



Performance Inception Date January 2019
Assets Under Management \$5,190,282
Currency Canadian Dollar

Objective

The strategy's main objective is to grow our clients' core/benchmark-driven portfolios in a stable and prudent manner through a defensive long-term focused strategy with strong capital preservation during adverse markets.

Through a full economic cycle, we aim to deliver an after-fee return of 2% per annum above standard benchmarks.

Approach

The strategy is an actively managed, high conviction portfolio invested in a maximum of 25 high quality companies defined as being sustainable businesses capable of generating stable cashflows with limited leverage.

The portfolio is complemented by risk management strategies (through dynamic cash allocation, VIX-related instruments, etc.) to reduce portfolio downside risk.

Top 10 Holdings	Country	Sector	Target Weight	Div. Yield	Forward P/E	P/CashFlow	Beta (5Y)	ROE	Debt/Equity	Mkt Cap (\$M)
Berkshire Hathaway Cl B	US	Financials	10.0%	0.0%	22.9	19.7	0.9	6.9%	0.2	977,458
British American Tobaccoc	UK	Consumer Staples	5.0%	8.1%	7.9	1.9	0.5	-21.5%	0.7	75,528
Cisco Systems Inc	US	Technology	5.0%	2.7%	19.9	15.6	0.9	25.7%	0.4	235,779
Alphabet Cl C	US	Communication Services	5.0%	0.4%	24.0	27.9	1.0	31.7%	0.0	2,331,176
Kimberly-Clark Corp	US	Consumer Staples	5.0%	3.7%	17.9	14.8	0.4	198.6%	5.2	43,700
Kroger Company	US	Consumer Staples	5.0%	2.1%	13.8	6.1	0.5	27.7%	1.8	44,249
Meta Platforms Inc	US	Communication Services	5.0%	0.3%	26.1	30.0	1.2	35.6%	0.2	1,478,114
Northrop Grumman Corp	US	Industrials	5.0%	1.8%	18.0	14.4	0.3	26.6%	1.0	68,373
Novartis Ag ADR	CH	Health Care	5.0%	2.5%	12.7	8.8	0.6	34.8%	0.7	198,902
Pfizer Inc	US	Health Care	5.0%	6.4%	9.0	8.9	0.7	16.3%	0.7	150,345
Top 10 names			55.0%	2.6%	17.7	15.2	0.7	35.4%	1.0	598,280
Bottom names			40.5%	1.5%	21.1	22.1	0.7	17.3%	0.8	150,343
Cash			4.5%	0.0%	--	--	0.0	--	--	--
Total			100%	2.0%	18.3	17.3	0.7	26.5%	0.9	389,943

Sector Breakdown	Strategy*	Index
Communication Services	10.0%	8.0%
Consumer Discretionary	2.5%	11.0%
Consumer Staples	28.5%	6.0%
Energy	0.0%	4.0%
Financials (incl. Real Estate)	26.5%	18.0%
Health Care	16.0%	10.5%
Industrials	7.0%	10.5%
Technology	5.0%	26.0%
Materials	0.0%	3.0%
Utilities	0.0%	2.5%
Cash & Others	4.5%	0.5%

* Including the ETFs' sector weightings

Data Sources : Barchart, MSCI, Interactive Brokers

Historical Performance (after transaction costs but before taxes/management fees)

Period	Strategy	Benchmark	Difference
Last Qtr	6.3%	6.3%	0.0%
1 Year	36.1%	29.4%	6.7%
2 Years	26.4%	24.9%	1.5%
3 Years	15.2%	11.0%	4.1%
4 Years	16.4%	13.4%	3.0%
5 Years	15.6%	13.5%	2.1%
10 Years	--	--	--
Since Inc.	16.7%	14.7%	2.0%

Period	Strategy *	Benchmark	Difference
2024	36.1%	29.4%	6.7%
2023	17.3%	20.5%	-3.2%
2022	-4.3%	-12.2%	7.9%
2021	20.0%	20.8%	-0.8%
2020	12.7%	13.9%	-1.2%
2019	22.5%	21.2%	1.3%
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Note: Management fees are 1% per annum for client assets below \$1 million (tiered fees based on asset size).

Market/Strategy Comments

Despite ongoing geopolitical tensions and uncertainties following Trump's election win and future expected policies, the global equity market continued its uptrend in Q4 2024, supported by robust corporate earnings, reduced inflationary pressure and global monetary policy easing. In Q4 2024, the S&P 500 index registered a 2.4% return leading to a total return of 25% in 2024. From a sector perspective, the key drivers were Communications (40%), Technology (37%), Financials (31%) and Consumer Discretionary (30%) with the laggards being Materials (0%), Healthcare (3%) and REITs (5%). Like 2023, last year's stellar performance was highly driven by the Magnificent Seven (60%) and Growth-oriented stocks. Also, the Russell 2000 index, which tracks smaller-cap companies, continued to underperform its larger cap counterpart, with a 2024 return of 11.5%. *Returns in this paragraph are all in USD.*

For 2024, the S&P/TSX and the MSCI World (net of withholding taxes) indices recorded total returns of 21.7% and 29.4% in CAD, the latter reflecting the 9% appreciation of the USD.

Despite carrying minimal exposures to the "Magnificent Seven" and maintaining a lower market Beta, our Defensive strategy kept pace with the market in Q4 2024, to end 2024 with a return of 36.1% (before management fees), therefore outperforming its benchmark by 6.7% for the year. In the last quarter, two stocks were added to the portfolio (KMB and NOC) and we sold SNY.

Strategy Characteristics

Number of holdings	15 -25
Portfolio beta	Below 1
Limit per holding	12.5%
Cash allocation	Max 25%
Rebalancing	Ad-hoc

* At inception, the account was invested in our Defensive strategy comprised of 10-15 High Quality businesses. Starting in mid-2020, the account was gradually transitioned to our Dynamic, momentum-driven strategy. The performance shown in this report from January 2020 to March 2022 reflects the returns achieved from similar Defensive portfolios, with annual resets.

Disclosure

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