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Sovereign Debt: O Canada, You Look Relatively Good, Eh?

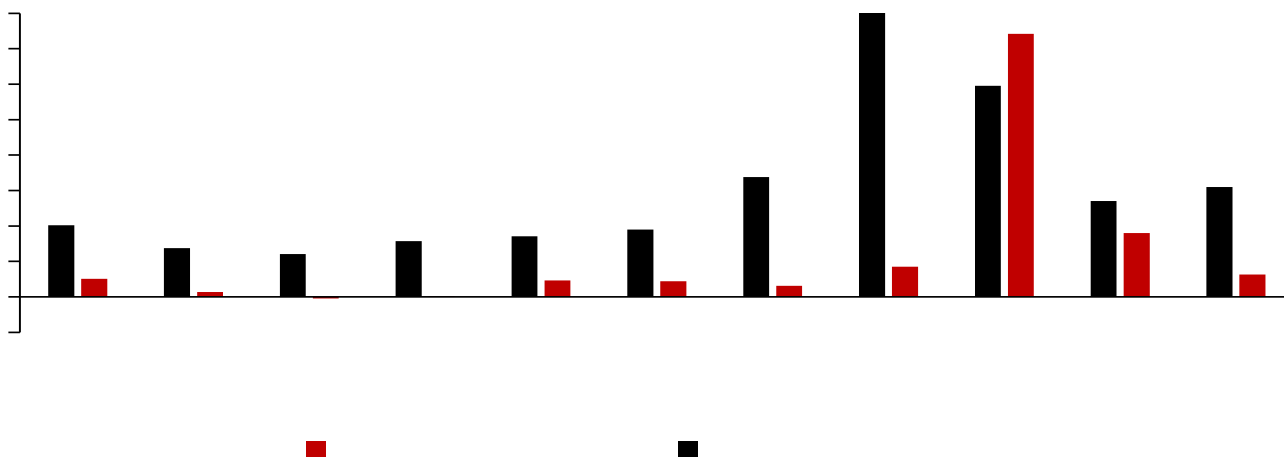
Government bonds have provided an important source of investment for investors, given the enormous size of this market, its high liquidity and its low risk compared to other asset classes. With the apparent end of the current higher interest rate environment, closer attention is being given to the health of this market given the high national debt in various countries.

Europe and Japan

A surprise election in France resulting in a left-of-centre coalition government, which might restrict any measures to improve the country's finances, has increased the focus on France's fiscal situation. Last year, the country's budget deficit was equal to 5.5% of GDP, bringing France's national debt to 110% of GDP. In Italy, the current market-friendly Prime Minister, Giorgia Meloni, has been seen as a positive but the country recorded a budget deficit of 7.4% of GDP last year, which was the highest in the European Union. This boosted the debt-to-GDP ratio to 137% and plans are for a 4.3% deficit this year. Britain's situation has improved since 2022 when the Conservative government's unfunded tax cuts caused a sell-off of government bonds and the pound, requiring intervention by the Bank of England and a policy reversal by the government. Britain's recently elected Labour government intends to grow the economy while reducing spending since the national debt is 101% of GDP.

In Japan, the national debt is more than 260% of GDP. However, most of this is owned by domestic investors, while overseas investors hold just 6.5% of government bonds. With Japan's 10-year bond yielding close to 1%, this suggests that even modest increases in rates could mean a significant increase in the cost of paying interest on Japan's national debt. Japanese government estimates are that annual interest payments could more than double over the next decade.

Budget Deficit as a Percentage of GDP - Canada, U.S.



Source: Canadian Department of Finance, U.S. Treasury Department

The United States

The U.S. election is just four months away and the campaign itself has been extremely interesting, with felony convictions against Donald Trump, President Biden's withdrawal from the campaign and the resulting uncertainty regarding the Democrats' campaign platform and policies. Overlooked in all of this is that, based on each party's track record in running the country, it seems highly unlikely that either party's candidate will balance the budget. Deficits will most likely continue.

For its fiscal year ending September 30, 2023, the U.S. national debt stood at US\$33.2 trillion or 120% of GDP and the U.S. Congressional Budget Office expects the fiscal 2024 budget deficit to reach US\$1.9 trillion, up from its previous estimate of US\$1.5 trillion and the previous year's deficit of US\$1.7 trillion. As a percent of GDP, U.S. deficits in fiscal 2022 and 2023 were 5.4% and 6.2%, respectively. Assuming four more years of annual deficits of US\$1.9 trillion, the 2028 U.S. presidential election could see the U.S. national debt at approximately US\$40.8 trillion.

Consider fiscal 2023 in which the U.S. national debt reached US\$33.2 trillion. Total interest payments were US\$678 billion, which equates to a blended average interest rate of approximately 2%. With a substantial amount of the U.S. national debt maturing over the next 3 years, the annual cost of interest on the debt could increase significantly as maturing tranches of the U.S. national debt are refinanced at current rates. Factoring in the additional deficits expected over this period makes the situation look even more expensive. In fiscal 2022, 10% of U.S. government revenue went to pay the interest on the national debt and in fiscal 2023 it was 15%. With large tranches of the U.S. national debt set to mature while rates are high, and with the expected deficits of the next few years, it should not be surprising if this 15% figure moves much higher. An important question to ask might be: at what level does this figure become a cause for concern?

The answer might be that central banks lowering rates will solve the problem since issuing debt will not be as costly. However, this might serve to encourage even more spending and higher deficits. After all, this is what happened during the previous period of central-bank-induced low rates.

Canada

How does Canada compare? When Canada elected Justin Trudeau as prime minister in late 2015, he inherited a balanced budget from the outgoing Conservative government. He said the Liberals would run annual deficits of \$10 billion or less but instead produced deficits that were above this level in all but one year. With a budget deficit of 3.6% of GDP in fiscal 2022 and 1.3% in fiscal 2023, Canada's net national debt (total debt less assets) stood at \$1.17 trillion or 42.2% of GDP at the end of fiscal 2023. Ignoring assets, Canada's gross national debt was \$1.93 trillion or 69.6% of GDP. Either way, in relation to GDP, at the federal level, Canada's deficits and national debt compare well to its peers'. Hopefully this will continue.

Implications For Portfolios

Taking a look at sovereign debt levels can help investors to start asking where they should invest based on their particular needs. Assuming bonds are held to maturity and assuming that the large deficits being run by many countries' federal governments continue, investors may want to consider ensuring that in addition to sovereign bonds, they have a decent allocation to corporate bonds in their portfolios, given the better condition of corporate balance sheets compared to those of governments. The spectre of more last-minute brinksmanship between the White House and the U.S. Congress regarding the debt ceiling, due to continued high deficits, helps to highlight Canada's better financial status versus the U.S. in addition to its peers. This also suggests that favouring Canadian federal government bonds over U.S. federal government bonds might be prudent, given Canada's lower national debt in relation to its GDP.

MICHAEL O'CALLAGHAN, MBA, CFA

A Guide to Artificial Intelligence ETFs in Canada

“Artificial intelligence will have a more profound impact on humanity than fire, electricity and the internet.”

–Sundar Pichai, the CEO of Alphabet –

A Brief History

The term "Artificial Intelligence" was introduced by John McCarthy in 1956 during a conference aimed at exploring the development of "thinking machines." Since then, AI has grown steadily, despite periods of decline known as "AI winters," such as the one from the 1970s to the late 1980s when U.S. and British governments cut research funding. The resurgence of AI in the 1990s and 2000s was driven by the internet, machine learning, and technological breakthroughs that led to advancements in generative A.I. technologies. Some of the more memorable innovations include the introduction of Apple's Siri in 2011 and more recently groundbreaking AI systems like OpenAI's ChatGPT, Google's Gemini AI, and Microsoft's Azure AI. ChatGPT alone reached 100 million users within the first two months of its release in 2022, demonstrating the level of interest in the technology.

AI ETFs in Canada

As AI continues to evolve, so do AI ETFs. Before the advent of ChatGPT, the first generation of AI ETFs were often combined with broader themes such as robotics, technology and automation. However, today as the industry expands, AI ETFs are becoming more specialized and aligned with advancements in AI technology. As a result, ETF providers are now launching the first types of specialized or "pure play" AI strategies. There are different flavours of AI ETFs and they range in strategies from the ones that track AI industry suppliers to companies implementing AI within their operations, along with strategies that are adopting AI in order to manage their investment portfolios.

The first group of ETFs track the AI industry, focusing on companies that are fundamental in developing AI and AI products, particularly in the semiconductor (SMH) and the robotics and automation sectors (ROBO and RBOT). Leading companies in AI research and development, such as IBM, Google, and Microsoft, as well as those crucial in manufacturing AI products like Broadcom, Nvidia, Advanced Micro Devices, and Taiwan Semiconductor Manufacturing Company, are prime examples and are common holdings. As the AI industry expands, it will also drive demand for data centres (DTCR), resources such as energy (GRID), as well as raw materials and metals (DMAT). While these ETFs are more specific in their focus, two passive strategies, AIGO and INAI described below capture the broader AI theme.

- Global X Artificial Intelligence & Technology Index (AIGO). This is a passive mandate tracking the Indxx Artificial Intelligence & Big Data Index. This ETF has a broad mandate as AI spans multiple segments. Each security (stock) selected are screened for qualification within four sub-categories including: AI developers, AI services (i.e., cloud-based platforms), AI hardware and quantum computing. Once selected, the companies are scored by the extent of their exposure to AI using a proprietary framework.
- Invesco Morningstar Global Next Gen AI Index ETF (INAI / INAI.F). This ETF tracks the Morningstar® Global Next Generation Artificial Intelligence Index with "pure AI" exposure across four themes, Generative AI, AI Data and Infrastructure, AI software and AI services. The main theme being generative AI, which is a subset of AI used to create original content such as large language models (LLMs) like ChatGPT. The ETF exclusively tracks leading-edge "AI producing" companies, with a minimum 80% allocated to generative AI stocks.

The second group of ETFs track companies implementing AI in their operations. These can be a very comprehensive mandates as the transformative power of AI is far reaching and can benefit companies of all sizes. The AI market, valued at 200 billion USD in 2023, is expected to grow to nearly 2 trillion USD by 2030, potentially contributing up to 15.7 trillion USD to the global economy, with significant boosts to GDP projected for China and North America. What is unique about these ETFs is they both involve a human element to stock selection. CIAI is managed by a duo of Portfolio Managers in Peter Hofstra and Jerry Rosa while ARTI utilizes generative AI software for the initial stock selection which is then assessed by active portfolio managers to ensure the constraints of the ETF are respected.

- CI Global Artificial Intelligence ETF (CIAI). This is an actively managed ETF with exposure to a diversified and liquid portfolio of companies that are building out the infrastructure to train and implement AI models along with companies that will deploy and integrate the technology into everyday use cases. The strategy uses the deep and high-performing technology sector research team, which is part of the CI GAM research team, to identify an investable universe of companies exposed to the artificial intelligence theme.
- Evolve Artificial Intelligence ETF (ARTI). This ETF is powered by Boosted.ai - a generative AI platform. The Boosted.ai's LLM technology has been fine tuned and adapted to the finance and capital markets industry model. The initial screening of AI companies includes identifying companies that are deemed to benefit the most from the adoption of AI, either by increased sales or decreased costs. Next in the process, an active overlay will vet the holdings and determine the stock weightings based on a combination of market capitalization and applicability score.

Finally the third group includes ETFs that incorporate AI technology to screen stocks around the globe without any specific AI theme attached to their mandates. Here, human interaction is only incorporated at the very last phase of the process. Note that ARTI can be thought of as a hybrid AI ETF, ticking some of the boxes of groups two and three. AI can process a tremendous amount of technical and fundamental data. The sheer number of data points could not possibly all be handled by humans. As such, one possible flaw of AI in portfolio management could be the risk of data dredging (a statistical manipulation of data), which may be useful to explain past patterns but not as efficient in predicting the future.

- Evovest Global Equity ETF (EVO). This is an actively managed ETF that uses a proprietary AI tool to outperform the MCSI World Equal Weighted Index and provide long-term capital growth. The fund invests, directly or indirectly, in a diverse portfolio comprised primarily of common shares of global companies that are mostly core in nature. The ETF uses an AI-driven process that is designed and monitored by humans to learn, assess systematic risk and make automated decisions.
- Global X Active Global Dividend ETF (HAZ). HAZ is actively managed and uses Guardian's proprietary GPS Stock Selection Process to target dividend stocks that offer a combination of growth of dividends, payout of cash flow, and sustainability of the payout profile. The fund uses aggregated data sets of new sentiment analytics from various daily news sources, such as earnings announcements or management changes, and uses transformers such as Gemini or ChatGPT to interpret the data and provide predictions for sentiments or the probability of earnings.

Bottom Line

The first iteration of AI ETFs launched a few years ago lacked the focus that we now see in the newer generation of ETFs. Despite the advent of these newer "pure play" strategies, not all AI ETFs are created the same as shown above. Despite all the hype about AI, it remains a technology that is still in its infancy and ETFs tracking this theme will continue to evolve as the ripple effect of AI expands. There are some other drawbacks to investing in AI ETFs. The most obvious involves the potential duplication and concentration risk in most of these ETFs. There can be some drastic overlap between some AI ETFs and the broader U.S. mandates such as XUS and QQQ. Please consult with your CIBC Wood Gundy advisor for guidance in selecting suitable investments for your portfolio.

JOEL BERIAULT, CIM

Market Return Data

All data is sourced from Bloomberg unless otherwise noted. Data as of July 31, 2024.

North American indices – Price performance (% Change)

North America indices	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	23,111	5.6%	6.4%	9.9%	10.3%
S&P/TSX Composite – Total Return	94,359	5.9%	7.3%	11.7%	12.3%
S&P 500 Index	5,522	1.1%	9.7%	14.0%	15.8%
S&P 500 Index – Total Return	12,052	1.2%	10.0%	14.8%	16.7%
Dow Jones Industrial Average	40,843	4.4%	8.0%	7.1%	8.4%
Dow Jones Industrial Average – Total Return	101,449	4.5%	8.5%	8.1%	9.5%
Nasdaq Composite Index	17,599	-0.8%	12.4%	16.1%	17.2%

North American indices – Price performance (% Change - Annualized)

North America indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	12.0%	8.3%	4.4%	7.1%	4.2%	5.2%	5.2%
S&P/TSX Composite – Total Return	15.7%	11.9%	7.7%	10.5%	7.4%	8.4%	8.2%
S&P 500 Index	20.3%	15.6%	7.9%	13.1%	11.1%	12.2%	8.4%
S&P 500 Index – Total Return	22.1%	17.5%	9.6%	15.0%	13.2%	14.4%	10.5%
Dow Jones Industrial Average	14.9%	11.5%	5.3%	8.7%	9.4%	10.5%	7.2%
Dow Jones Industrial Average – Total Return	17.2%	13.9%	7.5%	11.1%	12.0%	13.1%	9.8%
Nasdaq Composite Index	22.7%	19.2%	6.3%	16.6%	14.9%	15.7%	11.8%

International indices – Price performance (% Change)

International indices	Price	1 Month	3 Months	6 Months	YTD
Bloomberg Euro 500	1,293	1.3%	2.8%	6.8%	8.3%
FTSE Eurotop 100	4,081	0.5%	2.2%	6.4%	8.9%
FTSE 100 (England)	8,368	2.5%	2.7%	9.7%	8.2%
Dax (Germany)	18,509	1.5%	3.2%	9.5%	10.5%
CAC 40 (France)	7,531	0.7%	-5.7%	-1.6%	-0.2%
MSCI World	3,572	1.7%	8.1%	11.4%	12.7%
MSCI Emerging Markets	1,085	-0.1%	3.7%	11.2%	6.0%
MSCI Emerging Markets – Total Return	2,854	0.4%	5.0%	13.3%	8.1%
MSCI EAFE	2,381	2.9%	4.4%	5.9%	6.5%
MSCI EAFE – Total Return	11,640	2.9%	5.4%	8.2%	8.9%
Nikkei 225 (Japan)	39,102	-1.2%	1.8%	7.8%	16.8%
Hang Seng (Hong Kong)	17,345	-2.1%	-2.4%	12.0%	1.7%
ASX 200 (Australia)	8,092	4.2%	5.6%	5.4%	6.6%
Taiwan Weighted	22,199	-3.6%	8.8%	24.1%	23.8%
Sensex 30 (India)	81,741	3.4%	9.7%	13.9%	13.2%

International indices – Price performance (% Change - Annualized)

International indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Euro 500	10.1%	8.9%	4.3%	6.0%	4.4%	5.7%	4.0%
FTSE Eurotop 100	10.3%	10.2%	7.1%	6.6%	4.1%	4.9%	3.3%
FTSE 100 (England)	8.7%	6.2%	6.0%	2.0%	2.2%	4.1%	3.3%
Dax (Germany)	12.5%	17.2%	6.0%	8.7%	7.0%	8.7%	8.1%
CAC 40 (France)	0.4%	8.1%	4.4%	6.4%	5.9%	5.4%	3.7%
MSCI World	16.6%	14.0%	5.2%	10.3%	7.6%	8.5%	6.4%
MSCI Emerging Markets	3.6%	4.5%	-5.3%	0.9%	0.2%	1.7%	4.8%
MSCI Emerging Markets – Total Return	6.7%	7.7%	-2.3%	3.8%	3.0%	4.5%	7.8%
MSCI EAFE	8.3%	10.9%	0.9%	4.7%	2.1%	3.5%	3.1%
MSCI EAFE – Total Return	11.8%	14.6%	4.2%	7.9%	5.4%	6.8%	6.5%
Nikkei 225 (Japan)	17.9%	18.6%	12.7%	12.7%	9.6%	9.3%	6.4%
Hang Seng (Hong Kong)	-13.6%	-7.2%	-12.6%	-9.0%	-3.5%	-1.1%	1.8%
ASX 200 (Australia)	9.2%	7.9%	3.1%	3.5%	3.7%	4.4%	4.2%
Taiwan Weighted	29.5%	21.7%	8.8%	15.4%	9.1%	7.9%	7.3%
Sensex 30 (India)	22.9%	19.2%	15.8%	16.9%	12.2%	11.6%	14.8%

Index returns in Canadian dollars – Price performance (% Change)

Index returns in Canadian dollars	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	23,111	5.6%	6.4%	9.9%	10.3%
S&P/TSX Composite - Total Return	94,359	5.9%	7.3%	11.7%	12.3%
S&P 500 Index	7,625	2.1%	10.1%	17.5%	21.0%
S&P 500 Index - Total Return	16,642	2.2%	10.5%	18.3%	22.0%
Dow Jones Industrial Average	56,396	5.4%	8.4%	10.4%	13.3%
Dow Jones Industrial Average - Total Return	140,081	5.5%	8.9%	11.5%	14.5%
Russell 2000	3,113	11.2%	14.7%	19.4%	16.3%
Nasdaq Composite Index	24,301	0.2%	12.8%	19.7%	22.6%
Bloomberg Euro 500	1,929	3.2%	4.4%	9.7%	10.7%
EURO STOXX 50	7,273	1.4%	0.6%	7.7%	10.1%
EURO STOXX 50 -Total Return	17,252	1.5%	1.6%	9.8%	12.4%
MSCI World	4,932	2.7%	8.5%	14.9%	17.8%
MSCI Emerging Markets	1,498	0.8%	4.1%	14.6%	10.8%
MSCI Emerging Markets -Total Return	3,941	1.3%	5.4%	16.8%	13.0%
MSCI EAFE	3,288	3.9%	4.8%	9.2%	11.3%
MSCI EAFE - Total Return	16,073	3.9%	5.8%	11.6%	13.8%
MSCI Far East	5,610	6.3%	5.9%	9.5%	14.3%

Index returns in Canadian dollars – Price performance (% Change - Annualized)

Index returns in Canadian dollars	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	12.0%	8.3%	4.4%	7.1%	4.2%	5.2%	5.2%
S&P/TSX Composite - Total Return	15.7%	11.9%	7.7%	10.5%	7.4%	8.4%	8.2%
S&P 500 Index	26.2%	20.0%	11.6%	14.2%	13.7%	14.0%	8.6%
S&P 500 Index - Total Return	28.1%	22.0%	13.4%	16.1%	15.9%	16.2%	10.8%
Dow Jones Industrial Average	20.5%	15.8%	9.0%	9.8%	12.1%	12.3%	7.4%
Dow Jones Industrial Average - Total Return	22.9%	18.2%	11.2%	12.1%	14.6%	15.0%	10.1%
Russell 2000	18.0%	13.5%	3.9%	8.5%	9.8%	11.6%	7.5%
Nasdaq Composite Index	28.7%	23.7%	9.9%	17.7%	17.7%	17.6%	12.0%
Bloomberg Euro 500	13.4%	16.4%	4.6%	6.4%	4.6%	5.5%	3.6%
EURO STOXX 50	12.2%	22.5%	6.3%	7.5%	4.8%	4.0%	2.6%
EURO STOXX 50 -Total Return	15.1%	25.6%	9.0%	10.0%	7.5%	6.9%	5.5%
MSCI World	22.2%	18.4%	8.8%	11.4%	10.2%	10.3%	6.6%
MSCI Emerging Markets	8.7%	8.5%	-2.1%	1.9%	2.6%	3.4%	5.0%
MSCI Emerging Markets -Total Return	11.9%	11.9%	1.0%	4.8%	5.5%	6.3%	8.0%
MSCI EAFE	13.6%	15.1%	4.3%	5.7%	4.6%	5.2%	3.3%
MSCI EAFE - Total Return	17.2%	18.9%	7.8%	8.9%	7.9%	8.6%	6.7%
MSCI Far East	15.2%	14.3%	3.9%	4.7%	5.5%	5.3%	3.2%

Commodities – (% Change)

Commodities	Price	1 Month	3 Months	6 Months	1 Year	YTD
Gold Spot (US\$/oz)	2,447.60	5.2%	7.1%	20.0%	24.6%	18.6%
Silver (US\$/oz)	29.01	-0.5%	10.3%	26.3%	17.2%	21.9%
Brent Crude Oil	80.72	-6.6%	-8.1%	-1.2%	-5.7%	4.8%
West Texas Intermediate Oil	77.91	-4.5%	-4.9%	2.7%	-4.8%	8.7%
NYMEX Natural Gas	2.04	-21.7%	2.3%	-3.0%	-22.7%	-19.0%
Spot Nat. Gas (AECO Hub - USD)	0.63	18.9%	-33.7%	-55.9%	-67.4%	-51.5%
Copper 3-month	4.18	-3.9%	-7.7%	7.2%	4.5%	7.8%
Nickel 3-month	7.53	-4.0%	-13.7%	2.1%	-25.5%	0.0%
Aluminum 3-month	1.04	-9.3%	-11.6%	0.5%	0.4%	-3.9%
Zinc 3-month	1.21	-8.9%	-8.6%	5.9%	4.3%	0.7%

Currencies – (% Change)

Currencies	Price	1 Month	3 Months	6 Months	1 Year	YTD
CAD/USD	0.7242	-0.9%	-0.2%	-2.7%	-4.5%	-4.1%
EURO/CAD	1.4948	2.0%	1.7%	2.9%	3.1%	2.2%
EURO/USD	1.0826	1.1%	1.5%	0.1%	-1.6%	-1.9%
USD/YEN	149.9800	-6.8%	-5.0%	2.1%	5.4%	6.3%
U.S. Dollar Index	104.0960	-1.7%	-2.0%	0.8%	2.2%	2.7%

Bond returns – Total return (% Change)

Bond Index	1 Month	3 Months	6 Months	1 Year	YTD
FTSE Canada Bond Universe Index	2.4%	5.4%	3.4%	7.3%	2.0%
FTSE Canada Long Term Bond Index	3.1%	8.2%	3.0%	6.2%	-0.4%
FTSE Canada Mid Term Bond Index	2.8%	5.8%	3.8%	8.0%	2.5%
FTSE Canada Short Term Bond Index	1.5%	3.2%	3.3%	7.3%	3.1%

Government Yields

Government Notes	Yield	1 Month	3 Months	6 Months	1 Year
Canada 3-month T-Bills	4.39%	4.64%	4.93%	4.94%	5.01%
Canada 5yr Notes	3.09%	3.51%	3.87%	3.40%	3.90%
Canada 10yr Notes	3.16%	3.50%	3.82%	3.32%	3.50%
Canada 30yr Bonds	3.21%	3.39%	3.67%	3.26%	3.31%
U.S. 3-month T-Bills	5.28%	5.35%	5.39%	5.36%	5.40%
U.S. 5yr Notes	3.91%	4.38%	4.72%	3.84%	4.18%
U.S. 10yr Notes	4.03%	4.40%	4.68%	3.91%	3.96%
U.S. 30yr Bonds	4.30%	4.56%	4.78%	4.17%	4.01%

S&P/TSX GICS sectors – Price performance (% Change)

S&P/TSX GICS Sectors	1 Month	3 Months	6 Months	1 Year	YTD	Index Weight (%)
Consumer Discretionary	4.5%	3.4%	5.2%	4.3%	6.4%	3.5%
Consumer Staples	8.4%	13.5%	14.5%	26.4%	16.6%	4.4%
Energy	3.6%	2.1%	13.5%	17.5%	15.3%	17.7%
Energy - Integrated Oil & Gas	5.1%	2.9%	25.5%	26.6%	28.8%	3.8%
Energy - Oil & Gas Exploration & Production	0.5%	-4.8%	14.5%	12.8%	13.6%	6.0%
Energy - Pipeline	7.6%	9.8%	10.2%	14.3%	11.5%	6.5%
Financials	6.8%	8.2%	10.1%	13.6%	9.1%	30.9%
Financials - Banks	5.9%	6.2%	7.2%	5.8%	3.9%	19.4%
Financials - Insurance	2.6%	7.5%	8.6%	15.9%	10.6%	4.5%
Real Estate	10.6%	11.1%	3.9%	4.4%	4.0%	2.1%
Health Care	4.1%	-10.9%	3.4%	-5.5%	-0.8%	0.3%
Industrials	2.6%	5.3%	7.3%	11.3%	9.5%	13.6%
Information Technology	2.5%	2.6%	-5.1%	13.9%	1.3%	8.0%
Materials	9.2%	10.3%	31.2%	12.2%	23.0%	12.6%
Materials - Gold	13.5%	16.3%	36.0%	24.8%	26.4%	7.4%
Materials - Base Metals	3.1%	0.4%	30.2%	17.2%	27.4%	1.5%
Materials - Fertilizers	1.7%	-2.5%	5.6%	-22.1%	-5.1%	1.1%
Communication Services	6.2%	2.7%	-11.7%	-11.5%	-9.2%	3.1%
Utilities	7.8%	10.6%	5.8%	-1.8%	4.2%	3.9%

Strategic asset allocation¹ (in C\$) - Performance (% Change - Before Fees)

Strategic Asset Allocation (in C\$)	1 Month	3 Months	6 Months	1 Year	YTD
Capital Preservation	2.6%	5.6%	6.0%	10.4%	5.6%
Income	2.7%	5.9%	7.7%	12.6%	8.0%
Income & Growth	3.0%	6.7%	10.2%	15.5%	11.1%
Growth	3.2%	7.2%	11.9%	17.3%	13.1%
Growth Plus	3.4%	7.7%	13.7%	19.3%	15.3%

CIBC World Markets Interest Rate Outlook

Interest rates (%) – End of Qtr	29-Jul-24	Sep-24	Dec-24
Canada 3-month T-Bill	4.42%	4.15%	3.85%
U.S. 3-month T-Bill	5.29%	5.05%	4.75%
Canada 10-year Gov't Bond Yield	3.29%	3.25%	3.10%
U.S. 10-year Gov't Bond Yield	4.18%	4.00%	3.80%
US\$ / C\$	0.72	0.72	0.72

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic outlook	2024F	2025F
Canada Real GDP Growth (% Chg)	1.00%	1.60%
U.S. Real GDP Growth (% Chg)	2.30%	1.80%
Canada Consumer Price Index (% Chg)	2.50%	1.60%
U.S. Consumer Price Index (% Chg)	3.00%	2.60%
Canada Unemployment Rate (%)	6.30%	6.00%
U.S. Unemployment Rate (%)	4.10%	4.00%

Source: CIBC World Markets Inc.

¹ Refer to the Strategic Asset Allocation in Appendix 1

Appendix 1: Strategic Asset Allocation

Capital Preservation: 8% Canadian short-term fixed income, 55% Canadian fixed income, 7% Global fixed income (hedged to CAD), 5% US high yield, 8% Canadian equity, 8% US equity, 7% International equity, 2% Emerging market equity

Income: 6% Canadian short-term fixed income, 34% Canadian fixed income, 10% Global fixed income (hedged to CAD), 10% US high yield, 10.5% Canadian equity, 15% US equity, 12% International equity, 2.5% Emerging market equity

Income & Growth: 4% Canadian short-term fixed income, 20% Canadian fixed income, 7% Global fixed income (hedged to CAD), 9% US high yield, 16.5% Canadian equity, 25% US equity, 15% International equity, 3.5% Emerging market equity

Growth: 2% Canadian short-term fixed income, 13% Canadian fixed income, 5% Global fixed income (hedged to CAD), 5% US high yield, 21% Canadian equity, 30% US equity, 19% International equity, 5% Emerging market equity

Growth Plus: 0% Canadian short-term fixed income, 3% Canadian fixed income, 3% Global fixed income (hedged to CAD), 4% US high yield, 23% Canadian equity, 36% US equity, 24% International equity, 7% Emerging market equity

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