PORTFOLIO CONSTRUCTION

Our 2024 Wish List

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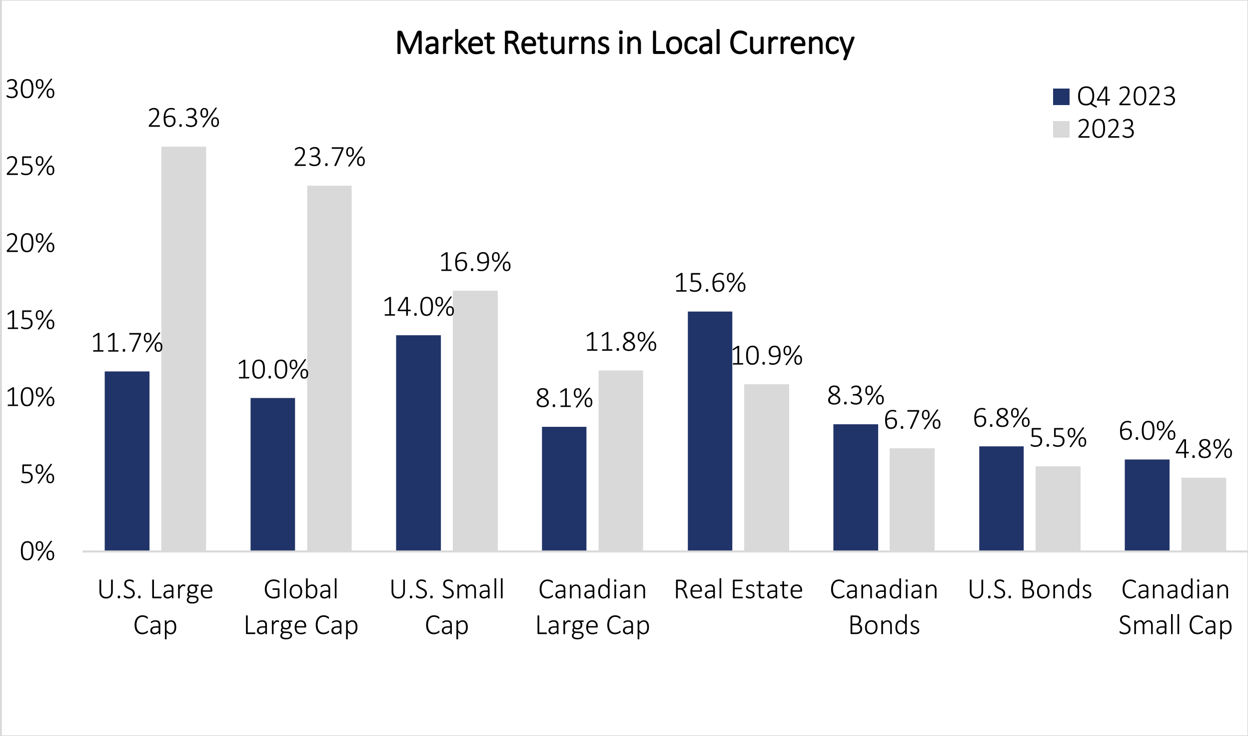
As we enter a new year, we consider the following a “wish list”: lower inflation, lower interest rates, higher investment value and, last but not least, peace!

As inflation continues to decline, central banks have signaled their job to battle inflation is almost done and cuts may be coming soon. This change in trajectory ignited a sharp rally in the values of bonds and stocks in the final quarter of 2023 (see the chart below). In certain asset classes (Canadian bonds, U.S. bonds, real estate, Canadian small caps), the Q4 return turned the full year from negative to positive. This once again reminded investors of the importance of staying invested. The U.S. large cap stocks, as measured by the S&P 500 Index, finished the year at 4783, which is 14 points below the all-time-high recorded on January 3, 2022. High inflation seems to be short-lived, along with high interest rates and poor stock performance. So far, it is the consensus that inflation is controlled and rates will be lower as stocks are repricing to represent forward-looking valuations. We will find out if those conditions are met in the coming months of 2024.



Source: Morningstar Research Inc., as of December 31, 2023. Asset class returns are based on the following: U.S. Large Cap: S&P 500 TR USD, U.S. Small Cap: Russell 2000 TR USD, U.S. Bonds: BBgBarc US Agg Bond TR USD, Canadian Large Cap: S&P/TSX Composite TR, Canadian Small Cap: S&P/TSX Small Cap TR, Global Large Cap: MSCI World GR LCL, Real Estate: FTSE EPRA Nareit Developed TR USD. All returns in base currency.

Peace is harder to achieve, with at least two ongoing wars and threats of military action by North Korea and China. Yet, we remain hopeful. Our portfolios are generally positioned for the medium to long term rather than the near term. We do have an overweight position in energy due to company-specific valuations and cash flows, but not due to geopolitical concerns. We expect companies to benefit from lowering interest rates, stable economic growth and ongoing innovation.

Speaking of innovation, Apple is expected to launch its Vision Pro headset in the first quarter. This may be the next “hot” gadget to own after the iPod, iPad, iPhone and Apple Watch. Its failure or success will have a direct and significant impact on the S&P 500’s performance given Apple’s significant weight in the Index. Innovation has continued to drive stock prices higher in the U.S., against traditional wisdom that the performance is all due to the economy. Innovation is hard and fierce in competing for dominance in artificial intelligence (AI). The largest technology giants have all committed to spending on AI initiatives, and that’s hundreds of billions of dollars. This unfortunately leaves small cap companies out of the game. AI chip maker Nvidia is busier than ever trying to meet demand and also upgrading their products to compete. We will hear more as these companies report their Q4 earnings, which will allow us to reassess the “speed of change”. 2024 is set up to be interesting, with less restrictive monetary policies and innovation that may exceed your imagination.

Combined top 15 equity holdings as of December 29th, 2023 of the Assante Private Portfolios 40i60e Standard portfolio with Alphastyle exposure:

1. Royal Bank of Canada 2. Bank of Montreal 3. Canadian Natural Resources Limited 4. Toronto-Dominion Bank 5. Brookfield Corporation	6. Enbridge Inc. 7. Suncor Energy Inc. 8. NVIDIA Corporation 9. Microsoft Corporation 10. Amazon.com, Inc.	11. Element Fleet Management Corporation 12. Prologis, Inc. 13. WSP Global Inc. 14. Intact Financial Corporation 15. TELUS Corporation

For more information, we encourage you to speak to your advisor or visit us at assante.com