



HARBOURFRONT
WEALTH MANAGEMENT

**WATERMARK
PRIVATE PORTFOLIOS**

JULY 2024 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- The S&P 500 in Canadian dollars ended July up +2.16% and the S&P/TSX Composite ended July higher by +5.87%.
- Leaders:** The S&P/TSX Composite outperformed the tech-heavy S&P 500 in July as hedge funds locked in gains ahead of tech earnings, causing highly volatile movements during the month.
 - In the US, the S&P 500 Real Estate was the strongest performing sector; however, it was the S&P 500 Financials that contributed the most to the S&P 500's gain in July, representing about 13% of the S&P 500 and posting a strong gain of +6.46%.
 - Likewise, the real estate sector in Canada posted the strongest gain of +10.92% but it represents a small portion of the S&P/TSX Composite Index. The financials sector contributed the most to the S&P/TSX Composite's gain, as it comprises around 30% of the Index.
- Laggards:** The US saw a rotation out of tech this month as the S&P Info Tech sector ended lower by 2.09%. In Canada, all sectors posted a positive gain but the weakest performing sector was the tech sector, posting a gain of +2.45%.
 - The majority of the mega-cap tech names, making up a large weighting of the Index, were down this month as major tech companies failed to impress investors by either missing estimates or giving weaker future guidance.
- Outside of Canada and USA, the global equity market finished the month higher as well.

Fixed Income

- The fixed income market saw another month of volatility as market participants absorbed key economic data. Across the interest rate curve, we saw the 2-year interest rates fall the most.
- The Canadian Universe Bond posted its second consecutive monthly gain, ending higher by +2.37%.

As at July 31, 2024	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	2.37%	1.99%
Canadian Equities <i>S&P/TSX Composite Index</i>	5.87%	12.28%
US Equities S&P 500, in C\$	2.16%	21.97%
Gold	5.70%	19.36%
Oil <i>West Texas Intermediate Crude</i>	-4.45%	8.74%
Canadian Dollar	-0.96%	-4.04%

Market Review in Minutes (Continued)

Commodities

- Crude oil fell by 4.45% this month, with the price of the commodity ending at just under \$78. Crude oil continues to be supported by geopolitical tensions, declining crude inventories, and strong US economic growth. However, concerns about China's economic recovery and therefore, energy demand consumption, have put pressure on oil prices.
- Gold ended in the positive territory, logging a +5.70% gain. The gold price broke out to its all-time high on the last day of July, nearing \$2500.
- The US Dollar appreciated by +0.95% against the Canadian Dollar in July as the Bank of Canada decided to cut rates again.

As at July 31, 2024	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	2.37%	1.99%
Canadian Equities <i>S&P/TSX Composite Index</i>	5.87%	12.28%
US Equities S&P 500, in C\$	2.16%	21.97%
Gold	5.70%	19.36%
Oil <i>West Texas Intermediate Crude</i>	-4.45%	8.74%
Canadian Dollar	-0.96%	-4.04%

Notable Monthly Highlights

USA – The US Federal Reserve held rates steady in its July meeting

- The US Federal Reserve maintained interest rates at 5.25%-5.50%, which was widely expected. Just before the US Federal Reserve meeting, according to CME FedWatch Tool, market participants were betting that there was close to a 90% chance of the US Federal Reserve implementing its first interest rate cut in September.
- Economic data this month indicated that the US continues to put up robust economic growth, along with signs that inflation is easing; however, retail spending and the labour market appear to be cooling. The US Fed continues to be data dependent and monitors key economic developments in the labour market, inflation, and consumer expenditures:
 - The US GDP growth expanded by an annualized 2.8% in Q2, beating the consensus expectations of 2% and higher than the previous quarter.
 - Retail sales came in flat and met consensus expectations in June, following an upward revision of 0.3% rise in the previous period, indicating that sales have stalled.
 - The headline figure for CPI inflation slowed to 3.0% YoY in June, which was slightly lower than the 3.1% that was expected. The core inflation rate also came in slightly lower at 3.3% YoY in June vs the 3.4% expected.
 - Unemployment rate ticked up to 4.1% in June vs the expected 4.0%, showing continued signs that the labour market is cooling.
 - On the contrary, the US Fed's preferred measure in determining monetary policy, the core personal consumption expenditures (PCE), increased by 0.2% MoM in June, higher than the expected 0.1% MoM.

Notable Monthly Highlights (Continued)

Canada – The Bank of Canada implemented its second rate cut this year to 4.50%

- The Bank of Canada cut its policy interest rate by 0.25% from 4.75% to 4.50% as the central bank sees the Canadian economy slowing down; household spending, consumer spending, and housing have been weak and Canada's labour market is showing signs of cooling. The Bank of Canada continues to monitor the progress of inflation moving closer to the 2% target and continues to monitor areas where inflation is still showing up, such as housing.
 - Retail sales in May dropped by 0.8% YoY, which was more than the expectation of a decline of only 0.6% YoY; this is indicative of slowing in consumer spending.
 - The unemployment rate ticked up to 6.4% YoY in June, which was higher than the 6.3% consensus estimate.
 - In June, Canada's headline CPI inflation unexpectedly eased to 2.7% YoY, down from 2.9% in the previous period. On the other hand, Canada's core inflation rate rose to 1.9% YoY, up from 1.8% YoY in the previous month.

World – China's central bank unexpectedly cut rates this month in hopes to support China's faltering economy, while Europe held its policy rates at 4.25%

- While recent months have shown some improvement in China's economy, concerns about its weak economy have resurfaced: China's annual GDP growth rate of 4.7% significantly missed the expected growth rate of 5.1% in Q2 and concerns about the property sector continue. In response, China's central bank made several interest rate cuts across its key lending rates. Its prime rate was slashed by 10 basis points from 3.45% to 3.35%.
- The European Central Bank (ECB) maintained its 4.25% policy interest rate as expected and will remain data dependent on key economic factors. The annual GDP growth rate grew by 0.6%, slightly higher than the expected 0.5% YoY growth rate in Q2. The inflation and core inflation rates remained stable and came inline with expectations.

Watermark Private Portfolios Outlook and Positioning

- Last month, we had indicated our team would maintain our overweight exposure to equities if we saw the market broaden out (i.e., if sectors other than technology are able to rally and catch up to technology stocks). This month, we indeed saw money flow out of tech and flow into the other sectors. If the broadening out continues, equities should continue to rally higher. Furthermore, as we are in the latter stage of Q2 earnings reports, stock buybacks will restart for most companies next week (companies are prohibited from buying back stock during the earnings reporting window), adding back a large buyer to the market. Therefore, we will continue to overweight exposure to equities and maintain our discipline by holding high quality global companies in different sectors of the economy.

	Underweight	Target	Overweight	June 2024	July 2024
Equities			●	<p>The US large cap public equities had a positive month, lifted primarily by US mega cap tech companies. Meanwhile, small and mid-cap US equities logged a negative return in June.</p> <p>Though we recognize that the equity market can rally further, we chose to invest into funds that utilize options for downside protection, while still participating in upside equity run ups.</p> <p>We continue to monitor the risks of persistent inflation, geopolitical risks, and the deep inverted yield curve.</p>	<p>This month, we saw a decline in the mega cap tech stocks. As valuations appeared stretched in these stocks, it took very little to disappoint investors during earnings announcements, sending these stocks lower during the month. Meanwhile, small and mid-cap US equities rallied along with the other large cap sectors that were non-tech.</p> <p>We continue to hold equity investments that are global in nature and utilize options for downside protection.</p> <p>We continue to monitor risks to the global economy and more specifically, the US economy.</p>
Fixed Income	●			<p>Economic data both in Canada and US are showing some signs of economic cooling and inflation easing. However, geopolitical risks are still high, which could keep inflation elevated. Although Canada initiated its first rate cut, we believe the Bank of Canada will sustain this policy rate for a little longer than what the market anticipates.</p>	<p>Economic data in Canada and US are showing continued signs that inflation is easing and trending downward towards its target rates. With further interest rate cuts expected in Canada and the potential start of interest rate cuts in the US, we have taken the profits from the iShares Canadian Short Term Corporate Bond ETF and have used the proceeds to buy a tactical fixed income fund that is currently tilted to government bonds of 7 to 10 year loans.</p>
Private Credit		●		<p>No changes. We are maintaining our long-term allocation to private credit as we still believe increased regulation and the tightening of bank lending conditions are pushing borrowers to look for alternative options, specifically private market lenders.</p>	<p>No changes. We are maintaining our long-term allocation to private credit as we still believe that increased regulation and the tightening of bank lending conditions are pushing borrowers to look for alternative options, specifically private market lenders.</p>
Private Real Estate		●		<p>No changes. We are maintaining a long-term allocation to private real estate given the structural housing supply gap and the rising population in Canada that continually seek homes.</p>	<p>No changes. We are maintaining a long-term allocation to private real estate given the structural housing supply gap and the rising population in Canada that continually seek homes.</p>

Changes in Portfolio Positioning Over the Past Month

In the Enhanced Conservative Plus:

- We sold iShares Core Canadian Short Term Corporate Bond ETF
- We bought Harvest Premium Yield 7-10 Year Treasury ETF
- We added to Pender Alternative Absolute Return Fund

In the Enhanced Balanced Plus:

- We sold iShares Core Canadian Short Term Corporate Bond ETF
- We bought Pender Alternative Absolute Return Fund

In the Low-Cost Balanced & Growth Plus Portfolios:

- We sold iShares Core Canadian Short Term Corporate Bond ETF
- We bought Harvest Premium Yield 7-10 Year Treasury ETF

In the Private Income Portfolios:

- We sold iShares Core Canadian Short Term Corporate Bond ETF
- We bought Harvest Premium Yield 7-10 Year Treasury ETF

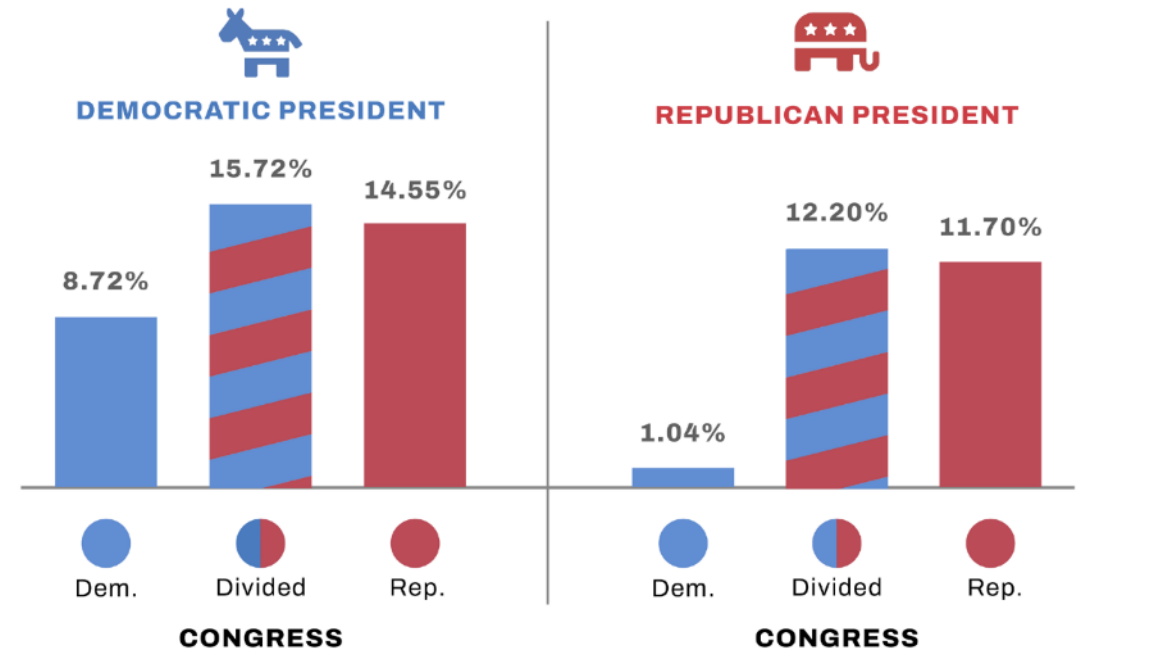
Did You Know?

As seen on the chart, the US market has historically yielded an average positive annual return no matter what circumstance. In the past, the average annualized S&P 500 performance was the strongest under a Democratic president with a divided Congress (current government).

Our opinion:

In the long-term, election outcomes have had relatively minimal impact or influence on market returns. Whereas economic and inflation trends have showed more impact on market returns as historical data and studies have shown.

Average Annualized S&P 500 Performance 1950-2023



Source: YCharts

YCHARTS

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	3.00%	▼	5.50%	▬	4.10%	▲	2.90%	▼	21.4	▬
Canada	2.70%	▼	4.50%	▼	6.40%	▲	0.50%	▼	14.5	▲
China	0.20%	▼	3.35%	▼	5.00%	▬	4.70%	▼	9.1	▼
Japan	2.80%	▬	0.25%	▲	2.50%	▼	-0.20%	▼	15.1	▼
United Kingdom	2.00%	▬	5.25%	▬	4.40%	▬	0.30%	▲	11.8	▲

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.

