Quarterly Market Commentary

October 2025

As we move into the final quarter of 2025, markets have remained resilient despite a backdrop of uncertainty. After some turbulence in April tied to U.S. tariff announcements, equities quickly regained footing and climbed back toward all-time highs. Volatility, which often rises in the fall, has so far remained muted, though history reminds us that September and October can be challenging months. Still, long-term data shows these seasonal downturns are more myth than disaster, with average declines relatively modest.

North American equity markets have been supported by stable corporate earnings, resilient consumer demand, and continued capital spending in areas like artificial intelligence. That said, valuations in large-cap U.S. growth stocks are stretched, raising questions about sustainability. In contrast, small- and mid-cap equities, which have lagged in recent years, are trading at significant discounts and may benefit as monetary easing takes hold. In Canada, equities have outperformed their U.S. counterparts in recent months, aided by cyclical exposure and a softer labour market that could prompt further rate cuts by the Bank of Canada.

Internationally, opportunities are emerging. A weakening U.S. dollar, improving earnings revisions in Europe and Japan, and new policy measures in China suggest that global equities could see stronger relative performance. Emerging-market bonds and currencies are also benefiting from improved fiscal sustainability and the tailwind of U.S. monetary easing.

Looking ahead, risks tied to deglobalization, geopolitical tensions, and evolving technologies remain present. Yet the theme for this quarter is “Still Here”: despite uncertainty, markets are functioning, opportunities exist across asset classes, and we believe that a disciplined, diversified approach remains the most effective way to preserve and grow wealth.

During the quarter, we added two new positions to our portfolios:

Finning International
Finning International, headquartered in Vancouver, is the world’s largest Caterpillar dealer, providing sales, rentals, and support services for heavy equipment across Canada, South America, and the U.K./Ireland. Its improved operational efficiency and sustainable earnings growth, along with demand driven by energy transition projects, provide a more predictable long-term cycle compared with the historical boom-bust patterns of the mining and construction sectors. Finning benefits from scale, geographic diversification, and exposure to long-term commodity infrastructure investments.

Quebecor
Quebecor is a diversified Canadian communications company operating in wireline, wireless, and media. Its disciplined capital allocation, strong free cash flow, and revenue growth from the Freedom acquisition support both expansion and shareholder value. Additional growth potential exists from bundling opportunities, the Fizz wireless brand, and potential Mobile Virtual Network Operator initiatives. Shares remain attractively valued compared with peers.

In addition, we trimmed down Brookfield Renewable Partners due to strong performance. We were also pleased to see Open Text raise the dividend 4.8%, Bank of Montreal raise the dividend 2.5%, and Microsoft raise the dividend 9.6% this quarter.

Apple
Apple's new iPhone 17 and AirPods Pro 3 bring evolutionary improvements rather than revolutionary changes, with the A19 Pro chip, a new N1 WiFi/BT chip, and a thinner, higher-performance design. The Watch Series 11 adds health features focused on hypertension, and live AI translation for AirPods Pro 3 enhances the ecosystem. Pricing reflects a modest 3-4% average increase, which combined with these innovations, positions Apple well for strong demand in the holiday season. These upgrades, together with Apple's brand loyalty and services ecosystem, support consistent growth in both hardware and recurring software revenues.

Bank of Montreal
BMO delivered a strong quarter, beating expectations with capital markets revenue growth, disciplined share repurchases, and efficient cost management. Its U.S. exposure, solid capital levels, and improving credit outlook make it well-positioned relative to peers. While tariffs and broader loan growth pressures may limit upside, the bank's steady operating leverage, balance sheet optimization, and ongoing share buybacks provide support for long-term return on equity growth. BMO represents a high-quality Canadian bank holding with stability and measured growth.

Brookfield Renewable Partners
Brookfield Renewable Partners stands out for its scale, operational expertise, and access to large, complex clean energy transactions. The company benefits from a self-funding growth pipeline, management depth, and strong exposure to corporate power purchase agreements (PPAs), which drive recurring revenue growth. Recent positive market reactions, such as the Microsoft framework agreement, highlight investor confidence, and we see potential for its relative valuation to expand further. Brookfield Renewable provides a stable way to participate in the long-term transition to clean energy.

Canadian Tire
Canadian Tire remains a diversified retailer with multiple avenues for growth. Its new four-year True North transformation strategy involves over $2 billion in investments to enhance digital and in-store experiences, expand the Triangle Rewards loyalty program, develop more personalized customer relationships, and build a more agile, tech-driven operating structure. While short-term challenges include U.S. tariffs and consumer spending pressures, the company's strong brands, loyalty programs, and data-driven approach support a solid foundation for medium- and long-term growth.

Cogeco Inc.
Cogeco is trading below intrinsic value relative to peers like Cogeco Cable, and structural developments within the holding company could act as a catalyst for both companies' shares. Current market concerns around U.S. broadband trends and the potential cost of a Canadian wireless network expansion are largely priced in, providing asymmetric upside potential. Cogeco Inc. offers investors exposure to a well-managed, undervalued telecom operator with optionality from its ownership structure.

Definity
The company delivered a stronger quarter driven by lower than expected catastrophe losses, which came in at 3.9% of direct written premiums versus the 6.2% forecast. Book value per share rose 24% year over year, supported by solid operating performance, the release of restricted cash, and the issuance of $375 million in stock to fund the acquisition of Travelers Canada. Gross premiums increased 8% over the year, showing consistent growth across all business lines. These results highlight Definity's strong execution and ongoing ability to create value for the shareholders.

First Capital REIT
First Capital REIT owns high-quality retail properties anchored by necessity-based tenants, which provide stable, predictable cash flow. Limited new supply and rising market rents continue to support above-average growth potential, while the company's ongoing disposition strategy enhances funds from operations and reduces leverage. This combination of stability and growth potential makes First Capital a compelling choice in retail-focused real estate.

Headwater Exploration
Headwater is a focused energy company expanding through development, waterflood programs, and exploration. Recent successful discoveries at Grand Rapids and Greater Pelican, along with increased production guidance despite reduced development capital, demonstrate operational efficiency and growth potential. Its strategic land base and disciplined development program make it a unique, high-quality upstream energy investment.

Home Depot
Home Depot is positioned to benefit from long-term underinvestment in U.S. housing, with an aging housing stock and strong Millennial demand for renovations. While elevated interest rates temporarily slow some remodeling projects, strong household equity, resilient consumer finances, and acquisitions like SRS Distribution enhance long-term growth opportunities. The company's track record through COVID-19 and supply chain disruptions shows operational discipline and resilience, supporting continued earnings growth and market share expansion.

Imperial Oil
Imperial Oil combines a best-in-class balance sheet, cost discipline, and low breakeven oil production (<US$35/bbl). Strong execution on projects like Kearl and Grand Rapids Phase 1, along with ongoing cost structure improvements, allows Imperial Oil to generate substantial free cash flow. While the shares appear fully valued relative to peers, Imperial Oil remains a defensively positioned energy holding with consistent dividend and buyback programs, making it attractive in uncertain markets.

Maple Leaf Foods
Maple Leaf Foods has built a leading position in protein-focused consumer packaged goods, with strong brands and significant automation investments driving above-average revenue growth and margins. Operational efficiency, new product launches, and export market expansion support free cash flow generation, deleveraging, and shareholder returns. The company's improved earnings power positions it for a return to historical valuation levels and consistent performance.

Microsoft
Microsoft is a global leader in cloud computing, productivity software, and AI adoption. Azure continues to grow strongly, fueled by AI and infrastructure demand, while Office 365 Commercial remains the largest SaaS business worldwide. Copilot adoption is accelerating, and Microsoft's digital transformation initiatives support multiple avenues of growth. Its leadership in secular growth markets positions it for continued long-term expansion.

National Bank of Canada
National Bank is benefiting from cost, funding, revenue, and capital synergies that are expected to drive significant EPS growth and higher return on equity over 2026–2027. Its operational efficiency, strong Canadian market presence, and strategic positioning make it a high-quality bank holding with attractive long-term growth prospects.

OpenText
OpenText continues to demonstrate solid revenue and earnings growth, driven by cloud adoption and its AI-backed Titanium X platform. Expense management has mitigated margin impacts from divestitures, while ongoing portfolio optimization, potential M&A, and a CEO transition provide additional upside. OpenText offers exposure to enterprise software with recurring revenue and growth catalysts.

Restaurant Brands International
The company reported solid revenue growth, with menu innovation, digital initiatives, and franchise support driving operational efficiency and network profitability. While commodity costs create some headwinds, we believe that these initiatives position the company to achieve its 8% adjusted earnings growth target, enhancing long-term shareholder value.

Rogers Communications
Rogers, Canada's largest wireless carrier, benefits from pricing stabilization, a dominant market share in wireless, and a potential ~$10/share value unlock from sports asset sales. Its valuation remains below its peers, offering upside potential as the market recognizes the company's fundamentals and free cash flow growth.

TD Bank
On September 29th, TD hosted its 2025 Investor Day, where we heard directly from senior leadership about their outlook and strategy. A key highlight was management's confidence in delivering stronger results than previously expected, targeting a 16% return on equity. They acknowledged the ongoing costs of compliance and regulatory investments but showed how those will be more than offset by the strength of their Wealth and Capital Markets businesses, along with improved efficiency and a renewed focus on cost discipline.

What stood out to us was TD's commitment to keeping expenses under control, aiming for $2–2.5 billion in savings over the medium term, while also maintaining one of the largest share buyback programs among the Canadian banks. This combination should support earnings growth and a higher return on equity. TD has already been a strong performer this year compared to its peers, and we continue to view it as a core holding in our portfolios given its balance of stability, growth potential, and shareholder-friendly initiatives.

Whitecap Resources
Whitecap offers scalable growth in Montney and Duvernay assets, supported by strong operational execution across multiple drilling programs. Free cash flow from low-decline conventional assets funds growth, while a disciplined return-of-capital strategy and strong ESG credentials enhance shareholder value. Its long-term land base provides over 30 years of drilling inventory, supporting sustainable growth.

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