

# The Nexus Report

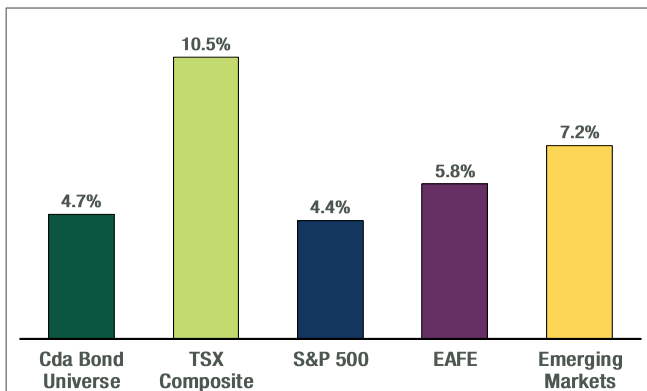
Third Quarter, 2024

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## Investment Outlook

### The Gift That Keeps on Giving

The third quarter of 2024 proved to be another excellent one for investors. Many major stock market indexes closed at or near record highs. Since the beginning of 2023, when, ironically, the outlook seemed grim and recession seemed likely, stock markets have been on a mighty tear. Over these 21 months, Canada’s TSX Composite generated an aggregate total return (i.e., not annualized) of 31.1% and the S&P 500 in the U.S. generated a return of 53.9%. Of course, the greatest benefits have accrued to the largest technology stocks, which we have written about before. Nonetheless, even the equal-weighted S&P 500 Index, which better represents the “typical” stock experience, is up an impressive 30.9% since the start of 2023<sup>1</sup>.



Total Returns – 3 Months ended September 30, 2024 (C\$)

NOTE: Unless indicated otherwise, all Nexus returns are compound annual average, time-weighted, total rates measured in Canadian dollars and calculated after deducting such direct and indirect costs as applicable withholding taxes, trading commissions, custody fees and other fund/account expenses, but without deducting Nexus’s management fees (which are charged to client accounts and vary by client). Returns for market indices and benchmarks are presented on the same basis, but without any such deductions. Stock-specific returns are price-only returns, and for U.S. listed

In the last *Nexus Report*, we detailed how concentrated stock market returns have been in recent quarters. Relatively few stocks have accounted for the majority of gains. Participation in the rush to develop artificial intelligence was a common theme among the winning stocks. U.S. stock market indexes were the global leaders and the U.S. reached its largest share of global stock market capitalization on record. While many of the market darlings continued to do well in the last quarter, good returns started to be enjoyed more broadly. For example, as central banks began the cycle of reducing short-term interest rates, stocks that pay generous dividends have gradually regained some appeal to investors. The U.S. stock market did not dominate all others, as can be seen in the attached chart. It’s far too early to conclude that a shift in market leadership is at hand, but the broadening of returns is definitely a positive development.

Bonds also rewarded investors handsomely over the last three months as central banks began the process of rolling back administered interest rates from the high levels previously put in place to fight inflation. With falling rates and rising bond prices last quarter, the Canada Universe Bond Index generated a return of 4.7%. Over the last year, the bond index provided an extraordinary return of 12.9%. The devastating losses in fixed income during 2022 are gradually being erased.

### The Elusive Soft Landing

Ever since the U.S. Federal Reserve began to raise interest rates in its quest to curb inflation, investors have wondered about the end game. Will policy makers be nimble enough to take their foot off the brake before high interest rates slow the

stocks are in U.S. dollars. Past performance is not indicative of future results. For more information about benchmarks, please refer to <https://tinyurl.com/NexusOnBenchmarks>.

<sup>1</sup>The standard way the S&P 500 return is expressed has its component returns weighted by market capitalization. The larger the company, the more influence it has on the index return. The equal-weighted neutralizes the size impact.

economy excessively and a recession takes hold? The elusive “soft landing” has rarely been achieved in history, yet it now appears to be within reach.

While the scourge of inflation cannot be assumed to be fully defeated, trends in the U.S. are all in the right direction. The Fed’s 2% inflation target appears to be achievable. At the same time, GDP growth in the second quarter advanced at a solid 3% rate, and this rate may well have been sustained through the third quarter. While the ISM manufacturing survey fell for the seventh consecutive month in September, other economic data are positive and reassuring. For example, the ISM services index snapped back to a strong level, recent auto sales have rebounded, and there was a noticeable jump in job openings in the recent JOLTs survey – employers want to hire.

Perhaps the most widely anticipated U.S. economic data in recent weeks was the September labour market report. It, too, surprised on the upside. 254,000 new jobs were created in September, compared to expectations for 150,000. Revisions to the prior two months job totals added another 72,000 positions. Perhaps even more surprising, the unemployment rate fell for the second consecutive month, to 4.1%. Wage growth was solid, but not excessive. The job report was received as good news, reflecting a strong economy, but not one that was so strong it would divert the Fed from its interest rate reduction path. Good news was actually good news.

In Canada, the interest rate cycle also reversed and interest rates started heading lower a few months earlier than in the U.S. Inflation here also has fallen significantly and currently is within the Bank of Canada’s target range. However, the economic landing in Canada is not quite as “soft” as in the U.S. Growth remains positive, but advanced at a paltry 0.9% in the second quarter, compared to the 3.0% advance in the U.S. Nonetheless, we remain optimistic that recession will be averted in Canada, if for no other reason than being dragged along by our largest trading partner to the south.

The September labour market report for Canada will be released shortly after this essay goes to press. Economists expect the unemployment rate to tick higher again, to 6.7%, up substantially from 5.0% in January 2023. On the surface, it appears that the Canadian labour market is weak and prospects for economic growth may be compromised. As we have explained before, however, the labour market dynamics in Canada have been distorted by the extraordinary surge in immigration. In fact, on a percentage basis, job growth in Canada is similar to that in the U.S.<sup>2</sup> Job growth is solid, but simply insufficient to support the torrid pace of population growth. Stated another way, rising unemployment is not the result of Canadians losing jobs, it is a consequence of the labour force growing faster than the supply of jobs.

## Market Outlook

Many clients may be confounded by the strength in financial markets at the same time that risks seem acute. Key topics of concern include escalating violence in the Middle East, the seemingly endless war in Ukraine, and the potential fallout from the U.S. Presidential election. A broader conflict in the Middle East may well lead to higher oil prices and a resurgence in inflation. Depending on the outcome of the U.S. election, new tariffs on foreign goods could be introduced, despite the fact that few economists think tariffs are an effective tool or even in the U.S. interest. Regardless of which candidate wins, there seems to be an appalling disregard for fiscal prudence and the U.S. federal debt. For the time being, however, investors don’t seem to be overly worried about these risks.

In no way do we wish to diminish the risks or deny that they could lead to negative outcomes for investors in the short term. In the U.S. political sphere, it seems certain that there will be a lot of noise in the weeks ahead – maybe beyond. However, the future is unknowable. That’s precisely why we focus on diversifying portfolios across industries and between Canada and the U.S. It’s also why we favour high quality companies that trade at prices that provide a margin of safety. When the good times roll, they will provide solid returns, even if those returns are not as spectacular as the darlings of the moment. However, if events become more troubling, they ought to be resilient.

While we acknowledge the risks, we believe that the most likely outcome in the coming quarters is a positive one. Lower interest rates and continued economic expansion will support corporate profit growth and rising stock prices. Moreover, we expect this profit growth to be more broad-based than it has been over the last 21 months. We’re also optimistic that stock market returns will continue to broaden as they have in the last three months. Falling interest rates have reminded investors of the appeal of an attractive and growing dividend stream. It won’t be only about the Magnificent 7. Investors will be properly rewarded for all companies that perform well – whether they sell semiconductor chips for use in artificial intelligence or whether they sell groceries or provide financial services. Stock markets are most healthy when returns are strong across a wide range of sectors. Early signs of investor interest in sectors outside of technology is encouraging.

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<sup>2</sup> Douglas Porter, BMO Economics Focus, October 4, 2024.

# Asset Class Review

## Fixed Income

The third quarter of 2024 delivered generous returns for Canadian bond investors as yields on bonds of all maturities shifted lower during the quarter. This move was largely a consequence of back-to-back rate cuts in the quarter from the Bank of Canada and a continued easing of inflation levels.

While inflation is comfortably back in the central bank's target range of one to three percent (in fact, headline inflation has now cooled back down to two percent), it has been made clear that the Bank of Canada does not want to declare victory against inflation too soon and, in the words of governor Tiff Macklem, they "need to stick the landing"<sup>3</sup>.

However, Canada is not enjoying the same better-than-expected economic growth that the U.S. is experiencing, nor is our labour market holding up as well. Canada's recent economic performance has not only lagged the U.S. but it has also lagged expectations that were published by the Bank of Canada in their July Monetary Policy Report. These data points will certainly be taken into consideration at future central bank meetings.

The two rate cuts in the third quarter bring the total to three cuts this year, and the expectation is for two to three more cuts by the end of the year. Borrowers with floating rate debt will see some relief from these interest rate reductions, but current rates remain much higher than prevailing rates just a few years ago.<sup>4</sup>

Avid readers of this section will know that the yields on longer dated bonds never increased to what we felt was an attractive level, even when inflation was elevated, and rate hikes were ongoing. The result of persistently low yields on longer dated bonds was that the two-year to 30-year part of the yield curve was inverted for the better part of the last two years. That inversion disappeared this quarter as shorter term bond yields fell more than longer ones.

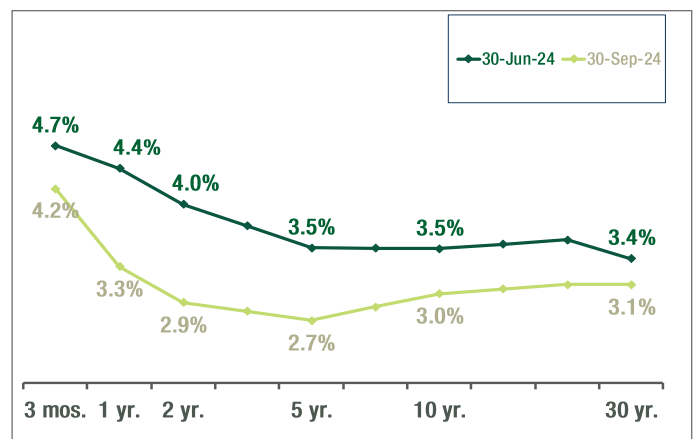
Much like the recent exuberance in the stock market, credit spreads on bonds remain below historical averages. Investors continue to purchase new bond issues with a voracious appetite, suggesting confidence in the financial strength of corporations and an expectation of ongoing investor support for future borrowing.

During the quarter we added slightly to the duration of our bond holdings but continue to have a duration of under four years. Our corporate bond holdings remain concentrated in higher quality issuers (rated A and above).

When bond markets were under extreme pressure in 2022, we were pleased, but not surprised, to see our clients' holdings outperform the benchmark given the positioning of our portfolio and the lower risk profile of our holdings. Now, with yields declining substantially and rate cuts underway, we are even more pleased to see our clients' bonds holding their own in a very strong market, continuing to outperform over all longer measurement periods (3, 5 and 10 years).

Looking forward, we remain cautious on both interest rate and credit risks. Despite the fact that the yield curve is no longer inverted, we do not feel that longer dated bonds offer investors much in the way of attractive risk/reward dynamics. We remain conservatively invested in shorter-dated bonds and will look to add some duration at appealing yields, should the opportunity present itself.

Over the quarter, the FTSE TMX Universe Bond Index was up 4.7% while Nexus's bond holdings returned 4.0%, trailing the benchmark. In the last 12 months, our bond holdings returned 12.1%, and the Index was up 12.9%.



Government of Canada Yield Curve

<sup>3</sup> Remarks at an event hosted by the Institute of International Finance and the Canadian Bankers Association in Toronto on September 24th.

<sup>4</sup> The prime lending rate in Canada has declined from 7.20% to 6.45% and would likely decline to 5.70% with another three rate cuts. This compares to a low of 2.70% in 2022.

## Equities

Equity markets rose in the third quarter, responding to central banks loosening the monetary reins and ending the most restrictive monetary policy stance in decades. The interest rate cuts signalled confidence from policy makers that inflation – a key concern for markets in recent quarters – is headed in the right direction. Almost all sectors participated in the rally, but interest-sensitive sectors like Real Estate and Utilities gained the most ground in the quarter. In these conditions, the Equity Fund produced a gain of 5.4% in the third quarter. It has risen 19.8% over the past year, a good absolute return despite trailing the indices, which have been fueled by concentrated gains in growth stocks and perceived artificial intelligence (“AI”) winners.

### North American Equities

The solid performance for North American stocks in the quarter confirmed the adage “Don’t fight the Fed”. Equity markets were volatile in the quarter, with downturns at the beginning of August and September but then turned up after the Fed cut rates by 0.5%, in mid-September. While the dominant theme for investors this quarter was enthusiasm for rate cuts, there were also less favourable crosscurrents at play, including signs that the U.S. economy is cooling, concerns over the health of the labour market, and escalating conflict in the Middle East. Markets took these latter concerns in stride, choosing to focus on the bright side.

For the optimistic scenario to be realized, markets will likely need to see steady economic growth, continued low unemployment, and inflation continuing to trend down toward the 2% target favoured by many central banks. While there could always be an external shock that upsets the apple cart and sends the economy into recession, for now, the underpinnings of the economy seem stable. Consumer spending is keeping the economy in growth mode and supply chain normalization has helped tame inflation. See the first section of the *Nexus Report* for a more complete commentary on our outlook.

In the third quarter, Nexus’s Canadian stocks gained 10.5% and our U.S. stocks rose 1.4%. Over the past year, our Canadian stocks have risen 15.5% and our U.S. stocks are up 25.7%. While these absolute gains are remarkable, they nevertheless fall short of the extraordinary gains in the indices, which have been powered by enthusiasm for growth stocks, particularly those linked to AI. Although we own some companies that are at the vanguard of the AI revolution (Microsoft, Alphabet, Meta), we have avoided others whose valuations appear to us to be pinned more on hopes and dreams than ways and means.

As mentioned above, the top performers in the quarter were the interest-sensitive Real Estate and Utilities sectors. In the Real Estate sector, our holdings of Allied Properties (up 32%),

H&R REIT (up 28%) and Primaris REIT (up 23%) rebounded strongly in response to lower rates and incrementally improved operating performance. Our Utility holdings Brookfield Infrastructure and American Electric Power also contributed positively, as did our pipeline holdings TC Energy and Enbridge. The main detractors in the third quarter were our Energy sector holdings, due to a decline in oil prices during the quarter, as well as Dollar General, whose lower-income customers are not yet feeling the relief of lower inflation trends.

In the one-year period, returns in many sectors have been strong. Notable contributors to our performance include the Communication Services sector (Meta, Alphabet), Financials (Citigroup, JP Morgan, Royal Bank) and Utilities (American Electric Power, Brookfield Infrastructure). We’ve seen mixed results in the consumer sectors, with our holdings in George Weston, General Motors and Ross Stores performing well, while Dollar General and Magna have detracted from performance.

Trading in the quarter remained limited, consistent with our long-term investment philosophy. We purchased a new position in Visa, a household name that is the world’s largest payments network. We like several features of the company, including its competitive positioning, financial profile and its diversity of growth opportunities and saw an opportunity to buy the shares at a reasonable price. We also added to our position in Dollar General, whose shares reflect what we view as an unreasonably pessimistic view of its future profitability. In contrast, we trimmed our position in Microsoft to capitalize on what has been a strong period for the company’s shares.

### International Equity Investments

We continue to hold two externally-managed pooled funds. In the third quarter, EQIT (international developed market equities) returned 4.6% and EMEC (emerging market equities) returned 7.5%.

Over the past 12 months, EQIT gained 24.8% and EMEC rose 19.1%, delivering returns that are in line with the strong returns seen in North American equity markets. The growth prospects of emerging market economies remain compelling, and we like the return potential that is available for long-term investors. Investing in developed international markets also remains attractive, as these regions offer good opportunities for portfolio diversification, as well as reasonable valuations. For more information on EQIT and EMEC, please see the Nexus International Equity Fund section.



# Pooled Fund Reports

## Nexus North American Equity Fund

The Nexus North American Equity Fund advanced by 5.4% in the third quarter. Our Canadian and international holdings delivered strong gains of 10.5% and 5.7%, respectively, while our U.S. holdings saw a modest 1.4% increase.

Over the last 12 months, the Fund rose 19.8%, with double-digit gains in all geographies. Our U.S. stocks gained 25.7%, our Canadian stocks rose 15.5%, and our international holdings advanced 22.5%. Although the absolute return over this period has been robust, it has trailed the gains of the market indexes, as discussed in the Equities section of this *Nexus Report*.

More detail on the Fund's performance is displayed in the table below.

In the third quarter, the Canadian equity market, up 10.5%, was a standout performer. Interest-rate-sensitive sectors – Real Estate, Financials and Utilities – led the way, benefiting from the Bank of Canada's continued rate cuts and signals of more reductions on the horizon. Moreover, Canadian companies, particularly the big banks, delivered robust earnings, which helped their stock prices. In contrast, U.S. markets saw some cooling off in AI-related stocks after a period of big gains. The U.S. market performance broadened in the quarter with interest-rate-sensitive sectors like Utilities and Real Estate rising to the top, as the Fed delivered an outsized rate cut in September.

In our portfolio, our Real Estate holdings — Allied Properties (+32%) and H&R REIT (+28%) — and Utility holdings — Brookfield Infrastructure (+26%) and American Electric Power (+17%) — performed well, benefiting from the decline in

interest rates. In Financials, Bank of Nova Scotia (+18%) and Royal Bank of Canada (+16%) were significant contributors. Dollar General (-36%) was the main laggard this quarter, as lingering effects from inflation, coupled with a slowdown in economic growth and the job market, negatively affected its core low-income customer base.

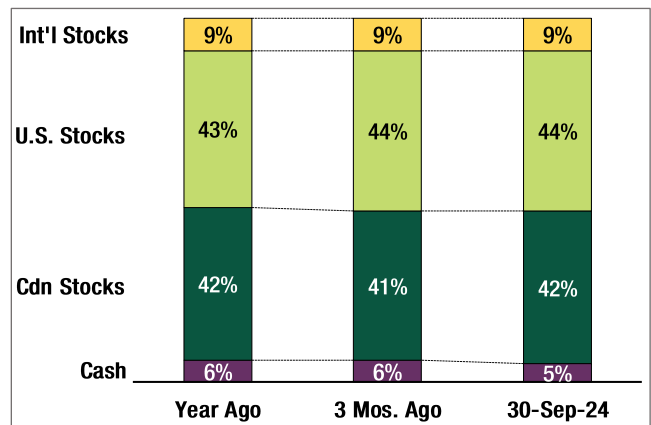
As Dollar General's stock came under pressure, we added to our position. We believe the stock became unduly cheap, and we remain confident in the company's strong business fundamentals, viewing its challenges as temporary. On the other hand, we trimmed our position in Microsoft, taking advantage of its strong share price performance driven by the excitement around artificial intelligence.

In the quarter, we purchased a new position in Visa, the world's largest payment network that enables the global movement of money. We believe Visa is a high-quality business with strong competitive advantages and growth prospects. It is a highly cash-generative business with a robust balance sheet. We were able to purchase the stock at a reasonable price, as the valuation was held in check by concerns of slowing consumer spending, which we view as a short-term challenge.

At the end of the quarter, the Fund's cash position was 5%, Canadian stocks were 42%, and U.S. stocks represented 44% of the asset mix. We maintain an allocation of 9% to markets outside North America, which we believe provides important diversification to our North American investments. For more details on our international holdings, please see this report's Nexus International Equity Fund section.

	Equity Fund	Cdn Stocks	U.S. Stocks	Int'l Stocks
<b>Quarter</b>				
Fund	5.4%	10.5%	1.4%	5.7%
Benchmark	7.3%	10.5%	4.4%	
<b>One Year</b>				
Fund	19.8%	15.5%	25.7%	22.5%
Benchmark	29.8%	26.7%	36.1%	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE Canada 91Day TB Ill, 50% TSX, and 45% S&P 500 (in C\$) (rebalanced monthly); (b) for Cdn Stocks: TSX; and (c) for U.S. Stocks: S&P 500 (in C\$).



Equity Fund Asset Mix

Investment Returns – As at September 30, 2024

## Nexus North American Balanced Fund

The Nexus North American Balanced Fund advanced by 5.4% in the quarter. Our bond holdings gained 4.0%, while our Canadian, U.S. and international equity holdings grew by 11.6%, 1.8% and 5.8%, respectively.

Over the last 12 months, the Fund gained 18.5%, with all the Fund’s asset classes contributing double-digit returns. Our U.S. holdings led the way, returning 25.3%, followed closely by the 22.5% gains of the international holdings. Our bond holdings rose by 11.9%, while Canadian stocks gained 19.2%.

More detail on the Fund’s performance is displayed in the table below.

The Canadian fixed income markets performed well in the third quarter, with the FTSE Canada Universe Bond Index rising by 4.7%. This increase was mainly driven by interest rate cuts. Inflation has fallen significantly and is within the Bank of Canada’s target range. Moreover, there are signs of slower economic growth and weaker labour markets, which have driven expectations for further rate cuts. Yields on shorter-duration bonds, more sensitive to central bank actions, declined more than those on longer-duration bonds in the quarter. This resulted in a steeper yield curve. Nevertheless, long-duration bonds performed better than shorter-duration bonds as they are more interest rate sensitive. Please refer to the Fixed Income section of the *Nexus Report* for a more detailed overview of the fixed income markets.

In Q3, the Canadian equity market, up 10.5%, was a standout performer. Interest-rate-sensitive sectors – Real Estate, Financials and Utilities – led the way, benefiting from the Bank of Canada’s continued rate cuts and signals of more reductions on the horizon. Moreover, Canadian companies, particularly the big banks, delivered robust earnings, which helped their stock prices. In contrast, U.S. markets saw some

cooling off in AI-related stocks after a period of big gains. The U.S. market performance broadened in the quarter with interest-rate-sensitive sectors like Utilities and Real Estate rising to the top, as the Fed delivered an outsized rate cut in September.

In our portfolio, our Real Estate holdings — Allied Properties (+32%) and H&R REIT (+28%) — and Utility holdings — Brookfield Infrastructure (+26%) and American Electric Power (+17%) — performed well, benefiting from the decline in interest rates. In Financials, Bank of Nova Scotia (+18%) and Royal Bank of Canada (+16%) were significant contributors. Dollar General (-36%) was the main laggard this quarter, as lingering effects from inflation, coupled with a slowdown in economic growth and the job market, negatively affected its core low-income customer base.

As Dollar General’s stock came under pressure, we added to our position. We believe the stock became unduly cheap, and we remain confident in the company’s strong business fundamentals, viewing its challenges as temporary. On the other hand, we trimmed our position in Microsoft, taking advantage of its strong share price performance driven by the excitement around artificial intelligence.

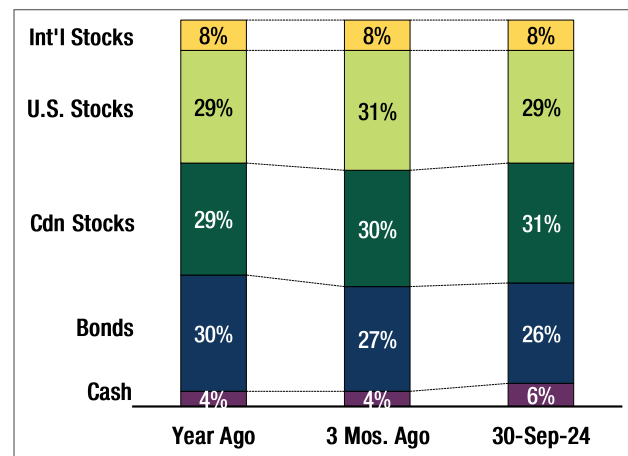
In the quarter, we purchased a new position in Visa, the world’s largest payment network that enables the global movement of money. We believe Visa is a high-quality business with strong competitive advantages and growth prospects. It is a highly cash-generative business with a robust balance sheet. We were able to purchase the stock at a reasonable price, as the valuation was held in check by concerns of slowing consumer spending, which we view as a short-term challenge.

At the end of the quarter, cash represented 6% of the Fund’s asset mix, bonds were 26% and stocks accounted for the remaining 68%.

	Balanced Fund	Bonds	Cdn Stocks	U.S. Stocks	Int'l Stocks
<b>Quarter</b>					
Fund	5.4%	4.0%	11.6%	1.8%	5.8%
Benchmark	6.8%	4.7%	10.5%	4.4%	
<b>One Year</b>					
Fund	18.5%	11.9%	19.2%	25.3%	22.5%
Benchmark	23.6%	12.9%	26.7%	36.1%	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE Cda 91Day TBill, 30% FTSE Cda Universe Bond, 40% TSX, and 25% S&P 500 (in C\$) (rebalanced monthly); (b) for Bonds: FTSE Cda Univ. Bond; (c) for Cdn Stocks: TSX; and (d) for U.S. Stocks: S&P 500 (in C\$).

Investment Returns – As at September 30, 2024



Balanced Fund Asset Mix

# Pooled Fund Reports

## Nexus North American Income Fund

The Nexus North American Income Fund returned 5.9% in the quarter. Our bond holdings gained 4.0%, while our income-oriented Canadian and U.S. stocks delivered solid gains of 20.9% and 8.6%, respectively.

In the last 12 months, the Fund gained a robust 14.6%, with all asset classes delivering double digit gains. Our bond holdings advanced by 12.1%, Canadian stocks by 31.8% and U.S. stocks by 24.7%.

More detail on the Fund's performance is displayed in the table below.

The Canadian fixed income markets performed well in the third quarter, with the FTSE Canada Universe Bond Index rising by 4.7%. This increase was mainly driven by interest rate cuts. Inflation has fallen significantly and is within the Bank of Canada's target range. Moreover, there are signs of slower economic growth and weaker labour markets, which have driven expectations for further rate cuts. Yields on shorter-duration bonds, more sensitive to central bank actions,

declined more than those on longer-duration bonds in the quarter. This resulted in a steeper yield curve. Nevertheless, long-duration bonds performed better as they are more interest rate sensitive. Please refer to the Fixed Income section of the *Nexus Report* for a more detailed overview of the fixed income markets.

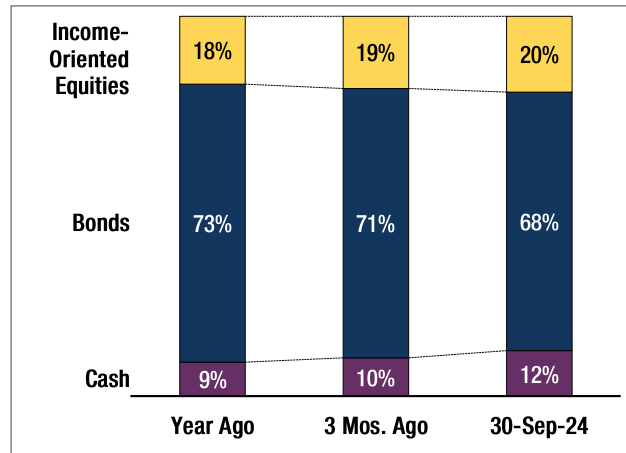
Our income-oriented equities, which had been under pressure due to elevated interest rates and excitement around AI-related stocks, made a strong comeback in the quarter against this backdrop of lower interest rates. Our equity investments in the Fund consist of high-quality businesses with robust cash flows and a proven history of dividend growth.

At the end of the quarter, the Fund's cash position was 12%, bond holdings accounted for 68%, and the remaining 20% was in income-oriented equities.

	Income Fund	Bonds	Cdn Stocks	U.S. Stocks
<b>Quarter</b>				
Fund	5.9%	4.0%	20.9%	8.6%
Benchmark	4.7%	4.7%		
<b>One Year</b>				
Fund	14.6%	12.1%	31.8%	24.7%
Benchmark	12.9%	12.9%		

Returns are presented before deduction of management fees.  
 Benchmarks are (a) for Fund: FTSE Canada Universe Bond; (b) for Bonds: FTSE Canada Universe Bond. In addition to bonds, up to 20% of the Fund's portfolio may be invested in equities.

Investment Returns – As at September 30, 2024



Income Fund Asset Mix

## Nexus International Equity Fund

The Nexus International Equity Fund holds two underlying funds managed by JPMorgan Asset Management: EQIT (invested in international developed market equities) and EMEC (invested in emerging market equities).<sup>5</sup>

The Fund gained 5.7% in the quarter, with EQIT and EMEC gaining 4.6% and 7.5%, respectively.

Over the last 12 months, the Fund delivered a solid gain of 22.7%, with EQIT up 24.8% and EMEC up 19.1%. Despite the strong comeback over the past 12 months, international equity markets trade at reasonable valuation levels, especially compared to the U.S. equity market.

More detail on the Fund's performance is displayed in the table below.

In Q3, European equity gains in local currency were muted, as the region's economic growth remained weak. Germany's industrial sector continued to struggle due to weak demand from China and increased competition from cheaper Chinese exports. Similar to North America, Europe saw inflation come under control, allowing the European Central Bank to lower its policy rates. Gains in the European market were also led by interest-rate-sensitive sectors, including Real Estate, Utilities,

and Telecommunications. In contrast, the Information Technology and Energy sectors posted negative returns.

The Japanese equity market declined in the quarter, driven by the Bank of Japan's July rate hike and the subsequent sharp yen appreciation.

Emerging market equities posted strong gains this quarter, primarily driven by a sharp turnaround in the Chinese equity market. Chinese policymakers introduced a series of monetary stimulus measures, including policy rate cuts, easing mortgage rates and restrictions, liquidity support for the stock market, and less demanding capital requirements for banks, which helped boost the local stock market.

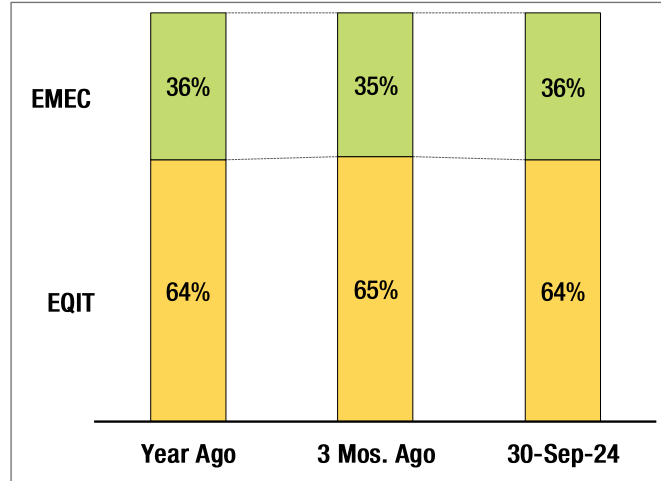
As long-term investors, we continue to see merit in holding international stocks. In addition to the general benefit of increased diversification, international holdings also provide access to a broader opportunity set beyond that available in Canada and the U.S. What's more, the growth potential, dividend yields and valuations in these markets remain compelling.

At the close of the quarter, the International Equity Fund's investment in EQIT accounted for 64% and EMEC accounted for 36%.

	International Equity Fund	EQIT	EMEC
<b>Quarter</b>			
Fund	5.7%	4.6%	7.5%
Benchmark	6.2%	5.8%	7.2%
<b>One Year</b>			
Fund	22.7%	24.8%	19.1%
Benchmark	25.0%	24.6%	25.9%

Returns are presented before deduction of management fees.  
 Benchmarks are (a) for Fund: 75% MSCI EAFE (in C\$) and 25% MSCI Emerging M kts (in C\$) (rebalanced monthly); (b) for EQIT: MSCI EAFE (in C\$); and (c) for EMEC: MSCI Emerging M kts (in C\$).

Investment Returns – As at September 30, 2024



International Equity Fund Asset Mix

<sup>5</sup> International developed markets or "EAFE" includes Europe, Australasia and the Far East. Emerging markets include 24 developing countries. EQIT

and EMEC are managed by JPMorgan Asset Management in the U.K. The Nexus Balanced and Equity Funds also hold EQIT and EMEC.