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ADVISORY GROUP
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Strathcona County

Economic and Investment Update

Prepared by:

James Hobson, CFA, Portfolio Manager
Charet Chahal, CFA, Portfolio Manager

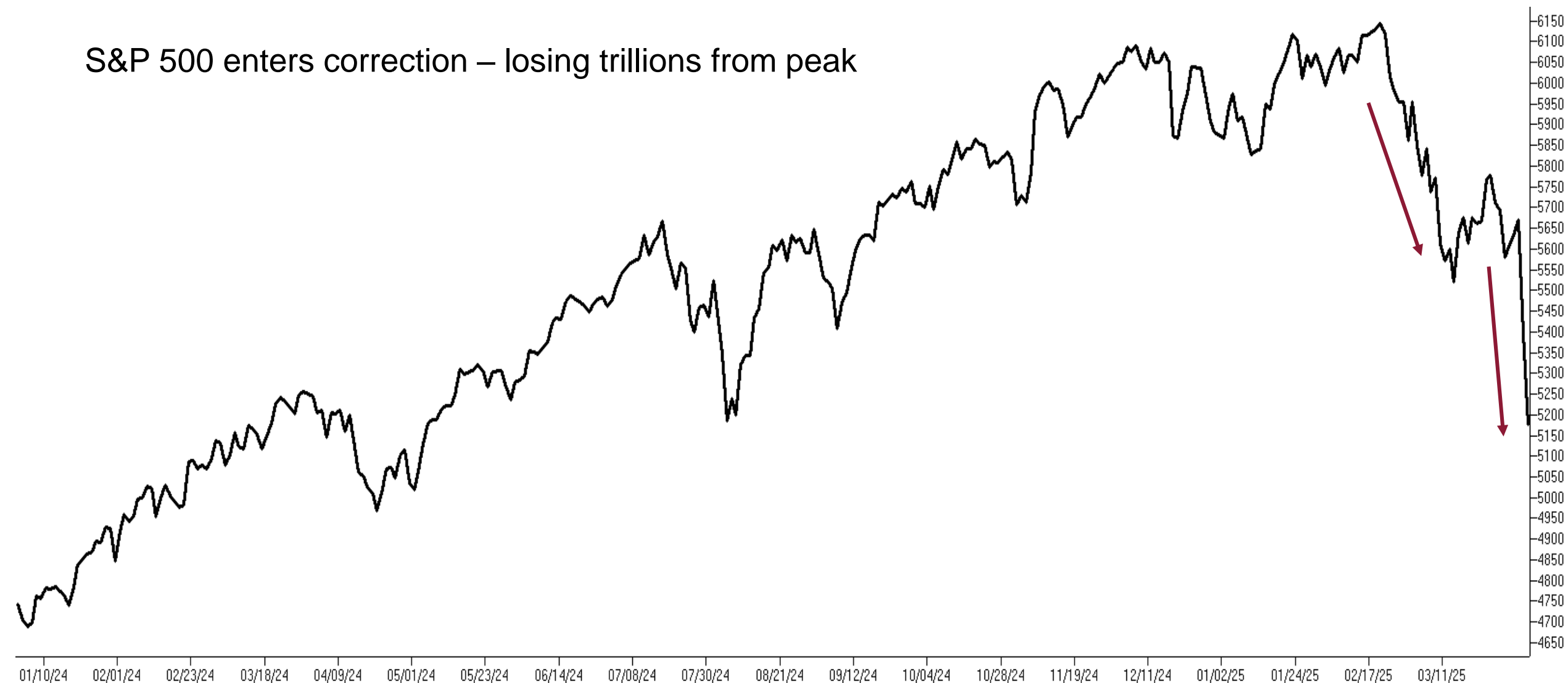
March 2025

Enclosure 2



Market volatility on “Liberation Day”

S&P 500 enters correction – losing trillions from peak



Source: Bloomberg

Recent events and the current state of tariffs

No concern for markets

- “Markets are going to go up and they’re going to go down. But you know what, we have to rebuild our country” – President, Donald Trump

The lead up

- US imposes 25% tariff on nearly all goods from Canada and Mexico and 10% on China
- Canada responds with 25% tariffs on \$155 billion of American goods
- Ontario retaliates with 25% surcharge on electricity, US increases tariff to 50%, Ontario cancels surcharge, US walks back tariff increase
- US announces 25% on steel and aluminum including from EU. EU announces retaliatory tariffs of \$28 billion

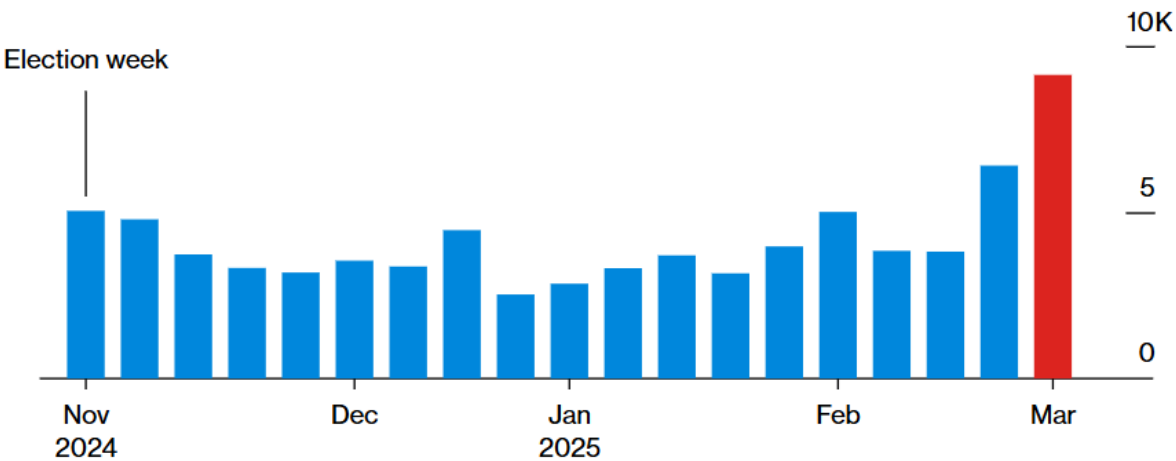
Actual Canadian tariffs...for now

- Goods Targeted: USMCA noncompliant goods
- Tariff Rate: 25%; 10% for energy and 10% for potash; 25% levy on Canada steel and aluminum

Trade uncertainty soars and recession fears increase

The R-word is back

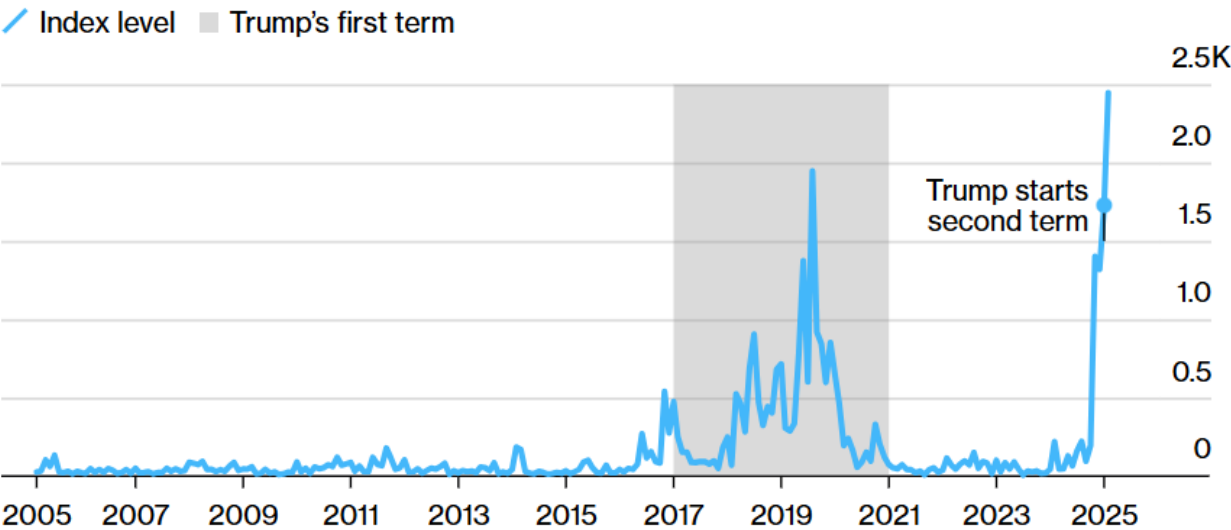
References to "recession" spiked last week



Source: Bloomberg
Note: Weekly count from search of all news sources, social media posts and other text carried on Bloomberg terminal

Trade uncertainty soars to highest on record

Trump's tariff threats have roiled markets and disrupted businesses



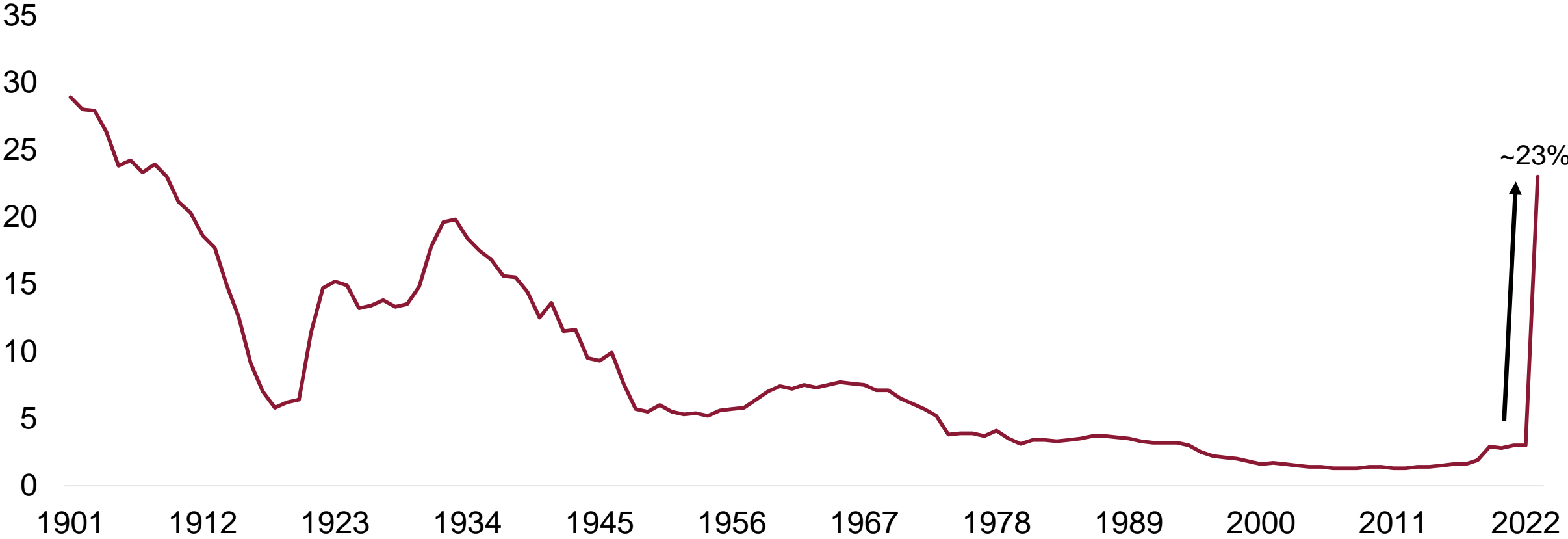
Source: Baker, Bloom & Davis

Trade War Goes Global



Tariffs on the scale threatened haven't been seen for a LOOONNNGGG time...

Weighted Average Effective US Tariff Rate (%)

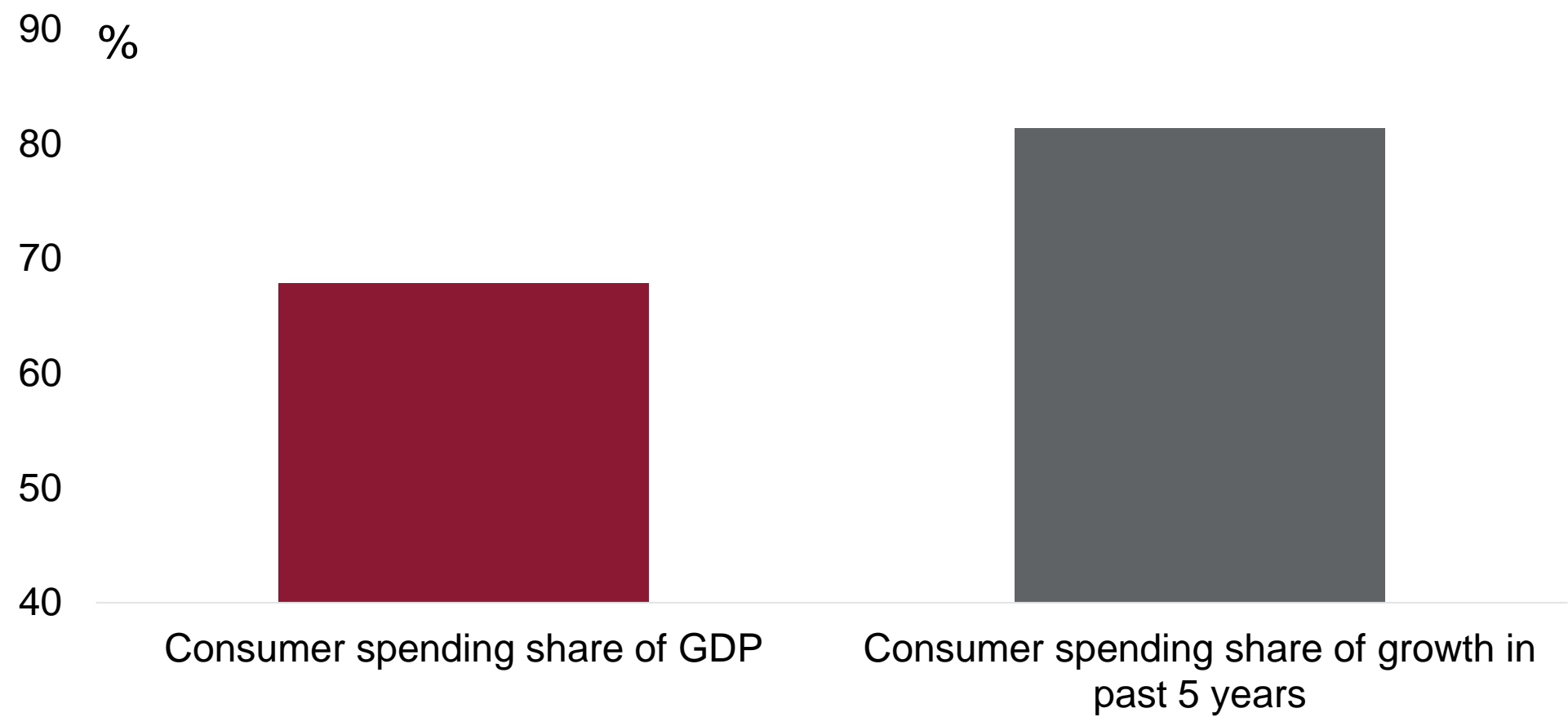


Source: Budget lab, Yale University



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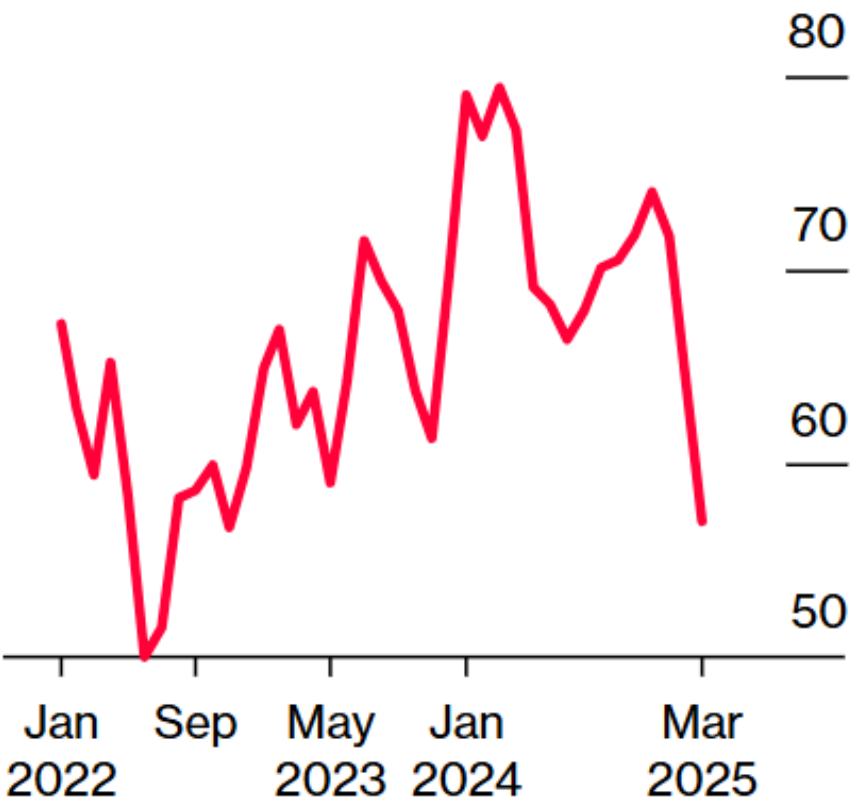
US Economy has been even more reliant than normal on consumer spending recently



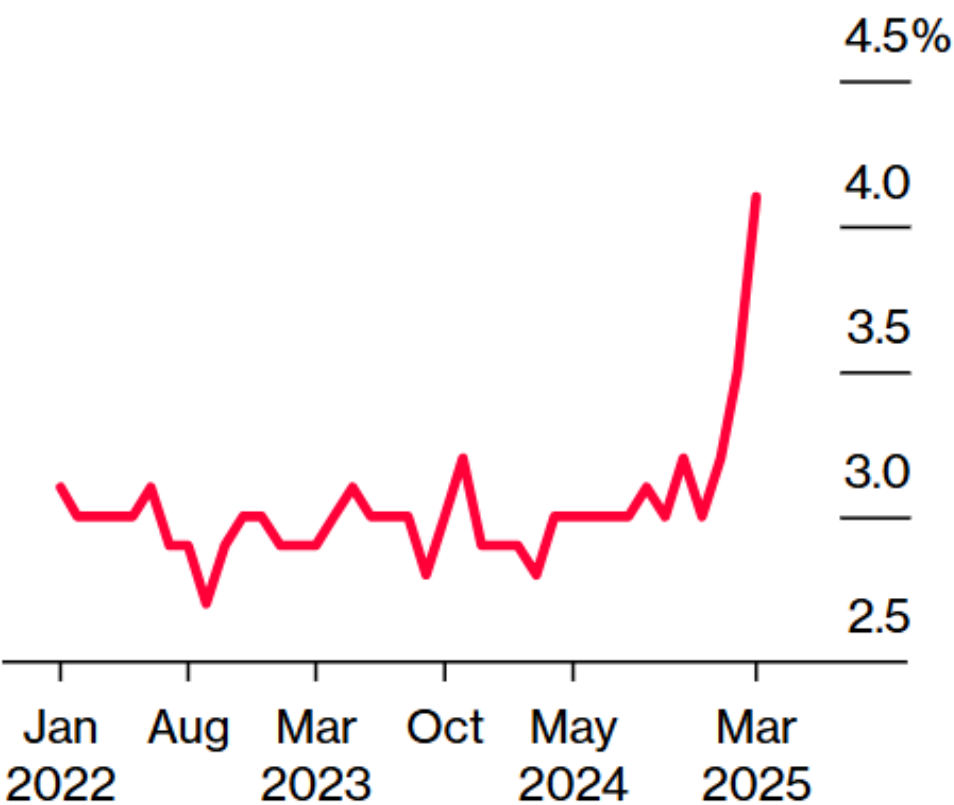
Source: BEA, CIBC

US Consumer sentiment plunges over inflation concerns

Consumer sentiment index

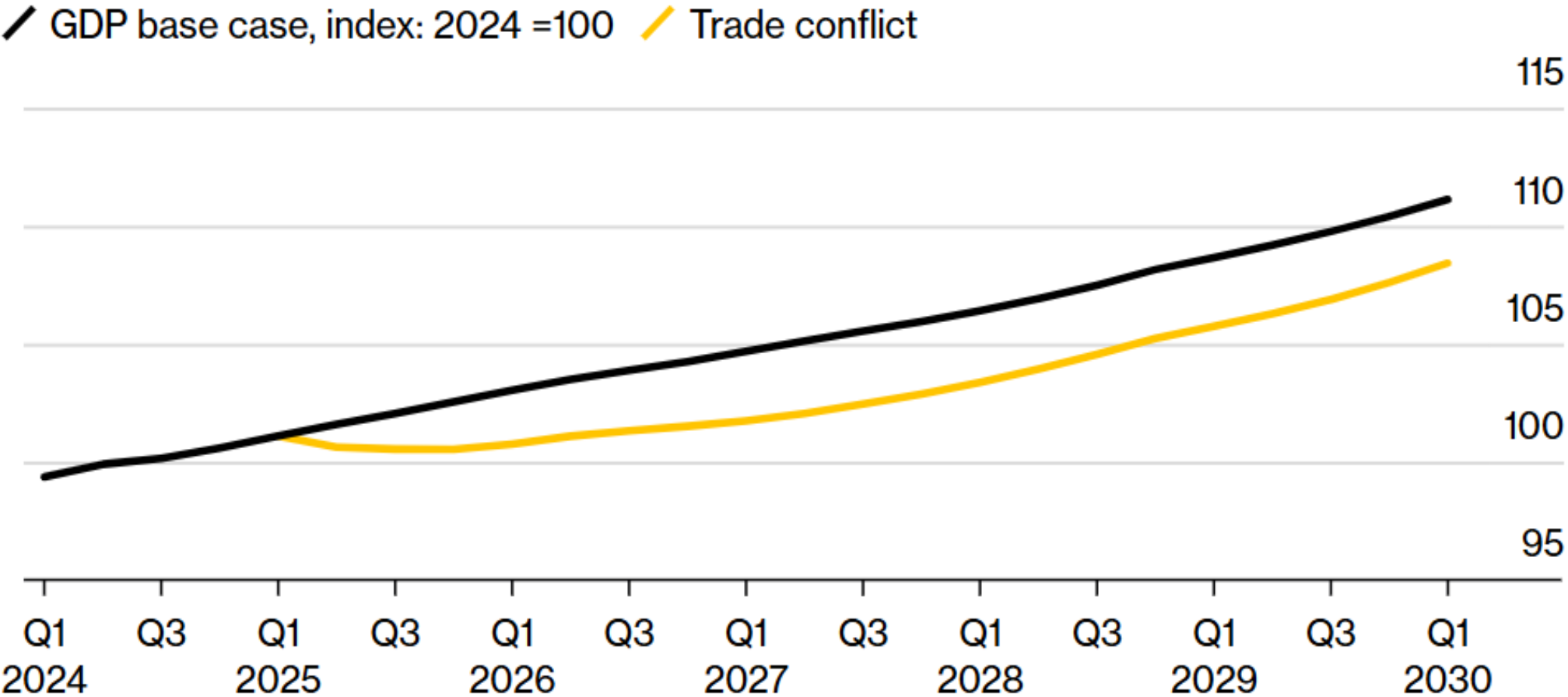


5-10 year inflation expectations



Source: Bloomberg, University of Michigan

Tariff dispute could take a permanent hit to Canada GDP

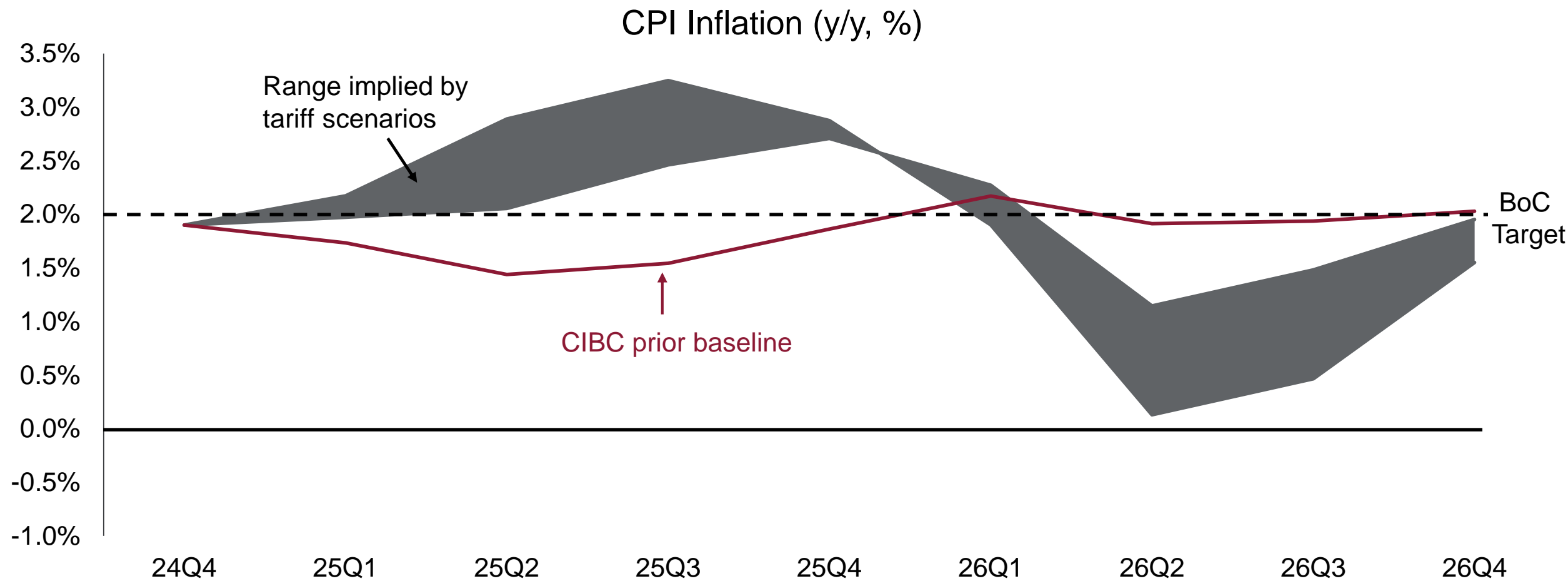


Source: Bloomberg, Bank of Canada



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Tariffs have a negative impact on inflation longer-term



Source: CIBC



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Provincial economic forecasts

	Real GDP Y/Y % Chg					Unemployment rate %					Consumer Price Index Y/Y % Chg				
	2022A	2023A	2024F	2025F	2026F	2022A	2023A	2024A	2025F	2026F	2022A	2023A	2024A	2025F	2026F
BC	4.0	2.4	1.1	1.3	2.0	4.6	5.2	5.6	6.1	5.4	6.9	4.0	2.6	2.8	1.5
Alta	6.0	2.3	2.2	1.7	2.2	5.8	5.9	7.1	7.4	6.4	6.5	3.3	2.9	3.0	1.5
Sask	7.2	2.3	2.0	1.2	1.8	4.6	4.7	5.5	5.8	5.3	6.6	3.9	1.4	3.0	1.5
Man	4.2	1.7	1.3	1.1	1.6	4.5	4.9	5.5	5.9	5.6	7.9	3.6	1.0	4.1	1.6
Ont	4.1	1.7	1.5	0.8	2.1	5.6	5.6	7.0	7.6	6.9	6.8	3.8	2.4	2.3	1.5
Qué	3.4	0.6	1.1	0.9	1.9	4.3	4.4	5.4	5.8	5.4	6.7	4.5	2.3	2.5	1.5
NB	2.0	1.6	1.5	0.9	1.5	7.2	6.6	7.1	7.3	6.9	7.3	3.5	2.2	1.5	1.5
NS	3.5	2.0	1.7	1.2	1.3	6.6	6.4	6.5	6.9	6.6	7.5	4.0	2.3	2.2	1.5
PEI	4.4	2.2	2.5	1.9	1.8	7.7	7.3	7.8	8.2	7.8	8.9	2.9	1.9	1.8	1.5
N&L	-1.9	-2.6	3.5	1.8	2.2	11.1	9.8	10.0	9.9	9.7	6.4	3.3	1.8	1.7	1.5
Canada	4.2	1.5	1.5	1.0	2.0	5.3	5.4	6.4	6.9	6.2	6.8	3.9	2.4	2.5	1.5

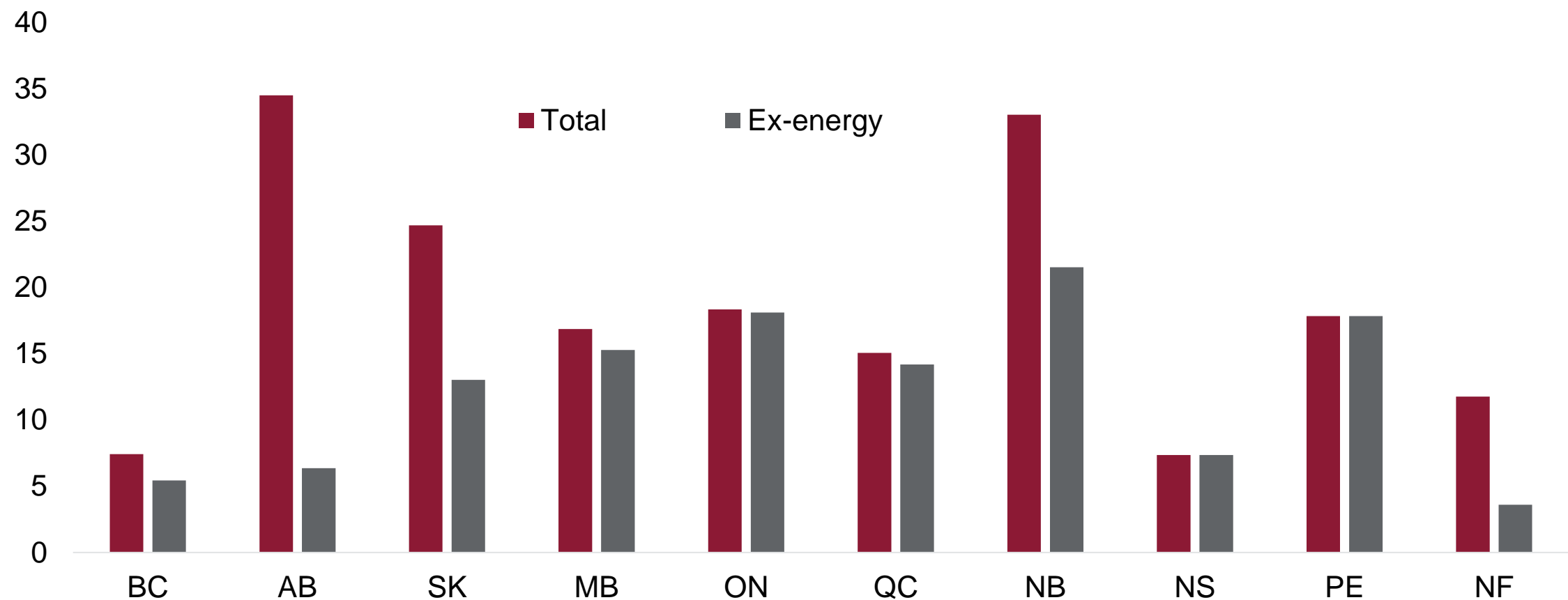
Source: CIBC, Statistics Canada, CMHC



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Provincial export exposure with the US

Merchandise exports to the US as % Provincial GDP



Source: Statistics Canada, CIBC



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Bank of Canada increased policy rates alongside rising inflation

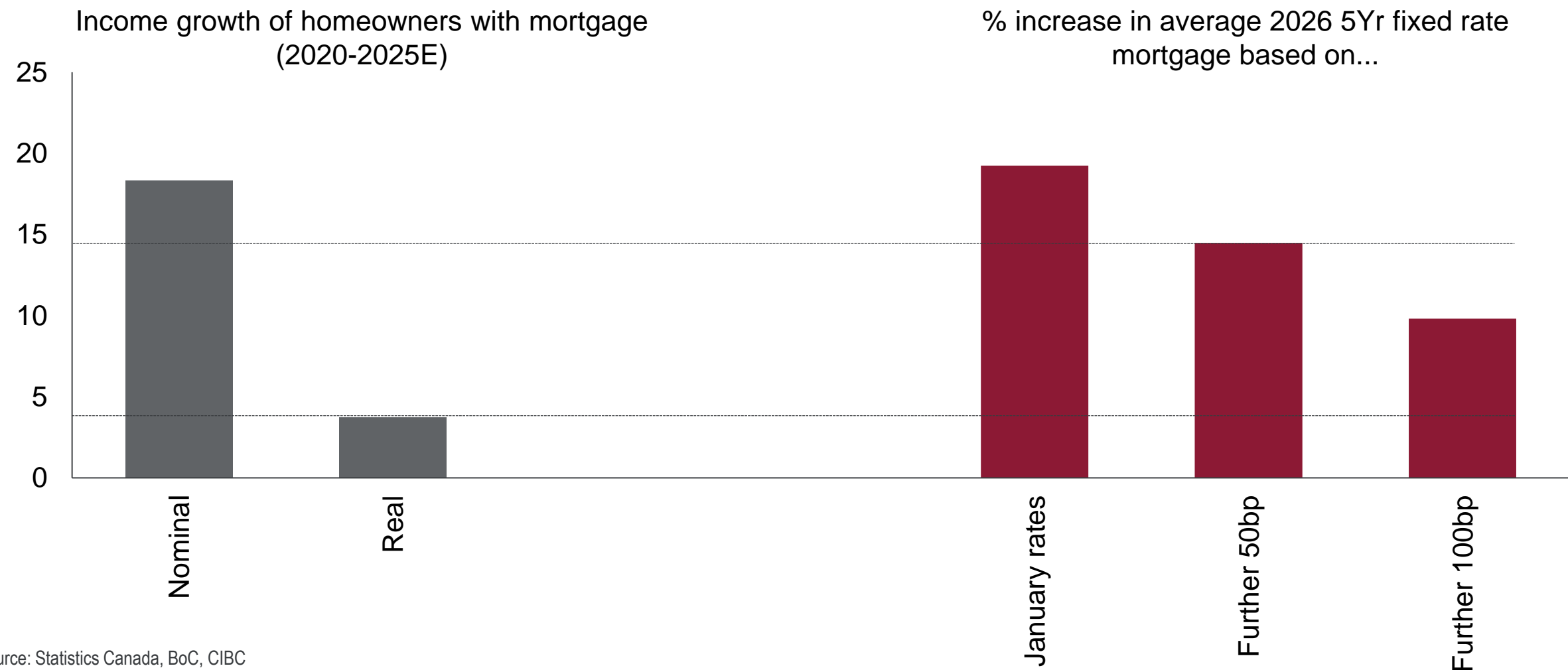


Source: Bank of Canada



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Bank of Canada will also have to cut more than markets currently expect to ease threat from mortgage renewals



Source: Statistics Canada, BoC, CIBC



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Interest rate forecast

Canada

Variable	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Mar	2026 Jun	2026 Sep	2026 Dec
Overnight target rate	2.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25
98-Day Treasury Bills	2.55	2.20	2.10	2.10	2.15	2.20	2.20	2.20
2-Year Government Bond	2.70	2.50	2.70	2.80	2.90	3.05	3.10	3.05
5-Year Government Bond	2.90	2.70	3.00	3.05	3.10	3.15	3.20	3.10
10-Year Government Bond	3.05	3.00	3.25	3.30	3.35	3.40	3.40	3.30

United States

Variable	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Mar	2026 Jun	2026 Sep	2026 Dec
Federal funds rate (midpoint)	4.375	4.375	3.875	3.625	3.375	3.375	3.375	3.375
91-Day Treasury Bills	4.30	4.20	3.80	3.60	3.45	3.45	3.50	3.55
2-Year Government Note	4.15	4.00	3.70	3.55	3.40	3.65	3.75	3.85
5-Year Government Note	4.15	4.00	3.85	3.80	3.60	3.70	3.75	3.85
10-Year Government Note	4.30	4.20	4.00	3.95	3.85	3.90	4.10	4.15

Source: CIBC Economics as of Mar 13, 2025

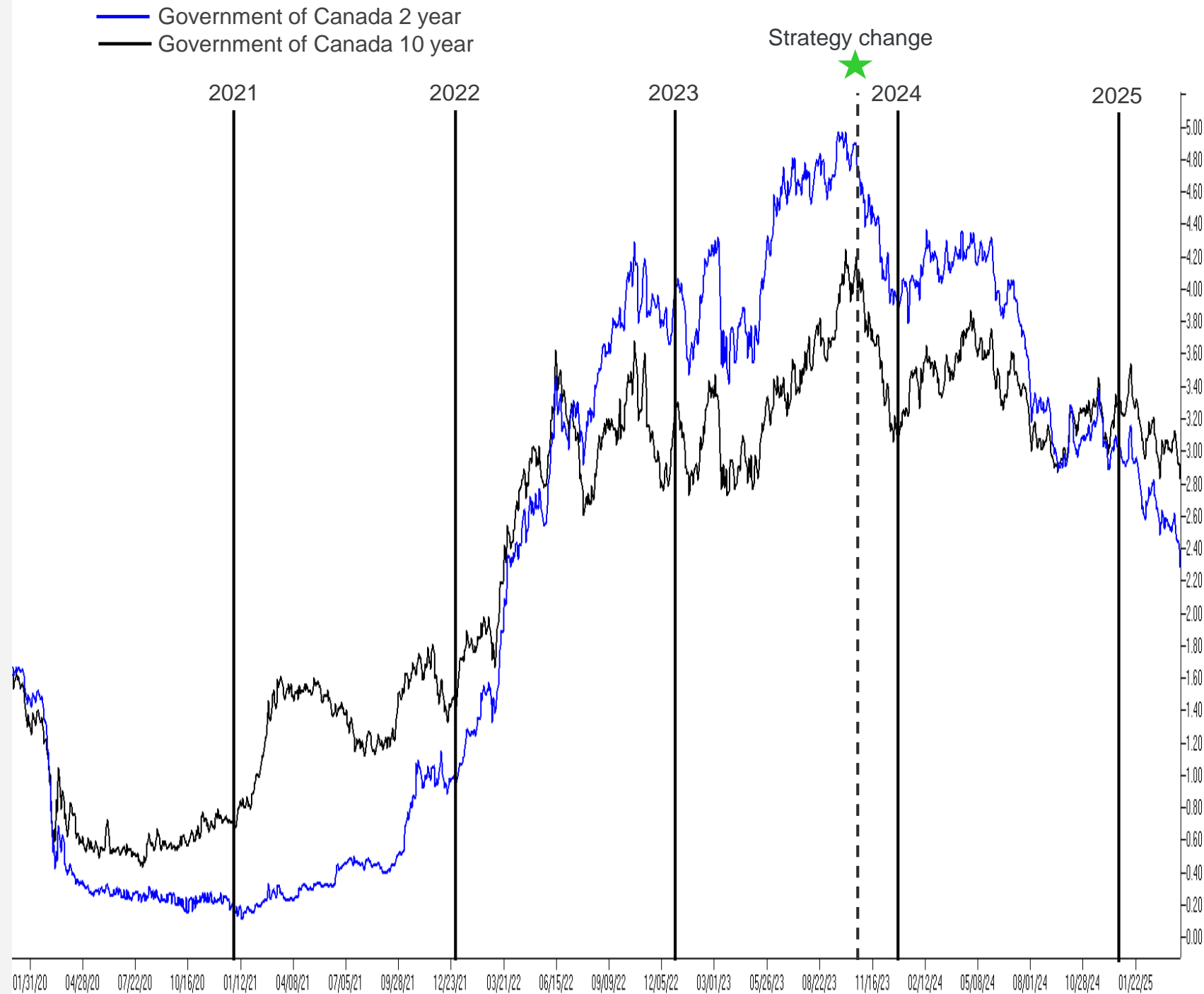


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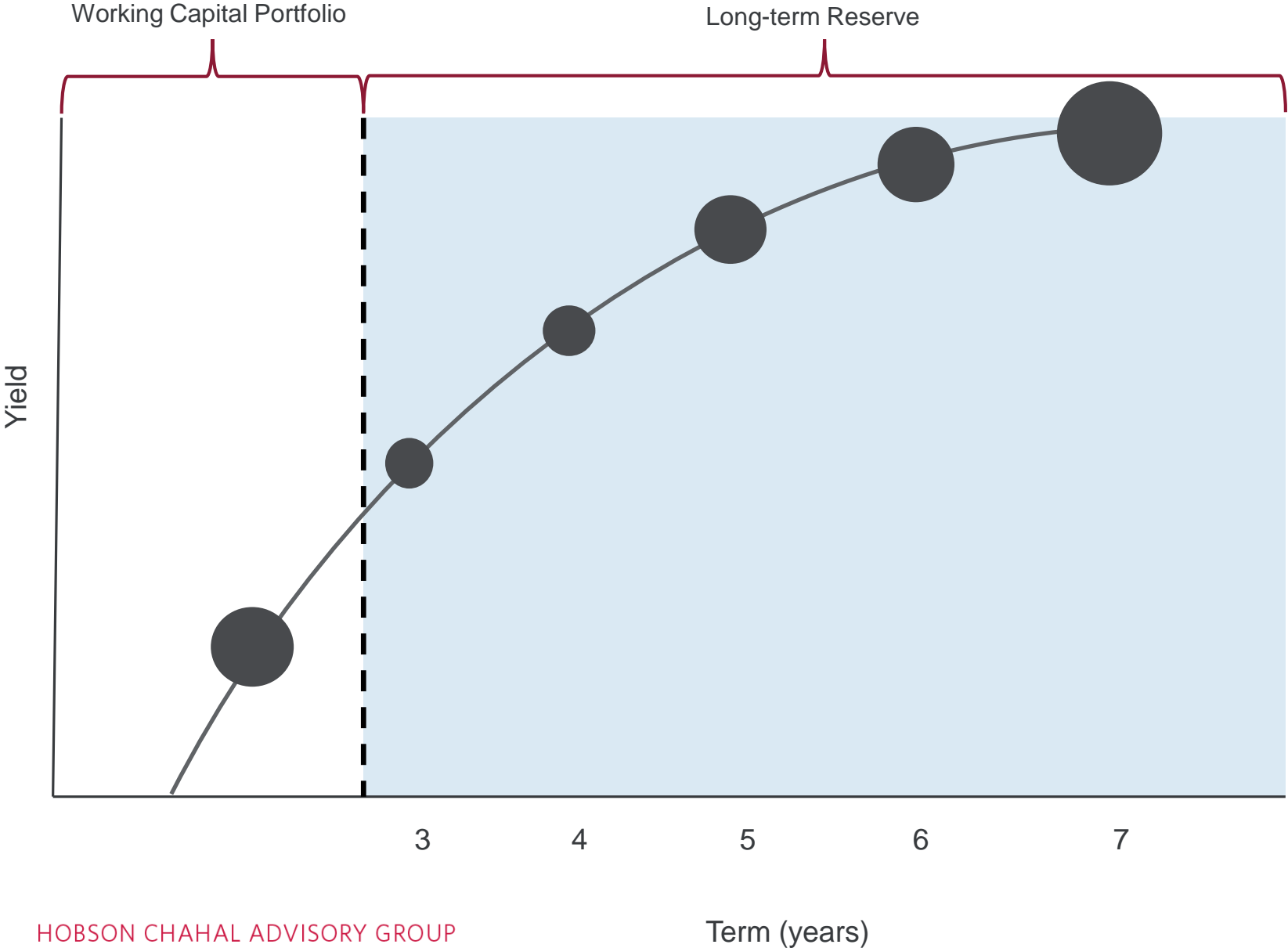
Portfolio Characteristics

Yields

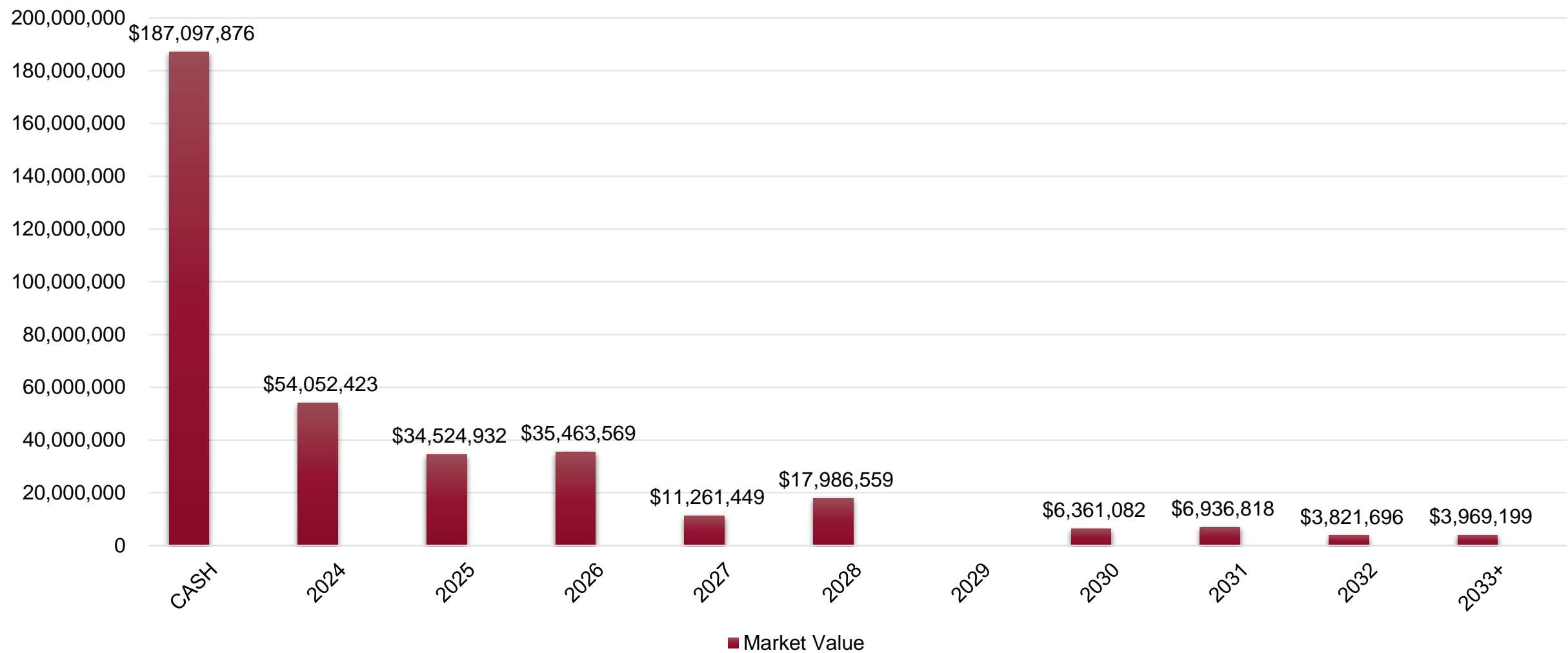
Yields peaked and have come down as central bankers focused on easing inflationary pressures and tariff uncertainty



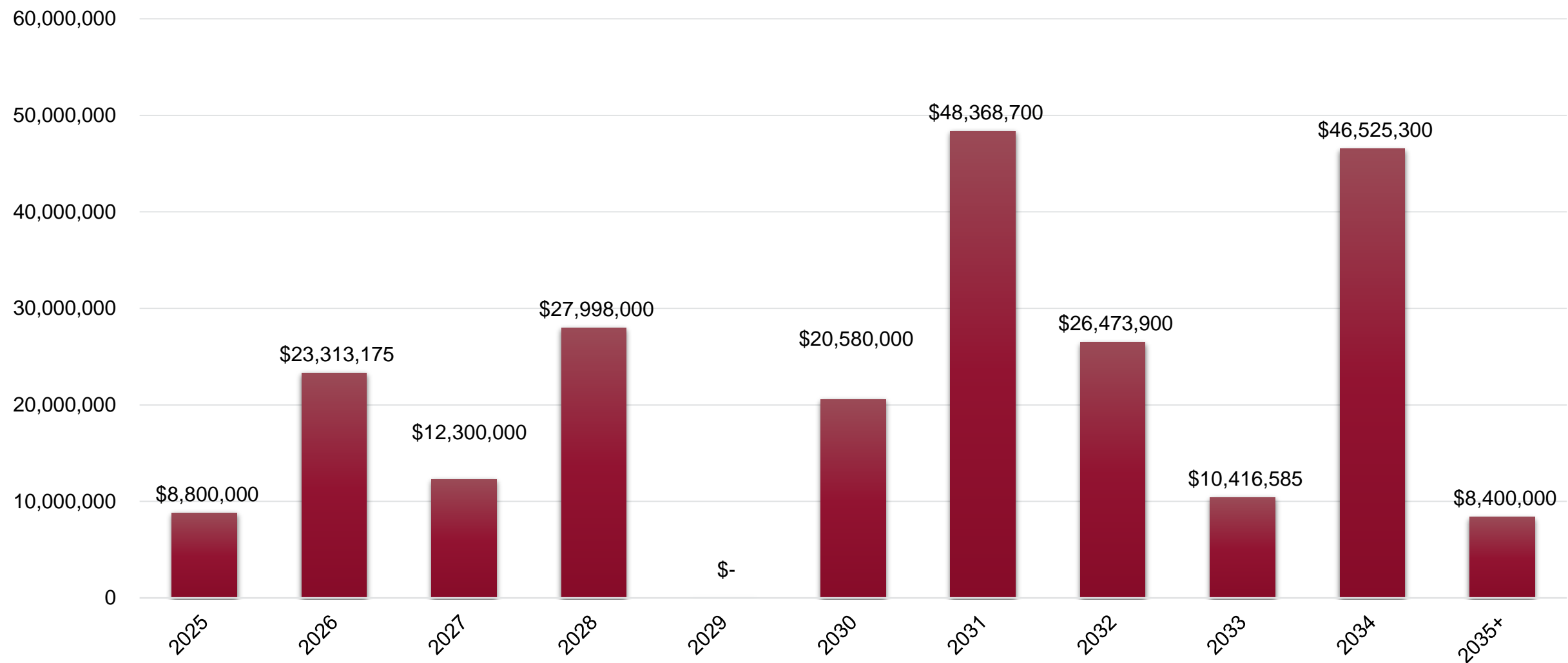
Barbell



Maturity Schedule (Old-2023)



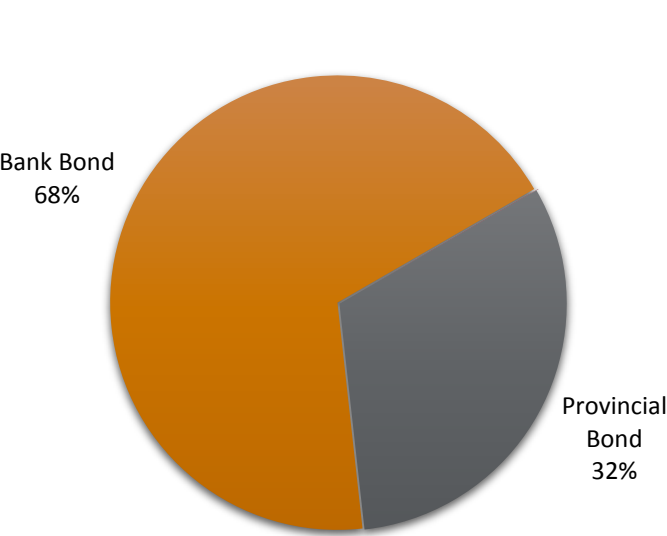
Maturity Schedule



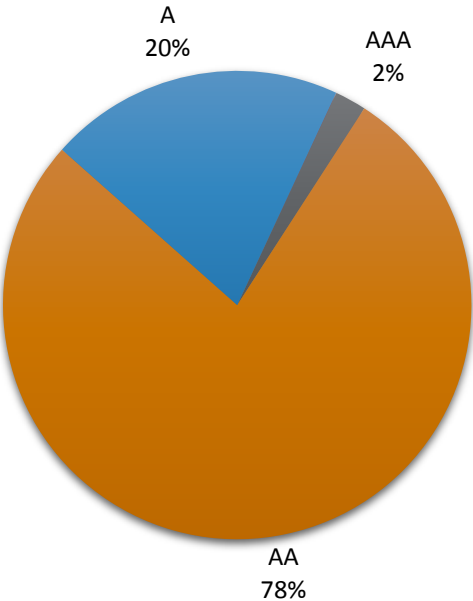
Portfolio Characteristics

Description	Value
Portfolio Market Value	\$231,858,253
YTM-Cost	6.24%

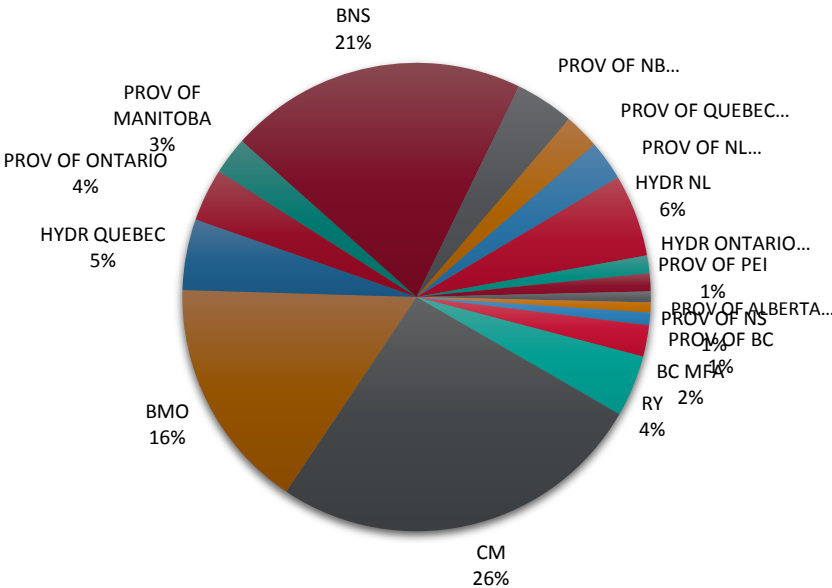
Asset Allocation



Credit Rating (DBRS)

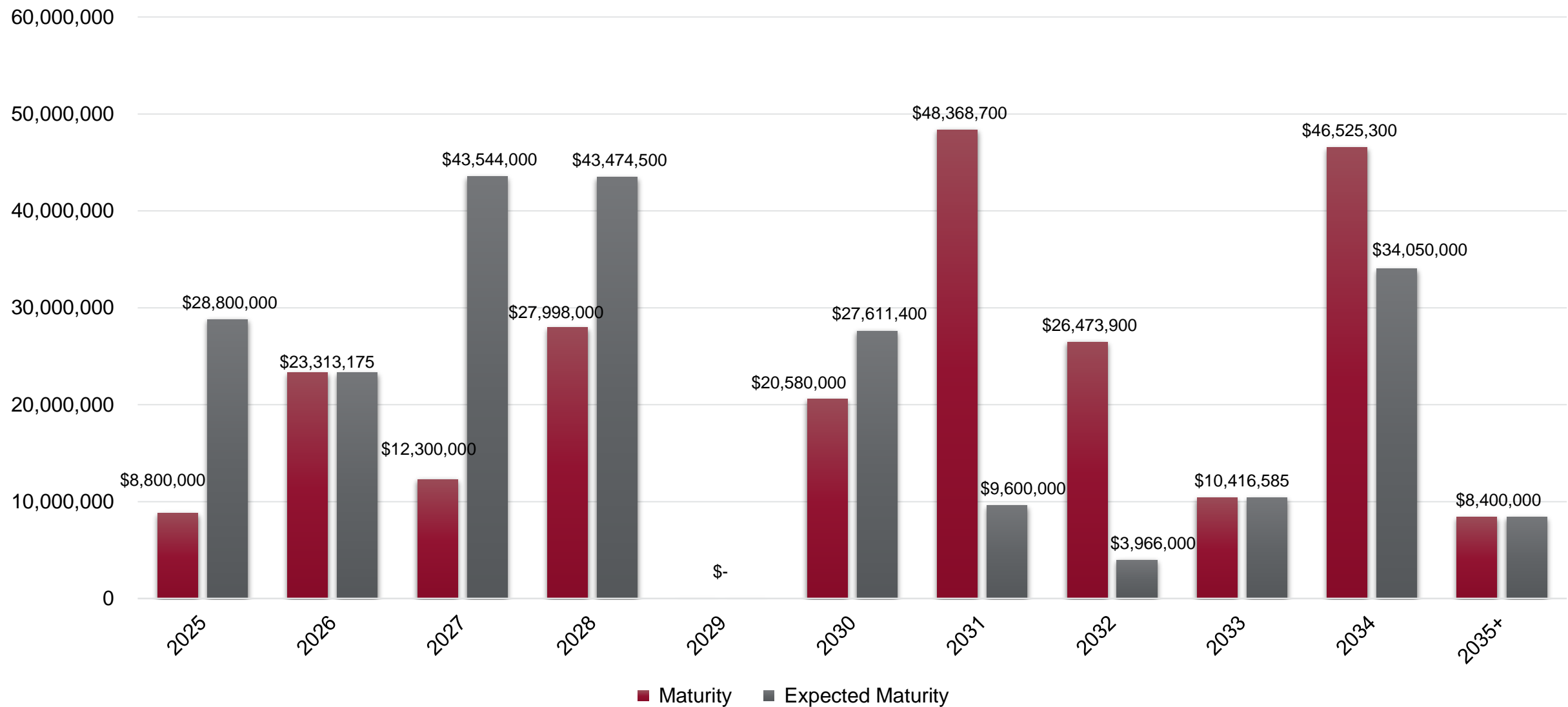


Issuer Diversification

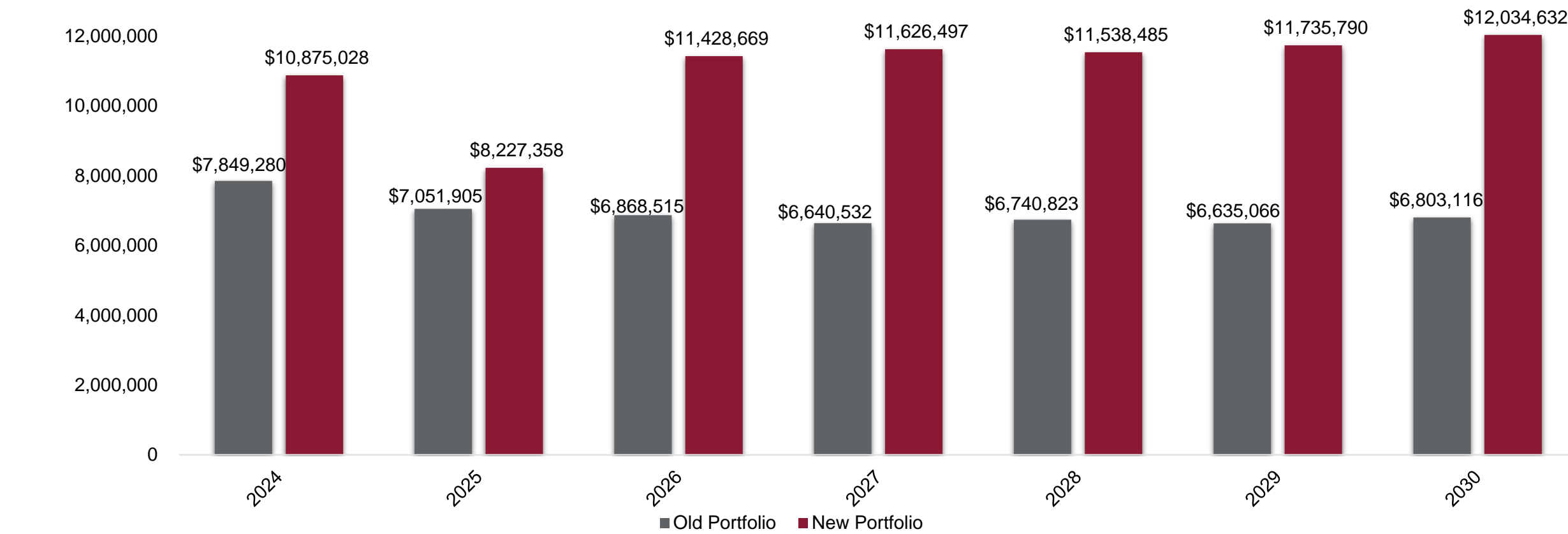


- Portfolio is currently 100% compliant with investment policy and MGA
- Portfolio is broadly diversified amongst various investment tools and issuers

Liquidity: Expected Maturity



Strategy Comparison



	2024	2025	2026	2027	2028	2029	2030
Old Portfolio	\$7,849,280	\$7,051,905	\$6,868,515	\$6,640,532	\$6,740,823	\$6,635,066	\$6,803,116
New Portfolio	\$10,875,028	\$8,227,358	\$11,428,669	\$11,626,497	\$11,538,485	\$11,735,790	\$12,034,632
Delta	\$3,025,748	\$1,175,454	\$4,560,154	\$4,985,966	\$4,797,662	\$5,100,724	\$5,231,516
Cumulative Total	\$ 3,025,748	\$4,201,201	\$ 8,761,355	\$13,747,321	\$18,544,982	\$23,645,707	\$28,877,222

Summary

1 Maintain current portfolio strategy

Continue working with administration to ensure planned liquidity needs are met 2

3 Realize benefits of new portfolio through disciplined capital planning

Portfolio is very well positioned for the long-term to ensure yield preservation and maximize investment revenue

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