

March 2025

When Uncertainty Leads to Opportunity

As the saying goes, “may you live in interesting times”, well from an investor’s point of view the past five years, nothing could be closer to the truth. Investors have witnessed some of the fastest moving market conditions with immense uncertainty and market volatility. The latest form of uncertainty emanates from a shift in ‘normal behaviours’ from global leadership and from traditional U.S. policy decisions. Currently, U.S. President Donald Trump appears to desire managing the United States as a business versus governing a country and the consequences are playing out daily on the global stage. Ideas are shaped into policy for all to see on everything from military/peace keeping decisions to Ukraine/Israel/Gaza/Iran, from global trade/tariff policy to DOGE and numerous additional economic decisions.

Canada also faces uncertainty as our nation is undergoing a change in federal leadership with elections to be held at the end of April, Canadian industries facing mounting pressure from U.S. and China tariff policy, and our Canadian business leaders contemplating numerous investment decisions today. With uncertainty, business leaders typically slow down the investment decision process causing a reduction in capital expenditures, hiring freezes, potential employee cuts, cost savings initiatives, and M&A potentially becoming stronger, larger and gain additional scale during uncertain times.

Although Canada lacks clarity in the ‘now’, it is clearly taking shape in political leadership and will shortly spill over to economic policy decisions for the betterment of the country. From an economic perspective, both the Liberal and Conservative Party leaders embrace similar platforms including repealing expensive carbon tax policy, investment in Canadian infrastructure, reducing ‘red tape’ to allow permitting of varying projects (i.e., Prime Minister Mark Carney eliminating federal permitting overlap with provinces) and enhanced cooperation between provinces to promote trade.

The question at Sionna is why is this positive for Canada and specifically how could this benefit our portfolios? We envision a policy focused on Canada emerging as past assumed ‘norms’ are cast aside.

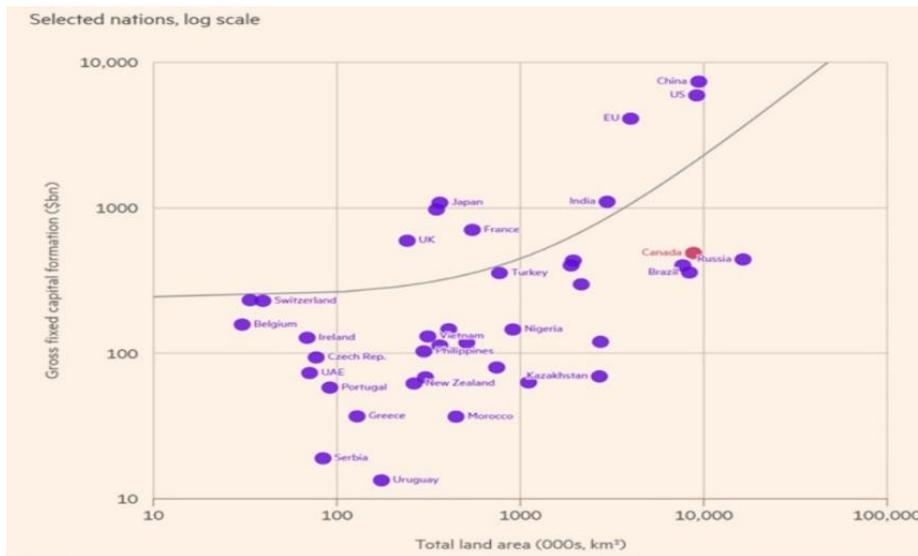
Let’s consider some of these shorter-term problems turning towards positives for Canada in the years ahead.

1. Has President Trump awakened Canadian and Global leaders to a shift in global trade agreements, U.S. dollar trade standards, military dominance, and current and past allies? Is this an awakening for trade dependencies like the EU energy dependence on Russian energy? Will Canada strengthen its trade alliances to shift away from our current U.S. dependence?
2. Will Canada enact a policy like Germany, which passed a ~€600 billion+ investment in its military over the next ~10 years to counter U.S. demands for increased military spend? Prime Minister Carney has already stated “Canada’s old relationship with the U.S. is over”. Canada has the financial capacity to enact a similar policy.
3. Will the potential reduction or elimination of Canadian interprovincial trade barriers allow Canada to unlock additional trade opportunities within Canada, that is estimated to be over \$500 billion¹? Could this partially counter U.S. tariffs?

- Why does President Trump consistently push for Canada to become the 51st state? Could it be that Canada has many of the missing ingredients to make the United States self-sufficient? These include immense reserves in low-cost fossil fuels, uranium and nuclear technology, hydroelectric power, potash, rare earths and critical materials, agricultural land, and, as global warming intensifies, fresh water and access to emerging shipping lanes and military strategic tide water?

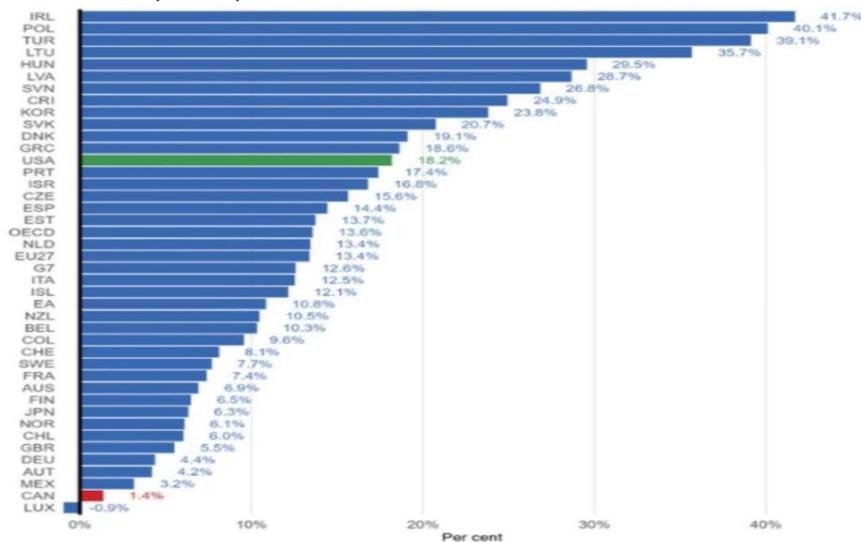
The answer to these questions is a resounding 'yes'. So, the next question becomes how do we benefit and capitalize on these various 'uncertainties'? This comes down to Sionna's investment process, which is multilayered, but boils down to...we listen, we process, we take action.

Canada Has Low Investment Levels for a Nation of its Size



Source: Financial Times. *Unlocking Canada's Superpower Potential*. March 2025.

Real GDP per Capita Growth in the OECD, 2015-Q1 to 2024-Q3



Source: OECD.

Given the world is now 'over invested' in the U.S. with ~73% of the MSCI Index comprised of U.S. stocks vs. a Global representation of ~23%, will this reverse? The U.S. is typically considered the 'safe haven investment' when uncertainty occurs. With the U.S. injecting uncertainty into global trade and relations, which differ significantly from recent norms, does this upset the buffer the U.S. markets have built up over the past few decades? It certainly appears questions are emerging. If capital begins to flow out of U.S. investments, Canadian and other markets could be large beneficiaries given a lower representation in global indices.

Will Canada take this opportunity to unlock our natural resources and industrial potential that is now in demand globally? If so, the impact on our small nation could be disproportionately large. Unlocking this potential not only impacts these industries but the knock-on impacts on our financial, housing, consumer goods and service industries could lead to a snowball effect that feeds upon itself.

Ask yourself these questions: Has the U.S. become a nation with more or less uncertainty? What nations are now in a situation of expanding spending/attracting foreign investment? What nations have elevated or discounted valuations? Where will additional investment dollars flow?

Change will take time; however, investors are always forward looking with respect to potential changing market conditions. At Sionna we embrace uncertainty as we cannot control it. Our team has witnessed and experienced numerous bouts of uncertain market conditions ranging from the 1987 stock market crash, tech mania, Long-Term Capital Management, 9/11, the global financial crisis to the pandemic. The only certainty that emerges from these events remains opportunity. To use a simple, but appropriate, Canadian quote we are looking to 'skate to where the puck is going'. We thank you for the confidence you place in us and wish you a happy and healthy Spring.

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¹ [RBC. Six Questions About the Significance of Interprovincial Trade Barriers in Canada. Feb 2025.](#)



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