



Portfolio Manager Commentary and Quarterly Fund Returns for Selected Portfolios for the Quarter Ending December 31, 2024

Inflation Declining, Interest Rates Declining, New President-Elect

The fourth quarter of 2024 brought welcome signs of positive economic progress – continued lower inflation followed by Bank of Canada (and U.S. Fed) lowering interest rates. The view is that this trend will continue albeit with fewer and smaller positive moves into 2025. The most notable event was the election of Donald Trump as the U.S. President-Elect, which brings new uncertainty. Stock markets reacted positively, but recent political and economic rhetoric by the President-Elect is fraught with concerns ranging from unknown potential tariffs to sovereign country influence.

Canadian inflation rates were 2.3% for the Q4 down from 3% in January. The Bank of Canada cut interest rates twice in the quarter from 4.25% to our current 3.25%, amongst the lowest in the G7. U.S. Federal Reserve also cut interest rates twice by 0.25% each time in November and December to their current range of 4.25% to 4.5%. Central banks have, in general, lowered interest rates over the past quarter in recognition of declining inflation, giving strong indications that this action will continue for the foreseeable future.

Fourth quarter market performance has been mixed. North American and Japanese markets gained, whereas European, UK, and China markets declined. This underlines the value of diversification in an equity portfolio. Bond prices moderated as yields increased, in response to economic uncertainty, including potential tariffs and higher government spending.

In 2024, the S&P 500 rose 23% (Nasdaq up 30%), driven primarily by the continued strong performance of the Magnificent Seven (Amazon, Alphabet, Apple, Meta, Microsoft, Nvidia and Tesla). This was a second year of over 20% return for the S&P 500 – something that has only happened 7 times in the last 70 years. These types of returns are abnormal and should not be expected regularly or normally. The normal average annual return for the S&P 500 is 7% to 10% (average over the past 100 years – inflation adjusted of 4% to 7%). Canadian equities (TSX) gained a more modest but still high-performing 18.5% for the year.

As noted, the positive market performance over the past 2 years is a rare event and has surprised many active and experienced investors. Notably, if an investor had been absent from the market over the past two years, overall returns would have been significantly reduced. Further proof, that it is very difficult to time the market, and that being fully invested over the long term is a very sound strategy, along with regular contributions and purchases, and rebalancing.

Recall, that LINK's overall passive investment strategy is empirically based and remains consistent for long term success. The uncertainty of current economic and market environments continues to make active asset allocation challenging, whereas our passive investment strategy allows Link to maintain a disciplined approach and provide diversified portfolios with personalized asset allocation. We do not let short-term circumstances and emotions dictate decision-making.

Our long-term strategy remains consistent and foundationally solid. We adhere to the fundamentals of regular ongoing contributions, to be fully invested (regardless of market sentiment or direction), dollar cost averaging (purchasing through any cycle), maintaining a long-term focus, and disciplined rebalancing (ensuring the proper asset allocation weighting, quarterly).

Calculated Portfolio Returns* across 5 broad risk categories. Individual member returns will vary depending on custom asset allocation.

Estimated Portfolio Returns (%)* – December 31, 2024										
Fund	MER	Annualized				Calendar Year				
		QTR	1 Year	3 Year	5 Year	2024	2023	2022	2021	2020
Very Conservative										
#26	0.17	0.65	8.38	3.97	4.42	8.38	7.92	(6.42)	3.74	5.69
Benchmark		0.95	6.05	3.30	4.01	6.05	8.03	(6.29)	3.85	5.89
Tracking Difference		(0.30)	2.33	(0.67)	(0.41)	2.33	(0.10)	(0.13)	(0.11)	(0.20)
Conservative										
#47	0.15	1.68	13.34	5.89	7.29	13.34	10.52	(9.02)	5.34	7.67
Benchmark		1.84	13.81	6.24	7.54	13.84	11.01	(8.79)	5.58	8.09
Tracking Difference		(0.16)	(0.48)	(0.35)	(0.26)	(0.48)	(0.49)	(0.23)	(0.24)	(0.42)
Balanced										
#60	0.15	2.03	14.95	5.80	10.58	14.95	12.97	(8.80)	13.28	7.72
Benchmark		2.20	15.47	5.96	10.67	15.47	12.81	(8.67)	13.38	7.99
Tracking Difference		(0.17)	(0.02)	(0.09)	(0.16)	(0.53)	(0.12)	(0.12)	(0.09)	(0.28)
Growth										
#73	0.14	6.20	18.80	7.66	8.53	18.80	14.44	(10.44)	16.87	8.72
Benchmark		6.23	19.44	7.87	8.75	19.44	14.50	(10.31)	17.02	9.05
Tracking Difference		(0.03)	(0.65)	(0.22)	(0.22)	(0.65)	(0.06)	(0.13)	(0.15)	(0.33)
Aggressive Growth										
#82	0.15	3.67	23.18	9.15	16.81	23.18	16.40	(11.29)	21.37	8.72
Benchmark		3.87	23.93	9.35	17.01	23.93	16.43	(11.18)	21.50	9.07
Tracking Difference		(0.19)	(0.75)	(0.20)	(0.20)	(0.75)	(0.03)	(0.11)	(0.13)	(0.35)

Returns are net of fees. Discretionary management of plan portfolios may be undertaken by LINK Plan Management Inc, as a Portfolio Manager registered in the provinces of Alberta, British Columbia, Ontario, New Brunswick, Manitoba, Nova Scotia, Quebec and Saskatchewan.

BlackRock Fund manager commentary

Q4 2024 yielded mixed results for the broad market asset classes in the Canada LifePath Index Funds. Commodities and US Large Cap Equities were the best performing asset classes, delivering +10.5% and +8.9%, respectively. US Small Cap Equities, Canadian Equities and Infrastructure also produced strong performance, sitting at +7.3%, +5.5%, and +3.2%, respectively, over the quarter. Emerging Market Equities and Canadian Bond indices experienced slightly negative returns over the period, delivering -1.7% and -0.04%, respectively. Global Developed Real Estate and International Equities sat at the bottom of performance ranks, returning -3.3% and -2.2%, respectively.

Performance across vintages of the Canada LifePath Portfolios ranged from +1.8% to +4.5% and reflected the shape of our glidepath, with vintages furthest from retirement (“far dated”) outperforming those closer to retirement (“near dated”). Far dated vintages hold larger equity allocations that benefit most from strong equity markets whereas near dated vintages hold larger fixed income allocations to aid consistent spending in retirement. All portfolios performed in line with their respective benchmarks, with relative performance ranging between -0.04% and +0.01%.

At the building block level, US Large Cap Equities drove the majority of returns for all vintages across the glidepath. Global Developed Real Estate, International Equities and Emerging Markets were the common detractors across vintages.

BlackRock CDN LifePath Target Date Fund Performance (%)* - December 31, 2024						
		Annualized				
Fund	IMF	QTD	YTD	1 Year	3 Year	5 Year
Retirement Fund I	0.13	1.81	12.06	12.06	3.12	4.89
Benchmark		1.85	12.14	12.14	3.12	4.88
Tracking Difference		(0.04)	(0.08)	(0.08)	0.00	0.01
2030 Fund	0.13	2.42	15.03	15.03	4.55	6.66
Benchmark		2.45	15.13	15.13	4.54	6.63
Tracking Difference		(0.03)	(0.10)	(0.10)	0.01	0.03
2035 Fund	0.13	2.94	17.42	17.42	5.62	7.82
Benchmark		2.96	17.53	17.53	5.60	7.77
Tracking Difference		(0.02)	(0.11)	(0.11)	0.02	0.05
2040 Fund	0.13	3.44	19.82	19.82	6.68	8.93
Benchmark		3.45	19.92	19.92	6.64	8.88
Tracking Difference		(0.01)	(0.10)	(0.10)	0.04	0.05
2045 Fund	0.13	3.93	22.23	22.23	7.71	9.98
Benchmark		3.94	22.33	22.33	7.67	9.93
Tracking Difference		(0.01)	(0.10)	(0.10)	0.04	0.05
2050 Fund	0.13	4.31	24.12	24.12	8.50	10.74
Benchmark		4.31	24.23	24.23	8.45	10.68
Tracking Difference		0.00	(0.11)	(0.11)	0.05	0.06
2055 Fund	0.13	4.47	25.06	25.06	8.88	11.03
Benchmark		4.49	25.19	25.19	8.83	10.97
Tracking Difference		(0.02)	(0.13)	(0.13)	0.05	0.06
2060 Fund	0.13	4.51	25.07	25.07	8.89	11.04
Benchmark		4.50	25.20	25.20	8.83	10.97
Tracking Difference		(0.01)	(0.13)	(0.13)	0.06	0.07
2065 Fund	0.13	4.51	25.07	25.07	8.86	-
Benchmark		4.50	25.20	25.20	8.83	-
Tracking Difference		0.01	(0.13)	(0.13)	0.03	-