

## May 2025 Financial Planning Email Update

Another income tax preparation season has come to an end. This year was rife with CRA issues stemming from the ill-advised policy of assuming that the 2024 Federal Budget would be passed hence believing that there would be a new capital gain rate after June 24, 2024. This will likely never come to pass therefore requiring unnecessary additional accounting. The CRA also had issues with their new computer systems delaying tax return assessments and the availability of T slips submitted by financial institutions and employers.

Mark Carney was elected as the 24<sup>th</sup> Prime Minister of Canada on April 28, 2025. As the previous Governor of both the Bank of Canada and the Bank of England, his poise, knowledge and global connections have already become very useful in the challenges of the day. Meeting with President Donald Trump shortly after being elected, Mr. Carney has established a mutual respect which will become the basis for negotiations on trade and security arrangements in the future.

As Britain has now negotiated a 10% tariff trade agreement with the United States, this has given the investment community a degree of optimism that further trade agreements will be negotiated, the greater the number increases the level of certainty and begins to decrease the level of uncertainty currently felt. Mr. Carney has promised a Federal Budget to be introduced by Canada Day giving us an idea of how Canada is doing financially as well as clarification on policies regarding tax such as capital gains and lowering income tax rates in the low-income bracket. This is important as we have gone without a Federal Budget now for 2 years.

In the past week Amanda and I have been updated by several of the senior Portfolio Managers from Fidelity Investments. Jurrien Timmer, the Director of Global Macro summarized the current economic environment as being driven by the President of the United States as having a tariff tantrum and as starting the presidency with an animal spirit which has recently moved to a more moderate stance. It was identified that the first 100 days of the Trump presidency yielded the worst S&P 500 record (down 14%) by far of any president and that consumer, investment and business confidence is lower as well as the president's popularity has declined considerably.

David Wolff who determines the asset allocation from Fidelity has begun taking down risk and moving away from the U.S. in early 2025. Equity allocation is beginning to be reallocated from the U.S. to Europe and Japan. Mr. Wolff is concerned that the U.S. tariff policies will create an inflationary shock on the U.S. Mr. Wolff is also wondering if President Trump's goal is to maintain chaos making it very difficult to invest in that sort of environment. This has pushed him to change his allocations away from the U.S. Everyone agrees Trump is raising a good point that the U.S. has a serious trade deficit problem, but most do not agree in his policies to change. As a result, Mr. Wolff believes we are moving from a strong U.S. dollar environment to a weak U.S. dollar environment causing a structural shift in the U.S. position in the world regarding both trade and investment. In 1942 42% of the jobs in the U.S. were in manufacturing. Today that figure is 7.5%. Today there are more jobs in the U.S. in restaurants than in manufacturing. Trump's tariff policies are unlikely to change this.

Dan Dupont, the highly regarded portfolio manager of the Fidelity Canadian Large Cap Fund and the Fidelity NorthStar Fund believes that first and foremost, he focusses on buying great businesses, being patient on price and not trying to predict the unpredictable. As a result, he and his team are always doing a great deal of research searching for quality undervalued stocks. Most of the time he cannot buy, being overpriced, however after "Liberation Day" he was able to buy a considerable number of quality investments. As part of the moving away from the U.S. theme, Dan has been able to find investments that meet his criteria recently in China, Korea, Brazil and Europe. These were stocks that are attractively underpriced and have a lot of negativities priced in already. Every company Dan invests in he knows and understands very well, which is important. In summary Dan has the most fun investing in the worst days on the market while bargain hunting. Dan is getting better at holding these high-quality companies that were bought in an opportunity of undervalued cheapness for a longer period.

Patrice Quirion who manages the Fidelity Global Fund agrees that tariffs are not good for anyone let alone the U.S. He has been taking advantage of discounted pricing globally, having analysts worldwide doing research and identifying opportunities.

Mark Schmehl the highly successful portfolio manager of the Fidelity Canadian Growth Company Fund states he is on defense for now and that Trump is giving investors the least clarity of any time he has invested. He is taking advantage of this time to find great high-quality companies who are financially independent of the tariff trade war unfolding before us. In this type of market moving back and forth from positive to negative which he is coining the Trump Strangle and believes we will be in this zone or environment for a while. This is an opportunity for Mark to get organized so when we finally break out of the Trump Strangle (meaning trade agreements are made) he will then go back on offence. Waiting for clarity is important to Mark. Today Mark is investing in new areas such as Europe, companies using AI in creative and interesting ways, gold and owns more high-quality Canadian companies now then he has for years.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Thank you! Have a great day!

Respectfully Yours,

*Gary*



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