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Invest with advice.

Further Gains Ahead

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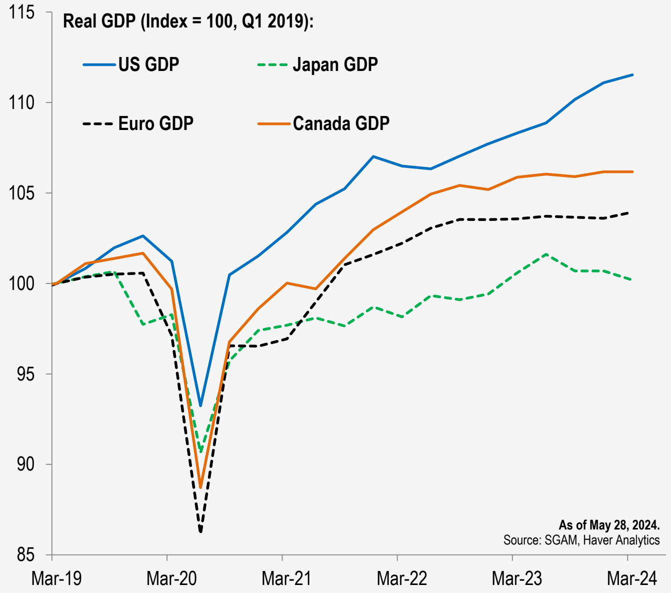
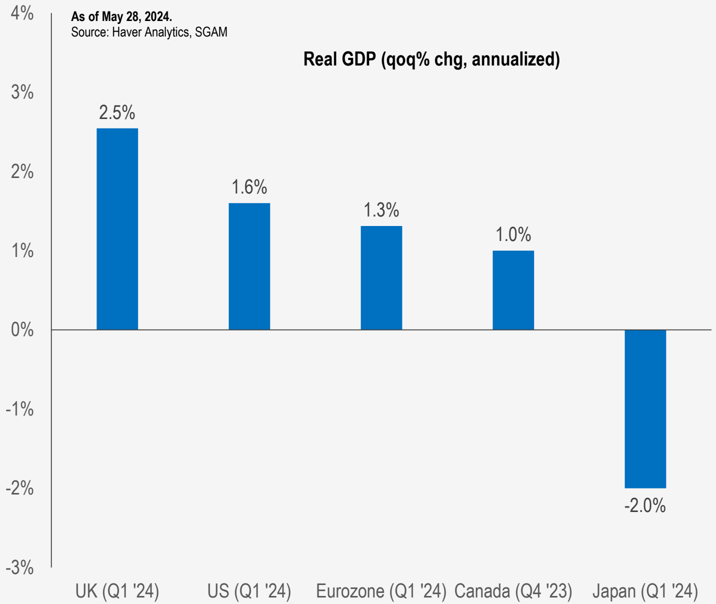
Roadmap

- The global economy, inflation, and monetary policy
- Equities, highlighting regional opportunities and differences
- A focus on fixed income
- Alternatives as a critical diversification tool

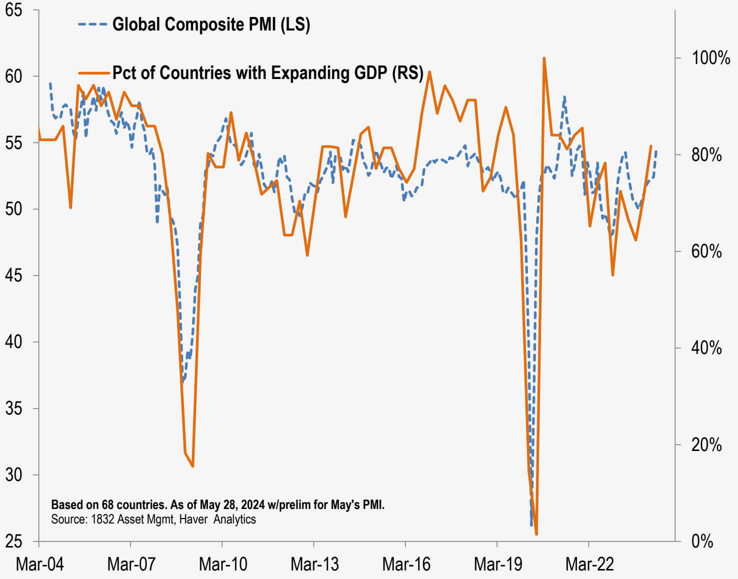
U.S. economy is leading while Europe starts a rebound

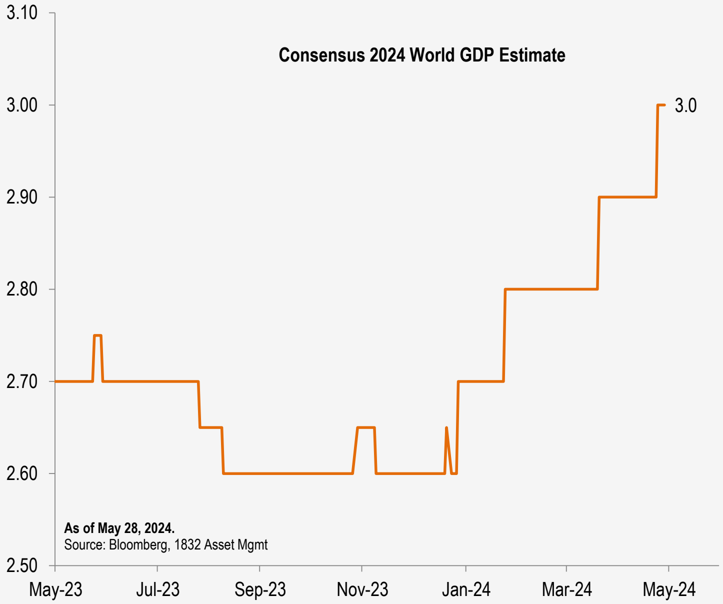




➢ Growth has firmed across Europe following a technical recession lasting the prior two quarters. Meanwhile, Japan's latest quarter of negative growth might be transitory (e.g., auto plant shutdowns, Noto earthquake).

Upgrades to 2024 global GDP growth



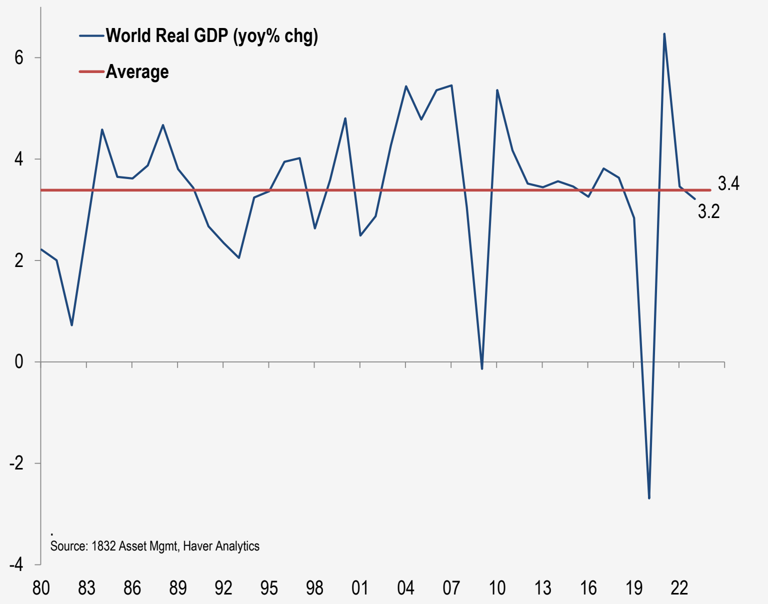


- Leading business cycle indicators are turning up alongside the breadth of global GDP growth. As a result, analysts are revising their estimates for 2024 global GDP growth higher. The upgrades are largely due to improvements being seen in the U.S. and Europe.

Expecting a slightly below-average year for the global economy

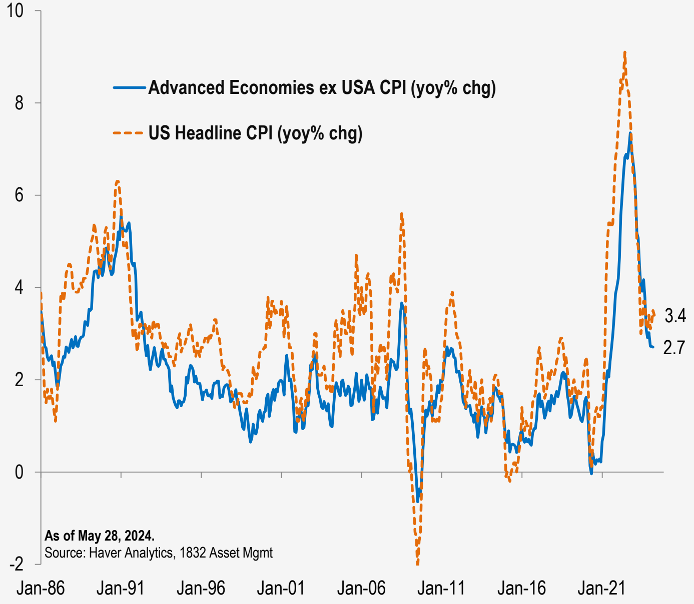
Consensus GDP Outlook	2022 GDP	2023E GDP	2024E GDP	2025E GDP
World	3.5	3.2	3.0	3.0
Emerging Mkts	3.8	4.2	4.3	4.2
Asia Ex-Japan	4.0	4.9	5.0	4.6
China	3.0	5.2	4.9	4.5
India*	7.0	7.8	6.8	6.5
LATAM	3.9	1.6	1.5	2.4
Developed Mkts	2.7	1.7	1.7	1.7
US	1.9	2.5	2.4	1.8
Eurozone	3.4	0.4	0.7	1.4
Japan	1.0	1.9	0.5	1.1
UK	4.5	0.1	0.5	1.2
Canada	3.8	1.1	1.0	1.8

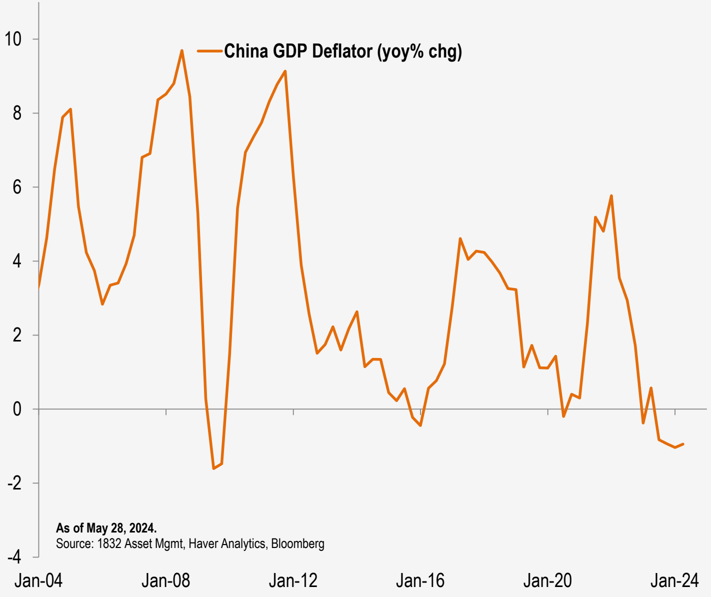
As of May 28, 2024. *IMF Est. Source: Bloomberg, 1832 Asset Mgmt



- ➢ If global GDP growth meets the 3% expectation, it would prove to be a slightly below-average year given that the long-term average growth rate has been about 3.4%.

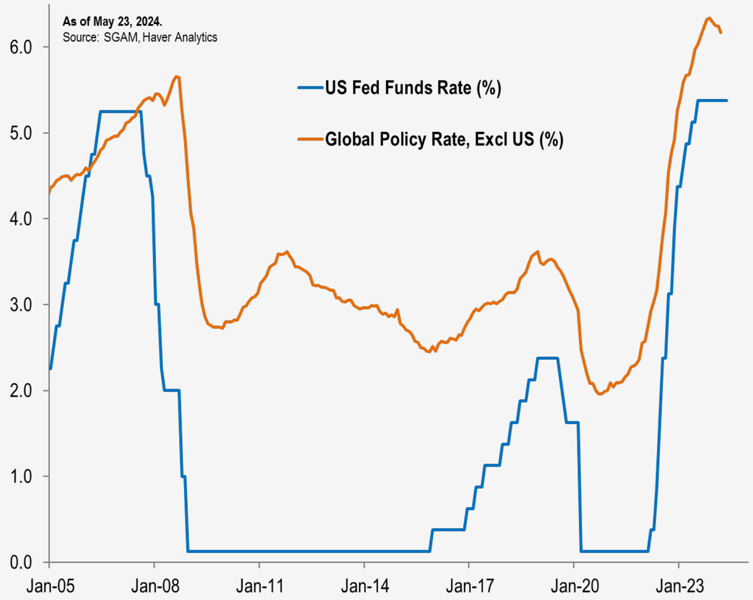
Disinflation, but will it persist?

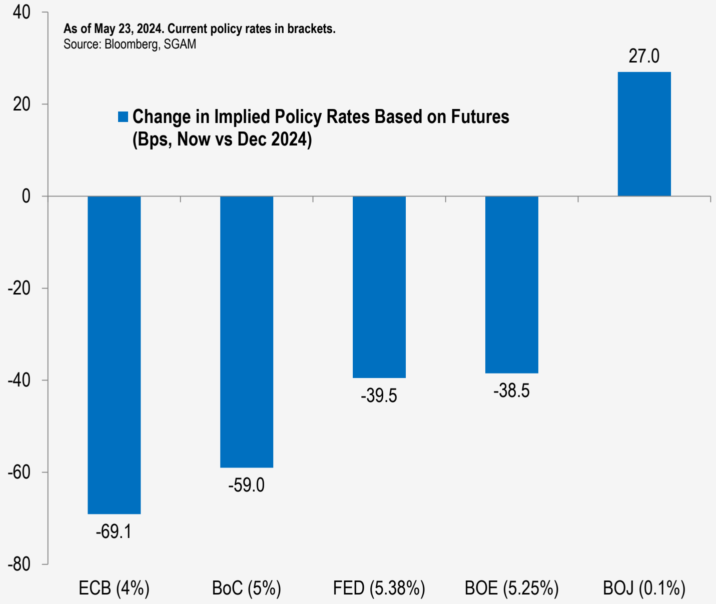




- Developed market inflation has moderated from 7.9% to 2.9% over the past 18 months. America’s progress has been a bit slower than average due to ongoing wage pressures. Overcapacity and resulting deflation in China is contributing to global disinflationary trends.

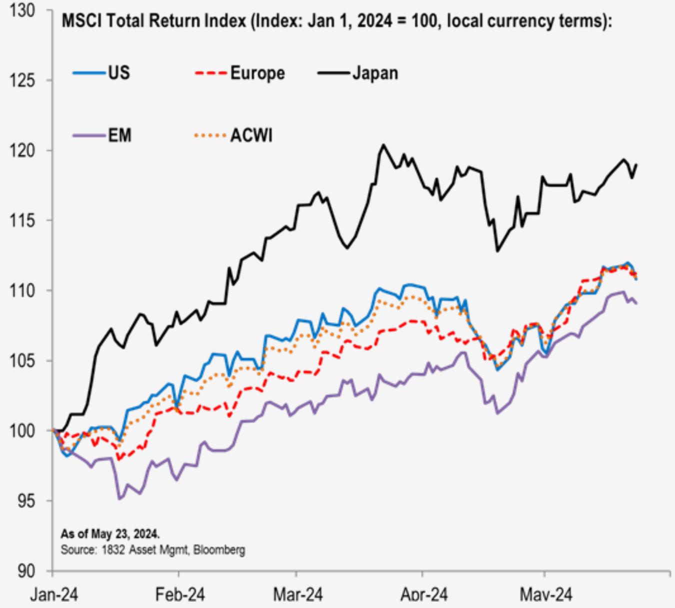
The start of a monetary easing cycle across developed economies

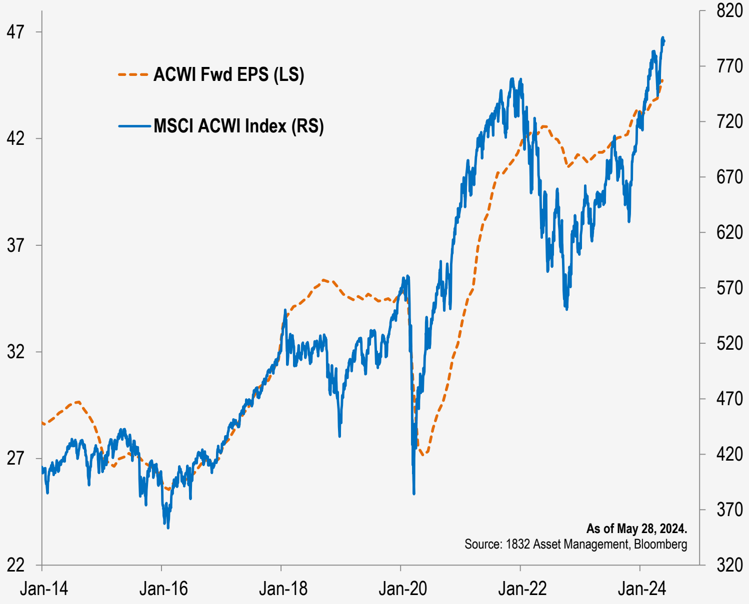




- Sweden and Switzerland have led the way by recently lowering their policy-set interest rates. Other major central banks (e.g., ECB, Bank of Canada) are soon expected to join in with rate cuts of their own. Markets have fully priced for one 25 basis point rate cut from the Fed, expected in December.

Global equities trending higher alongside earnings



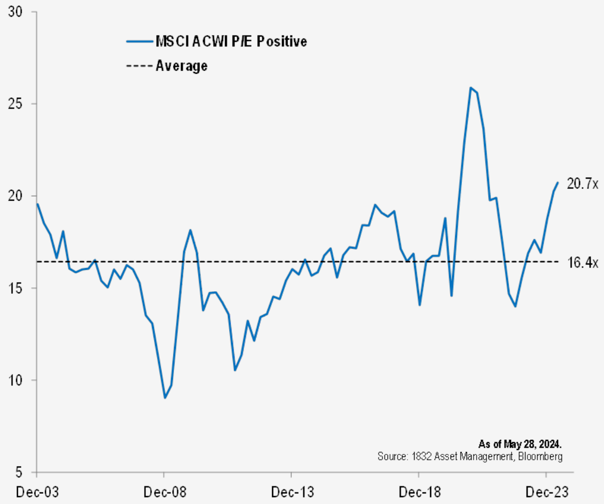


- Japan has led the way, with the U.S. and Europe "market performing". Emerging markets have been pulling up the rear.

Positive EPS growth, valuations elevated

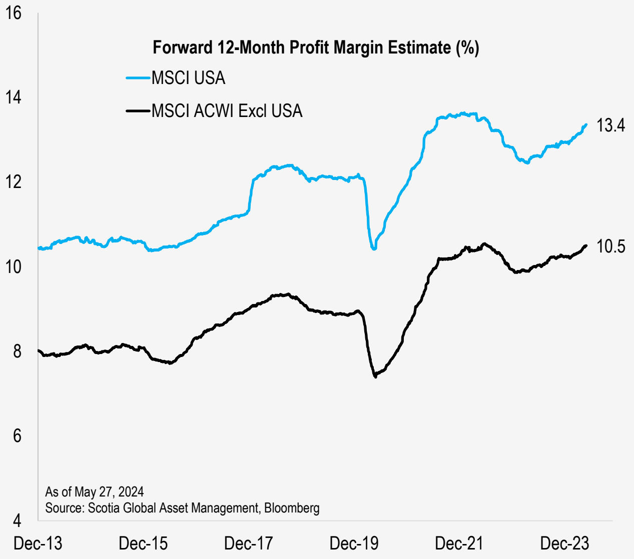
Consensus Outlook	EPS Growth	
	2024E	2025E
MSCI ACWI	5.5%	11.8%
EM LATAM	12.8%	6.7%
USA	7.1%	13.1%
Eurozone	0.0%	8.6%
China	9.0%	12.8%
Japan	1.9%	7.8%
Canada	2.5%	14.5%

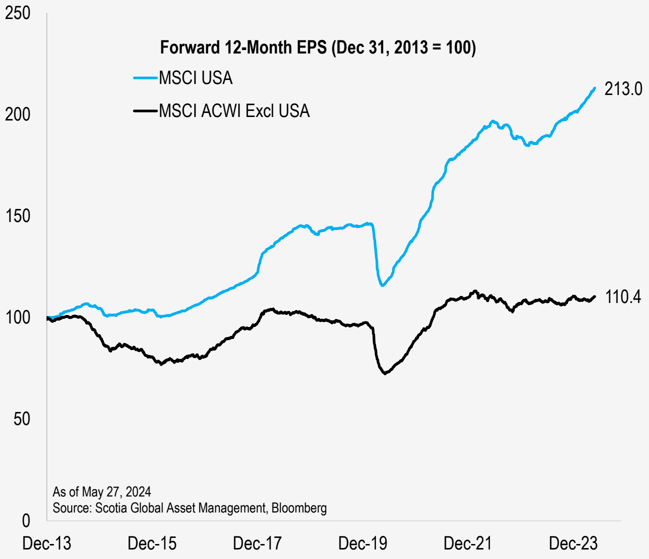
As of May 23, 2024. Source: Bloomberg



- Positive earnings growth remains supportive for equity market performance. Valuations stand at the higher-end the past 20 years which leaves the market somewhat more vulnerable to a negative inflation or growth shock.

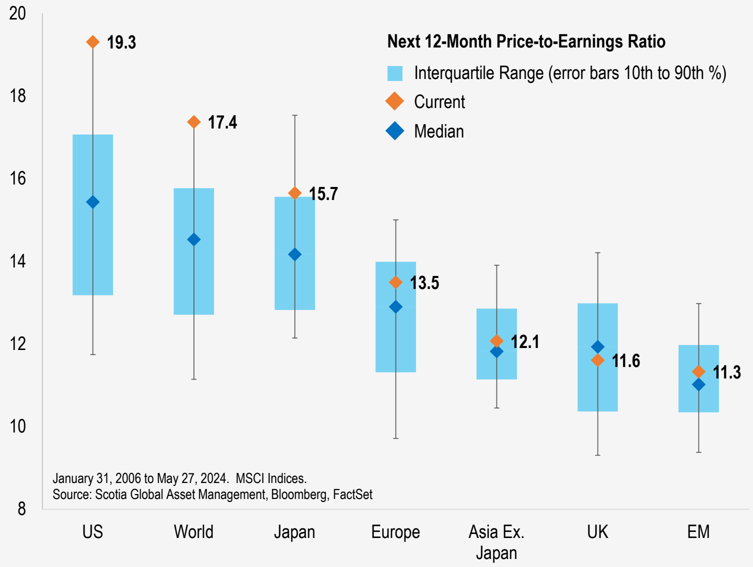
U.S. equities for growth

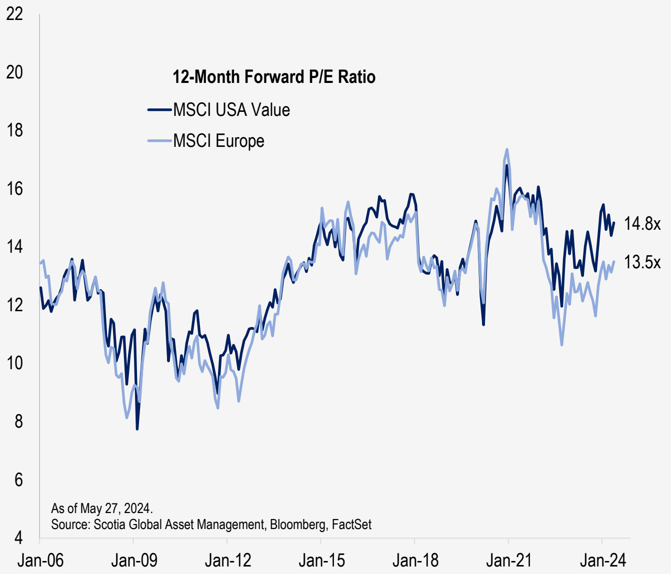




- The U.S. equity market has held on to a long-term profitability advantage relative to its global peer group. Higher profitability has contributed to a much stronger EPS growth rate over time.

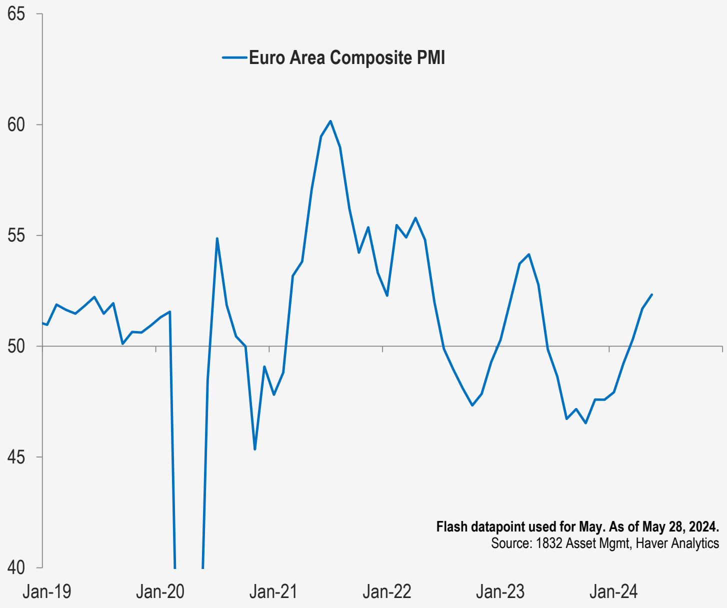
Europe for value

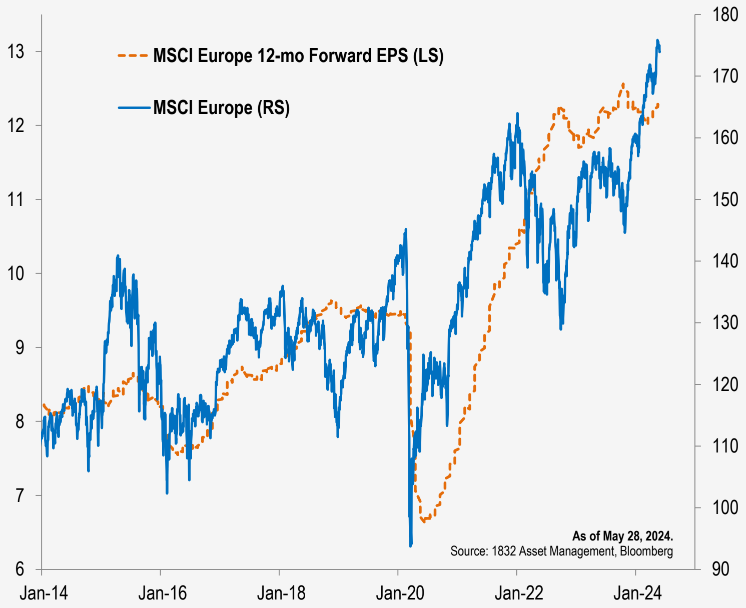




- European stocks are among the cheapest group of stocks in the developed world. They are currently trading at a near 10% discount to the universe of U.S. value stocks!

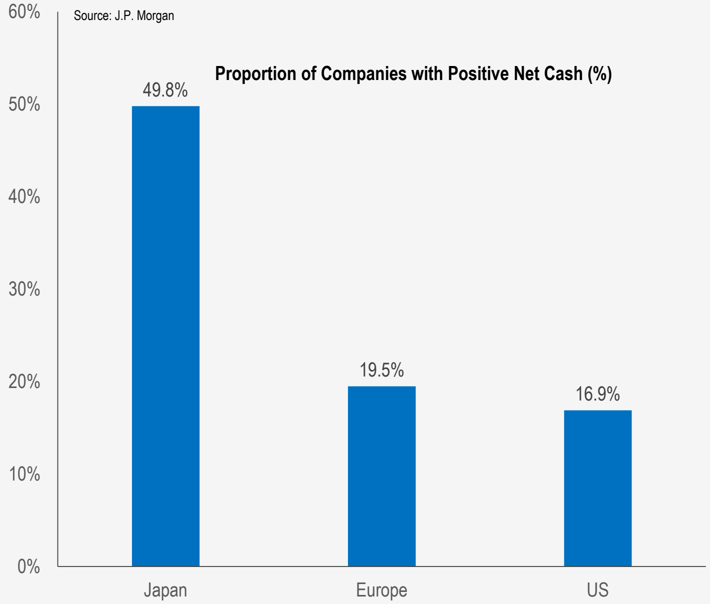
Unlocking Europe's value





- Value absent a catalyst is usually a value trap. However, the upturn in European leading economic indicators suggests that corporate fundamentals are set to improve. Small improvements in the earnings outlook for 'cheap' stocks can translate to meaningfully positive stock price returns.

Japan: The macro 'special sit'

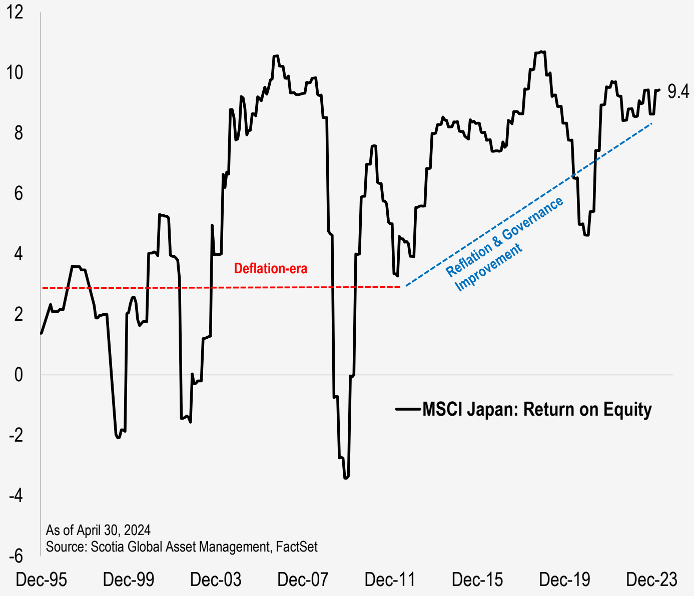


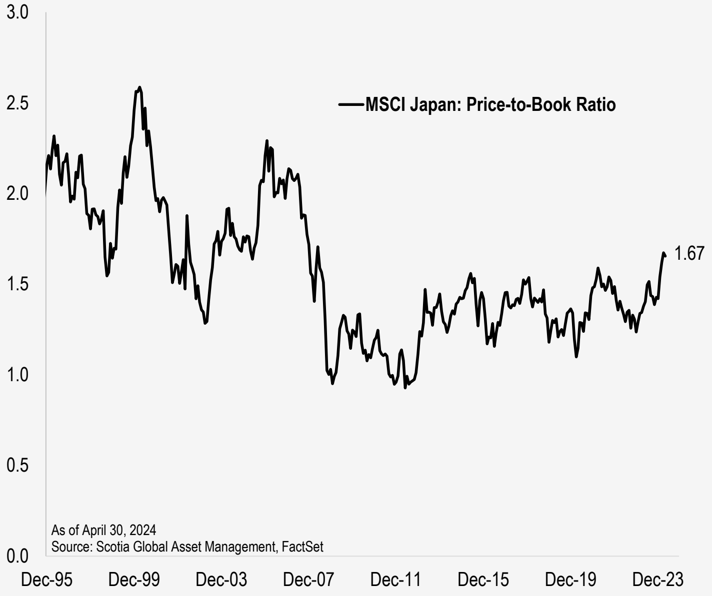
Tokyo Stock Exchange Initiatives to Improve Price-to-Book Ratio	
March 2023	Requested listed companies to take action to "realize management that is conscious of cost of capital and stock price"
Jan 2024	Disclosure of a list of companies that have been disclosed (including a list under consideration)
~ End of Jan 2024	Publish several key points based on responses from investors and examples of initiatives that have been praised by investors
Once Half Year	Compile and publish corporate disclosures and feedback from investors

Source: JP Morgan

- Japanese companies are cash rich. There has been an enormous amount of activist investor and regulatory pressure placed on corporate Japan to become more proactive about unlocking shareholder value.

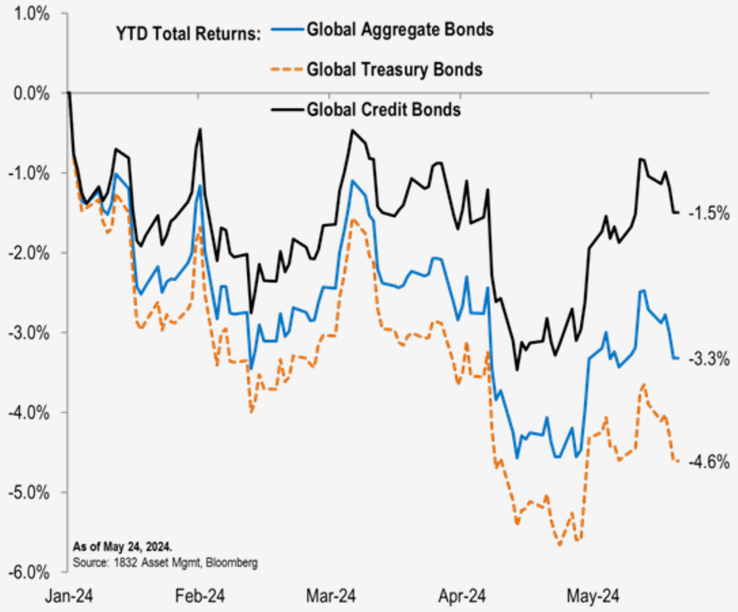
Higher Japanese RoE acts as a valuation tailwind

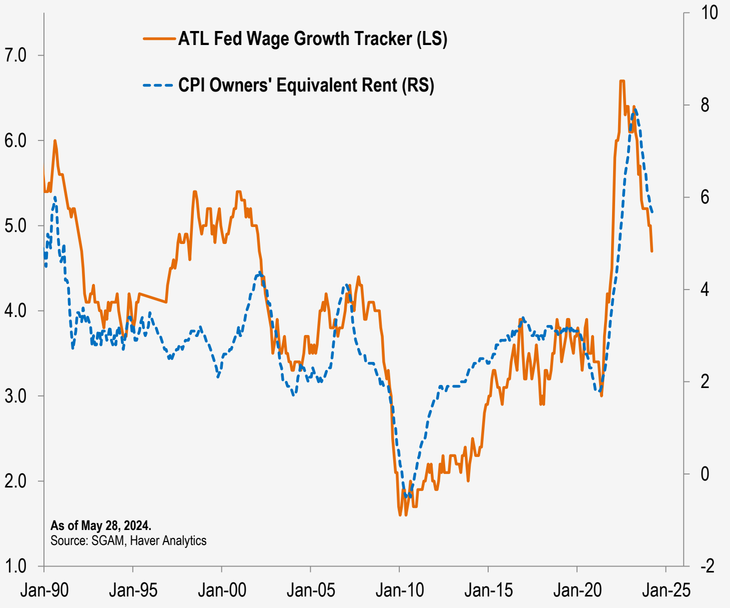




- Japanese corporations are placing more emphasis on profitability, buybacks, and dividends. The expected lift to corporate profitability, and greater sensitivity to shareholder demands, is likely to help put upward pressure on equity market valuations.

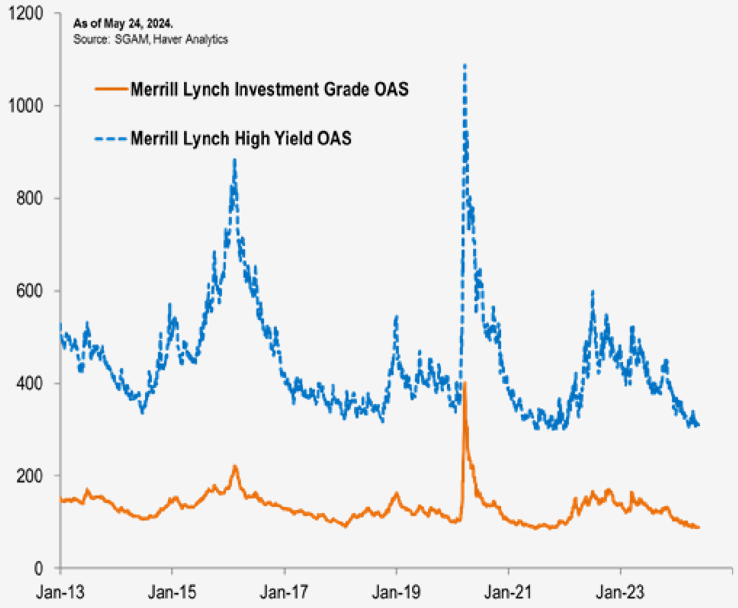
Bond prices to grind sideways to higher

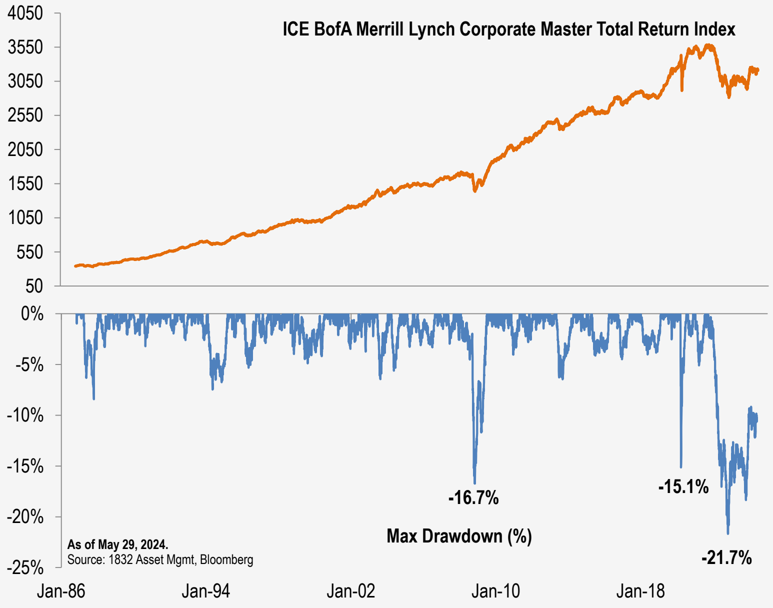




- Bond prices are unlikely to drop to new cycle lows unless inflation becomes strong enough to encourage additional central bank interest rate hikes whereas prices will probably only break to significant new highs on serious labor market weakness.

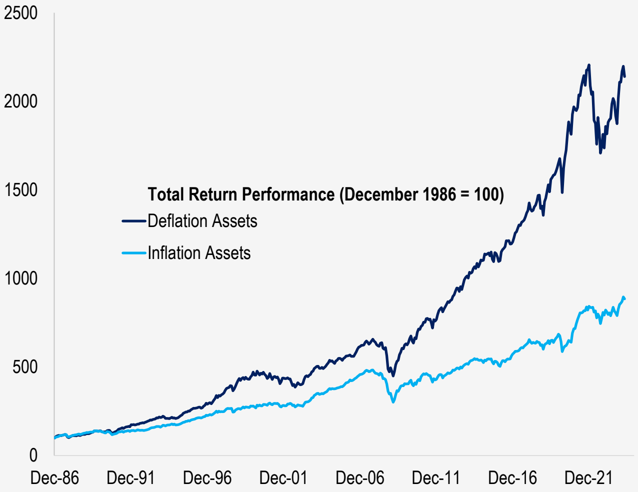
Corporates not as cheap as they once were



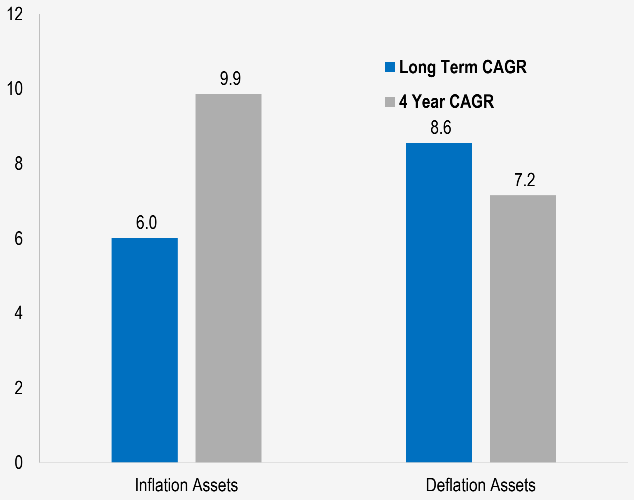


- Spreads are hovering near their lowest levels in a decade. High-quality issuers have de-levered over the past couple of years and the outlook for ratings remains positive as long as the risk of economic recession is held at bay. Modest carry should be enough to offset upside risks to spreads.

Portfolio thoughts: Inflation > deflation assets over the past few years



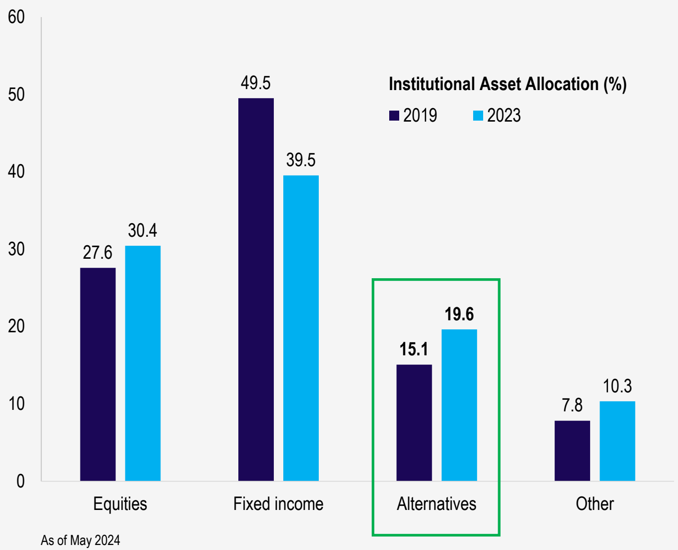
December 1986 to April 2024
Inflation = CRB, US House Prices, TIPS, EAFE, US Banks, World Value and 3M T-Bill
Deflation = US 10 Yr, US IG, S&P 500, US Discretionary, World Growth, US HY
Source: Scotia Global Asset Management, Bloomberg, Haver, RBC CM Quantitative Research



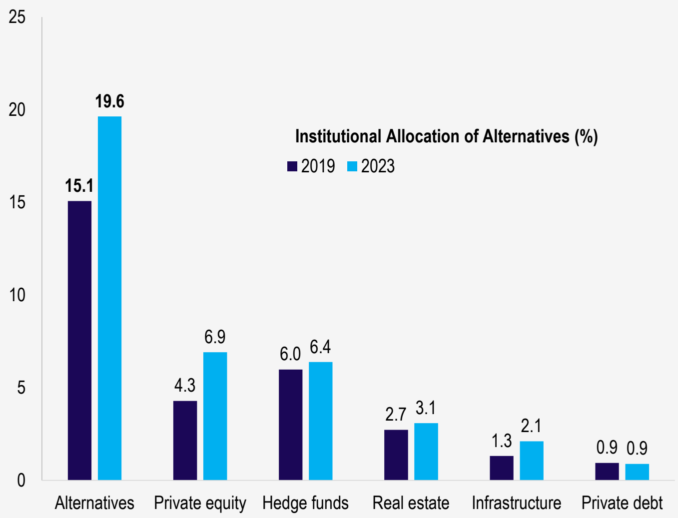
Longterm = December 1986 to April 2024, 4-Year = April 2020 to April 2024
Inflation = CRB, US House Prices, TIPS, EAFE, US Banks, World Value and 3M T-Bill
Deflation = US 10 Yr, US IG, S&P 500, US Discretionary, World Growth, US HY
Source: Scotia Global Asset Management, Bloomberg, Haver, RBC CM Quantitative Research

- Assets that usually do somewhat better during inflationary episodes (e.g., commodities, real estate, and real-return bonds) have outperformed those assets levered to disinflation/deflation (e.g., nominal bonds, IG corporates) through the past 4 years. This is a break from the long-term trend which has favored the performance of disinflationary assets.

The third pillar: Alternatives



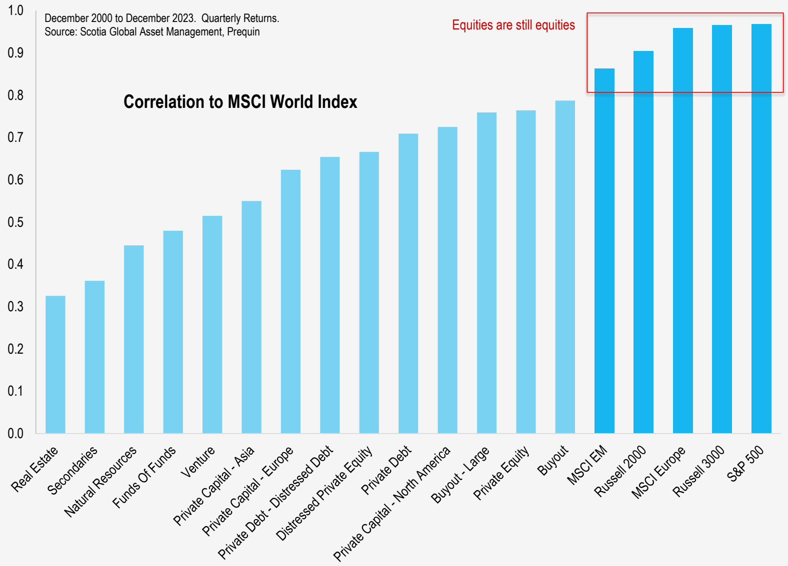
As of May 2024
Source: Prequin, Scotia Global Asset Management

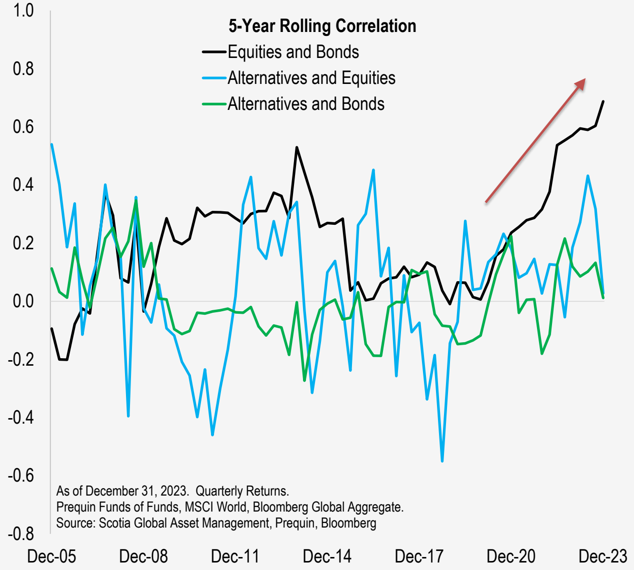


As of May 2024
Source: Prequin, Scotia Global Asset Management

- Institutions (e.g., pensions, endowments) have increased their allocation to alternatives by about 5 percentage points over the past five years.
- Nearly every sub-category within the alternative space has seen an increase

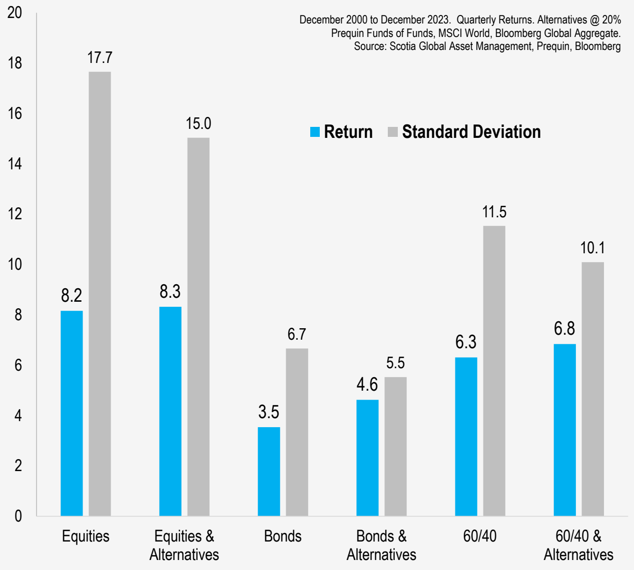
Alternatives offer low performance correlation with traditional assets

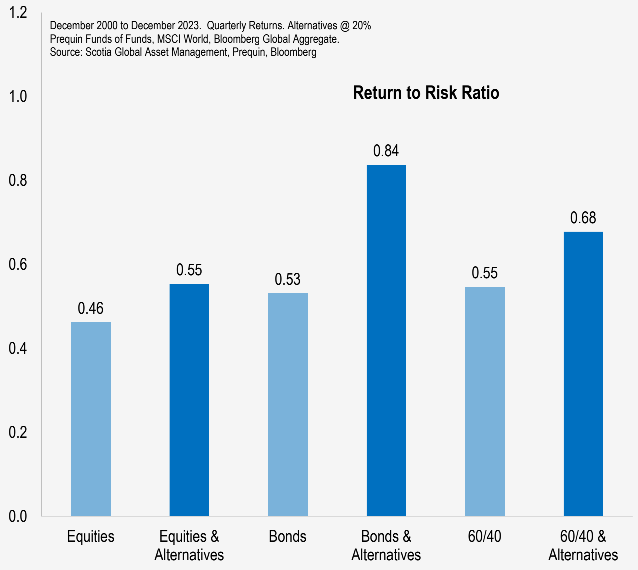




- Diversifying within equities, or within bonds, is not as effective as diversifying across asset classes.
- The performance correlation between equities and bonds has been increasing through time. Alternatives are holding on to a relatively low performance correlation with both equities and with bonds.

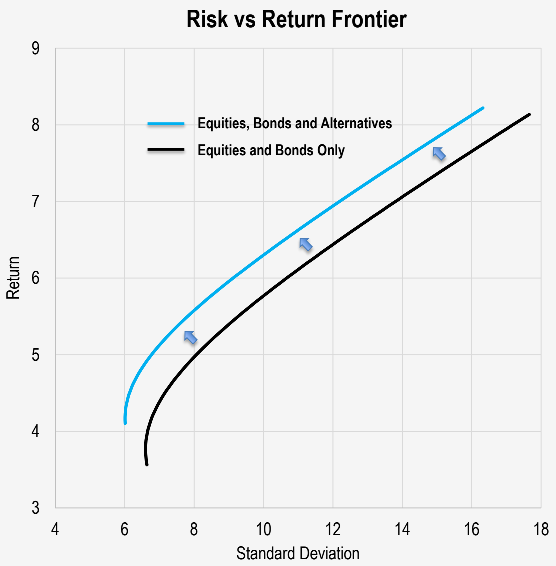
Adding alternatives improves the ride





- Adding alternatives to traditional assets at 20% can increase return, lower variance, or both.
- This can be seen through a superior return to risk ratio.

Shifting the frontier up and to the left



December 2000 to December 2023. Quarterly Returns.
Prequin Funds of Funds, MSCI World, Bloomberg Global Aggregate.
Source: Scotia Global Asset Management, Prequin, Bloomberg

- Low correlation can offer new portfolio construction options and better return-to-risk efficient portfolios.
- With alternatives in the mix, the efficient frontier shifts up (higher return) and to the left (lower variance).

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