FGP TOTAL EQUITY SMA

December 31, 2024

The FGP Total Equity SMA portfolio lagged its blended benchmark return during the quarter.

Global equity markets gained, led by the U.S. S&P 500 which advanced 9% in the quarter and an impressive 36% in 2024, following 2023's 23% gain. Canada's S&P/TSX Composite Index rose 4% in the quarter and 22% in 2024. Outside North America, political instabilities led to regional divergence, but the MSCI EAFE still climbed 13% in 2024 despite a soft fourth quarter. Global growth was positive, led by the U.S. economy, while inflationary pressures continued to ease. In Canada, annual inflation fell back to 1.9%, allowing the Bank of Canada (BoC) to reduce its policy interest rate by 1.75% – the largest rate cut by any major global central bank in 2024.

Portfolio Positioning & Performance

The portfolio remains overweight foreign equities, with a slight tilt to the U.S. relative to international, and underweight Canadian equities relative to its benchmark. This asset allocation contributed positively to performance as the U.S. stock market outperformed its Canadian and international counterparts.

Top contributors included **Broadcom** +43%, which benefitted from AI-related semiconductor demand, and **Fiserv** +22%, whose Clover business drove solid results through market share gains and structural growth in digital payments. Outside North America, overall equity returns matched their benchmark. In Canada, the Information Technology sector was heavily skewed by one extremely expensive company, Shopify +41%, while our IT holdings, **CGI Group** +1% and **OpenText** -9%, lagged. We view CGI as a long-term compounder and OpenText, despite near-term challenges, is profitable, with low leverage, and prioritizes returning free cash flow to investors.

During the quarter we exited **Ulta Beauty** amid increased competition, and **Nintendo** on valuation. We added **Publicis**, one of the world's largest advertising agencies, with earnings visibility near-term at half the valuation of Nintendo, and **Linamar**, a consistently profitable and diversified advanced manufacturer with a strong owner-operator model.

Outlook & Strategy

We continue to maintain an above-benchmark allocation to foreign equities relative to Canadian equities. We view the market as quite uncertain. Consequently, we continue to look at each company's underlying ability to grow earnings, and we remain disciplined and conservative in terms of valuation. Our core portfolio strategy remains to hold a limited number of high-quality investments that should generate earnings and dividend growth over time. We remain focused on downside protection as we navigate this unique and volatile market where the risk tone will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news.

These views are subject to change at any time based upon market or other conditions and are current as of December 31, 2024.

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