

## Trade War: Is Your Portfolio Ready to Face Uncertainty?

Trade tensions between the United States and Canada raise important questions for investors. The uncertainty surrounding the possible implementation of tariffs and their potential duration could have repercussions on the markets and your portfolio.

In a constantly evolving environment, proactive management is essential. Have you discussed the possible impacts on your investments with your advisor? Is your portfolio structured to minimize risks and seize opportunities that arise in such a context?

At Duval Group, we have conducted an in-depth analysis of the potential effects of these tariffs on the Canadian economy and various market sectors and sub-industries. Our portfolios are designed to provide optimal diversification and rigorous risk management, helping to protect and grow our clients' capital despite market uncertainties.

### Here are some key findings from our analysis:

1. 97% of Canadian equities in our portfolios operate in sub-industries with limited exposure to tariffs.
2. The most impacted sub-industries represent only a very small portion of our portfolios (0.24%).

### Top 15 Sub-Industries in Our Canadian Equities - As of January 31, 2025

Sector	Sub-Industry	S&P/TSX	Canadian Equities - Duval Group
Financials	Diversified Banks	19,9%	22,76%
Financials	Life & Health Insurance	4,8%	14,68%
Consumer Staples	Food Retail	3,4%	12,51%
Communication Services	Integrated Telecommunication Services	1,9%	7,58%
Industrials	Rail Transportation	5,3%	7,48%
Financials	Property & Casualty Insurance	2,6%	4,86%
Industrials	Research & Consulting Services	0,9%	4,73%
Utilities	Electric Utilities	1,7%	4,34%
Consumer Discretionary	Broadline Retail	1,3%	3,78%
Information Technology	Internet Services & Infrastructure	5,7%	3,61%
Consumer Discretionary	Restaurants	0,8%	3,44%
Industrials	Trading Companies & Distributors	0,5%	3,00%
Utilities	Multi-Utilities	1,0%	1,83%
Energy	Oil & Gas Storage & Transportation	7,0%	1,01%
Materials	Gold	7,6%	0,89%
<i>Source: LSEG &amp; Desjardins Economic Studies</i>		64,4%	96,50%

Highly negative impact

To watch

Likely limited impact

**Top 10 Sub-Industries Likely to Be Significantly Impacted by Tariffs - As of January 31, 2025**

Sector	Sub-Industry	S&P/TSX	Canadian Equities - Duval Group
Materials	Diversified Metals & Mining	1,2%	0,11%
Materials	Copper	0,7%	0,05%
Industrials	Aerospace & Defense	0,6%	0,0%
Consumer Staples	Packaged Foods & Meats	0,3%	0,0%
Industrials	Air Freight & Logistics	0,1%	0,0%
Materials	Commodity Chemicals	0,1%	0,0%
Industrials	Construction Machinery & Heavy Transportation Equipment	0,0%	0,0%
Industrials	Industrial Machinery & Supplies & Components	0,1%	0,0%
Materials	Silver	0,6%	0,0%
Materials	Steel	0,1%	0,0%
<i>Source: LSEG &amp; Desjardins Economic Studies</i>		3,8%	0,24%

Highly negative impact

To watch

Likely limited impact

## A Constantly Evolving Situation

Regardless of portfolio strategy, if a trade war with the United States were to occur and persist over time, both economies would feel the effects. A more challenging economic environment in Canada (e.g., high unemployment, multiple SME bankruptcies, etc.) could impact certain companies or sectors, even if they are not directly affected by tariffs. Understanding the external forces that could impact a portfolio is therefore essential.

In such a scenario, global diversification and exposure to countercyclical foreign currencies (such as USD, EUR, and JPY) could help mitigate the effects. Indeed, it is in situations like these that diversification proves its true value.

That said, economists believe that if such a conflict were to arise, it would not last indefinitely, as its consequences would be detrimental to all parties involved. Of course, no one can predict the future with certainty, but it is important to remember that uncertainty is an inherent part of the markets. However, a structured and thoughtful approach allows investors to navigate with confidence. This is why we closely monitor developments and adjust our clients' portfolios accordingly.

If you would like to learn more about how we manage these risks and opportunities for our clients, we would be happy to discuss it with you.

Feel free to contact us.

Best regards,

Cathy, Guillaume, Marc-Antoine & Inuk

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