HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

MAY 2024 COMMENTARY

TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- The S&P 500 in Canadian dollars and the S&P/TSX Composite both ended May higher, logging monthly gains of +4.09% and +2.77%, respectively.
- **Leaders:** The tech-heavy S&P 500 outperformed the S&P/TSX Composite in May.
    - In the US, the Info Tech sector, consisting of about 30% of the S&P 500, posted a +9.95% gain. Mega cap tech names, Apple and NVIDIA both beat revenue and earnings expectations, sending the stocks higher by +13.02% and +26.89%, respectively.
    - In Canada, the materials sector finished up +6.05%, contributing the most to the S&P/TSX Composite's gain.
- **Laggards:** In the US, the S&P 500 Energy sector, was the worst performing sector, losing 0.97% in May but only representing roughly 4% of the S&P 500 Index. In Canada, the Info Tech sector underperformed and weighed down the Canadian Index.
- Outside of North America, global equity markets finished the month higher.

Fixed Income

- Fixed income continues to be volatile, as market participants differ on the path of future interest rate cuts, and key economic data cause expectations to change. As inflation in the US eased, longer-term yields (more aligned with inflation and GDP) decreased more than interest rates with shorter maturities.
- The Canadian Universe Bond Index ended the month slightly higher at +1.77%.

Commodities

- Crude oil fell for the second month in a row, dropping 6.03%, with crude oil ending just under $77, amid concerns over prolonged high interest rates hitting consumers in the pocketbook, and thus, causing global oil demand to fall. Additionally, there was an unexpected US crude inventory buildup, which likely reinforces the idea of consumer spending slowing down.
- Gold posted another positive month, logging a +1.86% gain for the third consecutive month.
- The US Dollar depreciated by 1.09% against the Canadian Dollar in May.

As at May 31, 2024	Monthly % Total Return	YTD % Total Return
Canadian Bonds *FTSE Canada Universe Bond Index*	1.77%	-1.49%
Canadian Equities *S&P/TSX Composite Index*	2.77%	7.58%
US Equities S&P 500, in C$	4.09%	14.86%
Gold	1.86%	13.23%
Oil *West Texas Intermediate Crude*	-6.03%	7.45%
Canadian Dollar	1.10%	-2.78%

Notable Monthly Highlights

USA – The US Federal Reserve will announce its policy rate on June 12

- The US Federal Reserve is expected to make its policy rate announcement on June 12, with the markets anticipating that the rates will not change and remain at the current level of 5.25%-5.50%. However, according to CME FedWatch Tool, market participants have increased their bets that the US Federal Reserve is still on track to make its first interest rate cut in September of this year.
- Fresh economic data this month indicated that the US finally saw some signs of economic cooling, with weaker-than-expected retail sales and inflation easing. However, Fed Chair Powell and Governor Mester suggested during the month that they will continue to hold rates steady until more definitive data shows a sustained decrease in inflation. Key US economic statistics:
    - Retail sales were flat in April, underperforming the expectation of 0.4% growth, indicating slowing consumer spending.
    - The labour market slowed down, only adding 175K jobs, which was significantly lower than the 243K expected.
    - After three months of higher-than-expected inflation, the headline figure for CPI inflation print slowed to 3.4% YoY in April, which was in line with market consensus. Core inflation also came in as expected at 3.6% YoY in April.
    - The US Fed's preferred measure in determining monetary policy, the core personal consumption expenditures (PCE), came in line with forecasts at 2.7% YoY.

Notable Monthly Highlights (Continued)

Canada – The Bank of Canada will announce its policy rate decision on June 5

- The Bank of Canada is set to announce its policy rate decision on June 5 and market participants are mixed on the central bank's decision to maintain or cut as Canada's central bank assess key economic data:
  - StatsCan reported that the Canadian economy grew at a slower pace than expected. Canada reported a growth of 0.4% for the first quarter and it grew 1.7% on an annual basis, which was less than the 2.2% expected annual growth for the end of Q1.
  - In March, Canada's headline CPI inflation eased and came in at 2.7% YoY, which was in line with the market expectations; it was the softest print since March 2021. Canada's core inflation rate slowed to 1.6% YoY.
  - Retail sales in March also contracted by 0.2% MoM, slightly missing market expectations.
  - The unemployment rate remained at 6.1% YoY in April, slightly lower than the expected rate of 6.2%.

World – China continues to show an uneven economic recovery, while Europe is on path to be the first major central bank to cut rates

- While China's youth jobless rate dropped from 15.3% in March to 14.7% in April, China's fiscal revenue contracted by 2.7% in January to April, indicating that China is still experiencing an uneven economic recovery.
- Eurozone inflation rose to 2.6% in May and remains above the European Central Bank's (ECB) target of 2%. However, it is expected the ECB will still likely cut interest rates in its next meeting.

Watermark Private Portfolios Outlook and Positioning

Last month, we mentioned we were watching key technical levels and if the S&P 500 reaches close to 5170 to 5200, we could see the S&P 500 break to new highs. We indeed saw new highs in the S&P 500 this month, confirming our thought process, which is why the team made several adjustments to increase equity weights in the portfolio.

	Underweight	Target	Overweight	April 2024	May 2024
Equities		→	●	Public equities have fallen for the first time this year and for the first time since October 2023. We continue to believe that there still may be some downside in the equity market; however, we have started trimming the conservative positions to prepare for deploying the proceeds into equities once our target levels have been reached. We continue to monitor the risks of persistent inflation, geopolitical risks, and the deep inverted yield curve.	The public equities finished up this month after it saw a drop in April. As our target levels have been reached and as we witnessed strong earnings and record stock buybacks, we have trimmed the conservative positions and put the proceeds into equities. 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. We continue to monitor the risks of persistent inflation, geopolitical risks, and the deep inverted yield curve.
Fixed Income	●	←		Although inflation has been treading towards the Bank of Canada's target, we are still in the camp of persistent inflation as the same inflationary pressures still exist. Geopolitical risks are still high, which could keep inflation high. In the USA, the labour market has been resilient and consumer spending and inflation have been strong. Thus, we see that the central bankers will be in no rush to cut rates.	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. Thus, we are still in the camp that the central banks will not yet cut until it sees a definitive progression towards its target rates.
Private Credit		●		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.	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.
Private Real Estate		●		No changes. We are maintaining a long-term allocation to private real estate despite Canada's announcement on its plan to increase housing availability to help close the housing supply deficit.	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.

Changes in Portfolio Positioning Over the Past Month

In the Enhanced Balanced Plus:

- We trimmed iShares Core Canadian Short Term Corporate Bond ETF
- We bought TD Active Enhanced global Dividend ETF

In the Enhanced Growth Plus Portfolios:

- We sold iShares Core Canadian Short Term Corporate Bond ETF
- We bought TD Active Enhanced global Dividend ETF

In the Enhanced Conservative and Maximum Growth Plus Portfolios:

- We bought TD Active Enhanced global Dividend ETF

In the Enhanced Balanced Core Portfolios:

- We sold iShares Conservative Balanced ETF
- We bought Dynamic Active Enhanced Yield ETF

In the Low-Cost Balanced & Low-Cost Growth Plus Portfolios:

- We sold iShares Conservative Balanced ETF
- We bought iShares Core Equity ETF Portfolio
- We bought iShares Core Canadian Short Term Corporate Bond ETF

Did You Know?

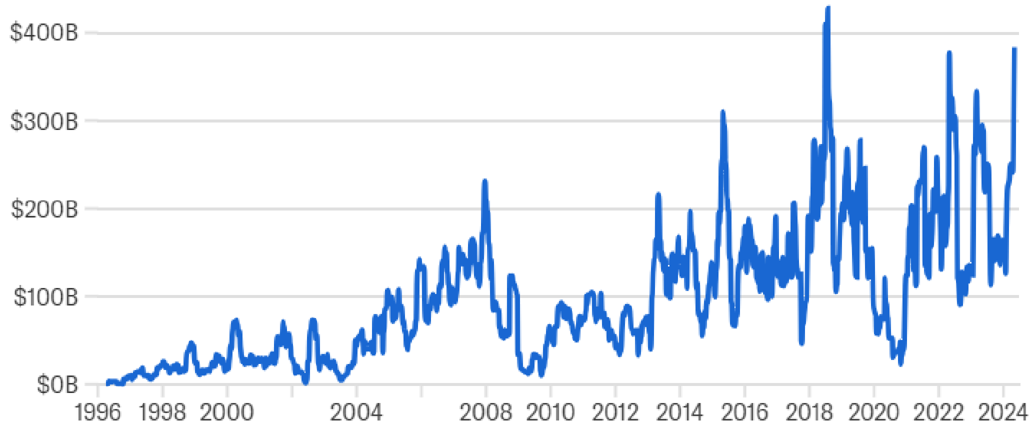
Buybacks have hit the highest level since 2018, nearing $400 billion. Companies typically repurchase their own shares when they cannot invest all the cash from operations back into the company. Historically, buybacks have resulted in positive returns for companies.

Our opinion:

We believe that when companies repurchase or buyback their shares, they show confidence that their companies are trading at reasonable or cheap valuation, which historically leads to an increase in stock prices and shareholder returns for these companies.

BUYBACKS HIT HIGHEST LEVEL SINCE 2018

S&P 500 announced buybacks, 13-week sum



SOURCE: BLOOMBERG FINANCE LP, DB GLOBAL ASSET ALLOCATION

yahoo!finance

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	3.40%	▼	5.50%	▬	3.90%	▲	2.90%	▼	20.8	▲
Canada	2.70%	▼	5.00%	▬	6.10%	▬	0.93%	▲	14	▼
China	0.30%	▲	3.45%	▬	5.00%	▼	5.30%	▲	10	▲
Japan	2.50%	▼	0.10%	▬	2.60%	▬	-0.20%	▼	15.4	▬
United Kingdom	2.30%	▼	5.25%	▬	4.30%	▲	0.20%	▲	11.4	▼

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.