



October 2025 Team Newsletter



Asset allocation and your portfolio

From the Desk of Gerdi Lito, CFA

- Portfolio Manager, Manulife Wealth Inc.
- Life Insurance Advisor, Upper Canada Capital Inc.

Asset allocation is one of the most important discussions we have when reviewing your portfolio, goals, and strategy.

A well-known study by **Ibbotson & Kaplan (2000)** found that asset allocation explains roughly **90% of the variability in portfolio returns**. In other words, how you allocate your assets over the long term largely determines your investment outcomes.

We often hear questions such as:

"The market index is up over 20% this year — why is my portfolio only up half as much?"

Our response is usually straightforward:

"Because your portfolio isn't 100% invested in the stock market."

That naturally leads to another question:

"Then why am I not more invested in stocks?"

IN THIS ISSUE

- Asset allocation and your portfolio
- Fixed income investments during decreasing interest rates
- The US government as a new investor
- Charitable donations
- Beware of the "influencers"

Manulife Wealth Inc.

2848 Bloor Street West, T: 416.628.5761
Toronto, Ontario F: 416.225.8650
M8X 1A9 Canada TF: 1.866.275.5878

Visit our website: [UpperCanadaCapital.com](https://www.UpperCanadaCapital.com)





October 2025 Team Newsletter



The answer is more nuanced. It depends on a combination of factors — regulatory constraints, your life goals, and even behavioral tendencies. Let's break it down.

We view the asset allocation process as a partnership between you and us.

You provide the personal context:

- Your financial goals
- Investment timeline
- Liquidity needs
- Tax considerations
- Personal preferences (e.g., avoiding certain investments)
- Risk appetite

We provide the strategic framework:

- Allocation across major asset classes (cash, bonds, equities)
- Diversification by country, sector, and industry
- Currency exposure management

When Should Asset Allocation Change?

Most of your constraints remain relatively stable over time. Major life changes — such as retirement, shifts in income, or large planned withdrawals — naturally trigger a review of your allocation.

However, one element that tends to fluctuate more frequently is risk appetite. While it should ideally stay constant, human emotions often drive it up in good markets (greed) and down in volatile ones (fear). Should we change your allocation based on those emotions?

The answer is no.

Increasing equity exposure when markets are high, and cutting back when they fall, often leads to under-performance over time. Instead, maintaining your strategic allocation allows us to **take profits after rallies and buy when markets are lower** — a disciplined approach that benefits long-term returns.

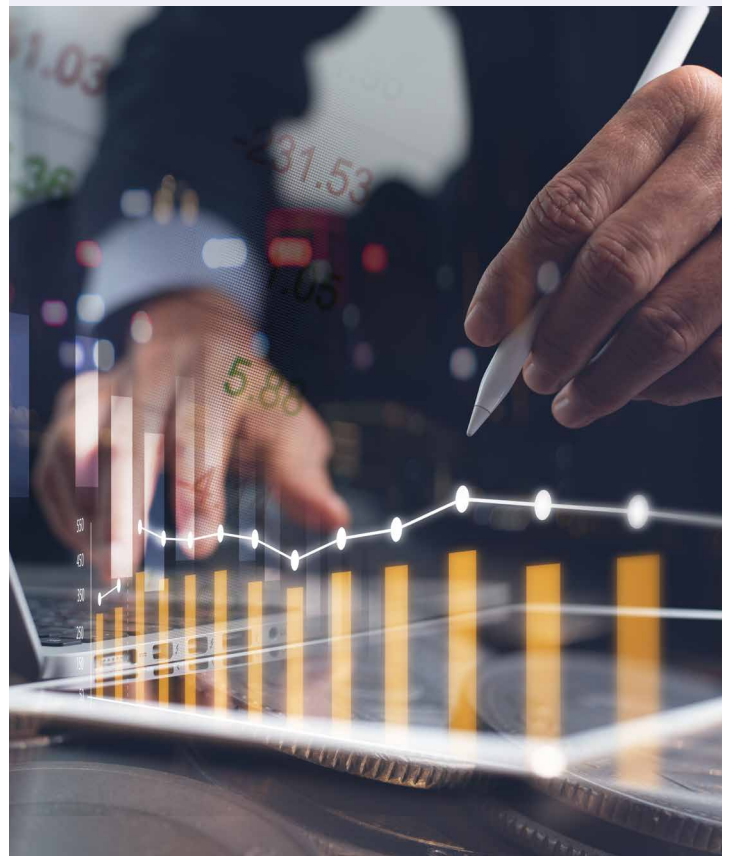
Strategic vs. Tactical Allocation

Your **strategic asset allocation** is built around your personal constraints and long-term objectives. It reflects the optimal balance between risk and return across asset classes, countries, and sectors.

From time to time, we may introduce **tactical adjustments** — short-term shifts within defined limits. For example, if we believe a specific sector is poised to outperform due to strong demand, we might modestly increase exposure. These adjustments aim to enhance returns **without materially changing your overall risk level.**

FINAL THOUGHTS

Asset allocation lies at the heart of long-term investing success. It's not just a mathematical framework — it's a reflection of your goals, values, and comfort with risk.



We welcome meaningful discussions on this topic during our meetings. These conversations are not only part of our fiduciary duty, but also a key element of the value we strive to provide — tailoring portfolios to fit your unique circumstances.

October 2025

Team Newsletter



Decreasing Interest Rates and Fixed Income Investments

From the Desk of Evan Campbell, BAS (Hons)

• Financial Advisor Associate, Manulife Wealth Inc.

Central banks around the world have begun shifting toward an **easing cycle**, lowering interest rates as inflation continues to trend downward.

In the United States, the Federal Reserve has restarted its rate-cutting path, with another reduction last month bringing the federal funds target range to **4.00%–4.25%**. Investors expect further cuts ahead. Meanwhile, the **Bank of Canada** has also resumed easing after a summer pause, lowering the overnight rate to **2.5%**.

While there may still be room for rates to decline further, it's important to consider how this changing environment impacts your portfolio – particularly the **fixed income** portion. Falling interest rates can significantly shift the investment landscape.

How Falling Rates Affect Bonds

When interest rates decline, **existing bonds** that were issued in a higher-rate environment typically rise in value (assuming credit quality remains stable). This occurs because older bonds with higher coupons become more attractive than new bonds issued at lower rates. As a result, investors are willing to pay a premium for those higher-yielding securities.

This dynamic has been **positive for many of the longer-duration bonds** we've added to portfolios over the past few years. However, a declining rate environment also introduces **reinvestment risk** – the challenge of finding comparable yields when maturing bonds need to be reinvested.

To navigate this, we typically consider several strategies designed to balance yield potential, liquidity, and risk.

Fixed Income Strategies in a Declining Rate Environment



1. Shorter-Term Focus

When interest rates are already low and further cuts seem unlikely, maintaining **shorter maturities** can be advantageous. This provides flexibility to reinvest if more attractive yields become available in the next 1–2 years.

2. Fixed Income Laddering

This approach divides investments into several tranches that mature at regular intervals (e.g., 1, 2, 3, 4, and 5 years). As shorter-term bonds mature, the proceeds are reinvested at the longer end of the ladder. Laddering helps **average reinvestment rates over time** and provides a **steady, predictable cash flow**, making it ideal for investors seeking stability.



October 2025
Team Newsletter



3. Barbell Strategy

This strategy combines **short-and long-duration bonds**, with little exposure in the middle. It offers near-term liquidity to reinvest if rates rise, while the longer end captures higher yields and potential capital appreciation if rates continue to fall.

4. Geographic Diversification

Investing in **international fixed income**, such as U.S. bonds, can provide access to more attractive yields in markets that are at different stages of their rate cycles. However, investors should carefully consider currency risk – especially if cash flow needs are in Canadian dollars, as exchange rate fluctuations can affect final proceeds.

5. Higher-Yield Bonds or Dividend Securities

When rates were high, lower-risk bonds offered yields that rivaled or exceeded those of dividend-paying equities. As yields fall, **dividend-paying stocks** become more appealing as a way to supplement portfolio income. This approach, however, introduces **greater equity and credit risk**, requiring a careful assessment of your overall risk tolerance.

FINAL THOUGHTS

There is no one-size-fits-all solution in a declining rate environment. Each strategy carries its own balance of risk, liquidity, and return potential. Ultimately, the best approach depends on your individual cash flow needs, time horizon, and comfort with market risk.

As rates continue to adjust, we'll work closely with you to ensure your fixed income strategy remains aligned with your goals and the evolving market conditions.



The US Government: A New Investor in the Marketplace

From the Desk of Stephen Choi

• Financial Advisor Associate, Manulife Wealth Inc.

In a notable shift in industrial policy and economic strategy, the **U.S. government has taken significant ownership stakes in five publicly traded companies**. These moves highlight a growing emphasis on securing **critical resources, technologies, and domestic manufacturing capacity** – all key to strengthening national security and economic resilience.

Key Companies and Government Stakes


Trilogy Metals (TMQ)

The most recent investment saw the U.S. government acquire a **10% stake** in Trilogy Metals through a **\$35.6 million investment**. The company focuses on the exploration and development of mineral properties in Alaska, particularly copper and other essential metals.

Lithium Americas (LAC)

Through the **Department of Energy**, the government has taken a **5% stake** in both the parent company and its **Thacker Pass lithium project** – a strategic move to support the domestic battery supply chain and electric vehicle production.





October 2025

Team Newsletter

MP Materials (MP)

The **Department of Defense** invested **\$400 million** for a **15% ownership stake**, becoming the company's largest shareholder. MP Materials operates one of the world's largest **rare earth mines and processing facilities**, critical for electric vehicles, renewable energy systems, and advanced electronics.

Intel (INTC)

Perhaps the most high-profile move, the U.S. administration took a **10% stake in Intel**. With much of global semiconductor manufacturing concentrated in Asia and Europe, this investment underscores the government's intent to **bolster domestic chip production** and reduce dependence on foreign supply chains.

U.S. Steel

Following **Nippon Steel's acquisition** of U.S. Steel in mid-2025, the U.S. government secured "**golden shares**" – granting it special oversight and veto rights. This arrangement ensures continued U.S. influence over a company central to national infrastructure and defense production.

Implications of Government Ownership

While direct government investment in public companies can offer stability and strategic oversight, it also introduces **complex challenges and trade-offs** for markets and investors.

Global Business Relations

Many U.S. companies operate globally. Foreign partners may view government ownership as a **competitive threat**, leading to reduced collaboration or restricted market access. Over time, this could weigh on international growth and profitability.

Market Fairness and Investor Confidence

The credibility of financial markets depends on fair competition and transparency. If investors perceive that government-linked entities have **access to non-public information** or **preferential treatment**, trust in the market could erode – potentially discouraging private investment and limiting corporate access to capital.

Conflicting Objectives

Traditional shareholders prioritize **profitability, innovation, and efficiency**, whereas governments often emphasize **national security, employment, and political priorities**. These competing goals may lead to decisions that favor short-term political outcomes over long-term corporate performance.

Competitive Balance

Public perception of government favoritism toward select companies can create **distortions in competition**, potentially disadvantaging peers in similar industries and dampening innovation across the broader market.

Looking Ahead

While several of these companies have enjoyed **short-term gains in share prices** following the announcements, the long-term implications remain uncertain. The intersection of public policy and private enterprise could redefine the landscape for strategic industries – from mining and energy to semiconductors and manufacturing

Investors should monitor how these relationships evolve, as **government involvement in corporate strategy** may shape both **opportunities and risks** across multiple sectors in the years ahead.

SOURCES

<https://www.forbes.com/sites/timbajarin/2025/08/27/the-slippery-slope-of-government-ownership-in-public-companies/>
<https://trilogymetals.com/news-and-media/news/trilogy-metals-announces-strategic-investment-by-us-federal-government/>
<https://lithiumamericas.com/news/news-details/2025/Lithium-Americas-Reaches-Agreement-with-GM-and-U-S--DOE-Regarding-First-Draw-on-DOE-Loan/default.aspx>
<https://mpmaterials.com/news/mp-materials-announces-transformational-public-private-partnership-with-the-department-of-defense-to-accelerate-u-s-rare-earth-magnet-independence/>
<https://www.intc.com/news-events/press-releases/detail/1748/intel-and-trump-administration-reach-historic-agreement-to>
<https://imaa-institute.org/blog/nippon-steels-acquisition-of-us-steel/>

October 2025

Team Newsletter



Charitable Donations

From the Desk of Jordan Pereira, B.Com (Hons)

• Financial Advisor Associate, Manulife Wealth Inc.

Charitable giving not only supports causes that matter to you but also provides **meaningful tax benefits** through Canada's **non-refundable tax credit system**, which reduces the amount of income tax you owe.

When you donate **cash or property** to a registered charity, you'll receive an **official donation receipt** that can be claimed on your personal income tax return to access these credits.

How Charitable Donation Tax Credits Work

The **federal charitable donation tax credit** consists of two tiers:

- **15%** on the first **\$200** of donations
- **29%** on amounts exceeding **\$200**

(Source: Canada Revenue Agency)

In addition to the federal credit, each province provides its own **provincial charitable tax credit**, which varies depending on your place of residence.

You can claim tax credits for donations up to **75% of your net income** in the year the donation is made, and any unused amount can be **carried forward for up to five years**. This flexibility allows donors to maximize their tax benefits over multiple years.

Donating Stocks Instead of Cash

Donating publicly traded **stocks or securities** can be an even more **tax-efficient** way to give. When you donate shares "**in-kind**" (directly to a registered charity without selling them), you receive a **tax receipt for the fair market value** of the securities – and **no capital gains tax** is triggered on their appreciation.

For example:

If you purchased shares of RBC for **\$10,000**, and they have since grown to **\$30,000**, donating those shares in-kind would mean:

- You receive a **\$30,000 charitable donation receipt**
- You **avoid capital gains tax** on the **\$20,000** unrealized gain

This dual benefit allows you to make a larger impact while maximizing your personal tax efficiency.

Key Takeaways

Donating securities in-kind from a **non-registered investment account** is one of the most effective ways for Canadians to give. It allows you to:

- Support charitable causes that matter to you
- Receive valuable tax credits
- Eliminate capital gains tax on appreciated investments

If you're considering a charitable gift this year, speak with your advisor to determine the most efficient way to structure your donation and maximize both your impact and your tax benefits.

SOURCES

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-34900-donations-gifts.html>



Beware of the 'Finfluencer'

From the Desk of Frank Valicek, CFP, CIM

- Senior Financial Advisor, Manulife Wealth Inc.
- Life Insurance Advisor, Upper Canada Capital Inc.

Regulators around the world – including those in Canada, the U.K., Australia, Hong Kong, Italy, and the UAE – have joined forces for a global crackdown on misconduct by financial influencers, or “finfluencers”.

These social media personalities use platforms like Instagram, TikTok, and YouTube to share investment tips, financial advice, or commentary. While some have expertise, many lack formal qualifications or regulatory oversight, often exaggerating returns and minimizing risks.

The coordinated enforcement included warnings, cease-and-desist letters, and, in some countries, even arrests. Regulators targeted those making misleading claims or promoting financial products without proper authorization and warned that violative content must be removed from online channels.

In Canada, the Ontario Securities Commission reviewed dozens of finfluencers and uncovered cases of unregistered investment advice and misleading cryptocurrency content. While most influencers operate within the law, the risks are real – particularly for novice investors who may be drawn in by promises of easy gains or a lavish lifestyle.

How to Stay Safe:

- Approach all finance-related content on social platforms with critical thinking.
- Verify that those who offer investing advice are properly registered.
- Be wary of “too good to be true” promises or lack of transparency.
- Remember, regulatory efforts are ongoing to protect Canadians from unregistered and deceptive schemes.

Finfluencers can shape the financial behaviour of large audiences; their content should always be viewed with caution and scrutiny. Regulatory action continues to evolve, and we remain committed to sharing updates that help safeguard your financial well-being.





UPPER CANADA CAPITAL
PRIVATE WEALTH MANAGEMENT

October 2025

Team Newsletter



Disclosures

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. This material was prepared solely for informational purposes and does not take into account the suitability, investment objectives, financial situation, or particular needs of any specific person.

All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Manulife Wealth Inc. and/or Manulife Wealth Insurance Services Inc. ("Manulife Wealth") makes no representation or warranty, express or implied, as to the accuracy, completeness or correctness of the information contained in this publication.

This publication does not constitute a recommendation, professional advice, an offer or an invitation by or on behalf of Manulife Wealth to any person to buy or sell any security or adopt any investment approach. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification or asset allocation doesn't guarantee a profit or protect against the risk of loss in any market. Past performance does not guarantee future results.



Manulife Wealth Inc.

2848 Bloor Street West, T: 416.628.5761
Toronto, Ontario F: 416.225.8650
M8X 1A9 Canada TF: 1.866.275.5878

Visit our website: UpperCanadaCapital.com



Manulife Wealth

Upper Canada Capital is a trade name used to carry on business related to life insurance and stocks, bonds and mutual funds products. Investment dealer dealing representatives ("Investment advisors") registered with Manulife Wealth Inc. offer stocks, bonds and mutual funds. Insurance products and services are offered through Upper Canada Capital Inc. Banking products and services are offered by referral arrangements through our related company Manulife Bank of Canada. Additional disclosure information will be provided upon referral. Please confirm with your advisor which company you are dealing with for each of your products and services.