TD Global Investment Solutions

Perspectives 10 Minutes

WAAC Perspectives

TD Wealth Asset Allocation Committee (WAAC)

2025 JUL

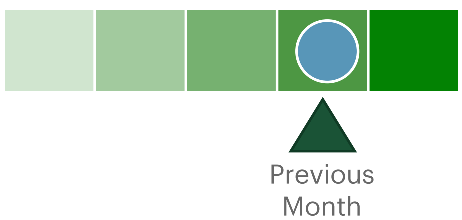
Views as of June 26, 2025

Core Asset Class Allocations

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Equity

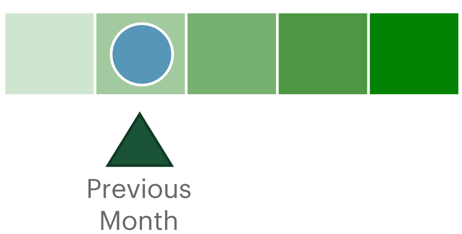
Modest Overweight



Global equity markets have rebounded off their April lows as some progress was made on tariff negotiations. We remain overweight equities; while there could be bouts of volatility, potential government policy outcomes are becoming clearer, and earnings growth remains positive.

Fixed Income

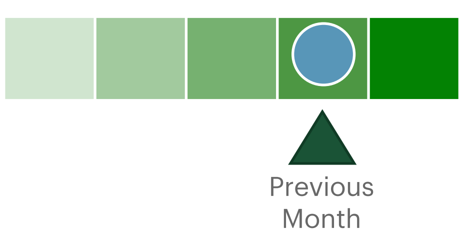
Modest Underweight



The Canadian economic outlook remains uncertain as U.S. policy uncertainty continues to weigh on growth and inflation expectations. The Bank of Canada (BoC) has flexibility to respond to a wide array of outcomes, including further easing policy. We continue to expect bonds to provide diversification benefits, reduce overall portfolio volatility and preserve capital.

Alternatives

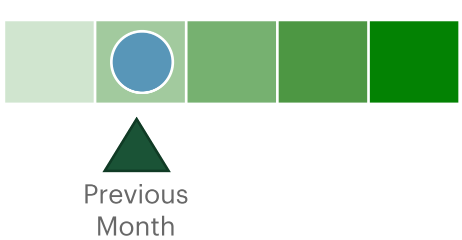
Modest Overweight



We believe that an allocation to alternative assets can benefit diversified portfolios especially when implemented over the long-term. Alternative assets can provide inflation protection and attractive absolute returns, while acting as long-term portfolio stabilizers via their diversification benefits and less correlated income streams. Given the nature of private asset classes as well as the present phase of value adjustment in several markets and asset classes, we believe that this may be an attractive time to increase or consider an allocation to alternative assets.

Cash & Equivalents

Modest Underweight



We are underweight cash as in a declining rate environment other asset classes should provide more attractive returns.

Equities – Modest Overweight Overall

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Canadian Equities	Modest Overweight	The positive impact of BoC rate cuts and potential shift in fiscal and business policy following the Canadian federal election, could provide some economic offset to the uncertainty of trade negotiations with the U.S. The S&P TSX Composite Index (TSX) potential returns are supported by the strong financial position of the Financials and Resource sectors, reasonable valuations, and expected 2025 earnings growth.
U.S. Equities	Modest Overweight	U.S. equity markets rebounded recently driven by progress on tariff negotiations, first quarter earnings growth, and affirmation of AI spending plans. Market sentiment could further be supported by the potential for tax cuts and deregulation. While valuations have increased, equities continue to be supported by earnings growth.
International Equities	Modest Underweight	International equities have rallied YTD as multiples rebounded from low levels and Germany announced a major fiscal stimulus plan. However, this will take time to implement, and tariff risks remain. Japanese equities look attractive on a relative basis with momentum building behind corporate reform but there may be volatility as the Bank of Japan looks to continue raising rates.
Emerging Markets	Modest Underweight	Emerging Markets (EM) central banks, such as Mexico, South Korea, and China, have been cutting rates. EM might face challenges from potential changes to U.S. trade and tariff policies. China continues to struggle with challenges in its property sector, and now U.S. tariffs, but has announced stimulus measures that could provide some stabilization for its economy.

Fixed Income – Modest Underweight Overall

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Domestic Government Bonds	Neutral	The BoC can continue to remain on pause, but has the flexibility to quickly lower its policy rate to provide support to the economy. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.
Investment Grade Corporate Credit	Modest Overweight	Investment grade corporate bonds have held in well amidst the recent market turbulence, buoyed by solid fundamentals and attractive yields. With a high level of uncertainty around the global economic backdrop, there is potential for spreads to widen further from the current tight levels, and thus we favour short term corporate bonds over longer maturity bonds.
Global Bonds-Developed Markets	Neutral	We believe that U.S. policy uncertainty will manifest differently across countries with respect to growth and inflation expectations. Therefore, opportunities across developed market bonds will likely vary substantially.
Global Bonds-Emerging Markets	Modest Underweight	While emerging markets (EM) are benefiting from a broad-based decline in the U.S. dollar (USD), valuations of USD-denominated EM bonds are screening rich compared to developed market corporate bonds. However, there continue to be opportunities to earn high levels of income in select local currency EM markets.
High Yield Credit	Neutral	High yield bonds have been volatile due to the substantial uncertainties surrounding U.S. trade policies and their impacts on the global economy. As credit spreads remain tight relative to long term averages, we continue to be neutral on high yield bonds, with the risk of further spread widening offset by attractive all-in yields.

Alternatives – Modest Overweight Overall

Maximum Underweight | Underweight | Neutral | Overweight | Maximum Overweight

Commercial Mortgages	Neutral (From Modest Overweight)	Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.
Private Debt (Universe)	Modest Underweight	High credit quality and global diversification provides an income ballast in an uncertain economic environment. Incremental income and potential capital appreciation from interest rate moderation provide upside.
Domestic Real Estate	Neutral	We believe a significant portion of the value adjustments in the Canadian commercial real estate space have been taken. Occupancy levels continue to improve, absent Class B & C office, due to stable demand and limited new supply. The implications of volatile tariff policy will likely be cleared in the second half of 2025 but will impact industrial assets more than other property types.
Global Real Estate	Neutral (From Modest Underweight)	Returns are starting to improve globally. U.S. and APAC markets have seen the capitalization rate stabilizing while Europe continues to outperform. New capital raising and significant redemption recissions are also early indicators of the improved sentiment for continued recovery.
Infrastructure	Modest Overweight	Moderating risk-free rates have been partly clouded by credit and equity risk premium volatility from trade concerns, producing lower discount rates which has led to strong valuations for infrastructure assets. Investors appreciate a focus on essential, core infrastructure assets that can be augmented by de-risked, adjacent development opportunities that produce greater growth and higher return potential from their infrastructure allocations.
Commodities (Gold, Energy, metals, agriculture)	Neutral (From Modest Overweight)	Gold continues to benefit from demand from central banks and investors as they seek a safe-haven in uncertain times. Despite the economic uncertainty, metals prices have held-in YTD as markets are currently balanced. Oil has weakened as OPEC+ looks to slowly return supply, but also to manage member commitments and might adjust as market conditions warrant.

Currency

U.S. Dollar (USD) vs. Canadian Dollar	Modest Underweight	The USD has declined YTD, and based on our long-term valuation metrics, remains overvalued. Current U.S. policy has led to U.S. assets being less attractive due to the uncertainty around trade policy. We expect that the outcome will be some degree of tariffs being applied to U.S. imports, which will act as a tax on U.S. consumers, leading to weaker consumption growth.

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For more information
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