THE ASCENSION JOURNAL

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The Price of Certainty

Why investors overpay for knowing what happens next

LETTER FROM THE PORTFOLIO MANAGER

Welcome to the first issue of The Ascension Journal.

Each quarter, this journal will do something deliberately narrow: it will take one idea that matters to long-term investors and examine it properly.

It will not recap headlines — you have no shortage of places to find those.

It will not make predictions — I have none to offer, and I am suspicious of anyone who does.

What it will do is show you how we think, and why your portfolio is built the way it is.

The idea for this first issue came directly from you. There is a sentiment I have heard more than any other this year — in review meetings, on phone calls, in emails sent late at night. It goes something like this: the world seems to be falling apart, yet the market keeps climbing. Surely it is only a matter of time before all of this catches up with us.

I understand where it comes from. Tariffs straining our relationship with our largest trading partner, a Canadian economy softening under the weight of that uncertainty, a conflict in the Middle East sending oil prices lurching, a new Federal Reserve chair south of the border — the news has given everyone plenty to think about. This is, to be fair, the news's job.

Here is the honest answer: markets will fall again someday.

They always have, and no one — least of all me — can tell you when. The assumption hiding underneath all this is that when the market rises through bad news is considered a malfunction, a tab that must eventually come due.

The record suggests otherwise.

Stocks have spent most of the past century climbing through some form of turmoil. The businesses we own have compounded through wars, recessions, oil shocks, and pandemics — not because the turmoil didn't matter, but because they were built, and owned, in a way that didn't require the calm.

This issue is about the cost of waiting for the turmoil to end before investing — what we call the price of certainty.

I will also mark a quiet milestone: as of mid-June, the portfolio fully reflects the allocation we designed for it, for the first time since the pool launched. I will walk through how we got here, where the finished portfolio differs from the original blueprint, and why there is a considerable amount, for now, held in cash equivalents.

Managing this portfolio is, on paper, a job of managing money. In practice however, the job is more about managing retirements, new homes, children's educations, and legacies. This massive responsibility and duty of trust is the reason this journal exists.

So thank you, as always, for the immense trust you place in us. It is not taken lightly,

Adam Schacter

Portfolio Manager, Avesta Wealth

THE PRICE OF CERTAINTY

Why do investors so reliably overpay for the feeling of knowing what happens next?

It is worth asking plainly, because the pattern is old and remarkably consistent. Ask an investor what they are waiting for before putting cash to work, and the answer is rarely “a good price.” It is usually “more clarity.” Clarity on rates. Clarity on the election, the conflict, the tariff, the earnings quarter.

The trouble is that clarity, when it finally arrives, arrives after the market has already priced it in. By the time the future is obvious, it is no longer for sale at a discount.

This year has offered a useful case study. The current Federal Reserve chair inherited a central bank still working through inflation that has proven stickier than hoped, with prices running well above the two percent target and energy costs adding fresh pressure after tensions escalated in the Middle East. Rates have been held steady for months, not because the picture is settled, but because it isn't — the committee itself has been visibly split on whether the next move is a hold or a hike. Layer on the tariffs still working through the system — which Canadians feel more directly than most, with exports and business investment already softening and the formal review of our trade agreement with the United States still ahead — and it is easy to see why so many investors have been waiting on the sidelines for the fog to lift. The fog, for the record, has never once lifted on schedule.

And yet the broad market has moved higher through nearly all of it — not in a straight line, and not without real drawdowns when the conflicts escalate, but higher all the same.

This is not a coincidence, and it is not luck. It is close to the normal condition of investing.

Uncertainty is not the exception that occasionally interrupts an otherwise clear picture. It is the permanent weather of markets. The only real choice is whether a portfolio is built to tolerate that weather or built to require a forecast of it.

The most expensive purchase an investor can make

There is a time-honoured playbook for moments like the Fall (no pun intended) of 2008: panic, sell everything, and regret it at leisure. Consider the investor — and there were many — who followed this formula, promising to return to markets when things had finally settled down.

It was not an irrational decision. The financial system genuinely appeared to be failing. The problem was what came next: markets did not feel settled in March 2009 when it quietly bottomed and began one of the great recoveries in history.

Markets did not feel settled in 2010, with the flash crash, or in 2011, when the United States lost its AAA credit rating and Europe's debt crisis dominated every front page. For many of these investors, the world did not feel calm enough to re-enter until around 2013 — by which point the market had roughly doubled from its low. The all-clear signal turned out to be the most expensive purchase these investors ever made.

The same movie replayed in March 2020, but at higher speeds. Investors who stepped out of the market to wait for clarity on the pandemic watched the fastest recovery in modern history happen without them. In both cases, the mistake was identical: treating certainty as free, when certainty is in fact the most consistently overpriced asset in markets.

Why the market pays for patience, not prediction

Here is the mechanism worth embodying. Prices reflect the collective uncertainty of every participant in the market at once — every buyer and seller pricing in their own guess about growth, inflation, policy, and risk. When that collective uncertainty is unusually high, assets tend to trade at a discount to compensate the people willing to hold them through the discomfort. That discount is not a flaw in the market. It is the market's way of paying investors for doing something genuinely uncomfortable: committing capital without knowing the outcome.

The investor who waits for the uncertainty to resolve before buying is, in effect, waiting for that discount to disappear. They are not avoiding risk. They are trading the compensated risk of not knowing what happens next for the uncompensated risk of paying full price for a future that has already become obvious to everyone else.

This is easier to say and harder to do.

It is one thing to accept, intellectually, that uncertainty is priced into an asset. It is another thing entirely to hold that asset while the headlines suggest the world is falling apart. We believe behavioral discipline — not analytical insight — is usually the deciding factor in whether an investor actually captures the reward that uncertainty is paying out.

What history suggests, without pretending to predict

We do not know how this particular episode will be resolved — whether inflation cools on its own schedule, whether the new Fed chair holds, cuts, or hikes at the next meeting, whether the tariff picture stabilizes by year-end.

What history does suggest, across many prior periods of elevated policy uncertainty, is that markets have historically rewarded those who stayed invested through the ambiguity more often than those who waited for it to clear.

Although not always, and not without volatility along the way.. But often enough, over long enough periods, that the discipline of staying invested has tended to outperform the discipline of waiting for a signal that never quite arrives on schedule.

The honest version of this essay carries through without a tidy prediction, because a tidy prediction is precisely the thing we're trying to avoid. The future will not become obvious before the opportunity in it has already been reflected in prices.

This is not a flaw to be solved; it is simply the nature of the asset class we have chosen to own.

What this means for how we invest

If the future cannot be reliably forecast, and if waiting for certainty is itself a costly strategy, then the sensible response is not to try harder at forecasting. It is to build a portfolio that does not need the forecast to be right.

That means owning a diversified set of quality businesses across geographies and sectors, so that no single outcome — a rate hike, a rate cut, an escalation, a resolution — determines the fate of the whole portfolio. It means holding enough liquidity to act when genuine opportunities appear, rather than being forced to sell into weakness. And it means measuring success not by whether we called the next move correctly, but by whether the portfolio continues to compound through whichever version of the future actually arrives.

This is also why your portfolio owns the specific things it owns. Visa earns a toll on commerce whether rates rise or fall. Microsoft sells software the world runs on in expansions and recessions alike. Berkshire Hathaway — the largest individual business in the portfolio — has spent half a century proving what patient ownership plus ready cash can accomplish, and our own liquidity position this quarter borrows a page from that same playbook. None of these businesses requires us to know what the Fed does next. This is not an accident; it is the design.

This is, in the end, a humbler way to invest than trying to be right about what happens next. It has also historically been a more durable one.

PORTFOLIO PERSPECTIVE

This quarter marks a quiet milestone. As of mid-June, the Avesta Wealth Ascension Growth Portfolio reflects, for the first time, the full allocation we designed for it.

When the pool launched, it did not begin as a blank page. It began with a substantial cash position and a collection of existing investments that needed to be divested thoughtfully — not dumped, but unwound at sensible prices, on sensible timelines. The months since have been spent doing exactly that: exiting what we did not wish to continue to own, and building toward what we did. This work is now all but complete. What you own today is, position by position, the portfolio we set out to construct.

It is worth being honest about something here: the finished portfolio is not identical to the first sketch. Building in the real world, at real prices, taught us things the blueprint could not. Three differences here are worth explaining.

First, we arrived at a smaller direct Canadian weighting than originally drawn up, in both our Canadian index position and Canadian National Railway. We want to address this directly, because most of the families we serve are Canadian, and home feels safe. But Canada represents roughly three percent of the world's equity markets, and the average Canadian investor holds many times that at home — concentrated, moreover, in a handful of sectors. Owning less Canada than feels natural is not a comment on our country, and it is not a forecast about the Canadian economy. It is what thinking globally actually requires.

As we deployed capital, we consistently found more compelling places for it among the businesses and markets of the wider world. CN Rail is a high-quality business, and we own it — simply at a size that reflects our conviction today rather than our assumptions at the drawing board.

Second, we sized emerging markets more conservatively than first planned. Emerging markets can offer attractive long-term returns, but they tend to feel the sharp edge of any broad repricing first. With global equities trading at some of their more demanding valuations on record, we chose to carry that exposure at a smaller size. This is what margin of safety looks like in practice: not avoiding an asset class, but sizing it for the range of outcomes rather than the hoped-for one.

Third, Amazon's weighting is smaller than the original target. The share price ran considerably during our build period, and we chose to own a somewhat smaller position at those prices rather than stretch to hit a number on a spreadsheet. The target was always a means to an end; paying up simply to reach it would have confused the two.

Finally, the cash and equivalents. Roughly 12.2% of the portfolio remains in cash equivalents — not because we are waiting for a forecast to come true, but because we refused to hurry the last dollars in at prices we did not love. That capital is headed into the portfolio; it will simply arrive on our schedule rather than the calendar's. In the meantime, it serves as optionality: if markets hand us better prices along the way, we are positioned to act decisively rather than watch from the sidelines.

Because an inaugural issue ought to put its baseline on the record, here is the portfolio allocation in full, as of June 15:

BROAD EQUITY POOLS	**40.8%**
Vanguard S&P 500 Index ETF (VFV)	9.49%
iShares Core MSCI EAFE IMI Index ETF (XFH)	7.32%
Fidelity International High Quality ETF (FCIQ)	6.42%
Invesco S&P 500 Equal Weight ETF (EQL)	6.40%
iShares Core MSCI Emerging Markets IMI Index ETF (XEC)	4.59%
Fidelity International Value ETF (FCIV)	3.73%
Vanguard FTSE Canada Index ETF (VCE)	2.86%
INDIVIDUAL BUSINESSES	**30.9%**
Berkshire Hathaway Inc. Class B (BRK.B)	7.95%
Microsoft Corporation (MSFT)	3.77%
Brookfield Corporation (BN)	3.35%
Alphabet Inc. (GOOG)	3.11%
Visa Inc. (V)	3.00%
Stryker Corporation (SYK)	2.49%
Zoetis Inc. (ZTS)	2.48%
Amazon.com Inc. (AMZN)	2.37%
Canadian National Railway (CNR)	1.42%
Intercontinental Exchange, Inc. (ICE)	0.99%
CASH & NEAR-CASH	**12.2%**
Cash/Cash Equivalents	8.75%
BMO Ultra Short-Term Bond ETF (ZST)	2.46%
BMO Money Market ETF (ZMMK)	0.96%
INCOME & ALTERNATIVES	**9.8%**
Brompton Wellington Square AAA CLO ETF (BAAA)	2.96%
Brompton Split Corp. Preferred Share ETF (SPLT)	2.93%
Sprott Gold & Silver Trust ETF (CEF)	2.48%
Purpose Bitcoin ETF (BTCO.B)	1.39%
THEMATIC & SECTOR FUNDS	**6.3%**
Mackenzie Global Infrastructure Index ETF (QINF)	3.46%

iShares S&P/TSX Energy Transition Materials Index ETF (XETM)	0.99%
iShares Global Agriculture Index ETF (COW)	0.98%
BMO Equal Weight Oil & Gas Index ETF (ZEO)	0.87%

Weights may not sum to 100% due to rounding. The current allocation, categorical breakdowns, the offering memorandum, and past editions of this journal are always available at avestawealth.ca/growthportfolio.

One last thought on what all of this adds up to. An advisor at another firm recently looked through the Avesta Wealth Ascension Growth Portfolio and described it as “wildly unspectacular”. We took this as the highest of compliments. Spectacular portfolios make for wonderful stories and, more often than anyone seems to admit, poor decades. This portfolio is deliberately unexciting: diversified, low-cost, built from quality businesses and broad markets, designed to do exactly what it says it will do. Nothing fancy. Nothing flashy. This is the point.

And in the same spirit of honesty, here is an admission you will rarely hear from a portfolio manager: Portfolio Managers do not make markets rise, and we cannot stop them from falling. The great majority of the return investors earn over a lifetime comes from markets themselves — from owning productive businesses through time — and most investors will participate in those gains with or without someone like me. Our job is narrower, and we would argue more genuine: to structure your share of those returns sensibly — diversified, low-cost, resilient — and to help you stay invested when staying invested is hardest.

The market supplies the returns. Our work is making sure you actually receive them.

From this point forward, this section of the journal will report on how the Ascension Growth Portfolio evolves from this foundation — what changed, what didn't, and why. The businesses at its core — durable, well-capitalized, globally diversified — are exactly the kinds of companies we want to own through the environment described above in this issue's essay.

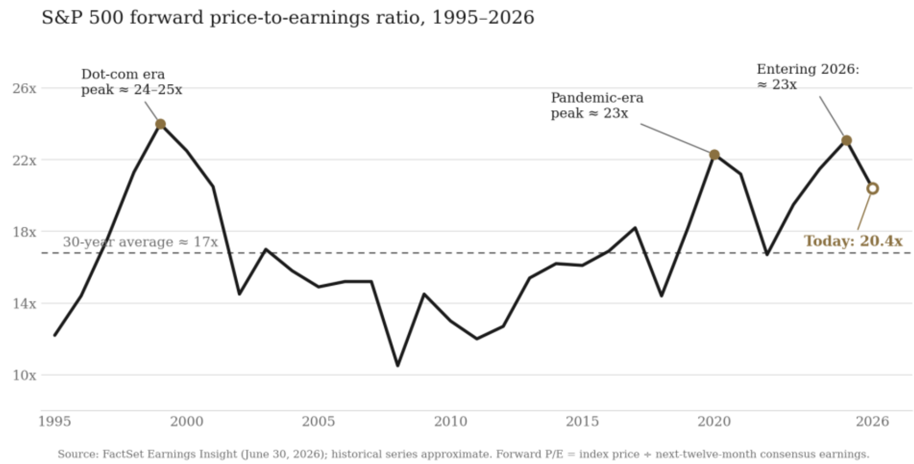
Liquidity, in other words, is not the absence of a plan. It is part of the plan.

WHAT WE'RE WATCHING

We do not make predictions — our record at forecasting is exactly as good as everyone else's, which is to say not worth much. We do watch a small number of variables closely, because they help frame the range of outcomes worth preparing for.

- Inflation's path back toward target, on both sides of the border. Canadian core inflation has settled near the Bank of Canada's 2% objective, though elevated oil prices may keep headline inflation closer to 3% for a while yet; in the United States, inflation remains meaningfully above target. Whether energy prices stay contained at the gas pump or feed through more broadly will shape the policy backdrop in both countries.
- The durability of corporate earnings growth. Much of this year's market strength has come from a narrow set of drivers, particularly artificial intelligence infrastructure spending and energy. Whether earnings growth broadens out to more of the economy, or remains concentrated, matters for how resilient current valuations prove to be.
- The Canada–U.S. trade relationship. Tariffs are already weighing on Canadian exports and business investment, and the formal review of the CUSMA trade agreement has yet to begin. We are watching not to predict an outcome, but to understand how the businesses we own are adapting — and where durable adjustments might create opportunity.

ONE CHART WORTH WATCHING



We have chosen a structural chart rather than a tactical one this quarter: the forward valuation multiple of the U.S. market over the past three decades.

We show the American market, rather than our own, because it anchors global equity pricing and represents this portfolio's largest regional exposure — when it reprices, everything else tends to follow.

Entering this year, the broad U.S. market began trading at one of its more expensive valuations on record — a level reached in only two prior periods in the last forty years, both of which were followed by significant drawdowns. That fact alone tells us nothing about timing. Expensive markets can remain expensive, or become more so, for long stretches. What it does tell us is something about the distribution of possible outcomes from here: a market already pricing in a great deal of optimism has less room for error if growth disappoints, and more room for reward if it does not.

This is precisely the kind of structural signal we find useful — not because it predicts a date or a level, but because it informs how much margin of safety a portfolio ought to carry. It is one more reason we have leaned toward quality, diversification, and liquidity, rather than toward concentration in the market's most crowded winners.

CLOSING THOUGHT

Every investor would prefer to know what happens next. Markets do not grant that wish, and they never have. What they grant instead is a long history of rewarding those investors who kept showing up anyway — not because they knew more than everyone else, but because they were willing to hold a well-built portfolio through the parts of the story that had not yet been written.

That has always been the work. It still is.