



PH&N Growth Pension Trust

Commentary as at June 30, 2025

Trade negotiations dominated financial markets as early optimism that the Trump administration would focus on deregulating the economy gave way to concern that he would instead implement across-the-board tariffs on U.S. trade partners. The outlook subsequently improved as the U.S. administration reached agreements that ensured a worst-case scenario would not unfold. Geopolitical turmoil in the Middle East sent oil prices surging toward the end of the period on fears of a wider conflict and instability in the region, but they came back down after tensions eased. The U.S. Federal Reserve left its benchmark interest rate unchanged on concern that the tariff war would spark inflation outweighed worries that the economy was slowing.

Government fixed income delivered overall gains, as coupon income from bonds issued in the U.S. and China and rising bond prices in emerging markets offset the negative impact of rising interest rates in Europe and Japan. Investors faced challenges ranging from the effects of Trump's tariffs to the outbreak of war between Israel and Iran. Canadian bonds delivered minimal returns during the period, as the concerns regarding higher-than-expected inflation led investors to demand higher yields on most debt securities.

U.S. stocks retreated from all-time highs established early in the year after Trump announced his tariffs but then rebounded to finish the period near their highs. The Information Technology sector continued to support U.S. equities, while the Consumer Discretionary sector lagged. European stocks outperformed due to a shift by investors to euro-denominated assets, as well as Germany's decision to boost government spending after decades of conservative fiscal policy. In emerging markets, an equity recovery in China, which accounts for about a third of the emerging-market benchmark, bolstered emerging-market equity performance.

Tariffs will exert a substantial drag on economic growth over the second half of 2025, but probably not to the extent of causing a global recession. The portfolio manager looks for mid-single-digit returns from sovereign bonds over the year ahead, with only modest valuation risk. Stocks offer slightly better return potential, particularly outside of U.S. large caps. The Fund is carrying an overweight position in stocks and an equivalent underweight position in fixed income.

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