2000 TR Index, led the way, benefiting from expectations of lower interest rates. Among the S&P 500 sectors, Utilities, Real Estate, and Industrials were the top performers, while Information Technology, Communication Services, and Energy sectors were the laggards.

International Equities

On the international front, regions within Europe, Australasia, and the Far East (EAFE) showed mixed results. Hong Kong, Israel, and Belgium outperformed, while Japan, the Netherlands, and Denmark underperformed. In emerging markets, China's strong performance was supported by new stimulus measures announced during the quarter. South Africa and India also stood out, while Taiwan, Mexico, and South Korea faced challenges.

Global Factors

Analyzing factor indices, the MSCI World Value Index outperformed, while the MSCI World Momentum Index lagged. The significant outperformance of value stocks compared to growth stocks reflected the market's rotation away from the previously dominant growth and technology sectors. This shift was supported by attractive valuations of value stocks, expectations of interest rate cuts, and a broader market trend favoring previously underperforming sectors.

Global Bond Markets

The global bond market experienced varied performance, with a global bond index excluding the U.S. leading. This strong performance in global bonds was driven by expectations of interest rate cuts and a more dovish tone from central banks. The Canadian bond index trailed, despite the Bank of Canada's active rate-cutting cycle, which saw three consecutive rate cuts bringing the benchmark rate to 4.25% by September 2024. On the issuer side, the global government bond index was the top performer, whereas the global high-yield bond index had a lower return.

Canadian Bond Market

In Canada, the Canadian high-yield bond index posted a strong return, outperforming the Canadian government bond index. This higher performance in high-yield bonds suggests an increased risk appetite among investors, despite indications of an economic slowdown. Long-term Canadian bonds outperformed short-term bonds, supported by the decline in yields across the yield curve. Yields on Canadian government bonds generally decreased, with the 2-year yield falling significantly and the 10-year yield also declining. This resulted in the yield curve returning to a normal shape during the quarter, as the 2-year yield fell below the 10-year yield for the first time in over two years, reversing the previous inversion.

US Bonds and Currencies

In the U.S., government bond yields decreased, with the 2-year yield dropping considerably and the 10-year yield also declining. This decline in yields was driven by expectations of future rate cuts by the Federal Reserve, which began its easing cycle in September. Notably, the U.S. yield curve normalized during the quarter, ending more than two years of inversion as short-term yields fell below long-term yields. The yield curve is now positively sloped, with 2-year yields slightly lower than 10-year yields. This normalization typically reflects improved economic outlook and expectations of monetary policy easing. The Canadian dollar appreciated modestly against the U.S. dollar, while the U.S. dollar weakened against major global currencies, reflecting shifting monetary policy expectations and global economic dynamics. Notably, it strengthened most against the Mexican Peso, British Pound, and New Zealand Dollar but underperformed against the Singapore Dollar, Swiss Franc, and Japanese Yen.

Energy

Energy markets faced significant declines in oil prices, with WTI crude and Brent crude both falling sharply, primarily due to increased U.S. production and waning demand from China. The U.S. Energy Information Administration lowered its 2024 forecasts for both benchmarks, citing slowing global economic activity. In contrast, natural gas prices rose notably, driven by tighter supply-demand fundamentals and geopolitical tensions. The International Energy Agency forecasts global gas demand to rise by the end of 2024, led by growth in Asian markets and a rebound in Europe's industrial demand, while warning of potential future volatility due to the fragile balance in the gas market.

Metals

In precious metals, gold rose significantly, driven by safe-haven demand, expectations of Federal Reserve rate cuts, and ongoing geopolitical risks, while silver also gained, benefiting from both investment and industrial demand. Gold's performance is attributed to increased central bank buying and de-dollarization trends. Platinum prices, however, declined slightly, partly due to the automotive industry's shift towards electric vehicles. In base metals, zinc led with gains, supported by production adjustments in major producing countries, while lead was the weakest, declining, reflecting varied demand in industrial applications.

Agriculture

Agricultural commodities generally advanced, with coffee, sugar, and corn recording strong price gains due to supply concerns, adverse weather conditions, and strong demand for feed and ethanol. Conversely, feeder cattle, soybeans, and lean hogs lagged, affected by factors such as higher feed costs, increased global production, and shifting consumer preferences. These price movements reflect complex supply-demand dynamics, weather conditions, and geopolitical factors. The agricultural sector continues to face challenges from climate change and geopolitical tensions, highlighting the importance of agricultural commodities in global markets and their impact on food security, fuel production, and industrial applications.

Conclusion

The third quarter of 2024 marked a pivotal shift in global financial markets, driven by major changes in monetary policy. The Federal Reserve's 50 basis point rate cut and multiple Bank of Canada's 25 basis point reductions signaled a clear shift toward more accommodative policies, with far-reaching effects across various markets. While these measures are aimed at stimulating growth, concerns about slowing GDP and rising unemployment, particularly in developed economies, persist. Investors will be closely watching the effectiveness of these rate cuts, especially in light of uncertainties around the future inflation trajectory, which, though easing, remains a potential risk.

Additionally, the yield curve's move away from inversion in both the U.S. and Canada suggests changing expectations about future economic conditions, offering insights into growth prospects and recession risks. Sector rotation is also a key factor, as the outperformance of growth stocks, particularly in technology, could face challenges if economic concerns deepen, potentially driving renewed interest in value sectors. Emerging markets, especially China, may benefit from global monetary easing but remain sensitive to economic headwinds. Volatility in commodity markets, particularly the divergence between oil and gas prices, alongside currency movements such as the weakening U.S. dollar, will further shape global trade and market sentiment. In this shifting landscape, diversification and careful consideration of cyclical and structural trends will be crucial for investors navigating the months ahead.

Investment process and selection criteria

- A global multi-asset strategy that seeks to mitigate risks for investors by gaining broad-based diversification through investing in highly liquid Exchange Traded Funds (ETF)
- The criteria used for the selection of each ETF in the ETF Managed Portfolios is extensive and robust, taking into consideration factors such as ETF construction methodology, management fees, issuer reputation, trading spreads, market making, currency hedging, and taxation

Management style

Multi-asset indexed

¹ Minimum Investment is \$50,000 or \$5,000 provided that the client has a separate Managed Portfolios account with at least \$50,000 invested.

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