WAAC Perspectives

TD Wealth Asset Allocation Committee (WAAC)

Views as of March 20, 2025

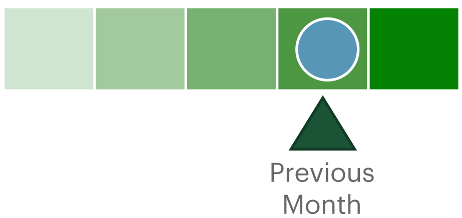
2025 APR

Core Asset Class Allocations

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Equity

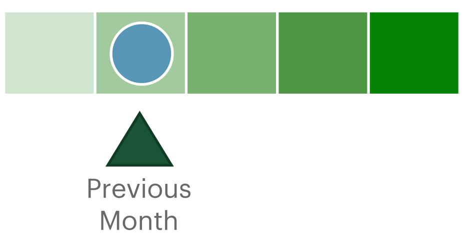
Modest Overweight



Global equity market performance has been mixed year-to-date ("YTD") largely due to valuation adjustments as the market considers the potential impact of U.S. tariffs and Artificial Intelligence ("AI") developments. We are overweight equities as we expect positive earnings growth, combined with a backdrop of modest economic growth, to continue to drive attractive relative returns over the medium-term.

Fixed Income

Modest Underweight



As Canadian data stabilizes around the Bank of Canada's ("BoC") forecasts despite domestic political uncertainty, U.S. tariff threats are dampening consumer and business expectations. However, the BoC has flexibility to respond to a wide array of possible developments, including quickly lowering the policy rate to provide support to the Canadian economy. As the monetary easing cycle progresses, we expect that bonds will provide diversification benefits, reduce overall portfolio volatility and preserve capital.

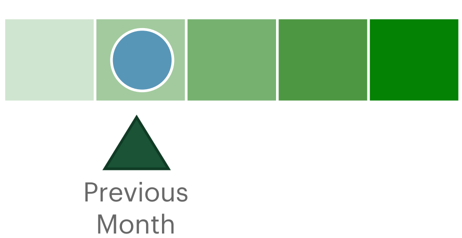
Alternatives

Modest Overweight

We believe that an allocation to alternative assets can benefit diversified portfolios especially when implemented over the long-term. Alternative assets can provide inflation protection and attractive absolute returns, while acting as long-term portfolio stabilizers via their diversification benefits and less correlated income streams. Given the nature of private asset classes as well as the present phase of value adjustment in several markets and asset classes, we believe that this may be an attractive time to increase or consider an allocation to alternative assets.

Cash & Equivalents

Modest Underweight



We are underweight Cash as in a declining rate environment the other asset classes should provide more attractive returns.

Equities – Modest Overweight Overall

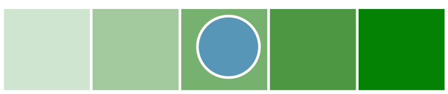
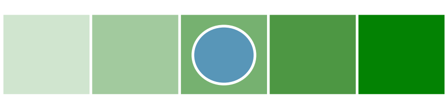
Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Canadian Equities	Modest Overweight	The S&P TSX Composite Index ("TSX") has tailwinds from expected 2025 earnings growth and the positive impact BoC rate cuts could have on consumers and businesses. Trade negotiations with the U.S. could create uncertainty. Within the TSX, the Financials sector is well-capitalized and the Resource sectors generate attractive free cash flow, which in both cases supports distributions to shareholders.
U.S. Equities	Modest Overweight	The U.S. equity market valuation has contracted this year on concerns about the impact of U.S. trade policy uncertainty and some skepticism on the long-term development trajectory of AI and datacenters. This, combined with some broadening out of returns, can create opportunities. The U.S. market continues to generate positive earnings growth overall.
International Equities	Modest Underweight	International equities have rallied YTD as multiples rebounded from low levels and Germany announced a major fiscal stimulus plan. However, this will take time to implement, earnings growth is low, and tariff risks remain. Japanese equities look attractive on a relative basis with momentum building behind corporate reform but there may be volatility as the Bank of Japan looks to continue raising rates.
Emerging Markets	Modest Underweight	Emerging Markets ('EM") central banks, Mexico, South Korea, and Chile, have been cutting rates. EMs might face challenges from potential changes to U.S. trade and tariff policies. China continues to struggle with challenges in its property sector but has announced monetary stimulus that could provide some stabilization for its economy.

Equities

Fixed Income – Modest Underweight Overall

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Domestic Government Bonds	 Neutral	As positive momentum builds for the Canadian economy, headwinds are emerging due to U.S. trade policy uncertainty. The BoC can quickly lower its policy rate to provide support for the Canadian economy. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.
Investment Grade Corporate Credit	 Modest Overweight	Investment grade spreads remain tight overall and reflect a modest softening of the global economic backdrop. We see Canadian investment grade corporate bonds as more attractive than U.S. investment grade corporates as spreads in Canada continue to be meaningfully wider.
Global Bonds-Developed Markets	 Neutral	Global bond markets are grappling with the impact of U.S. tariff threats on inflation, fiscal deficits, global trade, and currency dynamics. Therefore, we expect opportunities across developed market bonds to vary over the next 12 to 18 months.
Global Bonds-Emerging Markets	 Modest Underweight	The recent strengthening of the U.S. Dollar ("USD") has led to a challenging environment for emerging markets, particularly those with large U.S. denominated liabilities. Furthermore, the threat of tariffs along with sluggish economic growth outside of the U.S. will cause uncertainty to remain elevated.
High Yield Credit	 Neutral	All in yields remain attractive although spreads are near historically tight levels and provide little protection from a broader deterioration in credit conditions, weakening consumers or higher Treasury yields. While this is a concern, we see limited scope for these negative drivers to materialize meaningfully in the near-term. As a result, we remain neutral on high yield bonds and continue to find value in the mid to higher quality cohort of the market as well as leveraged loans which can provide incremental yields over high yield bonds.

Alternatives – Modest Overweight Overall

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Commercial Mortgages	Modest Overweight	Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.
Private Debt (Universe)	Modest Underweight	High credit quality and global diversification provides an income ballast in an uncertain economic environment. Incremental income and potential capital appreciation from interest rate moderation provide upside.
Domestic Real Estate	Neutral	We believe a significant portion of the value adjustments in the Canadian commercial real estate space have been taken. Occupancy levels continue to improve, absent Class B & C office, due to recent extreme population growth and limited new supply. Immigration changes will impact market rents, but supply shortfall of the past, particularly in multi-family, is providing continued predictable income growth.
Global Real Estate	Modest Underweight	We believe the majority of the value adjustments have occurred in the U.S., UK and Nordic countries, while other regions, such as Australia, are in the midst of value adjustments.
Infrastructure	Modest Overweight	Moderating risk-free rates have been reflected in lower discount rates which has led to strong valuations for infrastructure assets. We have seen a shift in focus from core infrastructure assets to core-plus and value add as investors seek greater growth and higher return potential from their infrastructure allocations.

Sub-Asset Class

U.S. Dollar (USD)	Neutral	The USD has remained strong against global currencies as relative growth differentials have favoured the U.S. economy in past months, and by extension the USD. Some weakness may occur, however, the USD provides diversification in portfolios considering the range of risks in the near term.
Commodities (Gold, Energy, metals, agriculture, carbon)	Modest Overweight	Gold continues to benefit from demand from central banks and investors. Metals prices have been range bound as most remain balanced. Oil has weakened as OPEC+ looks to slowly return supply, but also to manage member commitments and might adjust as market conditions warrant.

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For more information
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