



Global equity markets have pushed higher through a turbulent stretch this year. However, the investment case is becoming more two-sided. Determining what is “in the price” already (and what isn’t) has become difficult to delineate during a period of rapid change. Investor complacency also remains in focus. Are the risks accumulating beneath the surface receiving the scrutiny they deserve?

Core inflation has proven more persistent than central bank models anticipated. The impact of the energy price spike has broadened out, particularly in the US, while services inflation has remained sticky. Per our [most recent Strategy Dashboard](#), the result has been a hawkish pivot in central bank communications that few had priced in at the start of the year. Bond yields are grinding higher, compressing the equity risk premium. That adjustment may have further to run.

Within equities, concentration risk has reached uncomfortable levels. The AI investment cycle now feeding the largest index constituents has become increasingly circular. When the same ecosystem funds, buys from, lends to and capitalizes itself, reported demand can look more durable than it actually is. That does not mean the AI buildout is impaired, but it does mean investors should distinguish monetization from capex recycling. Massive capital expenditure commitments are also transforming previously asset-light business

models into asset-heavy ones, with valuation implications the market has not fully absorbed.

Geopolitical risk has not been resolved; it has been deferred. The Iran ceasefire is fragile and underlying tensions remain. USMCA renegotiations are approaching, tariff threats continue to circulate, and the current administration has demonstrated both the willingness and the capacity to deploy trade policy as leverage. These are not tail risks. They are recurring features of the current environment.

But the fundamental case supporting risk assets is not illusory. It is grounded in real earnings growth, public and private investment cycles, and an expanding list of economies showing genuine momentum.

The AI infrastructure buildout remains one of the most powerful demand drivers in global capital markets. Despite the aforementioned circularity risks, hyperscaler capital expenditures show no sign of moderating. The resulting demand for data centre construction, semiconductors and power infrastructure is creating durable tailwinds across industrials, utilities, and materials. Fiscal spending is reinforcing the picture, with defence, industrial policy and infrastructure initiatives across Europe and North America adding a capital-intensive, reflationary impulse that compounds rather than simply adds to growth.

The European recovery deserves particular attention. Growth indicators are firming broadly as credit growth feeds into domestic demand, new orders are on the rise, and earnings estimates are being revised higher across markets that were largely written off in recent years. The reopening of the Strait of Hormuz has unwound much of the oil price spike that defined the spring quarter, decreasing risks to Europe and other regions heavily reliant on energy imports. The US labour market and consumer have held up through all of it, while recent quarterly earnings reports showed broad-based

revenue growth and margin performance continuing to surprise to the upside.

While cognizant of accumulating risks, we do not believe a reduction in equity exposure is warranted at this juncture. The structural drivers of this cycle are not exhausted and economic momentum remains firmly intact. But hedges against inflation and geopolitical volatility remain critical; keeping portfolios positioned to capture upside while managing the volatility that is unlikely to go away anytime soon.

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## Cash and Currencies

### Raising cash levels

- We remain invested with a view of continuing resilient global growth, despite a challenging geopolitical environment and renewed inflationary pressure.
- However, downside risks are elevated, as higher interest rates impact consumers and businesses, while global central banks are forced to adjust monetary policy settings.
- We have increased cash and equivalents exposure this quarter.

## Global Equities

### Trimming European equity exposure

- European equity earnings should remain well-supported by a nascent growth recovery across the continent.
- However, the energy price spike and a hawkish-leaning European Central Bank present near-term risks to the economic momentum.
- We have trimmed our exposure to European equities this quarter.

## Global Fixed Income

### Adding short-term US Treasury Inflation-Protected Securities (TIPS)

- Recent labour market trends point to a firming US economy, while rising headline inflation appears to be broadening out to “core” price inputs.
- While incoming Fed Chair Kevin Warsh has a hawkish reputation, he will face considerable political pressure to steer the Federal Open Market Committee away from aggressive interest rate hikes.
- We have initiated short-term TIPS exposure to hedge against inflation risk this quarter.

### Trimming emerging markets sovereign debt exposure

- We continue to like local currency emerging markets (EM) sovereign bonds for their high yield, diversification benefits and strong underlying fundamentals.
  - However, with an inflationary resurgence in developed and emerging markets alike, EM monetary policy tailwinds have receded; weakening the investment case at the margin.
  - We have trimmed our exposure to local currency emerging markets sovereign bonds this quarter.
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## Opportunity Investment Highlights

### Initiating Taiwanese equities; liquidating Chinese internet equities

- Chinese internet equities have come under pressure as investors have become increasingly focused on the monetization challenges facing the Chinese “hyperscaler” technology platforms and the sustainability of their artificial intelligence investment spending.
- Demand for Taiwan’s world-leading semiconductor exports should continue to thrive with global data centre investment accelerating and persistent supply constraints for leading-edge chips.
- We have liquidated our exposure to Chinese internet equities and initiated exposure to Taiwanese equities in balanced and growth-oriented strategies this quarter.

### Increasing copper miner equity exposure; liquidating Indian equities

- Indian stocks have seen an exodus of foreign investor capital of late and are susceptible to further disruption from AI in the near-term.
- Conversely, we viewed a recent pullback in copper mining equities as an opportunity to add to a position well-supported by durable global demand trends for the foreseeable future.
- We have liquidated our position in Indian equities in growth-oriented strategies and added to our exposure to copper mining equities in balanced and growth-oriented strategies this quarter.

INVESTMENT STANCE	Versus Benchmark			Changes from previous quarter
	Under	Neutral	Over	
<b>NET GLOBAL ASSET MIX</b>				
Cash		⬇️		⬆️ Increased
Total Equity			⬇️	⬆️ Increased
Total Fixed Income	⬇️			⬇️ Decreased
Commodities			⬇️	➡️ Unchanged
<b>CANADA INVESTMENTS</b>				
Bonds		⬇️		➡️ Unchanged
Stocks		⬇️		➡️ Unchanged
<b>U.S. INVESTMENTS</b>				
Bonds	⬇️			➡️ Unchanged
Stocks	⬇️			➡️ Unchanged
<b>INTERNATIONAL INVESTMENTS</b>				
Bonds	⬇️			⬇️ Decreased
Stocks			⬇️	⬆️ Increased

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