

PORTFOLIO COMMENTARY

December 2024



Markets Spotlight

Canadian Equities (S&P/TSX)	-3.6%
U.S. Equities (S&P 500)	-2.5%
Global Equities (S&P Global BMI)	-2.8%
Canadian Bonds (S&P Can. Agg. Bond)	-0.4%
U.S. Dollar (USD/CAD)	2.8%
Gold (USD/oz)	-1.1%
Crude Oil (WTI USD/barrel)	5.2%

*All data is for the reported month and in local currency.
Data sourced from S&P Dow Jones Indices.*

Market Pulse

Germany faces a critical economic crossroads as Europe's largest economy struggles with stagnation, a 5% GDP shortfall since pre-pandemic trends, and structural challenges including the loss of cheap Russian energy and lagging competitiveness in key industries like automotive manufacturing. Political gridlock following Chancellor Olaf Scholz's confidence vote loss threatens reforms needed to reverse deindustrialization and declining living standards. Economists urge investments in infrastructure, digitalization, and modernization to counter economic erosion, while tensions within the polarized electorate fuel uncertainty. Despite Germany's low debt ratio and strengths in its globally competitive Mittelstand firms (medium-sized, often family-owned firms), the country risks long-term decline without decisive action to revive its economic model and global standing.

The U.S. Treasury market, long supported by an elite group of primary dealers, faces growing challenges as America's debt skyrockets, reaching US\$29 trillion and projected to exceed US\$50 trillion by 2034. Membership in the network, once highly coveted, has declined due to stringent regulations, surging issuance, and the rise of electronic trading. Balance sheet constraints hinder banks and dealers from managing burgeoning Treasury auctions and secondary market trading. Non-traditional participants like trading firms and asset managers are stepping in, but their limited obligations raise concerns about market stability during crises. Regulators are introducing reforms, such as mandatory central clearing, but experts warn these measures alone may not address systemic vulnerabilities as debt balloons.

Russia has ceased gas flows to Europe via Ukraine after a key transit deal expired, ending a five-decade arrangement and intensifying regional energy challenges. While the pipeline accounted for only 5% of Europe's gas needs, the halt forces nations like Slovakia and Hungary to rely on costlier alternatives amid a tight global gas market. Ukraine, citing national security, has shifted to southern routes and other sources, while the EU has been diversifying supplies through liquefied natural gas imports. The move underscores Europe's fragile progress in reducing reliance on Russian energy since the 2022 invasion of Ukraine, with the war complicating prospects for a new transit agreement.

Canada is considering export taxes on key commodities like uranium, oil, and potash in response to potential tariffs from the incoming Trump administration, though officials stress this would be a last resort. While Canada is the largest supplier of oil to the US and a key provider of uranium and potash, export levies could drive up costs for US consumers and businesses. Such measures face strong opposition from Western Canadian provinces, which dominate production and lean politically conservative. The Trudeau government prefers diplomatic approaches but may pursue retaliatory actions, including export controls, if a full-scale trade war unfolds. This scenario risks exacerbating political tensions within Canada while straining its critical trade relationship with the US.

Canadian investment strategists anticipate the S&P/TSX Composite Index will sustain its positive momentum into 2025, potentially reaching record highs of 28,000–28,500 points, driven by rising corporate earnings and central bank rate cuts. Despite uncertainties over Donald Trump's trade policies, which could disrupt economic growth and trigger tariffs, lower interest rates and a weak Canadian dollar are expected to benefit exporters and US-dollar earners. Top-performing sectors, including technology and precious metals, are buoyed by easier monetary policy, while risks such as trade tensions and slower immigration growth remain potential headwinds. Analysts emphasize Canada's favorable valuations compared to US equities, offering a relative edge amid global challenges.

*All data is for the reported month and in local currency.
Data sourced from FACTSET and Bloomberg L.P..*

The Ups & Downs

- TransAlta Corporation (TA) skyrocketed 26.76% in December. Christmas came early for the company after they closed their acquisition of Heartland Generation for \$542M. Analysts have raised their price targets going into the new year.
- Shares of Alphabet Inc. (GOOG) climbed 12.04%. The company released its latest quantum processor, called "Willow". The new tech is said to achieve incredible computational speed and reduce errors immensely.
- Waste Management (WM) declined 9.85% in December. Shares pulled back from all-time highs at the beginning of the month. Investors are eager to see the company's financial results on January 29th before placing further bets.
- CRH PLC (CRH) declined 9.06% in the month. The company is set to appoint their current CFO as the new CEO. Investors will watch on closely, with hopes that stellar revenue growth continues.

*All data is for the reported month and in local currency.
Data sourced from FACTSET and SICharts.*

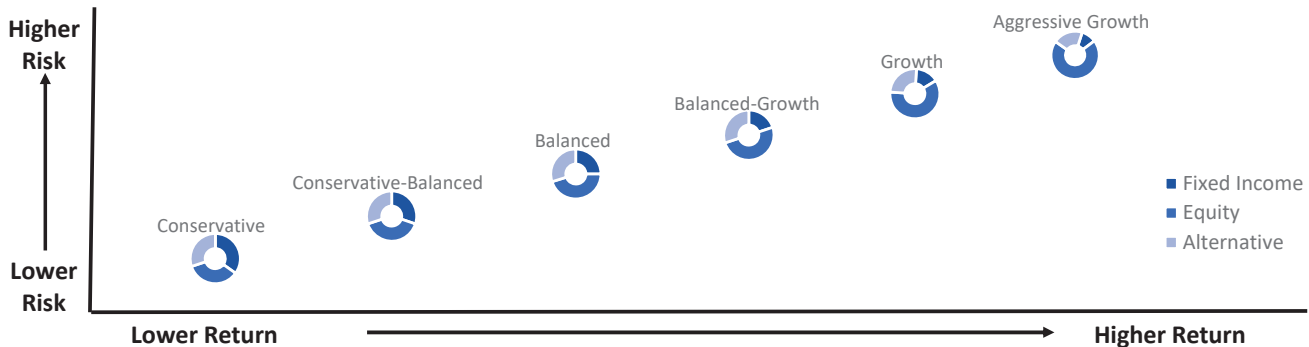
Portfolio Returns December 31st, 2024

Name	1-Mo	3-Mo	6-Mo	Annualized			YTD 2024	2023	2022	2021	2020
				1-Yr	3-Yr	5-Yr					
CPF Fixed Income Model	-0.9%	-0.7%	3.4%	3.8%	0.5%	0.8%	3.8%	6.5%	-8.3%	-1.8%	4.5%
Canadian Universe Bond Index	-0.8%	0.0%	4.4%	4.0%	-0.7%	0.7%	4.0%	6.6%	-11.7%	-2.8%	8.6%
CPF Equity Model (GARP)	-1.5%	4.1%	10.2%	21.7%	2.6%	6.0%	21.7%	10.5%	-19.6%	7.6%	15.0%
MSCI World Index (CAD)	-0.3%	5.7%	10.8%	27.3%	10.7%	13.0%	27.3%	20.3%	-11.6%	21.9%	11.4%
CPF Equity Model (Income)	-1.1%	2.5%	9.3%	16.2%	6.5%	-	16.2%	9.9%	-5.4%	20.0%	-
MSCI World Index (CAD)	-0.3%	5.7%	10.8%	27.3%	10.7%	13.0%	27.3%	20.3%	-11.6%	21.9%	11.4%
CPF Medium Stock Model	-0.7%	4.9%	12.9%	21.3%	8.1%	13.7%	21.3%	14.6%	-9.1%	33.8%	12.2%
40% S&P/TSX Comp. + 60% S&P500	-2.9%	2.7%	10.0%	21.1%	7.2%	11.5%	21.1%	16.8%	-12.8%	26.7%	10.0%
CPF Large Stock Model	-0.5%	6.4%	14.6%	21.7%	7.8%	-	21.7%	12.1%	-8.3%	-	-
40% S&P/TSX Comp. + 60% S&P500	-2.9%	2.7%	10.0%	21.1%	7.2%	11.5%	21.1%	16.8%	-12.8%	26.7%	10.0%
CPF Alternative Model	0.2%	1.1%	2.9%	7.2%	6.0%	7.0%	7.2%	3.7%	7.1%	6.9%	10.1%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

All performance data tracked in SICharts. All returns are gross of advisor fees.

Name	1-Mo	3-Mo	6-Mo	Annualized			YTD 2024	2023	2022	2021	2020
				1-Yr	3-Yr	5-Yr					
CPF Balanced-Growth (Regular)	-0.6%	2.5%	7.5%	13.6%	5.1%	7.0%	13.6%	8.8%	-6.2%	8.5%	11.2%
CPF Balanced-Growth (Income)	-0.5%	2.3%	7.3%	12.7%	5.7%	-	12.7%	8.9%	-3.7%	16.1%	-
CPF Balanced-Growth (SRI-ESG)	-1.6%	1.3%	5.7%	12.0%	8.4%	12.0%	12.0%	25.1%	-9.2%	13.9%	21.8%

All performance data tracked in SICharts. All returns are gross of advisor fees.



"Warren Buffett's skill is investing, but his secret is time. That's how compounding works. But good investing isn't necessarily about earning the highest returns, because the highest returns tend to be one-off hits that can't be repeated. It's about earning pretty good returns that you can stick with and which can be repeated for the longest period of time. That's when compounding runs wild."

The Psychology of Money, by Morgan Housel pg. 53

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