The FGP U.S. Equity SMA portfolio lagged the S&P 500 (CAD) Index return during the quarter.

U.S. equity markets delivered positive returns in the quarter and marked a second consecutive year of strong absolute performance. Resilient corporate earnings, slowing inflation, and optimism surrounding AI-driven technology drove performance. Investor sentiment remained largely positive, supported by clarity around the U.S. election, robust employment data, improving consumer confidence, and continued moderating inflation.

While the portfolio lagged its benchmark, the absolute gains of 8% in the quarter and 29% in 2024 were encouraging. We remained focused on companies trading at attractive valuations with strong balance sheets, sustainable competitive advantages, and robust growth prospects. With the overall market's valuation at increasingly elevated levels, we continued to act with discipline and maintain a portfolio that is cheaper than the market.

The top contributors to portfolio performance during the quarter were:

Broadcom +43% delivered solid results, with its semiconductor segment benefitting from AI-related demand. Management projects continued strong demand for networking products over the next several years.

Fiserv's +22% Clover business remained a standout as the integrated payments platform benefitted from both market share gains and structural growth in digital payments.

Allison Transmission +20% maintained its dominant position in fully automatic transmissions for heavy-duty trucks. North American demand remained robust, with strong visibility into next year driven by pricing power and steady demand.

On the downside, the main detractors from portfolio performance included:

AO Smith -19% faced weaker demand for water heaters in both China and the U.S. While U.S. demand is primarily replacement driven and subject to quarter-to-quarter volatility, the market remains predictable long-term. AO Smith continues to focus on product innovation and expanding its presence in emerging markets.

Mondelez -13% management projected a challenging quarter driven by tough year-over-year comparisons and higher cocoa costs. Current expectations are for flat growth next year. Mondelez operates in a mature industry as a dominant player in the consumer staples sector, which generally offers low, but stable growth.

WEX -11% reported soft quarterly results and reduced guidance for the year citing a challenging macro environment and lower fuel prices. We continue to find the business attractive and WEX's valuation remains compelling.

During the quarter we exited **Ulta Beauty** as increased competitive pressures from Sephora and Amazon cast doubt on Ulta's ability to outpace the broader beauty category.

As we begin 2025, the portfolio is trading at a below-market earnings multiple with expected earnings growth in the low double digits. We believe the companies in our portfolio are well-positioned to provide durable earnings growth while trading at a relatively attractive valuation which should continue to provide downside protection.

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