



Quarterly Market Commentary

June 2025

The second quarter of 2025 was marked by global headlines that created short-term volatility but ultimately reaffirmed the benefits of staying diversified and disciplined. Markets were forced to navigate renewed trade tensions between the U.S. and China, geopolitical flare-ups in the Middle East, and evolving policy initiatives. While these events stirred up concern, both the U.S. and Canadian equity markets ended the quarter in positive territory, supported by falling inflation, a steady macroeconomic backdrop, and cautious optimism around potential rate cuts later this year.

In the U.S., the S&P 500 rallied to near-record highs on the back of strong earnings in the technology sector, continued AI-related momentum, and improving economic data. Investors were particularly encouraged by signs that inflation was cooling, giving the Federal Reserve more room to begin easing policy, possibly before year-end. In Canada, the S&P/TSX Composite posted more modest gains, but performance was solid across key sectors such as energy, financials, and industrials. The Bank of Canada maintained its pause on rate hikes, offering support to interest-sensitive areas of the market, while bond yields stabilized, providing welcome relief for fixed income investors.

Against this backdrop, we remained focused on managing risk, taking advantage of opportunities, and ensuring client portfolios are well-balanced across asset classes and sectors. Our approach continues to emphasize quality companies with strong balance sheets, reliable dividends, and long-term growth potential — and several of our holdings delivered positive developments this quarter.

During the quarter, we added Canadian Natural Resources and Imperial Oil to our portfolios — both high-quality Canadian energy names with disciplined capital allocation and strong free cash flow profiles. Whitecap Resources also completed its acquisition of Veren, positioning it as a more scaled and diversified oil and gas producer. We were also pleased to see several of our holdings increase their dividends — including Apple (+4%), Bank of Montreal (+2.5%), and National Bank (+3.5%)— a signal of strong underlying fundamentals and confidence in future earnings.

Canadian Natural Resources

Canadian Natural Resources remains one of the most dependable and efficient operators in the energy sector. The company delivered strong second-quarter results, with production climbing to over 1.29 million barrels of oil equivalent per day. Their infrastructure dominance and low-cost operations give them a meaningful advantage in this environment, and we continue to see upside in their synthetic crude oil production heading into 2026. With a track record of dividend growth and analyst projections of continued growth, improving efficiency, and robust free cash flow, we view Canadian Natural Resources as a core long-term holding.



Imperial Oil

Imperial Oil continues to impress with its operational strength and fiscal discipline. Production from its Kearl and Cold Lake assets remains steady, while its breakeven cost sits well below US \$35 per barrel. The company is also making strategic progress in renewable diesel through its Strathcona project. With a best-in-class balance sheet, a history of consistent dividend increases, and a strong focus on returning cash to shareholders, Imperial stands out as one of the most defensive names in Canadian energy.

Apple

Apple continues to deliver consistent results, supported by its rapidly growing Services segment and the rollout of Apple Intelligence, the company's enhanced suite of AI features. While some investors were hoping for more immediate AI breakthroughs at its WWDC conference, Apple's approach remains focused on quality, privacy, and integration. Its enormous installed base — now over 1.4 billion active devices — supports ongoing demand for hardware upgrades and recurring revenue from services like iCloud, Music, and the App Store. We continue to see Apple as a foundational long-term investment, offering a rare combination of growth, brand strength, and shareholder returns.

Bank of Montreal

Bank of Montreal (BMO) reported solid quarterly results driven by strong trading revenue and a stable credit outlook. While provisions for credit losses edged slightly higher, overall earnings remained robust. BMO is benefitting from its diversified business lines, including growing U.S. operations, and has maintained strong capital levels to support continued buybacks and dividend growth. We believe its U.S. exposure and capital markets strength make it well-positioned in today's evolving environment.

Brookfield Renewable Partners

Brookfield Renewable Partners continues to shine in the clean energy space. Despite global tariff concerns, management has proactively mitigated supply chain cost pressures through early procurement and flexible pricing agreements. Brookfield's scale, global footprint, and pipeline of renewable projects set it apart from its peers, and the company remains a leader in corporate power purchase agreements, which continue to grow in popularity as companies seek to reduce carbon emissions. We expect the firm's valuation premium to expand over time as it capitalizes on this clean energy momentum.

Canadian Tire

Canadian Tire delivered stronger-than-expected results, especially in its retail division, with improving operational efficiency and stronger consumer engagement through its Triangle Rewards program. The company is investing meaningfully in technology, loyalty data, and omnichannel retail capabilities to adapt to changing consumer habits. Canadian Tire's ability to generate stable earnings across economic cycles, combined with its strong balance sheet and improving digital presence, makes it a compelling Canadian retail investment.

Cogeco Inc.

Cogeco Inc. remains undervalued, in our view, with investors pricing in too much pessimism around U.S. broadband competition and wireless expansion costs. However, the company continues to generate solid cash flow and may benefit from a potential restructuring or sale of non-core assets. We see long-term upside, especially if investor sentiment improves and the valuation gap with peers narrows.

Definity Financial

Definity Financial made headlines this quarter with its \$3.3 billion acquisition of Travelers Canada, a deal that meaningfully expands its scale and reach. The acquisition lifts Definity's pro forma market share to nearly 7% and strengthens its presence in the high-margin specialty insurance space. We view this as a transformative move that supports long-term growth and profitability.

First Capital REIT

First Capital REIT is well-positioned in today's commercial real estate environment. Demand for retail space remains high, particularly for essential services, while new development is constrained by rising costs and limited land availability. First Capital is capturing higher rents through successful lease renewals and benefits from a high-quality tenant base anchored by necessity-based retailers like grocers, pharmacies, and service providers. Occupancy is near historic highs, and market rents are inflecting upward.

Headwater Exploration

Headwater Exploration remains one of the most promising names in Canadian energy. With significant exposure to the ultra-economic Clearwater formation, Headwater is executing a disciplined drilling and waterflooding strategy to reduce production declines and support long-term dividend stability. With no debt and a strong cash position, Headwater offers both growth and income in a well-managed package.

Home Depot

Home Depot provided a positive update through a recent investor event, where management highlighted progress on tariff mitigation, supply chain strength, and growth in its "Pro" contractor segment. While the broader retail environment remains cautious, Home Depot's scale, customer loyalty, and operational excellence continue to drive market share gains in a fragmented industry.

Maple Leaf Foods

Maple Leaf Foods showed encouraging progress this quarter, with record EBITDA margins and signs of stabilization in its core protein businesses. After years of heavy investment in automation and infrastructure, the company is now reaping the benefits, with greater efficiency and improved export potential. While headwinds in consumer spending remain, Maple Leaf is emerging stronger and better positioned to deliver long-term earnings growth.

Microsoft

Microsoft continues to dominate the conversation around AI and cloud computing. The company's strong guidance for the second half of 2025 reflects surging demand for GenAI infrastructure. Microsoft remains uniquely positioned with its integrated commercial software stack, massive cloud capacity, and enterprise customer base. Despite macroeconomic uncertainty, Microsoft's balance sheet strength, diversified revenue streams, and innovation in AI make it one of the most reliable growth holdings in our portfolios.

Mullen Group

Mullen Group completed its acquisition of Cole Group, a move that expands its expertise in customs brokerage and trade consulting — critical areas in the current tariff-heavy environment. Mullen continues to offer one of the most attractive yields in the Canadian transportation sector, supported by solid operational performance and disciplined capital management. We believe it is undervalued relative to peers and well-positioned for a re-rating.

National Bank

National Bank posted a strong earnings beat driven by higher trading revenue and contributions from Canadian Western Bank. The bank continues to operate with strong capital and sees longer-term upside from merger synergies that should become more evident over the next 12 to 24 months. As one of the more nimble and innovative Canadian banks, we believe National offers a compelling mix of stability and growth.

Open Text

Open Text exceeded margin expectations this quarter and is making progress in AI-enabled security solutions through its Titanium X platform. While macro pressures continue to weigh on revenue growth, Open Text's aggressive cost optimization plan is bearing fruit. We continue to monitor its strategic progress as it transitions into a more cloud and subscription-based business model.

Restaurant Brands

Restaurant Brands International (RBI) continues to grow its global footprint through joint ventures and partnerships in key international markets. With well-known brands like Burger King, Tim Hortons, and Popeyes, RBI is targeting long-term expansion to over 40,000 restaurants worldwide. Strong franchisee relationships and improved North American performance position the company well for future earnings growth.

Rogers Communication

The wireless market has started to stabilize after a period of aggressive price cuts earlier this year. Some promotions remain, but we're also seeing slight price increases from brands like Koodo and Virgin – a positive sign for the industry.

With most customers already switching to lower-cost plans, revenue and profitability could start to improve. Rogers is well-positioned with strong wireless margins and a low valuation compared to peers.

On top of this, Rogers has secured \$7 billion in infrastructure funding and is moving forward with a major sports investment deal. These developments could help lift the stock over the next few months.

TD Bank

TD Bank reported strong quarterly results, supported by lower-than-expected credit losses and robust performance in its wealth management division. Ongoing buybacks and progress on its U.S. restructuring efforts should provide further support to the stock. We continue to view TD as one of the most diversified and shareholder-friendly Canadian banks.

Whitecap Resources

Whitecap Resources completed its merger with Veren this quarter, combining two well-managed oil producers with a shared focus on high-yield assets in the Montney and Duvernay formations. The combined entity is well-positioned to generate significant free cash flow and offer an attractive yield to investors, while maintaining a disciplined capital structure and modest growth outlook.

If you have any questions about these holdings or your overall portfolio positioning, please don't hesitate to reach out. As always, we remain focused on managing your wealth with care, discipline, and a long-term perspective. Thank you for your continued trust and support, and we hope you enjoy the summer ahead.



MK Total Wealth Management Group

TD Wealth Private Investment Advice

5140 Yonge Street, Suite 1600,

North York, ON M2N 6L7

T: 416 279 1455

TDMKGRP@td.com



TD Wealth



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