

The FGP North American Equity SMA portfolio outperformed its blended benchmark return during the quarter.

Equity markets in North America generated positive returns. After underperforming their U.S. counterparts in the first half of 2024, Canadian stocks made significant gains in the third quarter, outperforming by a wide margin. Overall global growth remains in positive territory and inflation has decreased substantially over the past year. This supported favourable market returns and allowed Canadian and U.S. central banks to lower interest rates during the quarter.

Portfolio Positioning & Performance

The portfolio remains overweight U.S. equities and underweight Canadian equities relative to its benchmark. This asset allocation acted as a drag on relative portfolio performance given the U.S. underperformed the Canadian stock market. However, strong stock selection in the U.S. drove portfolio outperformance for the quarter, underscoring our commitment to identifying high-quality businesses with robust growth potential and buying these businesses when valuations are attractive.

Top contributors included **Motorola Solutions** +15%, **Philip Morris** +20%, and **Allison Transmission** +25%. All three companies reported strong results and continue to demonstrate resilience, innovative capabilities, and strategic foresight. Our Canadian energy holdings were

the main performance detractor. Oil prices fell on concerns over lower global demand and ongoing U.S.-China trade tensions. Portfolio holding Cenovus -15% underperformed its peers on weaker-than-expected downstream results, however the company continues to lower debt and return cash to shareholders. Shares offer value relative to peers and our outlook on oil supply and demand fundamentals remains positive.

During the quarter we exited **Choice Property REIT**, **Cisco Systems**, **Johnson & Johnson**, **PepsiCo**, and **Teck Resources**; we added **Booking Holdings**, **SEI Investments**, **Tourmaline Oil**, and **WEX**, which we believe represent more compelling investment opportunities.

Outlook & Strategy

We continue to maintain an above-benchmark allocation to U.S. equities relative to Canadian equities. We view the market as quite uncertain. Consequently, we continue to look at each company's underlying ability to grow earnings, and we remain disciplined and conservative in terms of valuation. Our core portfolio strategy remains to hold a limited number of high-quality investments that should generate earnings and dividend growth over time. We remain focused on downside protection as we navigate this unique and volatile market where the risk tone will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news.

Unless otherwise noted, all figures are presented in Canadian dollars. Any figures shown for contributors, detractors, and performance relative to the benchmark are for the model portfolio and actual figures may be different, depending on timing of trades, weights of holdings and individual decisions on exclusion of securities. This communication contains forward-looking statements and readers are advised that actual results and future events could differ materially from those anticipated in such statements. The opinions expressed herein are subject to change without notice. Past performance may not be repeated.

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