



Quarterly Commentary

2025

Year-in-Review

A SHIFTING WORLD

Investing is a numbers-driven world—in any given year, analysts and individuals alike spend countless hours dissecting numbers derived from all manner of sources, evaluating what they mean for the profits of a particular company or sector, or assessing what gross domestic product (GDP) forecasts, inflation data, and interest rates mean for the outlook of a particular economy. It is easy to get wrapped-up in the numbers and the 'micro' of finance, even if the intent is to contextualize those numbers with the real-world events behind them—or what they might mean for the events of the future.

Investors were again treated to some great numbers in 2025, with most major global equity indices producing another year of double-digit returns. And yet, when thinking about the past year and contemplating how we might summarize it in this letter, the numbers seemed unusually dwarfed by the weight of (and perhaps the seeming disconnection from) the context.

If we zoom out from the numbers, 2025 is likely to be remembered as much more than just another positive year in the markets. Rather, I think it will be remembered as a year where long-established relationships, trends and norms gave way to the pressures of a changing, increasingly competitive and insular world, the ramifications of which may play out for years or decades to come.

From a geopolitical perspective, 2025 was dominated by President Trump launching a global trade war on April 2nd through the implementation of sweeping tariffs on so-called 'Liberation Day'. Though tariff rates proposed that day were quickly mothballed, the remainder of the year was characterized by major and minor U.S. trading partners alike attempting to avoid the worst of the tariff wrath and gain more favourable trading terms than their neighbours. In most cases, that meant currying favour through the promise of direct spending on U.S. goods or direct investment in the U.S. economy.

And yet, whereas 'Liberation Day' caused an eight-day market meltdown, markets recovered quickly following the subsequent pause announced on April 9th. From there, they largely overlooked the barrage of tariff announcements that punctuated the headlines through the remainder of the year. We enter 2026 with the average effective tariff rate for goods entering the U.S. estimated between 15 and 20%; the highest levels since World War II, and a far cry from less-than 3% at the start of 2025. Trade agreements with some of the U.S.'s largest trading partners, including Canada and Mexico (for goods outside the existing Canada-U.S.-Mexico Agreement (CUSMA)), remain elusive. Perhaps most notably, the U.S. and China remain in a precarious tug-of-war, with China arguably holding greater bargaining power due to their manufacturing power and critical resources.



Nations around the world—including our own—awoke to the risks of relying on the U.S. as the world's de-facto growth engine. So too did governments awaken to the precarity of the U.S.-led security umbrella previously understood to 'guarantee' safety and sovereignty under the likes of the NATO accord, or otherwise provided to friendly nations under threat from hostile, autocratic rulers under the guise of 'protecting democracy' (à la Ukraine). Even the unshakable status of the U.S. Dollar (USD) as the global reserve currency came under pressure.

Taken together, 2025 saw the order and structures established through decades of globalization rattled, reorganized, and, in some cases, redacted. The world is migrating away from a focus on increasing cooperation, homogenization and global efficiency, to one more focused on fragmentation, protectionism, and security (of both sovereignty and resources alike). This has forced countries around the world to look inward, evaluate how they would adjust to a changing global order, who they might trade with, and what they themselves would do to grow their own economies and guarantee their own security.

Another force shaking long-established orders is the continued rise of Artificial Intelligence (AI). Evidence suggesting this will be truly revolutionary technology is mounting. It has the potential to fundamentally change how we work, what we work on, how we learn, how we engage with media and each other, indeed, even how our societies function. These changes will not be linear; much like the internet and smart phones gave rise to new industries and altered the ways we interacted with the world, so too will AI in ways unrecognizable to us now. The question remains over what timeline will such change occur?

To be sure, AI has already had a significant effect on the business and investing landscape. The buildout of the necessary infrastructure requires immense resources and a level of potential capital investment forecast to be beyond anything we've seen before. That infrastructure, too, will require enormous

amounts of energy to power its ongoing functioning. Protectionism around AI is also rising. It is increasingly being recognized as an industry and resource of strategic importance, both in terms of its economic potential and its role in our security.

It is said that bull markets climb a wall of worry. With the backdrop outlined above, 2025 was certainly a testament to that. And although the list of 'worries' carry on to 2026, 2025 also highlighted markets, economies, and governments can adjust to changing realities. Indeed, coming back to the numbers, global markets produced double-digit returns in 2025 because corporations and economies adjusted well to changing conditions, continued to function despite expectations to the contrary, and took hold of opportunities presented by that change. Human ingenuity and our ability to adapt should never be underestimated.

At Griffiths Underdahl Wealth Management, we are aware of the folly of predicting what markets have in store for us over the next year. Rather, we endeavour to build durable portfolios that will perform in a range of conditions, all with an eye on capital preservation and risk-management. That said, we spend a lot of time thinking about and researching potential sources of risk that may affect our portfolios, how we might mitigate those risks, and what opportunities may be uncovered in the process.

Below, we lay out some of the key themes we are thinking about and monitoring heading into the next year, along with how we are positioning portfolios in light of such themes. Perhaps emblematic of the shifting world we find ourselves in, we have taken a slightly different approach to this exercise than in prior years, and have chosen to discuss such themes on a more regional basis.

MARKET THEMES FOR 2026

USA - Everything is AI

It is hard to believe the release of the original ChatGPT was only three years ago (November 30, 2022). Since that time, the U.S. market has been dominated by all things AI. In 2023, the Magnificent Seven mega-cap technology stocks accounted for 63% of the total return of the S&P 500 Index. In 2024, that number was 55%, and in 2025, 46%. The top ten stocks of the S&P500 (the Magnificent Seven plus Broadcom, JP Morgan and Berkshire Hathaway) now account for a staggering 41.1% of the Index. Though we have started to see some divergence in the strategy and fortunes of the Magnificent Seven, they continue to have huge influence on market returns and the economy itself due to their sheer size and immense investments in AI.

AI has the potential to be enormously powerful, but 2025 further highlighted that realizing that power will only come on the back of enormous investment. We started the year with the Mag Seven companies projecting to spend \$330 billion of capital on AI in 2025; actual spending is projected to be closer to \$500 billion. Between 2026 and 2030, projected spending from the four largest 'hyperscalers' alone (Amazon, Alphabet, Microsoft, and Meta) range between \$5-7 trillion dollars—more than the annual Gross Domestic Product (GDP) of Germany, the world's third-largest economy. Including Oracle, spending on AI from these companies now accounts for 25% of total U.S. market capital expenditures ('capex'), and is expected to contribute more to U.S. GDP growth in 2025 than consumer spending.

Much of the current spending is focused on the buildout of the infrastructure needed to run AI, primarily the data centers needed to train and run the large language models (LLMs) that sift through endless amounts of data and provide the 'intelligence' back to the user(s).

Adoption of AI is growing, however, if it is to be utilized in and applied to nearly all aspects of our lives, significantly more infrastructure is

needed than what is currently available. The current arms race in AI reflects firms trying to gain so-called first-mover advantage with regard to this infrastructure; the expectation being that it will pay dividends over the long-term. The challenge is, we remain in the very early stages of AI's development and adoption, particularly in a broad industrial sense. If the forecasts related to the scale and timeline of adoption are overstated, or if technological advancements give rise to far more efficient processes, how much data center capacity will truly be needed in five- or ten-years' time? With the technology so new and the spending so high, the risk of stranded—or at least underutilized—capital is significant.

Further, an increasing amount of this spending has become circular. Many of these firms are each other's biggest customers, and a number of major players made significant direct investments in other firms in 2025 (NVIDIA and OpenAI being the most notable examples). These firms are, in turn, expected to recycle this money back in the form of orders from the very same companies. This circular funding raises questions about the sustainability of such investment, and also raises the risk of a downturn in one company having broader knock-on effects across the industry.

Many of the Magnificent Seven have historically generated strong free-cash-flow from their non-AI businesses and have long held significant amounts of cash on their balance sheets. Accordingly, a significant amount of their AI investment has thus far been funded through cash flow or cash-on-hand. This is much healthier than funding large capital programs via debt or equity financing, as was overwhelmingly the case in the dot-com era of the early 2000s. However, it is forcing their business models to shift from relatively capital-light/high-margin businesses, to highly capital-intensive ones. If Microsoft, for example, wanted to deploy software in different parts of the world, minimal capital was needed to achieve that expansion. If Microsoft wants to expand their AI infrastructure and have cutting-edge AI models, they need hundreds-

of-billions of dollars to do so. To be sure, the level of projected spending over the coming years cannot be fulfilled by cash flow alone.

Concerns around whether we are experiencing an AI bubble grew throughout 2025, and while there is no doubt valuation multiples in AI-related companies have broadly expanded over the past three years, so too have earnings. At the end of 2021 the top ten stocks of the S&P 500 accounted for approximately one-third of total market cap, today they account for 41%, but they now also account for approximately one-third of total earnings. NVIDIA—perhaps the company most closely associated with the AI arms race—has seen its stock price increase approximately 14x since 2021, whereas its earnings have increased approximately 20x. On the other end of the spectrum, signs of froth are undoubtedly present. For example, in the private markets, initial ('seed') funding of AI-related startup firms are attracting billions of dollars at valuations many multiples above non-AI-related firms. In some cases, this is despite the AI firms having no publicly released product or service available.

In aggregate, valuations of the S&P 500 are near the highs observed in 2020 and 2021, and approaching the highs at the turn-of-the-century before that (which peaked at approximately 24x in 2000). Currently, the forward price-to-earnings (P/E) ratio of the S&P 500 is 22x, well above its long-term average of 16.8x. This is skewed heavily to the mega-caps, with the top ten stocks trading at an average P/E of 29x, while the remaining 490 companies trade at an average of 19.3x.

What's more, with the staggering amount being spent on AI infrastructure (and the forward projections tied to it), it has become increasingly difficult to invest in parts of the U.S. market without compounding your exposure to the AI theme. Utilities are now a play on AI because their power is required to run the data centers and train the LLMs. Indeed, power is increasingly being viewed as a potential limiting factor in the pace of the AI buildout, given the incredibly power-hungry nature of this technology. (McKinsey estimates

energy demand from data centers is expected to quadruple to 606 TWh — ~12% of total U.S. power usage — by 2030.) Industrials consist of everything from the machinery needed to construct the data centers themselves to the HVAC systems required to cool them. Utilities and Industrials were the top two performing sectors behind Technology in 2025. With hundreds of billions of dollars being spent each year, the reach and stimulative impact of these dollars across the U.S. market is significant.

High valuation multiples are a symptom of momentum and excitement around future potential; they are a concern insofar as they influence the room available for valuations to fall if faced with a catalyst that threatens that momentum. High valuations, however, are rarely a catalyst in and of themselves, and momentum can be a very persistent force. Former Federal Reserve Chairman, Allan Greenspan, famously described the soaring stock market of the dot-com era as 'irrational exuberance'. That speech was given in December 1996; the tech bubble didn't burst until March 2000. Is current enthusiasm around AI overly optimistic in the short-term and are valuations too high? Our view is the answer is most probably yes. But whether they are ultimately irrational—or rationally optimistic—we will only know in retrospect.

The sustainability around tech valuations has been a leading concern since the end of 2023. Two years later, they have continued to drive the majority of market returns in the U.S., and a significant amount in foreign markets, too. There will likely be volatility as the world determines what AI truly is, how it will be deployed effectively, and what it means for the profitability and productivity of companies and economies. Successful companies have the potential to create vast wealth; unsuccessful ones will cease to exist and destroy capital in the process. Sitting on the sidelines risks not participating in potentially one of the largest technological shifts in modern history. How to participate in that growth effectively without experiencing the full weight of that volatility will be important, and is a primary focus of our team.

International Equities — Realignments and Shifting Strategies

Since the Global Financial Crisis, U.S. exceptionalism in the context of stock market has become somewhat of an expectation. Last year proved to be an outlier in that sense, with markets in Canada, Europe, the U.K., China, and many Emerging Markets outperforming the U.S. In the context of a global trade war launched by the world's largest economy, one could be forgiven for being surprised by that outcome. Despite the seeming paradox, a number of factors contributed to Global equities' rise to exceptionalism in 2025—trends we believe will continue to provide tailwinds in the year ahead.

For investors evaluating forward return expectations, starting valuations matter. Through the back-half of 2024 and leading into 2025, foreign equities traded at record valuation discounts relative to U.S. stocks. Discounts of such magnitude rarely stand the test of time. When President Trump flipped the status quo of global trade relationships on its head with his tariff agenda, foreign equities proved an attractively priced, potentially less-volatile domain for equity investors to acquire quality companies at substantial discounts. Additionally, many countries had long depended on the consumption-heavy U.S. to be a consistent and reliable buyer of goods. But when forced with the uncertainty of what a future partnership with the U.S. would look like, and what it may cost them, many necessarily looked inward to support their own stability and growth. In response, governments were quick to promote pro-growth fiscal agendas designed to stimulate their economies, thus bolstering the outlook for stocks.

Further, in the face of a less globalized world, security of resources and supply chains becomes increasingly important. This prompted many nations to re-evaluate trading relationships and work to establish favourable regional agreements and bilateral partnerships. Although it is clear the U.S. will continue to be a massive factor in global trade despite tariffs, 2025 saw a multitude of such arrangements

(including some from unlikely cooperators). This trend is likely to continue in 2026, as countries look to increase the security of their own supply chains—even at the potential expense of outright efficiency—and fortify markets for their own goods.

Defense and security also proved a powerful motivator in 2025. Western nations in particular have steadily reduced defense spending in the decades following the Cold War, in what has been dubbed the 'peace dividend'. However, with geopolitical instability rising, and the likes of China, Russia and others increasingly exerting their own geopolitical interests, policies towards defense spending are shifting rapidly.

Germany kickstarted this shift in Europe during the first quarter when then Chancellor-in-Waiting, Friedrich Merz, announced one of his primary objectives upon taking office would be to increase defense spending and rebuild Germany's defense capabilities. This was in response to waning confidence in the U.S.'s apparent commitment to defend Europe under its NATO obligations should the Russia-Ukraine conflict, for example, expand into a broader regional conflict. Long the bastion of austerity, this notable shift in fiscal policy lit a fire under European defense and infrastructure companies. NATO later added fuel to that fire when member nations agreed to raise targets for defense spending from 2% to 3.5% of GDP, with an additional 1.5% targeted for defense-related infrastructure. Rebuilding a military takes time and significant capital; Germany alone announced a €52 billion military spending package in December. Although an uncomfortable and disconcerting source of potential growth, such spending could provide sustained fiscal stimulus for years to come.

The potential for geopolitical conflict appears to be on the rise. Shortly before finalizing this letter (January 8th), the U.S. completed hostile operations within Venezuelan territory to arrest President Nicolás Maduro and take control of the country (and its oil). The Trump administration followed up with additional

overtures about a potential takeover of rare-earth-rich Greenland as well, claiming military operations are 'always an option'. With such actions and rhetoric, the post-Cold-War peace dividend certainly appears set to deteriorate further.

We would be remiss if we did not address China's revival in the context of global markets in 2025. Although they continue to struggle with a failing development industry and anemic consumer demand, the release of Deep Seek's incredibly cheap and effective AI model in February proved pivotal in the world recognizing them as a legitimate competitor to the U.S. in the race to develop artificial intelligence. From that point on, Chinese technology stocks drove the market higher. Recognition of the evolving power-play in AI between the U.S. and China has increasingly prompted legitimate concerns around the security of AI technology in the context of data security, as well as potentially nefarious applications in the arenas of defense, intelligence gathering, and political coercion.

Finally, foreign equities also benefited from a weakening USD in 2025. This trend is forecast to continue in the coming year with continued policy uncertainty in the U.S., associated concerns around potentially delayed tariff impacts, questions around U.S. Federal Reserve independence, and ongoing efforts by global central banks to diversify currency reserves away from U.S. dollars.

Canada – Trade Wars and Nation-Building

Despite gold and bank stocks helping to deliver stellar returns for the S&P/TSX Composite Index, Canada had a very challenging year in 2025. We started the year with threats of annexation by President Trump and a fog of domestic uncertainty prompted by Prime Minister Trudeau's resignation. Twelve months on, and with a new Prime Minister in office, those threats remain present, a number of our critical industries remain under punishing sectoral tariffs, and, unlike many other nations, we have been unsuccessful in cementing a

trading agreement with the U.S. beyond the curtailed protections allowed for under the Canada-U.S.-Mexico Agreement (CUSMA).

Canada's proximity and historical trading relationship with the U.S. has undeniably been a positive for the domestic economy. At the same time, that benefit has evolved into complacency towards the risks of a single partner having so much influence over the economy. The U.S. accounts for approximately 77% of Canada's foreign exports. Enthusiasm to grow Canadian businesses and diversify its industries has often been hindered by the long shadow of large, wealthy, established U.S. competitors presenting risks to home-grown solutions. In other areas, bureaucracy and political red tape have had the same effect.

The renegotiation of CUSMA is scheduled to take place in July of this year. As that deadline approaches, rhetoric around increased tariffs and economic coercion by the U.S. will undoubtedly rise, and threats around the wholesale scrapping of the agreement are likely. We do ultimately expect the agreement to live on, though considerable concessions around perennial sore points (e.g. dairy, lumber, etc.) are likely. Regardless of the outcome, perhaps more than any other nation, Canada needs to focus on finding and fostering alternative markets for its goods, and promoting economic growth within its own borders.

To that end, Prime Minister Mark Carney won April's election with the promise of implementing nation-building projects, and to 'develop at a speed and scale not seen in generations'. Clarity around these efforts came with the announcement of the Building Canada Act and a series of 11 major infrastructure projects deemed to be 'transformative' and in Canada's national interest. Under this legislation, these projects are set to receive Government investment along with fast-tracked approval processes. The scope ranges from strategic electrical grid expansions and power projects (including small modular nuclear development) to port expansions, and large mining and commodity development projects (including LNG Canada's phase 2 expansion).

Further adding to the effort is the Government's 'Buy Canadian' policy, in which Canadian suppliers and goods must be prioritized in large Government contracts to support industrial growth and strengthen domestic supply chains.

Canada has long been challenged to advance major infrastructure projects in the face of punitive regulatory approval processes. Simplifying such development, if it can truly be done effectively, is undoubtedly a step in the right direction towards unlocking resources and advancing the great economic potential of the country. However, reimagining the economy and reconfiguring trading relationships will take time and require significant investment. Canada's fiscal deficit for 2026 is projected to be \$78.3 billion. Increased NATO spending obligations in the years ahead further raise the fiscal and economic hurdles facing the country.

Canada is a resource-rich nation. This is true in the sense of natural resources, but also in terms of our highly educated population and intellectual property. In the face of global fragmentation, these resources are an enormous asset. When combined with our political stability and reliability, Canada should be a highly desirable partner and an attractive place to invest. Positive shifts are underway—as a country, we need to sustain those efforts. If we do so successfully, we may look back on this time as a much-needed wake-up call which prompted the economic revitalization of our country.

Fixed Income – Bonds, Tariffs and Inflation

Interest rates broadly fell in 2025 as global central banks eased policy restrictiveness in the face of a highly uncertain global outlook. Such moves helped lift global bond prices, helping fixed income post positive returns in most developed and emerging markets.

Faced with considerable uncertainty around the potential inflationary impact of tariffs, the U.S. Federal Reserve (the 'Fed') left policy rates unchanged for the majority of the year. Although

tariff impacts proved softer than feared, U.S. inflation (as measured by the Consumer Price Index (CPI)) rose from a low of 2.3% in April, to a high of 3% in September. Despite remaining significantly above the Fed's 2% target, concerns around the apparent weakening of the U.S. labour market prompted Fed officials to cut rates three times between September and December, bringing the benchmark policy rate below 4% for the first time since October, 2022.

The path forward for U.S. rates in 2026 remains uncertain. In 2025, businesses raced to stockpile inventories in Q1 before tariffs took effect, and did so again between April and July during the 90-day tariff pause. Where tariffs were applied, rather than increase prices prematurely and risk loss of market share, many companies chose to absorb the charges until further certainty around rates emerged. As a result, it is unlikely we saw the full impact of tariffs in 2025. In 2026 we believe, we will start to see the full weight of tariffs' influence on prices, how those prices affect consumer spending, and the potential impacts on corporate margins.

Also muddying the picture for U.S. rates is President Trump's increasing effort to exert his influence on Fed policy. With Jerome Powell's term as the Chairman of the Federal Reserve expiring in May, Trump appears set to install a new Chair whom he deems more likely to grant his wish for lowering interest rates considerably. If he achieves his wish, enhanced scrutiny on Fed independence will likely weigh heavily on the U.S. dollar, and gold could once again shine.

Canada cut rates four times in 2025, bringing benchmark interest rates to 2.25%. The Bank of Canada ('BoC') held rates flat at their most recent policy meeting in December and are likely to remain at this level until some economic catalyst prompts further adjustment. With inflation stable around 2%, unemployment hovering around 6.5-7%, GDP remaining weak, and geopolitical risks rising, it appears more likely for that catalyst to push rates down in the near-term than up.

Finally, as we highlighted in our Q2 letter, global bond issuance is likely to rise on the back of globally elevated fiscal agendas, enhanced geopolitical risks, and increased defense spending. Governments will be looking to finance such spending, in part, through bond issuance. Nations around the world may also be looking to support their economies to help combat potential tariff impacts and support growth. With long-term debt concerns, expanding deficits, trade uncertainty, and a potential for a flood of global bonds hitting the market, bond yields may be forced higher in response. This will only be exacerbated by the likely rise in AI-related corporate bond issuances as companies are forced to move beyond cash flows to support their eye-watering capital programs in the years ahead.

GRIFFITHS UNDERDAHL WEALTH MANAGEMENT INVESTMENT STRATEGY

Every year new risks appear; some change, and some are resolved. We consistently stay abreast of evolving risks—we research them, analyze how they may affect markets and asset classes, and then formulate our investment strategy to mitigate those risks as much as possible. All while being cognizant of our clients' individual financial goals and risk tolerances.

Below we have outlined how we are thinking about and aligning our portfolios in light of the risks outlined above:

Fixed Income

The Bank of Canada continued to lower rates in 2025, providing further tailwinds to our existing bond holdings. However, forward yields on Canadian fixed income have adjusted lower in tandem, with yields exceeding 3.5% increasingly hard to come by. Additional cuts may be warranted if GDP weakens further, unemployment increases, or if U.S. policy pressure further deteriorates the business/economic outlook. Rate increases could be on the table if employment rates improve considerably or if inflation begins to rise,

however, our default case is for rates to remain relatively flat throughout 2026.

Though we continue to add selectively and opportunistically to Canadian fixed income, we have increasingly prioritized exposure to jurisdictions outside Canada where yields remain higher. Due to practical constraints on purchasing individual bonds outside North America, we have predominantly gained access to global bond markets through the addition of several actively managed funds. These funds focus on high-quality, investment-grade bonds in developed international markets, and have strong performance records when it comes to maximizing yield and return potential in global bond markets. The tax-efficiency of these funds, along with the income being generated from the assets they hold, make these compelling diversifiers to our fixed-income allocations.

U.S. bond yields remain attractive, and, unlike Canada, high-quality bonds trading at discounts remain available in parts of the market. Accordingly, where possible, we continue to prioritize individual U.S. bonds for clients with USD-denominated assets. We are loath to predict the path forward for interest rates given ongoing tariff and policy uncertainty, however, if President Trump's preferred candidate (widely anticipated to be Director of the National Economic Council, Kevin Hassett) replaces Jerome Powell as Fed Chair, we could see a marked shift in policy towards lower rates. This would be positive for short-term bonds, although may pose challenges for medium- and long-duration holdings. Accordingly, we remain primarily focused on bonds with terms-to-maturity of five years or less.

Finally, with credit spreads historically tight, we remain cognizant of the risk they may widen in response to deteriorating earnings or a weakening economic outlook. Accordingly, we remain focused on high-quality corporate bonds with investment-grade credit ratings while avoiding high-yield products.

Equities

Global equity markets performed exceptionally well over the prior year in the face of a challenging backdrop. Investors have been willing to shrug off headlines, and look past ongoing geopolitical and policy uncertainty, to continue to drive markets higher. What's more, volatility has remained remarkably subdued following the April tariff tantrum.

In the U.S., corporate earnings have been broadly supportive, however, valuations remain well above historical averages, particularly those tied to the AI theme. With market concentration continuing to rise, and the compounding effects of AI momentum spilling over to an increasingly wider array of sectors, we remain cautious and selective in adding exposure to this theme. Of course, we believe, exposure is needed. In that sense, we continue to overweight strategies that are well-diversified and have embedded downside-mitigation mechanisms built in. With AI capital programs rising, debt levels will be watched intently, and an increasing focus will be placed on firms' abilities to monetize their investments, likely resulting in further divergence between fortunes. In that sense, we target individual names with strong, diversified business models, strong cash flows and solid balance sheets. Value and dividend-payers may be benefactors of falling interest rates, profit taking in growth names, or volatility related to policy uncertainty or deteriorating employment.

Although Canada's economic outlook remains uncertain, falling interest rates have been positive for dividend-paying equities. These continue to comprise the bulk of our Canadian exposure, and we continue to add quality companies as opportunities present themselves (insurers being the most recent example). Canadian banks have been exceptional—though we are not adding at current levels, earnings have been strong, and dividends have continued to rise in response. In anticipation of elevated tensions related to trade and the renegotiation of CUSMA, we have been reducing exposure to companies and

sectors that may be more directly impacted by trade uncertainty and tariffs. Gold, and more specifically, gold miners, may push higher if geopolitical tensions rise, or if the full weight of tariffs pushes inflation higher.

We have been increasing exposure to global equities over the prior two years given more favourable valuations, relatively less policy uncertainty, and expanding fiscal agendas. Though valuations have certainly moved higher, we believe these trends will continue to be supportive, particularly in the case of the latter, as countries recognize the need to decrease their dependence on the U.S., foster growth internally, and invest in their own security. Foreign equities may also attract flows away from North America if trade negotiations become disorderly. Further weakening of the USD (as is forecast), would also be supportive.

To summarize our equity positioning:

- We maintain a cautious view overall with concerns around elevated valuations and a high likelihood for geopolitically induced volatility
- Maintain exposure to AI momentum and growth in the U.S. market but do so selectively with continued overweight to strategies with downside-mitigation mechanisms built in
- Diversification is our friend – Continue to increase exposure to global equities with a preference for strategies focused on quality companies and productive regions versus broad index exposure
- Prioritize Canadian equity investments in high-quality, dividend-paying companies and seek to minimize potential risks related to Canada-U.S. trade negotiations

MARKET PERFORMANCE

Despite a tumultuous ride through the first-half of the year, global equity indices produced positive returns across the board in 2025. In stark contrast to prior years, however, the U.S. market lagged most developed and Emerging

Market returns. The S&P 500 Index finished up 17.9% on the year, while the tech-heavy NASDAQ finished up 21.1%. The Communication Services and Technologies sectors led way in the S&P, up 33.6% and 24.0%, respectively, followed by Industrials and Utilities at 19.4% and 16.0%, respectively. Mega-caps and AI momentum continued to dominate, as illustrated by the Equal-Weight S&P 500 Index lagging the market-cap-weighted index by approximately 7% on the year.

Canadian equities shrugged off a slow economy and an election through the depths of a trade war to produce an exceptional year in 2025, with the S&P/TSX Composite Index finishing up 31.7%. The stellar performance was driven by gold and precious metals, with the materials sector (dominated by mining companies) up over 100%. Geopolitical tensions and U.S. economic policy drove global central banks to diversify away from the USD, pushing gold prices above \$4000 per ounce for the first time. Banks also had a stellar year, with the financials sector producing a total return of approximately 35%.

International equities attracted significant flows in 2025 as investors looked to diversify away from the policy turmoil released by President Trump through the first half of the year. European markets were further bolstered by a significant move away from the austerity budgets of the past towards massive fiscal agendas focused on security and infrastructure. The EuroStoxx 50 finished up 22.10% in 2025, with defense companies and banks leading returns.

Chinese stocks were revitalized by recognition of their status as a significant and legitimate competitor to the U.S. in the race to develop AI. The Shanghai Stock Exchange finished up 21.7% in 2025. Similarly, the South Korean stock market experienced its best rally since 1999, helped by record profits reported by their largest company, Samsung Electronics. Meanwhile, for the first time since 2020, Emerging-Market equities outperformed their developed-market counterparts, with the MSCI

Emerging Market Index finishing the year up 32.1%. A softer USD, an attractive valuation gap, and improving sectoral trends in Asia and Latin America proved powerful tailwinds, as did critical functions in chip fabrication and critical commodities needed for AI.

Bonds benefited broadly from falling interest rates in 2025 and positive corporate earnings that kept credit spreads near record lows relative to government bonds. The U.S. Investment Grade Bond Index finished the year up 7.7%, while the Canadian Investment Grade Index returned 4.2%.

2025 Calendar Year Market Performance (Local Currency, Total Returns):

S&P/TSX Composite Index: 31.7%

S&P 500: 17.9%

NASDAQ: 21.1%

Euro Stoxx 50: 22.1%

Japan Nikkei 225: 28.7%

Shanghai Stock Exchange (SSE) Composite: 21.7%

Data: FactSet as of December 31, 2025

ANNUAL REGISTERED PLAN CONTRIBUTIONS



The 2026 TFSA contribution limit is \$7,000 and the cumulative contribution limit is now \$109,000.

For those of you who make annual RSP contributions, the deadline for inclusion in the 2025 tax year is March 2nd, 2026. The limit for 2025 contributions is 18% of earned income up to a maximum of \$32,490 (subject to pension adjustments). The 2026 limit is \$33,810.

The Griffiths Underdahl Wealth Management team would like to thank you for your business and continued trust in our team. We look forward to continuing to work with you and your family as we help navigate your financial journey with deep knowledge, diverse experience, and commitment on your side. If you have any questions or issues you would like to discuss, we would be happy to receive your call.

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