TD Wealth

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View from the Top 2025

Monthly Perspectives
November 2025

15 minutes

View from the Top 2025

This year's "three chiefs" panel of thought leaders discuss how AI, tariffs and a shifting global order are reshaping risks, opportunities and the path forward for investors.

Interviews with Chief Economist Beata Caranci, Chief Wealth Strategist Brad Simpson and Chief Investment Officer David Sykes

It's that time of the year again, when we call upon three of TD's preeminent thought leaders on financial markets: Chief Economist Beata Caranci, Chief Wealth Strategist Brad Simpson and Chief Investment Officer David Sykes. This year, we covered a range of topics — everything from the significant structural changes coming out of U.S. policy, to the near- and mid-term outlook for equities, and of course, we delved into the question on everyone's mind: Should we be worried or excited about AI? Or maybe a bit of both?

Wealth Investment Office: David, let's start with you. I think a lot of people are looking at this market and seeing parallels with the dotcom bubble in 2000. Is that a real risk?

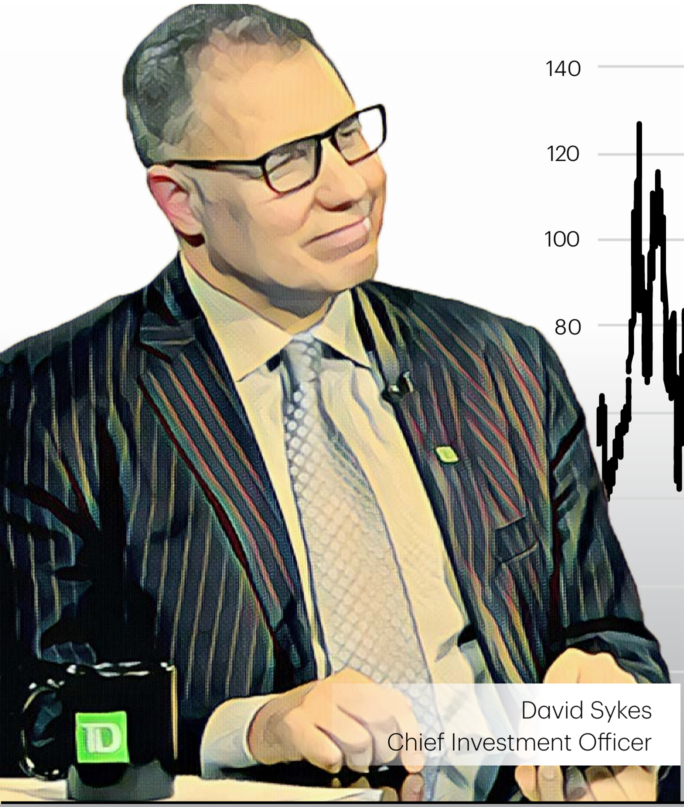
Sykes: If we compare the current bull market to the '99/2000/2001 period, there are some similarities for sure. AI is a disruptive technology just like the internet was at the time. It's getting people very excited about the potential, and some of the individual company valuations are definitely high — so I think there are some similarities, but I would also point to the differences.

Unlike the dotcom era, where many companies had unproven business models and little to no revenue, today's AI leaders are established firms with strong balance sheets and real earnings. Importantly, the capex cycle is being funded by operating cash flow, not speculative equity and debt. And while the multiples are high, they're not approaching the dotcom-bubble levels (Figure 1).

That being said, there's absolutely an issue here in terms of the concentration. Markets have done incredibly well in the United States, but it's really been driven by seven or 10 stocks, and that is a concern.

Figure 1: Still a far cry from dotcom territory

Source: FactSet as of November 2025



David Sykes
Chief Investment Officer

WIO: Brad, you published a quarterly strategy piece on AI, right? What's your take?

Simpson: Yes, that's right. The focus of our last Portfolio Strategy Quarterly was this theme of AI and whether or not this might be a bubble. That question — whether or not this is the top of the market — is obviously very common in our client conversations. The reality is, underlying fundamentals are still solid with strong earnings growth, and that's often missed in the news headlines. However, David's point on concentration is key. The importance of diversification cannot be stressed enough, especially in an environment like today. We don't think these companies are in a bubble or on the verge of a collapse, but with concentration this high it's very important to be mindful of the exposure in your portfolio.

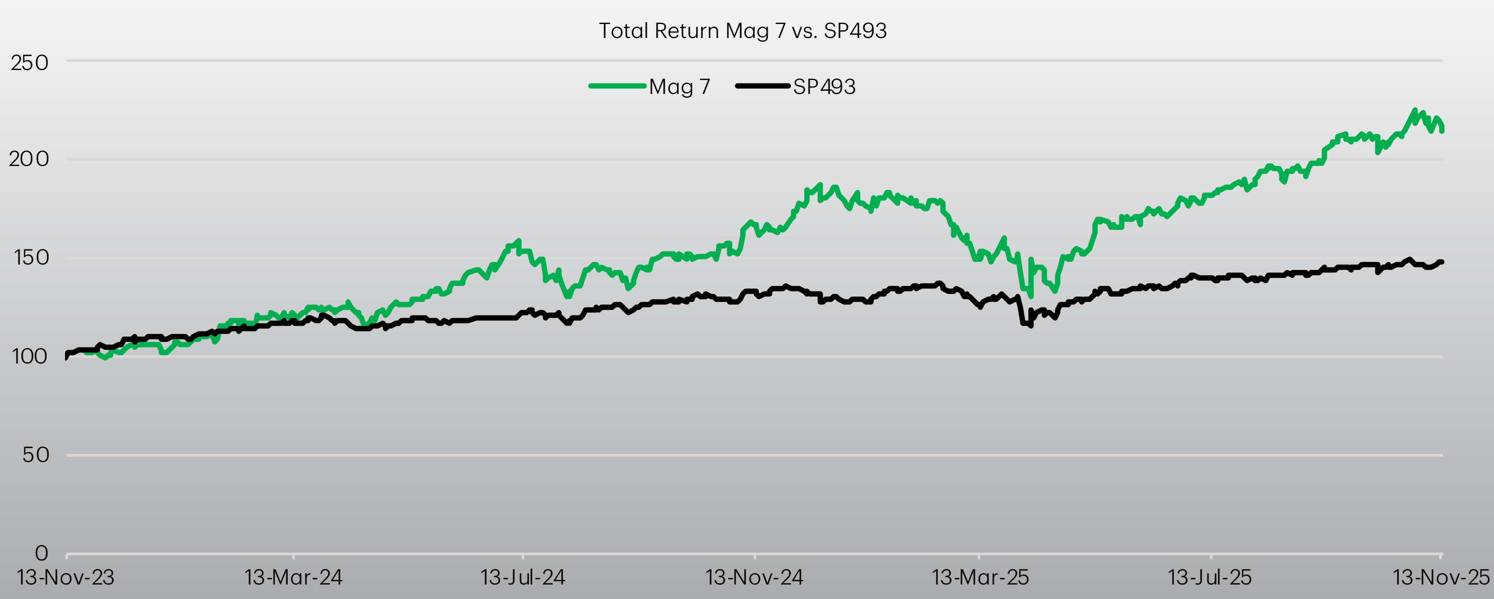
One example. If we go back and look at the TSX during the tech bubble of 2000, when the U.S. tech sector collapsed, the TSX basically had only one major tech company: Nortel, whose weight on the composite index increased to more than 30%. Once Nortel fell, though, this massive weight disappeared, and most of the rest of the index was stable or rising. Canadian banks remained profitable and conservative, while gold and oil began to strengthen as investors sought hard assets amid falling real yields. We saw a dramatic difference between being invested in a balanced portfolio and being invested in the S&P 500 and Nasdaq between 2000 and 2003, where the S&P 500 was down 10%, the Nasdaq was down 9%, and a balanced portfolio was up 20%. So being diversified made all the difference.

WIO: If you listen to some of the bear arguments, a lot of pessimists are saying that, like the internet in 2000, the payoff is going to take a lot longer than the market is expecting. Is that a fair assessment? David, maybe you can take this one.

Sykes: Well, it's hard exactly to know what payback period investors are looking for. I think the one thing to keep in mind is, while all the action has been in these seven to 10 stocks — and today that's 40% of the market, so obviously a concern — we can't rule out how much benefit AI can bring to virtually every company. You know, some companies are talking about reducing expenses to the tune of 15% or 20%. Also, keep in mind that something like half of the companies on the S&P 500 have significantly lagged over the past two years (Figure 2).

Brad Simpson
Chief Wealth Strategist

Figure 2: Room for catch-up outside Mag-7



Source: FactSet and TD Asset Management as of November 2025

So if the benefits of AI could shift from those top 10 companies to everybody else, there's a huge catch-up trade here.

I think the thing is, when we talk about bubbles, we have to recognize that the earnings are real and the cash flows are real. Yes, there's been a lot of AI investment, and yes, people are worried about a bubble, but holy smokes, the earnings profile has been amazing. We were expecting something like 4% revenue growth and 6% EPS growth in the third quarter, but now it's looking more like 6% to 7% revenue growth and 13% EPS growth (Figure 3). This will be the fourth consecutive quarter on a year-over-year basis that we're going to have double-digit earnings growth. And so, at the end of the day, if earnings go up, stocks go up. It's that simple.

WIO: That's impressive, but is all that earnings growth concentrated in the top 10 mega-caps? Or are we seeing a general rise?

Sykes: They're going up generally. That's the great thing. There's no question that companies like Alphabet, Microsoft, their earnings are really strong. But if you look at construction equipment, if you look at the airlines, if you look at luxury goods, health care, consumer products — it's been a broad-based earnings beat across the board.

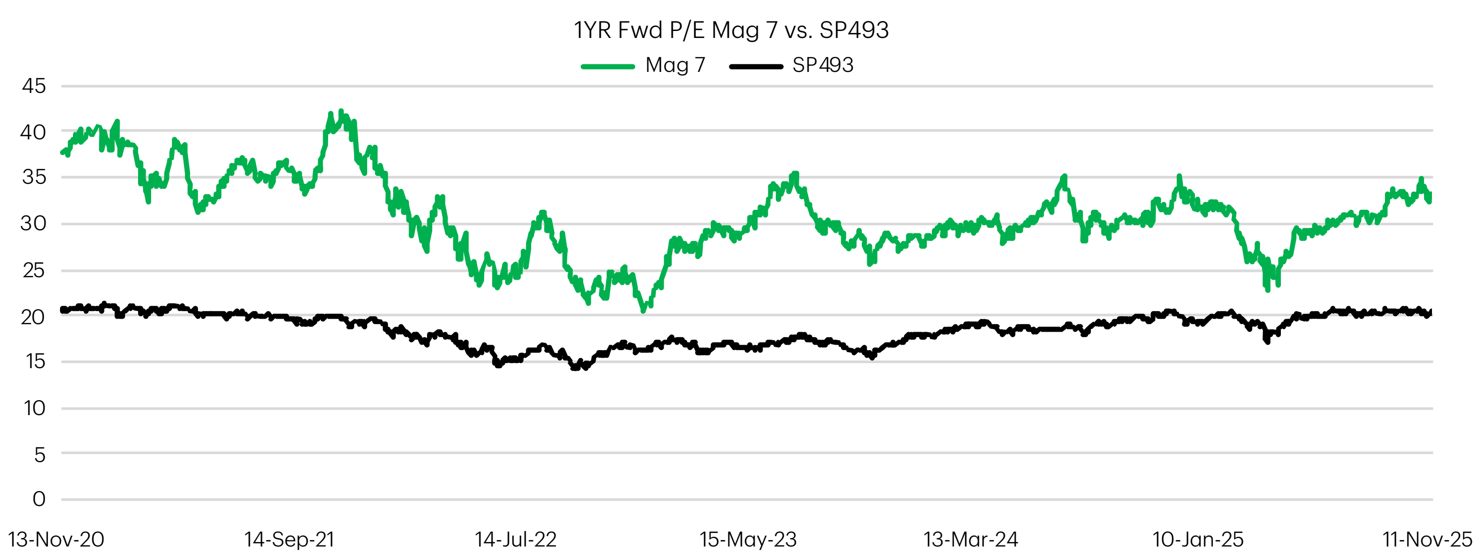
The other thing is, those earnings are not super-expensive. Like, the multiple on the S&P is 22 or 23 times forward earnings, but if you exclude the top 10, the multiple for the rest of the index is something like 18x or 19x (Figure 4). That's not super-cheap, but at 18x, you wouldn't think, "Oh my God, we're going to crash."

Figure 3: Q3 was strong across the board

		Earnings Per Share			Revenue		
	Companies reported (%)	Beat estimates (%)	Magnitude of surprise (%)	Avg. y/y change (%)	Beat estimates (%)	Magnitude of surprise (%)	Avg. y/y change (%)
Communication Services	87.5	55.0	-9.7	-7.2	61.9	1.6	10.1
Consumer Discretionary	84.0	69.0	11.9	8.0	76.2	2.6	7.2
Consumer Staples	75.7	92.9	4.4	0.1	75.0	2.8	4.5
Energy	95.5	76.2	7.7	-1.0	76.2	3.8	1.0
Financials	100.0	89.2	9.0	23.6	77.0	2.3	9.3
Health Care	95.0	92.7	12.6	5.2	84.2	2.2	10.3
Industrials	93.7	81.9	17.4	15.0	71.6	2.0	6.6
Information Technology	75.0	96.1	8.4	27.0	92.2	2.1	15.3
Materials	100.0	69.6	6.0	20.1	57.7	-0.8	3.1
Real Estate	100.0	80.6	3.5	6.0	74.2	1.8	7.4
Utilities	100.0	77.4	6.1	23.1	76.7	2.2	9.0
S&P 500	90.9	83.0	7.3	13.0	76.5	2.2	8.3

Source: TD Asset Management as of November 2025

Figure 4: Valuations outside Mag-7 still reasonable



Source: FactSet as of November 2025

So if we can get a bit off the AI trade, there are all these other companies in the U.S. that are going to benefit. They're going to get full 100% depreciation thanks to the One Big Beautiful Bill Act, and their corporate tax rate stays the same. As long as the U.S. consumer keeps spending, we could get a strong GDP print into 2026, and then earnings would go up again. No one ever talks about that, but it's a real possibility.

WIO: How about you, Brad? I know you're a bit of a history buff. When you think of technological disruptions like this, isn't there always a period of overoptimism, followed by a reckoning?

Simpson: I think if we go back and look at innovations over the past century, they generally did not play out as expected. While it's possible that the sustainability of the AI semiconductor investment is less than it appears, it's also possible that we are underestimating the longer-term positive impact of AI. In fact, history shows us that we have tended to underestimate the pace of innovations and the associated rise in living standards. Prior to the start of the Industrial Revolution, GDP per capita was stable, and then after the invention of steam power in the 18th century, living standards begin to accelerate.

Take the agricultural sector as another example. Global food prices have gradually declined over the past 50 years, despite the doubling of the world's population. This refutes the fear of Chinese policymakers in 1979 that the country would at some point be unable to feed its population, which resulted in the disastrous one-child policy.

Closer to home, while the tech bubble in 2000 left many investors with significant losses, the buildout of the internet in 2000 resulted in significant changes to our daily lives. It reduced the cost of communication significantly, opened up the access to information, commerce and entertainment — think about live concerts streamed to the world, the ability to access banking on your smartphone, online shopping, etc. We are of the view that the current AI trend will not end soon, and ensuring we are invested in this long-term theme is critical. We are in the midst of a transformative period that will change how we live, how countries conduct themselves, and how companies operate. However, this theme will have its ups and downs, just like the revolutions that came before it.

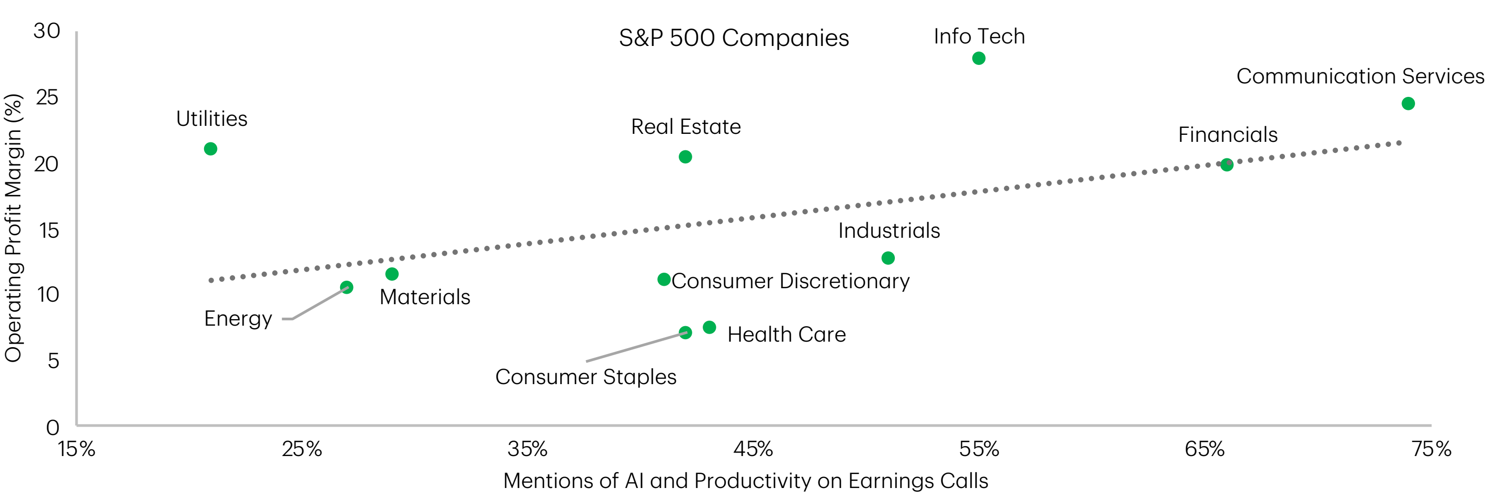
Already, we've seen many companies in their Q3 earnings calls cite the potential use of AI to boost worker productivity. Companies in the service industries in particular have seen greater integration of AI relative to those in the goods sector. So, companies in communication services, info-tech and financial sectors (Figure 5).

But instead of trying to predict how things are going to play out, we focus on what we know today — and what we know is that these companies are generating strong earnings and that the growth over the next 12 to 24 months looks solid. They are also generating strong free cash flow, which should provide some fundamental margin of safety.

WIO: What about if we look at this from a purely economic perspective? We've heard a lot about the "jobless recovery" and the dearth of entry-level job openings for recent graduates. Beata, maybe we can turn to you for this one. Are we already seeing the effects of AI on the jobs market?

Caranci: Much has been made of the potential impact of technological changes on employment, including AI, but that's really an exaggeration at this point in the cycle for Canada. Narratives have circulated in the U.S. that, in some cases, younger workers in industries highly exposed to AI adoption have tended to do more poorly. We did a deep dive into Toronto's jobs market with its higher proportion of office jobs and didn't find much evidence that it's a key factor behind the recent surge in youth unemployment.

Figure 5: Service sectors investigating AI efficiencies



Source: Macrobond, Wealth Investment Office as of November 18, 2025

WIO: But we have seen a spike in unemployment in Canada, and particularly among youth. So, if it's not the rise of AI, then what is it?

Caranci: The general unemployment numbers and youth unemployment numbers are really part in parcel of the same thing. Yes, unemployment has risen in Canada, but it's important to realize that this is largely a result of prior immigration policies that have since been reversed. During the pandemic, immigration helped to address labour shortages, but the government overcompensated. Policy became too much of a good thing, so to speak. The unemployment rate rose a full percentage point between 2022 and 2024, as employers struggled to absorb the rapidly expanding supply of workers.

This, coupled with eroding housing affordability, prompted the federal government in Canada to reduce the influx of immigrants to allow for some catch-up in the needed infrastructure and housing supply. Since then we've seen a massive tapering in Canada's population growth — from a multi-decade high of 3.2% in Q2/24 to just 0.9% today (Figure 6).

As for youth unemployment, the rise here is consistent with historical patterns. What's happening is that older workers are facing a tough job market, and so they are outcompeting younger workers on jobs with their greater experience. It's a common "switching" dynamic that occurs when the economy softens.

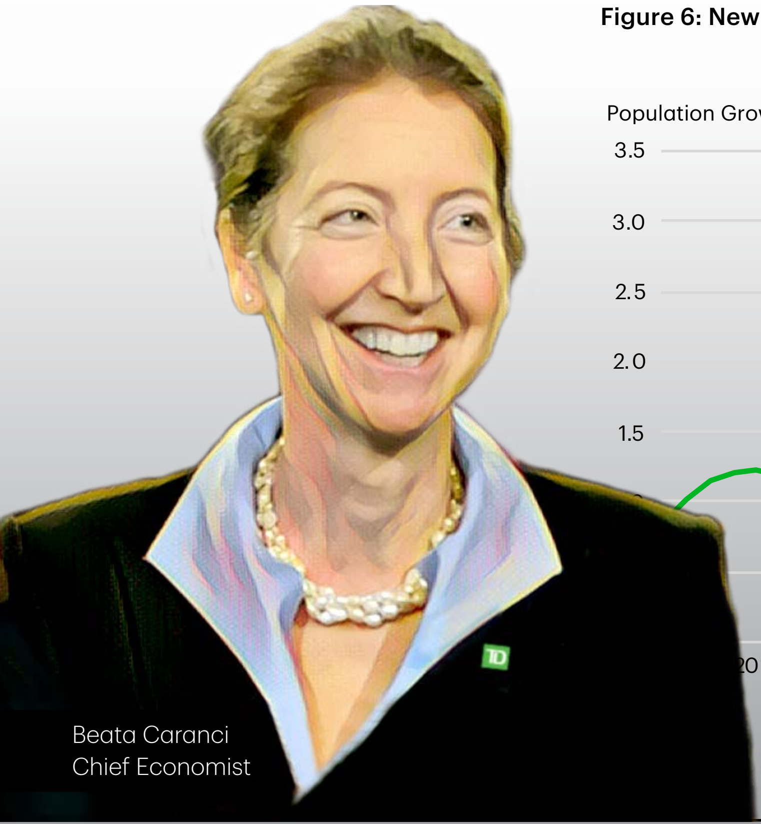
WIO: Is that economic softening occurring across the board or in specific industries?

Caranci: Between July and September, we saw around 45,000 job losses, but then this was more than made up for in October, with a massive 67,000 gain. So things don't really move in straight lines. In general, the job market was underperforming in anything that's export-oriented — so manufacturing, wholesale, transportation — but October data showed a reprieve. We don't know if that's just a one-month blip or improved sentiment among employers, that the worst of the adjustment is already behind us. I'm inclined to think the former is true. One noticeable trend is that the breadth of industries in hiring mode has narrowed, which is usually not a sign of confidence in the economic outlook.

WIO: Will that be enough to keep Canada out of recession next year?

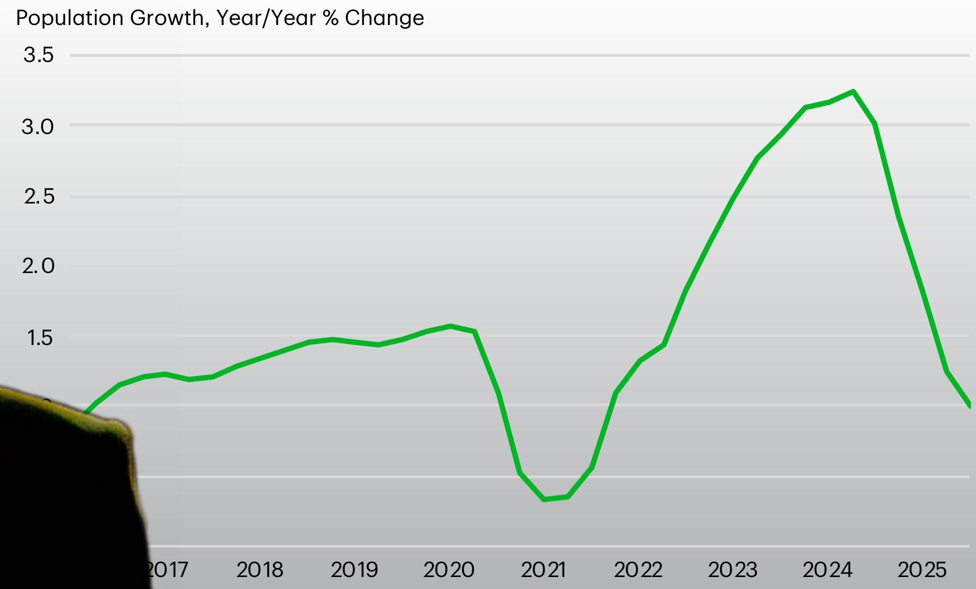
Caranci: It's hard to say. This is a period of massive economic disruption, with a lot of opportunity and a lot of fragility. We lived this paradox five years ago, when the pandemic upended the world economic order, but it also ushered in a surge in business formation and faster tech adoption.

Obviously the trade disruption is upsetting and painful, particularly for those that have built business models on accessing the vast American market. But these challenges can also open a floodgate to other opportunities — such as kickstarting big nation-building projects, buying local across



Beata Caranci
Chief Economist

Figure 6: New policy cools population growth



Source: Statistics Canada, TD Economics

the supply chain, and a push for deregulation. So we need to think of the future more in the context of the full transition that's hitting us. Will the industries that benefit from this transition be able to absorb the workers that are displaced? And how much skills-matching can possibly occur for those workers, along with the potential for geographic displacement?

As a simple example, how would displaced auto workers in southern Ontario view opportunities that open up in central or northern Ontario, in totally different industries. The answer goes beyond whether jobs in the service sector can keep the engine running for the economy. A recession may not even be the worst outcome if it's short. I think the worst case would be an economy that barely keeps its head above the water for months and years on end.

Simpson: Absolutely agree. It's all about creative destruction. If we think about the buildout of the internet in the early 2000s, labour productivity in the U.S. rose significantly as businesses and households saw an exponential increase in computer adoption and access to the internet. The TSX also has a very well diversified industrials sector, with many of the companies in that sector well positioned to benefit from the structural tailwinds that will come from the projects that have been announced by Prime Minister Carney.

WIO: That's right, the new PM has talked a lot about cutting red tape to get new projects started, but isn't that more of a long-term project? It seems like a bit of a distraction given the possibility of an imminent trade crisis.

Caranci: It's not a distraction. We must learn how to walk and chew gum at the same time. In Canada, the number of business regulations rose nearly 40% in just 15 years (Figure 7). It's estimated that policy overreach caused investment in Canada to be 9% lower than it would have been otherwise. That's money out of all our pockets — it's lending that did not happen or wealth creation that could not happen.

So, disruption from America has forced Canadian policymakers to sharpen their dialogue on deregulation, capital formation and productivity. True, these could just be words cited by our politicians, but if executed well, it could represent a turning point for our economic development.

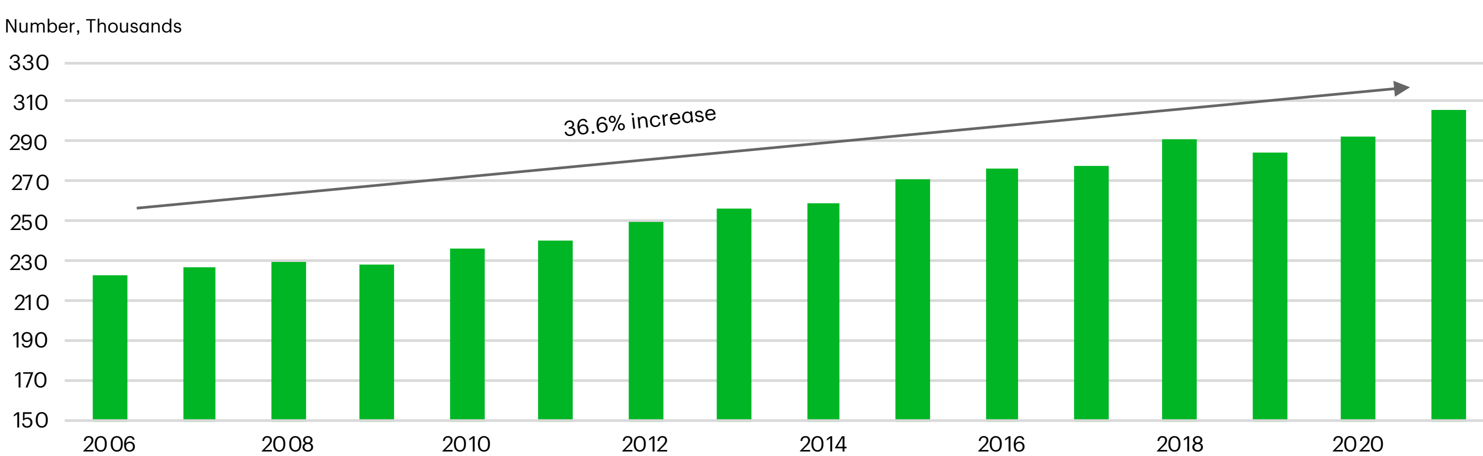
WIO: Well, Carney has been making the rounds. He met with Xi to discuss a whole range of trade irritants not so long ago. Is that the sort of stuff you're talking about?

Caranci: Absolutely. Canada already has cut trade and production deals with European leaders on energy, defence and critical minerals. Then we saw a memorandum of understanding signed with the United Arab Emirates to explore building AI data centres in Canada, which was definitely not on my bingo card a year ago. These partnerships used to rely almost exclusively on American firms, if they could occur at all within the existing regulatory environment.

But I don't want to understate the challenges ahead. The economy here will have to navigate a tough road given its trade exposure. Still, we've been surprised by the resilience of consumers and the housing market. Both outperformed the U.S. in the first half of the year, and the jobs market continues to surprise. Nobody expected more than 60,000 new jobs in October.

Also, we don't know yet what can be accomplished with investment. The Federal budget put forward an "investment-focused" set of business incentives, departing from past years where the focus was mainly targeted at household transfers. Of course, if you don't have a thriving business community, you don't have the job creation and tax dollars needed to support those transfers. So even a series of small wins to attract private and foreign investment can deliver big wins to communities and future growth.

Figure 7: Red tape in Canada due for some cutting



Source: Statistics Canada, KPMG, Transport Canada, TD Economics

WIO: So, do you think the recently released budget has brought us closer to that reality?

Caranci: It's a step in the right direction. The new budget is focused on infrastructure, defence and housing — all with the aim of lessening Canada's economic dependence on the U.S. trade relationship. If the funds and projects are well executed — and that's a big "if" — it would be hugely supportive of new business investment and productivity.

But everything needs private-sector cooperation to deliver the needed investment dollars that magnify the economic benefits. So that's why it's a big "if," because we don't know whether the incentives in the budget are attractive enough to do the trick.

Simpson: The direction of policy matters and the investment landscape it creates. Canada is uniquely positioned for this next phase of global investment because we're rich in the resources the world needs — uranium tied to the nuclear buildout, and base metals like copper that remain in structurally tight supply and are essential for electrification, grid expansion and large-scale infrastructure projects.

We're already seeing similar structural spending trends internationally — Germany's step-up in defence is a prime example — and those commitments can create multi-year demand for commodities and investment across traditional and digital infrastructure.

But none of this is just about resources. It's about investment. Our work shows that business spending, productivity improvements and capital deployment are what ultimately drive earnings, and historically earnings growth has been the primary driver of equity returns over the medium and long term.

WIO: But what about the price tag? This budget is going to increase the debt load significantly, isn't it?

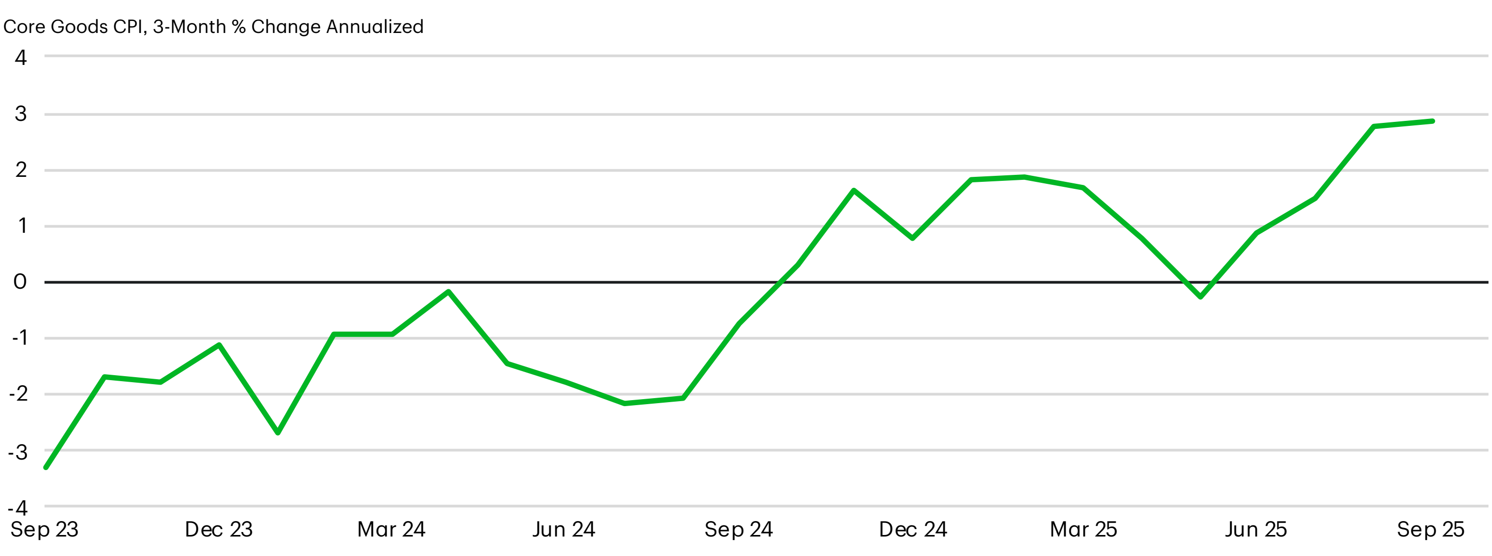
Caranci: There has been some criticism about the price tag being enormous. The deficit is ballooning to $78 billion from $42 billion. That's 2.5% of GDP, which is the highest outside of recessionary periods. However, that's still a lot less than what we're seeing out of "peer" countries. I'm less worried on the price tag if it delivers long-term benefits to Canada that accelerate growth and new job opportunities. If it fails to do so, however, we've just saddled the next two generations with that debt and the financial sacrifice that will accompany it.

We've gotta get this right. I don't think this year's budget will complete this economic transition. We will likely need to see more aggressive measures on tax competitiveness to truly dial up attracting foreign dollars and competing internationally.

WIO: Okay, let's change gears a bit. Aside from AI and the threat of a bubble market, the other major investor concern is inflation — particularly U.S. inflation and how that will affect the Fed's rate-cutting program. U.S. price growth has been holding at around 3%, but the inflationary dynamics are glaring: weakening U.S. dollar, falling immigration, rising protectionism and an insufficient commodities pipeline. How likely is it that we'll see another spike? Beata, let's start with you.

Caranci: The impact of tariffs on U.S. inflation has been smaller than most economists had predicted. But the dynamics you mentioned are definitely there. For the three months ending in September, core goods prices are up over 4% annualized. Over the April to June period, when tariffs were announced but not yet fully enacted, these prices were essentially flat (Figure 8).

Figure 8: U.S. goods inflation heating up

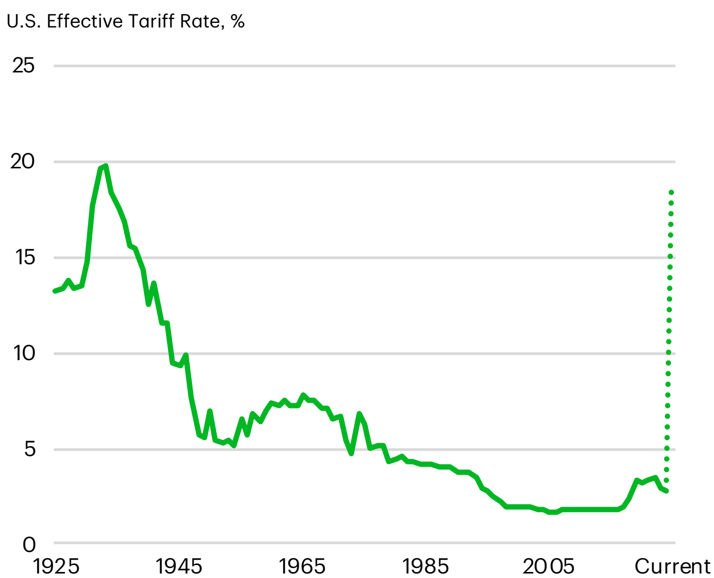


Source: Bureau of Labor Statistics, Haver Analytics

So we cannot take comfort in inflation holding the line, because the underlying dynamics are starting to show some heat. It's still early innings in a very long game. Tariff policies so far have come with all sorts of pauses, exemptions and carve-outs, giving companies ample opportunity to stockpile inventories or shift their imports to limit tariff exposure.

Every U.S. trade deal done so far with counterparties has left a higher tariff rate than last year. The sticker price generally ranges from 10% to 15%, but it tends to be much higher on specific products that are deemed important to the U.S. for national security or other nation-building reasons, like steel, aluminum and copper. We estimate that the effective tariff rate in the U.S. is around 17%, the highest since the 1930s (Figure 9). At this level, the annual tax revenue from tariffs is around $400 billion per year. It's unrealistic to assume that corporations can absorb that entire cost.

Figure 9: U.S. tariff rate the highest since 1933



Source: U.S. Census Bureau, TD Economics

WIO: Is there a risk that U.S. inflation could go way up again, as it did in the 1970s, when we had a double spike?

Caranci: Much less I think now. There was a different environment in the '70s, and energy prices are going the other way in terms of weakness. The U.S. is hovering at around 3% inflation, so we're a long ways off from 9%. If it does spike, maybe 4% is a more realistic level. Remember that today the Fed manages inflation expectations, which you wouldn't have had in the '70s. And, if inflation does begin to rear its ugly head, it defeats the goal of the U.S. administration and risks a defeat at mid-term elections in 2026. They would be incented to adjust the tariff rates.

WIO: I guess so much of it is expectations and market sentiment. David, what's your take on the threat of U.S. inflation going forward?

Sykes: Well, it was hard to get data during the government shutdown, but I think last year a lot of people, particularly in the fixed income world, would have told you that inflation was going to rear its ugly head again, and that rates would be higher from where they were a year ago. Factually speaking, though, they are not. If you look at it, 10-year rates are down 40, 50 basis points year-to-date, and interest rates have not gone higher.

WIO: Interest rates have gone down, but inflation is ticking up ever so slightly in the U.S., isn't it?

Sykes: Look, I think inflation is still something to worry about — we haven't necessarily slayed it — but let's just be really clear here, we're not talking about inflation at 9% like during Covid. We're down to 3% in the U.S., and what you're starting to see is that the biggest component of inflation, which is owner's equivalent rent, is starting to come off slowly.

You're also starting to see the two most important prices in the world coming down: the price of oil and the price of money. People say that oil isn't as important for the global economy as it used to be, but WTI has come way down — like, we're at 60 bucks a barrel. That's really different than $80, $90 or $100. And if I think about the price of money, the Fed's been cutting and long rates have come down. And because of AI, a lot of people are starting to talk about the potential for job losses, and so that wage pressure coming from employees and companies is also moderating more than people realized.

So yes, inflation is still a risk, but from where I'm sitting, all those deflationary dynamics I mentioned are leading price growth to be in that 3-ish range. And I think that's okay. I don't think inflation has to go to where it used to be. I don't want it to go to 4% or 5%, but if we were somewhere between 3% and 2%, I think that's something the world could handle, and it's something that equity markets would really like.

WIO: Beata, back to you. Assuming inflation does stay around 3%, does the Fed still have room to cut?

Caranci: I think they have a little room to cut because they're not inside their own estimates of neutral. Ideally they would want to be somewhere between 3% and 3.5% — so by their own estimates, they still have a restrictive policy, punctuated by a job market that has materially softened. In any event, 25 bps is neither here nor there. If they cut rates in December and inflation doesn't fall from 3%, it will slow them down in terms of the speed that they can get back to neutral. So it's not necessarily the near-term cut that's in jeopardy; it's the pace at which they can move.

WIO: And why does that matter for investors? Brad?

Simpson: Well, from an investment perspective, market expectations for monetary policy matter because rate expectations change the price you're willing to pay for a dollar of future profit, and they shift the slope of earnings estimates. Or in other words, when investors expect easier policy, falling-rate volatility or stronger GDP, risk premiums fall and multiples expand. On the other hand, when growth or inflation risks rise, risk premiums widen and multiples contract. But over the medium to long run it's earnings growth that delivers the bulk of equity returns, which is ultimately driven by GDP and productivity.

WIO: Okay, let's turn to the market risks and opportunities right now. It appears the big risk is concentration. So if you were looking to diversify away from tech and AI, what are some of the big themes moving into 2026 that perhaps have been overlooked given the euphoria right now? Which big ideas have been drowned out by AI? Brad?

Simpson: Absolutely, but before I get into that, I would also say there are also many ways to play the AI theme other than investing directly in chipmakers' stocks. For instance, there are still attractive opportunities downstream in the AI value chain in other related industries that will benefit from potentially revolutionary improvements in productivity and information-sharing — industries like utilities, health care and banking. We also continue to like commodities exposure. With elevated valuations in other markets, the risk/reward of adding commodities to portfolios is very compelling. In nominal terms, commodities have rarely been this inexpensive versus equities, and we think we're at the precipice of that changing.

Also, aside from the U.S., other regions offer attractive opportunities as well. While we continue to maintain a modest underweight recommendation for international and EM equities, that doesn't mean zero exposure. The major structural shifts in U.S. policy are impacting many countries, and with that comes some attractive opportunities.

WIO: How about you, David? Any big themes heading into the new year?

Sykes: The big one that I'm pretty excited about is what I'm going to call "Investment Banking M&A." We've seen a significant amount of deregulation from the Trump administration, so when CEOs and boards are thinking, "Will the regulatory authorities approve this deal?" I think managers have much more confidence that, yes, the deal will get approved. And if you look at Morgan Stanley, Goldman Sachs, the i-banking numbers and capital-market numbers last quarter were unbelievable — they were off the charts — and I think that trend is going to continue. We feel strongly about that.

WIO: Anything else?

Sykes: There are a couple. Health care, for instance. I mean, for a while, health was all about GLP1s and weight loss, but people need to understand that — because of people's desire to live longer, things like nutrition, healthy living and services that revolve around your body and how to maintain a healthier lifestyle — these things are not going away. And that can be played through biotech companies, through nutrition, through food companies. That's a big theme for us as well.

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WIO: Are you talking about the baby boom effect and the promise of AI to extend lives?

Sykes: No, it's way broader than that. Take alcohol consumption. It's down a lot, because younger folks don't want to have a beer or wine. They want to have a yummy, refreshing non-alcoholic cocktail at a really cool social setting. That's a very foreign concept to me, but it's a real trend. Even in the snacking business, it used to be potato chips. Now it's chickpea chips, and it's organic. Even in consumer staples, the entire product portfolio is shifting. And so when I talk about health and wellness, it's not just biotech trying to cure disease; it's all these different shifts.

Simpson: There's also the potential to lower the cost of drug discovery, improve diagnostics and enable more personalized treatment — pharma has become one of Nvidia's fastest-growing segments, for instance.

Sykes: That's right. And then the last big theme I would mention is, anything in and around infrastructure. Infrastructure is old. It's aging. Governments globally are prioritizing infrastructure as a growth engine. From the U.S. Infrastructure Investment and Jobs Act to Canada's top-five priority projects, and the EU's green deal, these initiatives are creating multi-year tailwinds for companies involved in building roads, bridges, ports as well as all the data centres and digital infrastructure. Everybody needs infrastructure, so that infra theme, I think, is really big as well.

Simpson: Yeah, the AI and data-centre buildout is hugely electricity-intensive. Utilities are now forecasting some of the strongest grid-load growth in decades, and that's driving major investment in generation, transmission and storage. AI isn't just a tech story — it's a power story as well. OpenAI has committed to building 26 gigawatts of new data-centre capacity, which would cost over $1 trillion to develop.

WIO: We've been talking specifically about equity diversification, but what about non-traditional asset classes, like alts? Are these only for people who can afford to lock in for decades, or should everyone be looking at them?

Sykes: We do offer solutions that are hybrid, so they might have 70% or 80% that are illiquids and 20% or 30% in a cash sleeve or a short-term debt sleeve. So if you absolutely need that liquidity, you can get it, but I think by and large the premise is right. These are illiquids because they are illiquid. The vast majority of people, however, can afford some measure of illiquidity, and these assets offer a very low correlation to traditional fixed income and equity markets.

WIO: I think some people are just intimidated by the novelty of it. Alts and private markets may seem hard to understand for an investor who's used to the balanced stock/bond portfolio.

Sykes: That's the funny thing. They're not hard to understand at all. I very much view them as real assets that one can see, but also real assets that one can understand in terms of where the income streams and the growth of those income streams come from over time. Like, everyone understands how apartments work — you pay rent, the landlord raises rent the next year. Well, if you're an investor, that's going to cover your inflation cost. And so these to me are the quintessential examples of assets that pay you income today and will grow that income over time, at least in line with inflation, and they are very stable, sticky assets that are less correlated to other parts of your portfolio.

Simpson: At WIO, we have been advocates of adding alternatives to portfolios given the significant benefits to risk-adjusted returns. Alternatives offer different risk and return characteristics from traditional assets, which make them a compelling asset and risk diversifier. We have adopted an investment approach in Wealth that acknowledges that no single security, asset class or market can be expected to provide consistent returns. Instead of a traditional balanced portfolio containing cash, fixed income and equities, our risk-managed portfolios represent a fusion of investments from multiple asset classes and strategies including cash, fixed income, equities, commodities, private capital, real assets and liquid alternatives.

WIO: What about the public markets? Couldn't you get some exposure to real estate and infrastructure and those types of assets through REITs or asset managers?

Sykes: There are lots of infrastructure companies and alternative companies that have common equity, but it's still common equity at the end of the day. And so, to me, I don't think there's any substitute for the real thing. You could buy a REIT, or you could buy a REIT ETF, or you could buy an infrastructure ETF, but what we find for our more sophisticated larger-dollar clients is that they want direct exposure to illiquids, and they're very happy to not have liquidity because their liabilities are very long-dated, and they can be invested in these for 10, 20, 30 years.

WIO: That's interesting. It reminds me of something your head of commodities told us recently. He pointed to the misconception people have about gold equities versus buying actual physical gold through the futures market. Is that similar to real estate versus real estate equities?

Sykes: Exactly. If you're in gold, you know exactly what you're getting. You're getting physical gold. If you're in a gold equity, some of your risk may not just be the price of gold. The mining company might be in a weird region where the rule of law doesn't apply. Or you might have a horrible operator with lots of cost overruns. Or you might have a labour strike. So you're not just subject to the price of gold; there's a whole bunch of other variables you have to think about.

WIO: Speaking of which, are commodities another way that investors can get some diversification in this highly concentrated market? And if so, how much is advisable?

Sykes: Broadly speaking, yes, people should have exposure to commodities. Exactly the number is hard to know, but the commodities team here have done a bunch of work on this, and I think somewhere between 3% and 5% is the right number for most portfolios. But to be clear, I'm not suggesting that 3% to 5% of your portfolio should be gold. When we say commodities, we mean a portfolio containing broadly diversified commodity assets — copper, precious metals, softs, agriculture, soybeans, lean hogs, cattle. Actual commodities. The work that our asset-allocation team does has led to that 3% to 5% answer, but of course, with the caveat that everybody's different and every plan is different.

WIO: What about you, Brad? You tend to have a longer-term perspective. What are your thoughts on commodities as a long-term portfolio holding?

Simpson: I couldn't agree more. The weight for an individual client depends on your unique circumstances and profile, which needs to be considered with an investment professional. Having said that, there are a few things that make commodities attractive in the current environment: low correlation to other assets, geopolitical risk and inflation risk.

Commodities like copper, uranium and base metals remain in tight supply and are central to electrification, grid modernization, infrastructure build-out and, increasingly, defence spending. The reality is, commodities tend to benefit from heightened geopolitical risk, which we believe will continue to be the case. So that has increased the importance of commodities, in addition to the diversification benefits. If we think about the critical importance of copper, rare earths and other base metals, governments are incentivized to stockpile inventories when geopolitical risk is elevated or uncertain.

We are also seeing this in gold, albeit in a different way. Central banks have been net buyers of gold, and we expect that will also continue given the risk in fiat currencies. And finally, we have spoken about the risk of inflation, and while none of us believe it is a significant risk, inflation is still higher than central-bank target levels, and there remains some uncertainty about the outlook. We could all be wrong and it could turn out to be an issue. This is why a diversified portfolio is so important.

WIO: Okay, well this has been quite an extensive panel discussion. Thanks to all of you for participating. Does anyone have any final thoughts before I let you go.

Simpson: Maybe I can just bring it back to where we started when David addressed those market-bubble fears. The thing is, while there's no doubt that valuations are stretched and breadth is narrow, and policy risk is back in play, there are two strong counterarguments in favour of keeping the bull case alive: one, liquidity and pro-business policy; and two, earnings growth. Financial markets rest on two stabilizers — liquidity and earnings power — which have not yet broken. Until the Fed and other central banks stop cutting rates, and earnings start to disappoint, calling the exact peak of the market may remain more psychological than empirical. For investors, that argues not for panic, but for measured discipline: trim excess risk and be truly diversified.

Successful investment is about staying diversified and not giving in to temptation. If your entire portfolio was made up of tech stocks in 2000, you learned a painful lesson, but if you owned a properly diversified portfolio, you learned a positive lesson about diversification.

WIO: Thanks, Brad. I think that's a great place to end it for now. Thanks to all of you for participating in this comprehensive discussion.

Sykes: Always a pleasure. Thanks.

Caranci: More than happy to help.

Simpson: Thanks, everyone.

Market Performance

Canadian Indices ($CA) Return	Index	(%) 1 Month	(%) 3 Months	(%) YTD	(%) 1 Year	(%) 3 Years	(%) 5 Years	(%) 10 Years	(%) 20 Years
S&P/TSX Composite (TR)	127 923	0,97	11,70	25,13	28,75	19,52	17,64	11,71	8,63
S&P/TSX Composite (PR)	30 261	0,79	11,01	22,37	25,27	15,92	14,20	8,38	5,49
S&P/TSX 60 (TR)	6 163	0,80	10,64	23,05	26,87	18,58	17,54	11,88	8,85
S&P/TSX SmallCap (TR)	2 098	2,30	21,82	39,40	38,43	21,95	18,69	10,81	5,93
S&P/TSX Preferred Share(TR)	2 411	2,24	3,29	14,36	20,01	13,82	9,73	6,25	3,61
U.S. Indices ($US) Return									
S&P 500 (TR)	15 174	2,34	8,23	17,52	21,45	22,68	17,64	14,64	11,19
S&P 500 (PR)	6 840	2,27	7,90	16,30	19,89	20,89	15,91	12,65	9,06
Dow Jones Industrial (PR)	47 563	2,51	7,78	11,80	13,89	13,26	12,41	10,41	7,88
NASDAQ Composite (PR)	23 725	4,70	12,32	22,86	31,11	29,25	16,81	16,72	12,83
Russell 2000 (TR)	13 554	1,81	12,48	12,39	14,41	11,94	11,50	9,36	8,41
U.S. Indices ($CA) Return									
S&P 500 (TR)	21 274	3,06	9,57	14,50	22,30	23,81	18,82	15,44	12,14
S&P 500 (PR)	9 590	2,99	9,24	13,31	20,72	22,00	17,07	13,43	9,99
Dow Jones Industrial (PR)	66 683	3,23	9,12	8,92	14,68	14,31	13,53	11,19	8,80
NASDAQ Composite (PR)	33 262	5,44	13,72	19,70	32,03	30,44	17,97	17,54	13,80
Russell 2000 (TR)	19 002	2,53	13,87	9,50	15,21	12,97	12,61	10,13	9,34
MSCI Indices ($US) Total Return									
World	20 859	2,02	8,12	20,21	22,53	22,25	16,12	12,37	9,33
EAFE (Europe, Australasia, Far East)	14 194	1,19	7,58	27,21	23,66	20,68	12,89	8,01	6,26
EM (Emerging Markets)	3 812	4,19	13,31	33,59	28,69	21,72	7,95	8,13	7,08
MSCI Indices ($CA) Total Return									
World	29 245	2,74	9,46	17,12	23,39	23,38	17,28	13,15	10,27
EAFE (Europe, Australasia, Far East)	19 900	1,90	8,92	23,94	24,52	21,79	14,02	8,77	7,17
EM (Emerging Markets)	5 344	4,92	14,72	30,16	29,58	22,84	9,03	8,89	7,99

Currency									
Canadian Dollar ($US/$CA)	1,40	0,65	1,11	-2,60	0,55	0,94	1,01	0,69	0,85
Regional Indices (Native Currency, PR)									
London FTSE 100 (UK)	9 717	3,92	6,40	18,89	19,82	11,06	11,74	4,33	3,06
Hang Seng (Hong Kong)	25 907	-3,53	4,57	29,15	27,51	20,83	1,45	1,36	2,98
Nikkei 225 (Japan)	52 411	16,64	27,62	31,37	34,11	23,85	17,93	10,63	6,98

Benchmark Bond Yields	3 Months	5 Yrs	10 Yrs	30 Yrs
Government of Canada Yields	2,25	2,70	3,12	3,58
US Treasury Yields	3,83	3,69	4,08	4,65

Bond Indices ($CA Hedged) Total Return	Index	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
FTSE TMX Canada 91-day Treasury Bill Index	483	0,25	0,74	2,46	3,12	4,26	2,80	1,90
FTSE TMX Canada Universe Bond Index	1 212	0,69	2,98	3,69	5,23	5,25	0,07	2,13
FTSE TMX Canada All Government Bond Index	1 130	0,69	3,12	3,31	4,70	4,53	-0,60	1,69
FTSE TMX Canada All Corporate Bond Index	1 510	0,70	2,54	4,86	6,88	7,39	2,01	3,36
U.S. Corporate High Yield Bond Index	320	-0,01	1,77	5,89	6,23	9,01	4,61	5,03
Global Aggregate Bond Index	268	0,62	1,63	3,36	3,38	4,45	-0,22	1,78
JPM EMBI Global Core Bond Index	588	1,78	5,05	11,22	10,38	11,48	1,44	3,09
S&P/TSX Preferred Total Return Index	2 411	2,64	3,29	14,36	19,39	13,82	9,69	6,22

Source: TD Securities Inc., Morningstar®, TR: total return, PR: price return, as of October 31, 2025.

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