INVESTOR INSIGHTS

MID-YEAR 2025

Checking In, Looking Ahead

Global Uncertainties Persist in 2025

In a year marked by tariff whiplash, market volatility and macro-level changes, our investment experts agree – the only thing that's certain for the rest of 2025 is continued uncertainty.

In our newest podcast series, **Checking In, Looking Ahead**, Dec Mullarkey, Managing Director, Investment Strategy & Asset Allocation, and Steve Guignard, Senior Director of Client Solutions, discuss their outlook for the last half of the year and beyond. Below are key takeaways from their conversation – you can listen to the full podcast episode on our website.

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Dec Mullarkey
Managing Director, Investment Strategy & Asset Allocation

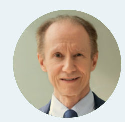
Steve Guignard
Senior Director, Client Solutions

Tariffs, central bank independence, fiscal policy key in 2025

- A theme of maximalist demands followed by stepping back has been a prevalent theme in tariff negotiations involving the Donald Trump administration.
- Market sentiment toward U.S. Treasuries could be significantly impacted by the perceived independence of the U.S. Federal Reserve.
- Concerns over fiscal policies, particularly the debt levels of the U.S. and other G7 nations, could have an increasing effect on market volatility.
- Despite volatility so far in 2025, defined benefit plans' funded statuses have changed little since the beginning of the year.

"I get this question quite a lot: 'Do you think that's good that we've had this kind of back-and-forth volatility?'. Frankly, I think it's a positive, because that repricing of events has created a feedback loop for the U.S. administration."

- Dec Mullarkey



"I think it's important that plan sponsors take a step back and re-evaluate their investment strategies in light of these new conditions to determine if some actions are necessary."

- Steve Guignard

A time to re-evaluate risk

- The year's volatility so far has underscored, however, how quickly financial conditions can change, particularly in Canada.
- Current conditions suggest increased downside risk, possibly prompting plan sponsors to take a closer look at their risk exposure.
- Unlike previous periods of uncertainty, the transactional nature of current external risks to the market could cloud the end objective.
- Canada could benefit from more normalized inflation conditions, which could give the country more flexibility in enacting stimulative policies.

Diversification could be key

- In an environment where market sentiment is driven less by fundamentals, we believe diversification becomes even more important than usual.
- Diversification considerations are increasingly being applied to fixed income allocations as well.
- In the insurance space, companies have been diversifying away from traditional equity investments and into alternatives.
- Active management could also be key in the coming months, allowing investors to be selective in their risk exposures.

"I would say we are at a point where tariff risk is coming down. There's certainly been improvement in the U.S. relationship with China and improvement in the relationship with Europe, and I think Mark Carney has established a bond with President Trump."

- Dec Mullarkey

Sources: Bloomberg, Financial Times, 2025. Content was recorded on May 29, 2025, and reflects views of the participants as of that date.

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