



## Quarterly Market Commentary

December 2025

As we close out another remarkable year, I want to wish you and your families a very Happy New Year and continued good health throughout 2026. The start of a new year is always a moment of reflection—a time for resolutions, renewed priorities, and ensuring that the financial foundations supporting your life, family, and long-term goals are as strong as possible.

At MK Total Wealth Management Group, our holistic platform is designed to bring clarity and confidence to every aspect of your financial world: portfolio management, tax strategies, estate planning strategies, corporate structuring strategies, insurance strategies, retirement projections, and multi-generational planning. As many of you revisit your personal and family goals this time of year, it's also a natural moment to help the people you care about do the same.

If you have friends, colleagues, or family members who could benefit from the discipline, structure, and comprehensive planning we deliver, it would be our privilege to support them. We continue to grow almost entirely through introductions from clients like you, and your referrals remain the greatest compliment we can receive.

The final quarter of the year generated plenty of noise about an imminent market correction, yet reality has been far more measured. What unfolded was not a broad-based downturn but a very specific reset in the most speculative areas of the market. Cryptocurrency assets, triple-leveraged ETFs, highly volatile retail favourites, and certain momentum-driven tech names experienced sharp pullbacks, while the core of the financial system—major equity indices, credit markets, and interest rates—remained notably stable. This distinction is important: despite the headlines, the foundational supports of the market, including liquidity and corporate earnings strength, continued to hold. These are the factors that typically precede meaningful market stress, and they remained intact. Instead, what we witnessed was an unwinding of crowded trades that had relied heavily on leverage, optimism, and a belief that recent gains could continue uninterrupted.

This quarter also illustrated how enthusiasm around transformational themes, particularly artificial intelligence (AI), can feed into speculative excess. As with every major technological revolution, compelling narratives can become self-reinforcing. Investors price in certainty, momentum accelerates, and valuations detach from fundamentals. The past year saw this dynamic play out in real time, particularly in the highest-profile AI-linked companies. But history consistently shows that even promising technologies are not immune to gravity. The market now appears to be rebalancing sentiment—from assuming a frictionless AI-driven future to taking a more sober view of timelines, profitability, and execution risk.

At the same time, the overall trading landscape has shifted meaningfully. Retail investors now represent a much larger share of daily market activity, using leverage, options, and thematic products that amplify volatility in narrow segments of the market. Their influence has at times forced institutional investors to follow flows rather than fundamentals, particularly in the largest technology names. While this can create short bursts of instability, the encouraging takeaway from this quarter is that these speculative episodes have not spilled over into the broader system. The “center” of financial markets has remained resilient.

Looking ahead, there are reasons for cautious optimism. Economic data suggests a softening labour market and some consumer fatigue, yet several constructive tailwinds are also emerging. Expected monetary easing, fiscal support, and early signs of recovery in manufacturing and services all point to a potential pickup in economic momentum in 2026. Companies across a wide range of industries are preparing for the next phase of AI integration—where productivity gains become more tangible rather than theoretical. While still early, this evolution could prove supportive for profitability and economic growth over the next several years.

In this environment, the principles of long-term investing matter more than ever. It remains essential to differentiate between speculation and disciplined portfolio construction. Periods of heightened enthusiasm can be tempting, but they also underscore why risk management, diversification, and a focus on fundamentals can provide stability through changing market conditions. Our role is to ensure your portfolio remains resilient - built to capture growth where it is sustainable and to withstand volatility where it is merely noise.

As we enter 2026, our work continues to center on aligning your investments with your long-term goals, maintaining balance across market cycles, and ensuring that your strategy reflects both opportunity and prudence.

Our portfolios had a strong performance during the further quarter. Our mandates focus on high-quality companies with a history of paying dividend because they can provide a steady and growing stream of income, help offset inflation, and signal financial strength and management confidence. This quarter, several of our core holdings delivered dividend increases, reinforcing the resilience of their balance sheets and the durability of their long-term earnings power.

- Bank of Montreal +2.5%
- Cogeco Inc. +7.0%
- National Bank of Canada +5.1%
- Toronto-Dominion Bank +2.9%

In addition, Maple Leaf Foods issued a special dividend of \$0.60 per share due to strong operating performance and disciplined capital management following a period of major capital investment that have contributed to increased cash flow and a strengthened balance sheet.

During the quarter, we made two additions to the portfolios: Pan American Silver and Gildan Activewear. Both were added to strengthen diversification and long-term return potential.

### **Pan American Silver**

Pan American Silver is one of the world's largest primary silver producers, with a diversified portfolio of mines, long reserve life, and growing production. We added the company to increase portfolio exposure to silver, which we view as an important real asset within a diversified portfolio.

Operationally, the company delivered strong production results and improved cost efficiency. Silver production guidance for 2025 was revised higher, reflecting better-than-expected performance and increased contributions from the Juanicipio mine in Mexico. Improved ventilation at the La Colorada mine and higher-margin production from Juanicipio helped lower overall operating costs.

The recent acquisition of MAG Silver has strengthened Pan American's asset base. The Juanicipio mine is a high-grade, low-cost operation that is now meaningfully contributing to production and cash flow. Importantly, Pan American continues to maintain a very strong balance sheet, supported by record operating cash flow, ample liquidity, and a net cash position following the acquisition. The company also continued to return capital to shareholders through dividends.

### **Gildan Activewear**

We added Gildan Activewear to the portfolios in November. Gildan is a leading manufacturer of basic activewear sold through wholesale and retail channels, supplying products such as T-shirts, fleece, and underwear.

We are attracted to Gildan's industry-leading cost structure, which provides a competitive advantage in what is otherwise a highly competitive, commodity-like industry. We believe that this cost leadership positions the company to gain market share over time while generating strong and consistent cash flow. Gildan's disciplined approach to capital allocation, operational efficiency, and supply chain control gives us confidence in its ability to deliver attractive long-term earnings growth.

### **Apple Inc.**

Apple remains a core long-term holding due to the strength and durability of its ecosystem. With over 1.4 billion active devices globally, Apple benefits from a recurring replacement cycle as customers upgrade phones, tablets, and computers over time. This installed base also supports the rapid growth of the Services segment, which includes areas such as digital payments, app subscriptions, music, video, fitness, and cloud services. Services revenues are recurring, highly profitable, and less cyclical than hardware sales, which enhances earnings stability. Combined with disciplined capital returns and a fortress balance sheet, Apple continues to offer a compelling mix of growth, resilience, and shareholder returns.

## Bank of Montreal

Bank of Montreal delivered results supported by capital markets activity and share repurchases. While credit quality has softened modestly—particularly due to exposure to mass-market lending—the bank continues to make steady progress optimizing its U.S. operations following prior acquisitions. BMO maintains strong capital levels, which provide flexibility to support growth initiatives while returning capital to shareholders. Over time, improvements in operating efficiency and balance sheet management should support better returns, even as near-term credit conditions remain something we monitor closely.

## Brookfield Renewable Partners

Brookfield Renewable stands out as a global leader in renewable power, with a diversified portfolio spanning hydroelectric, wind, solar, and storage assets. Its scale and operational expertise allow it to execute large and complex projects that smaller peers cannot. A significant portion of Brookfield's cash flow is contracted under long-term agreements, providing visibility and stability. Growing demand from corporate customers seeking clean and reliable energy continues to create attractive growth opportunities, and Brookfield's ability to internally fund development projects further strengthens its long-term outlook.

## Cogeco Inc.

Cogeco owns high-quality broadband and media assets in both Canada and the United States. While the sector has faced headwinds from slower broadband growth and increased competition, we believe these challenges are well understood and largely reflected in market expectations. The company continues to generate solid cash flow from its core operations. Over time, improved operating performance and potential structural simplification could help unlock value for shareholders.

## Definity Financial

Definity reported strong operating performance, driven by improved underwriting results and lower catastrophe-related losses compared to last year. The company continues to benefit from disciplined pricing, prudent risk management, and growth in investment and distribution income. Since becoming a public company, Definity has steadily improved profitability and strengthened its competitive position in the Canadian insurance market. Strategic initiatives and recent acquisitions further enhance its scale and long-term growth prospects.

## Fining International

Fining delivered strong results, reflecting improved execution across its operations. As the largest Caterpillar dealer in its regions, we believe Fining is well positioned to benefit from long-term investment in infrastructure, mining, and energy transition projects. Importantly, management has made meaningful improvements to cost control, inventory management, and capital discipline. We believe these changes have structurally increased the company's earnings power and should lead to a more stable and less volatile business cycle than in the past.

## First Capital REIT

First Capital owns a high-quality portfolio of retail properties, primarily anchored by necessity-based tenants such as grocery stores, pharmacies, and essential services. This tenant mix provides resilience during economic slowdowns and supports steady cash flow. The REIT continues to make progress on asset sales and redevelopment projects, which should enhance future growth while strengthening the balance sheet. We believe First Capital offers an attractive combination of stability, income, and long-term growth potential within Canadian real estate.

## Headwater Exploration

Headwater provides exposure to one of the most economic oil formations in Canada. The company has distinguished itself through the successful implementation of secondary recovery techniques, which allow it to increase production while reducing capital spending. This disciplined approach results in strong free cash flow generation and a lower cost structure. As the recovery program expands across more of its asset base, we expect these operational benefits to continue supporting sustainable growth.

## Imperial Oil

Imperial Oil remains one of the highest-quality energy companies in Canada. Its integrated operations—spanning oil sands production, refining, and marketing—provide resilience across different energy price environments. The company continues to demonstrate strong execution, cost discipline, and operational reliability. A strong balance sheet and a clear commitment to returning excess cash to shareholders further reinforce Imperial's role as a stable, defensive holding within the energy sector.

## Maple Leaf Foods

Maple Leaf's long-term investments in automation and efficiency are now translating into improved earnings power. The simplification of its business has sharpened management's focus and reduced volatility. Demand for protein remains resilient, while improved product mix and operational leverage support margin expansion. With lower capital requirements going forward, we believe that Maple Leaf is positioned to generate stronger free cash flow and steadily improve its financial flexibility.

## Microsoft

Microsoft continues to benefit from powerful secular trends in cloud computing and artificial intelligence. Azure remains a key growth driver, supporting enterprises as they modernize IT infrastructure and adopt AI-enabled solutions. Microsoft's productivity software, including Office 365, generates stable, recurring revenue and deep customer relationships. Recent product developments further embed AI into everyday business workflows, reinforcing Microsoft's leadership position and long-term growth potential.

## National Bank of Canada

National Bank delivered strong trading results and continues to focus on improving long-term returns. While near-term earnings growth may be more subdued due to integration costs and credit normalization, we believe the bank is well positioned to benefit from cost efficiencies, funding advantages, and revenue synergies over time. Its strong capital position supports continued investment in growth and shareholder returns as these benefits are realized.

## **OpenText**

OpenText is executing on a strategy to be a leading enterprise data and information management platform. The company is leveraging its position as a trusted custodian of enterprise data to support customers' adoption of AI and cloud-based solutions. Management remains focused on simplifying the business through divestments, reducing leverage, and reinvesting in core growth areas. Consistent execution and growing adoption of its AI-enabled offerings remain key priorities.

## **Restaurant Brands International**

Restaurant Brands continues to navigate a competitive consumer environment, with management focused on improving operations and franchisee economics, particularly at Burger King. Tim Hortons remains a strong and stable contributor, supported by brand loyalty and consistent traffic. While near-term results may be uneven, we believe that the company's scale, global footprint, and disciplined long-term strategy position it to benefit as operating conditions improve.

## **Quebecor**

Quebecor continues to execute well following its expansion into wireless through Freedom Mobile. Subscriber growth, improving customer economics, and disciplined capital spending are driving expanding cash flow. Over time, marketing initiatives, bundling opportunities, and brand development should further enhance Freedom's competitive position. Quebecor's focus on balancing growth with financial discipline supports a compelling long-term outlook.

## **Rogers Communications**

Rogers is positioned to benefit from improving wireless market dynamics and declining capital spending over the next several years. Its sports and media assets provide additional monetization opportunities, while stronger free cash flow generation should support ongoing balance sheet improvement. While leverage remains an area of focus, we believe the company is making steady progress toward its long-term financial objectives.

## **Toronto-Dominion Bank**

TD delivered solid results as it moves beyond a transitional period marked by restructuring and balance sheet repositioning in the U.S. Credit performance has stabilized, and management expects further improvement ahead. With restructuring initiatives nearing completion and strong capital levels, TD is positioned to support renewed growth, enhanced returns, and continued shareholder distributions.

## **Whitecap Resources**

Whitecap exceeded expectations and continues to demonstrate disciplined execution across its asset base. The company offers long-life, scalable growth opportunities, supported by a conservative balance sheet and a clear capital return framework. Operational improvements and production growth support stronger free cash flow generation, providing flexibility to reduce debt and return capital to shareholders.



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