

# On our way home

David Wolf | Portfolio Manager

David Tulk, CFA | Portfolio Manager

Ilan Kolet | Institutional Portfolio Manager

Bruno Crocco, CFA | Portfolio Manager

Jon Knowles, CFA | Institutional Portfolio Manager

This is our Canadian asset allocation team's 45<sup>th</sup> Thought Leadership paper. The very first, over a decade ago, was entitled "Leaving Home." In it, we explained the rationale for tilting our funds away from Canadian assets towards U.S. and other foreign exposures. This was somewhat controversial at the time, coming as it did after a decade of Canadian outperformance, where the domestic market rode a generational commodity boom while escaping the worst of the Global Financial Crisis.

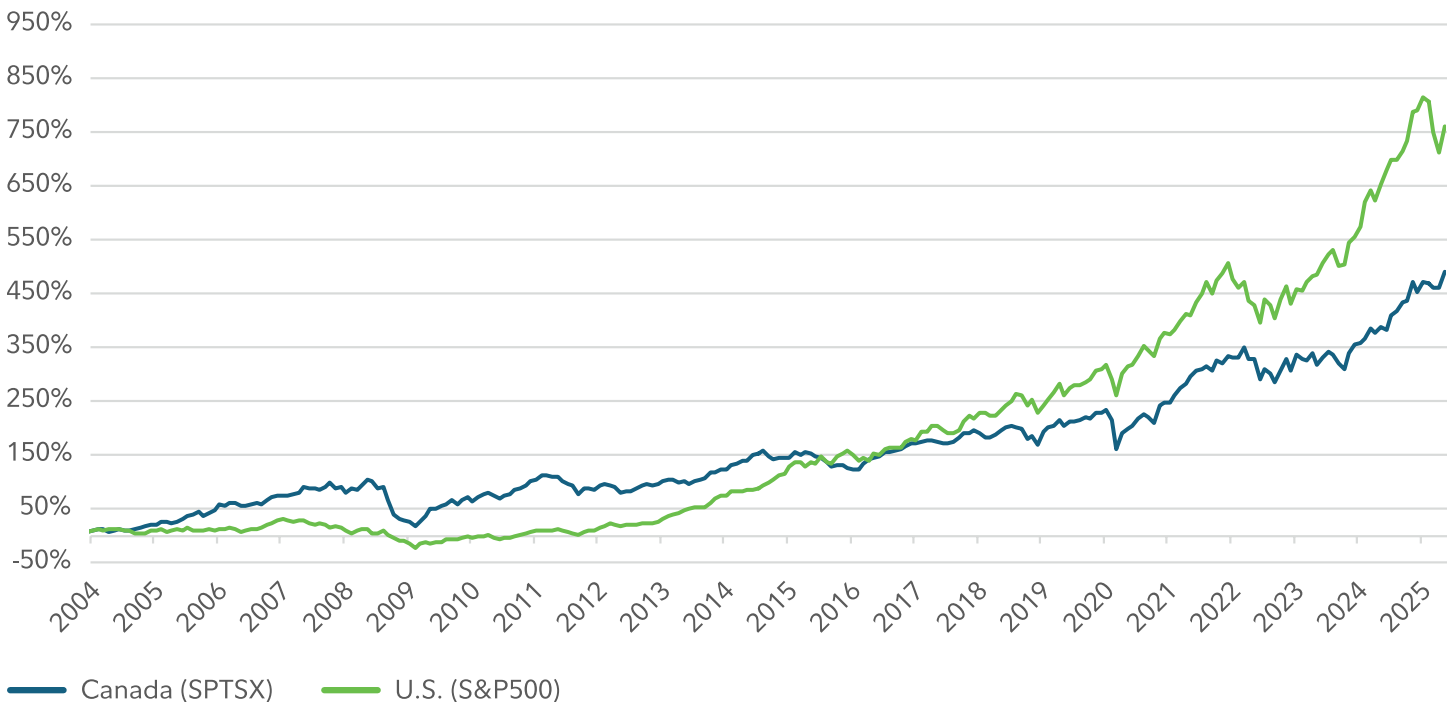
We argued that Canadian assets had become expensive,

particularly against the backdrop of looming domestic economic challenges. This positioning proved to be beneficial to our investors. Returns on U.S. equities more than doubled those on Canadian equities between 2015 and 2024 (see exhibit 1). Our Fidelity Global Balanced Portfolio returned 7.6% on a compound annual basis over that period (net of Series F fees) and beat 92% of peers over that period\* due in no small part to that tilt abroad.

And now, more than a decade later, we're on our way home.

## Exhibit 1: U.S. outperformance may be done

Total return in Canadian and U.S. Stock Indexes in CAD



Source: Bloomberg. Data as of May 30, 2025

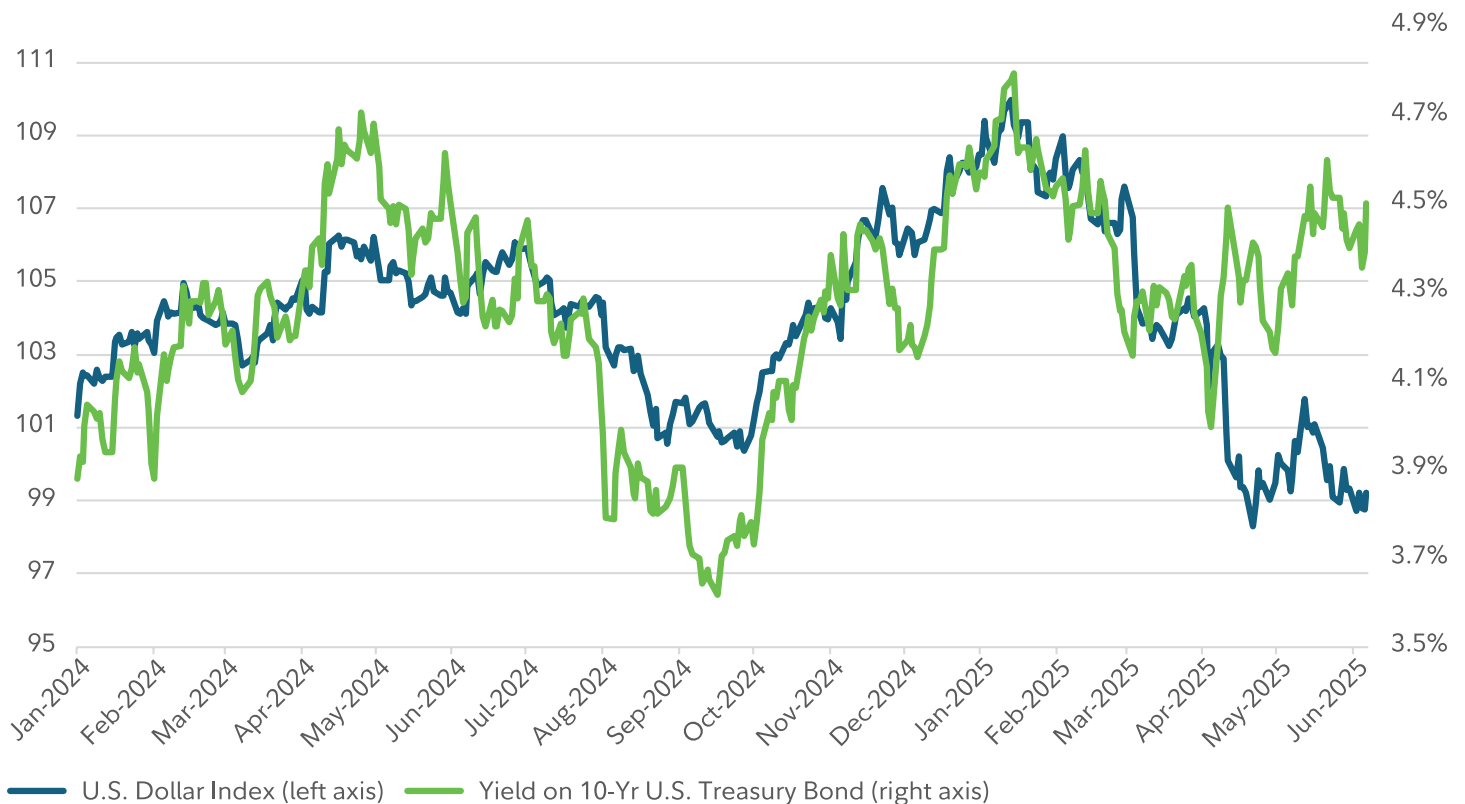
To be fair, the shift we've made back into Canadian assets has more to do with what's happening in the U.S. than anything specifically to do with Canada. By taxing foreign products (i.e. tariffs) and potentially capital flows as well, the U.S. government seems to be actively discouraging trade with and investment in the U.S. In so doing, the U.S. is undermining its centrality in the global economic and financial system. That centrality took decades to entrench, founded as it has been on stability and trust even more than on size and growth. Trust is hard to gain and easy to lose. As a result, we see the push away from the U.S. as more likely a durable shift rather than a transitory phenomenon, potentially ushering in a new global investment regime.

What will this new regime look like? It's hard to say in real time, other than 'different than what we've been used to.'

The economic regime of the past 20-30 years has generally been characterized by increased globalization, tamer business cycles, and low and stable inflation. The consequences for financial markets have been a strong U.S. dollar, rising stock prices, falling interest rates, and the negative correlation between movements in stocks and bonds that underpinned the effectiveness of balanced funds through this period. But as we have seen in recent years, some of these dynamics have already changed. Questions about all of them will likely occupy us asset allocators for years to come.

But it seems pretty clear at this point that an element of the potential new regime is a change in the behaviour of the U.S. dollar. The greenback is now falling, and it fell particularly hard during the market stress earlier this year. Notably, yields on U.S. Treasuries also rose through

**Exhibit 2: Signs of a new regime beginning to emerge**



Source: Bloomberg. Data as of June, 2025

this period, suggesting that investors are demanding a larger risk premium on the U.S. more generally (see exhibit 2).

This makes sense in a world where the U.S. is no longer seen as the safe haven of choice for investors. This also has important consequences for us as Canadian asset allocators. It means our U.S. dollar holdings can no longer be expected to provide either a tailwind to returns or a hedge to the equity risk that dominates our portfolios.

As a result, we have acted. Our overweight to the U.S. dollar, which stood near 20% at the beginning of the year in our Fidelity Global Balanced Portfolio, has now been essentially eliminated.

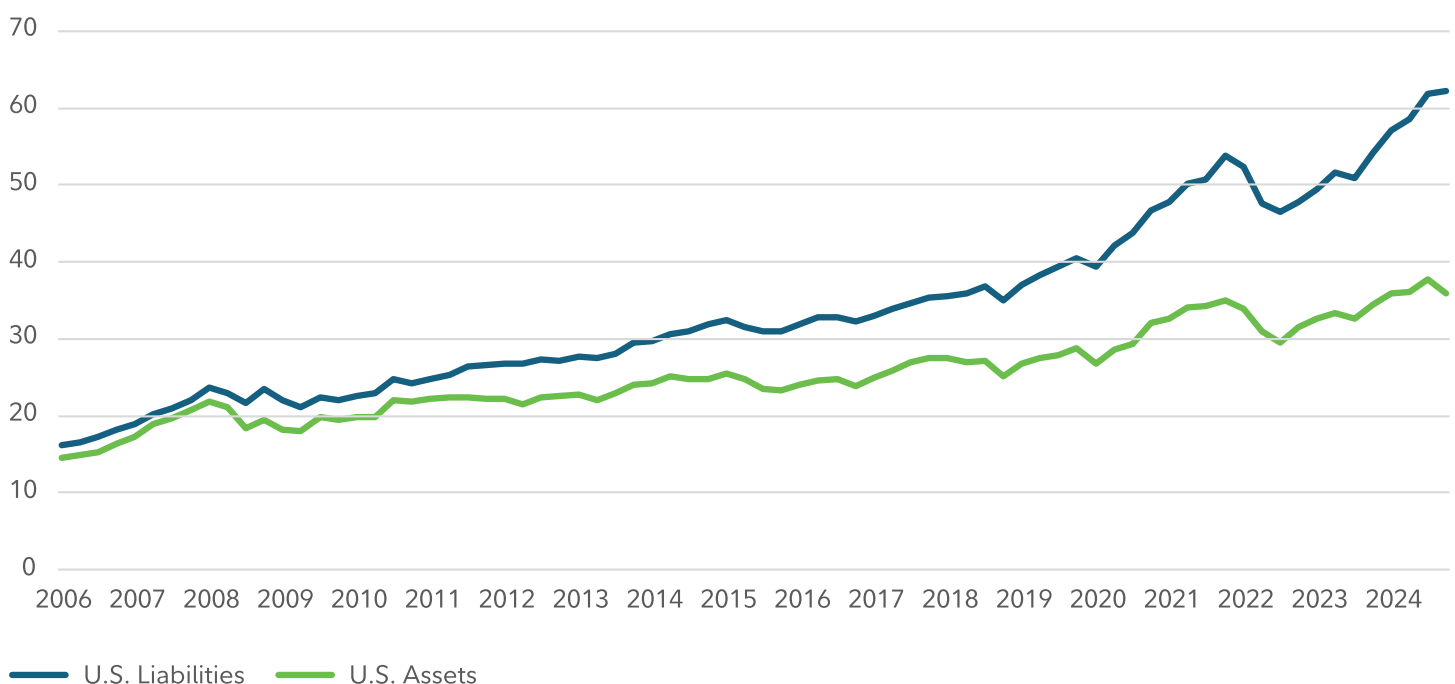
Much of the proceeds of this shift have gone into global currencies, such as the euro and yen. These areas stand to benefit both from the reinvigoration of their domestic

economies necessitated by U.S. economic withdrawal, and from the potential repatriation of funds from U.S. markets. The U.S. owes \$62 trillion to the rest of the world, taking together U.S. government borrowing abroad and foreign holdings of other U.S. assets (see exhibit 3). Not much of that has to come back to Europe and Asia to provide a meaningful uplift to their currencies and associated asset markets.

We have also moved in size back into Canadian dollar assets. We're not (yet) overweight, as the direct economic fallout to Canada from shifting U.S. policy is an order of magnitude greater than just about anywhere else. Challenges, both foreign and domestic, still lie ahead. But we are increasingly encouraged that the right things are being done to stand the Canadian economy in greater stead over the longer term. In particular, policy seems to be reorienting towards trying to address the productivity challenges that have long held the domestic

### Exhibit 3: The U.S. owes a record amount to foreigners

(U.S. International Investment Position, In trillions of USD)



Source: Bureau of Labor Statistics, Haver Analytics. Data as of December, 2024

market back. Our move back into Canadian assets will be significantly guided by success on this front.

In all of this, to be clear, we're not abandoning the U.S. market. Our mandate as asset allocators is to construct diversified portfolios that maximize returns while managing risk. A portfolio without U.S. assets — still by far the biggest market in the world — is not diversified.

But that doesn't mean we are helpless in the face of potential underperformance in that segment of our portfolios. We have active equity managers whose job it is to invest in the still-rich vein of profitable and growing

U.S. companies. We can hedge out the currency if needed. And we can give more money to our managers finding an enhanced opportunity set in the rest of the world. We have done all of this. And we will continue to adjust our positioning, as warranted, as this apparent new regime unfolds.

**David Wolf, David Tulk, Ilan Kolet, Bruno Crocco and Jon Knowles**

**June 25, 2025**

**LinkedIn** Follow Fidelity Canada on [LinkedIn](#)

**\*Standard period returns (%) 31-May-2025**

	1-year	3-year	5-year	10-year
Fidelity Global Balanced Portfolio	10.7	10.8	8.4	6.9
Blended Benchmark**	12.9	10.1	8.1	6.9
Peers Beaten (%)	75%	97%	88%	92%

Source: Fidelity Investments Canada. Data shown for Series F, net of fees, and in Canadian dollars. Periods greater than one year have been annualized. Past performance is no guarantee of future performance.

\*\*The blended benchmark for Fidelity Global Balanced Portfolio consists of 21% S&P/TSX Capped Composite Index, 39% MSCI All Country World ex Canada Index, 23% Bloomberg Global Aggregate Bond Index, 12% FTSE Canada Universe Bond Index and 5% FTSE

Canada 91-Day T-Bill Index. Morningstar Global Neutral Balanced Category: one-year (1,691 funds); three-year (1,564 funds); five-year (1,307 funds); and ten-year (795 funds). The index returns are shown for comparative purposes only. Indexes are unmanaged, and their returns do not include any sales charges or fees, as such costs would lower performance. It is not possible to invest directly in an index. © 2025 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is not a guarantee of future results.

## Authors

### David Wolf | Portfolio Manager

David Wolf is a Portfolio Manager for Fidelity Investments. He is the co-manager of Fidelity Managed Portfolios, Fidelity Global Equity+ Fund, Fidelity Global Equity + Balanced Fund, Fidelity Canadian Asset Allocation Fund, Fidelity Canadian Balanced Fund, Fidelity Monthly Income Fund, Fidelity U.S. Monthly Income Fund, Fidelity Global Monthly Income Fund, Fidelity Global Dividend Fund, Fidelity Income Allocation Fund, Fidelity American Balanced Fund, Fidelity Conservative Income Fund, Fidelity NorthStar®, Fidelity NorthStar® Balanced Fund, Fidelity CanAm Opportunities Class, Fidelity Inflation-Focused Fund, Fidelity Canadian Monthly High Income ETF Fund, Fidelity Global Monthly High Income ETF Fund and Fidelity Tactical Global Dividend ETF Fund. He is also portfolio co-manager of Fidelity Conservative Income Private Pool, Fidelity Asset Allocation Private Pool, Fidelity Balanced Private Pool, Fidelity Balanced Income Private Pool, Fidelity U.S. Growth and Income Private Pool, Fidelity Global Asset Allocation Private Pool and Fidelity Global Asset Allocation Currency Neutral Private Pool.

### David Tulk, CFA | Portfolio Manager

David Tulk is a Portfolio Manager for Fidelity Investments. He is the co manager of Fidelity American Balanced Fund, Fidelity Asset Allocation Private Pool, Fidelity Balanced Income Private Pool, Fidelity Balanced Portfolio, Fidelity Global Equity + Balanced Fund, Fidelity Balanced Private Pool, Fidelity Canadian Asset Allocation Fund, Fidelity Canadian Balanced Fund, Fidelity Canadian Monthly High Income ETF Fund, Fidelity Conservative Income Fund, Fidelity Conservative Income Private Pool, Fidelity Conservative Managed Risk Portfolio, Fidelity Global Asset Allocation Private Pool, Fidelity Global Balanced Portfolio, Fidelity Global Dividend Fund, Fidelity Global Equity Portfolio, Fidelity Global Growth Portfolio, Fidelity Global Growth Private Pool, Fidelity Global Income Portfolio, Fidelity Global Monthly High Income ETF Fund, Fidelity Global Monthly Income Fund, Fidelity Growth Portfolio, Fidelity Income Allocation Fund, Fidelity Income Portfolio, Fidelity Inflation-Focused Fund, Fidelity Monthly Income Fund, Fidelity NorthStar® Balanced Fund, Fidelity Tactical Global Dividend ETF Fund, Fidelity U.S. Growth and Income Private Pool and Fidelity U.S. Monthly Income Fund.

### Ilan Kolet | Institutional Portfolio Manager

Ilan Kolet is an Institutional Portfolio Manager for Fidelity Investments. In this role, Mr. Kolet serves as a member of the investment management team, maintaining a deep knowledge of portfolio philosophy, process and construction. He assists portfolio managers and their CIOs in ensuring portfolios are managed in accordance with client expectations.

### Bruno Crocco, CFA | Portfolio Manager

Bruno Crocco is a Portfolio Manager for Fidelity Investments. He is the co-manager of the Fidelity ClearPath Retirement Portfolios, Fidelity ClearPath Institutional Portfolios and Fidelity ClearPath Index Plus Portfolios. He is also the co-manager of the Tactical Asset Allocation suite and other multi-asset strategies for Canadian investors.

### Jon Knowles, CFA | Institutional Portfolio Manager

Jon Knowles is an Institutional Portfolio Manager for Fidelity Investments. In this role, Mr. Knowles serves as a member of the investment management team, maintaining a deep knowledge of portfolio philosophy, process and construction. He assists portfolio managers and their CIOs in ensuring portfolios are managed in accordance with client expectations.

Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds and ETFs. Please read the mutual fund or ETF's prospectus, which contains detailed investment information, before investing. The indicated rates of return are historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of distributions. The indicated rates of return do not take into account sales, redemption, distribution or option charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds and ETFs are not guaranteed. Their values change frequently, and investors may experience a gain or a loss. Past performance may not be repeated.

The index returns are shown for comparative purposes only. Indexes are unmanaged, and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

From time to time a manager, analyst or other Fidelity employee may express views regarding a particular company, security, and industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain Statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intentional of updating any FLS whether as a result of new information, future events or otherwise.

"Fidelity Investments" and/or "Fidelity" refers collectively to: i) FMR LLC, a US company, and certain subsidiaries, including Fidelity Management & Research Company (FMR Co.) and Fidelity Management & Research (Canada) ULC ("FMR-Canada") – which carries on business in British Columbia as FMR Investments Canada ULC; and ii) Fidelity Investments Canada ULC ("FIC") and its affiliates. Fidelity Management & Research (Canada) ULC ("FMR-Canada") commenced business in Ontario on February 1, 2018. FMR-Canada is registered as a portfolio manager with the Ontario Securities Commission ("OSC") and as a portfolio manager with the other Canadian securities commissions. The scope of FMR-Canada's business is currently limited to offering the Global Asset Allocation ("GAA") strategies through a discrete portfolio management team at FMR-Canada. The GAA strategies are offered by FMR-Canada on a sub-advised basis to accounts advised by Fidelity Investments Canada ULC ("FIC"), with FMR-Canada acting as either direct sub-adviser to FIC or as sub-sub-adviser through non-Canadian Fidelity advisers, including (and principally) US SEC-registered investment advisers, such as FMR Co., Inc. ("FMRCo"). FMR-Canada does not offer these strategies directly to investors in Canada. FMR-Canada has also registered "Fidelity Investments" as a trade name in Canada.

The statements contained herein are based on information believed to be reliable and are provided for information purposes only. Where such information is based in whole or in part on information provided by third parties, we cannot guarantee that it is accurate, complete or current at all times. It does not provide investment, tax or legal advice, and is not an offer or solicitation to buy. Graphs and charts are used for illustrative purposes only and do not reflect future values or returns on investment of any fund or portfolio. Particular investment strategies should be evaluated according to an investor's investment objectives and tolerance for risk. Fidelity Investments Canada ULC and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

© 2025 Fidelity Investments Canada ULC. All rights reserved.

2776207-v2025619 INM 2727003 06/25