



Fall 2025 Quarterly Update

With Labour Day behind us, it seems appropriate to title this update "Back from the Beach". September is always a time of organization and routine, while feeling nostalgic about the longer, warmer summer days. Some highlights for our family included a boat trip to Scott Point (Salt Spring Island) and Shawnigan Lake. We hope you feel rested and restored, having spent time outdoors, travelling or with loved ones.

This fall, we are very excited to share that TD Wealth Private Investment Counsel will be merging with TD Wealth Private Investment Advice in early 2026. We will discuss the details in this update, and our team will be available for any questions you may have.

As you have heard us state before, the economy and market don't always move together. Economic headlines may appear gloomy, but markets often look six to twelve months ahead. The last quarter was precisely true of this, as economic data softened this summer, while the markets continued to hit all-time highs.

We will address top questions investors are contemplating and provide our thoughts on the market and the economic environment in North America.

We look forward to connecting with you this fall and thank you, as always, for your trust.

P.S. If you love a fine dining experience, Janevca Kitchen & Lounge in Esquimalt was a very unexpected and delightful surprise to us recently!

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TD Wealth Business Update

In early 2026, TD Wealth Private Investment Counsel (PIC) will become part of the discretionary wealth management offering within TD Wealth Private Investment Advice (PIA), subject to normal course regulatory approvals.

For our clients, there will be no change to your investment portfolios, your fees or our relationship with you or our team. An important distinction to note is that your Portfolio Managers (Tamara Bonn and Nikola Gasic), will continue to have a duty to act in your best interest.

One of the most important aspects of our work together is the duty we have as Portfolio Managers to act in your best interest. This goes beyond simply offering investment recommendations – it requires us to put your interests ahead of our own, avoid conflicts of interest, and make decisions with care, diligence, and full transparency.

As part of this change, you may hear references to other parts of the bank such as the brokerage business. While it's natural to wonder what this means to you, your portfolios will continue to be professionally managed under TD Asset Management, where discretionary investment is carried out in a fiduciary capacity.

So, why is this happening?

The purpose is simple – bring together a single, market-leading discretionary offering for high-net-worth clients to provide a best-in-class client experience within Canadian wealth management. Here's what this means for you:

- Streamlined Technology – improved platforms via Web Broker and reporting tools making it easier to access your information and to stay connected with us
- Investment Access – a broader product shelf will enable our team to evaluate new strategies and solutions that may benefit certain client portfolios (i.e. private equity, commodities, small-cap international equities, sector-focused). You will continue to benefit from unbiased portfolio construction
- Stronger Operations – by combining two large and strong businesses, there will be broader operational resources and simplification, which ultimately save time for our team and increase productivity. This allows us to focus even more on what matters most: your financial goals

In short, we are very excited about this decision and believe that senior leadership has carefully and thoughtfully listened to our feedback and yours over the years. This is a significant investment and transformative change that will lead to better outcomes for both you and our team.

We look forward to answering any questions you may have about this.



Market Reflections

It has been another strong year so far for diversified portfolios. As of August 29th, the S&P/TSX Composite is up 15.51%, the S&P 500 is up 4.85% (C\$) and the MSCI World is up 7.56% (C\$). Gold is up 31.43% with Crude Oil (WTI) down -2.08% on the year. Fixed income returns in Canada are in the 1-3% range.

Performance for Canadian investors is often impacted by foreign currency, as we hold unhedged securities in the US, Europe and Asia to provide portfolios with additional sources of diversification that ultimately get converted back to the C\$. This year, the US dollar has depreciated significantly relative to other developed currencies. On the year, the US dollar is down -4.54% relative to the Canadian dollar and down -11.10% relative to the Euro. From a total return perspective, the weaker USD has reduced returns when translated to Canadian dollars. Historically speaking, the US dollar has appreciated relative to the Canadian dollar, and unhedged exposure has strengthened investor returns significantly.

Strong performance often leaves us with lofty valuations which create fear around when the good times will end. The S&P 500 is selling (or trading) at a forward P/E ratio of 22.2 times. Based on historical metrics, the S&P 500's long-term average forward P/E is around 15-16 times. Today, this means the market may look expensive, but investors are still willing to pay more for each dollar of future earnings, or, put differently, investors are paying 22.2 times next year's expected earnings to purchase the S&P 500 (or the US market). In Canada, valuations sit around their long-term averages but are still not cheap. In Canada, technology, materials and real estate have contributed to this year's gains. In the US, momentum continues to come from the mega-tech growth companies which are investing billions into artificial intelligence (AI) each quarter. When considering the risk of any strategy, it often comes down to how much relative exposure one has in their portfolio which can determine the downside that may occur when stock prices eventually correct.

A quick note on AI: Do we believe that it will change our lives like the internet did? Will AI turn out to be as good, or better, than what we may envision today? What industries will change and benefit from a profitability standpoint and what industries will be eliminated? How do we begin to measure this today? What if the big bet does not pay off? The questions are endless, and the opinions are wide ranging. Recently, Dario Amodei, the CEO of Anthropic, an AI Company, stated "AI could wipe out half of all entry-level white-collar jobs, and that the US unemployment rate could spike to 10-20% in the next one to five years". Nvidia, maker of chips used in AI, reached a \$4 trillion (US) valuation in August, the first \$4 trillion company.

As for us personally, we have been using ChatGPT, Perplexity, Gemini and Claude to help with everything from creative home design, meal preparation, child sleep schedules and analyzing blood work scans. We have tested it with more technical financial, market or economic questions and there are still obvious limitations that could make AI a very dangerous tool if in the wrong hands. The bottom line – we are committed to staying informed and familiar with this technology as it's a force that cannot be ignored!



Economic Reflections – Canada & US

Growth (Q2 – 2025):

The Canadian economy contracted by 1.6% (annualized – quarter over quarter), a steeper decline than expected by consensus. Consumer spending made massive contributions to overall GDP growth, clocking in at a hefty 4.5% annualized pace. Inventory accumulation was the other big growth driver. However, export volumes plunged – notably in cars and trucks, industrial machinery/equipment, and travel services due to U.S. tariffs. Business investment also fell.

The US economy grew by 3.3% (annualized – quarter over quarter), bouncing back from a 0.5% decline in the first quarter. Experts suggest that these numbers continue to be badly distorted by tariff-related swings in international trade and inventories. Consumption, construction and government spending have been relatively soft this year, but offsets are occurring due to the massive capital spend on the AI related boom.

Canada is clearly facing trade related headwinds, while the U.S. continues to show resilience. This divergence underscores why diversification across regions and asset classes remain important in such a dynamic environment.

Unemployment (August 2025)

Canada's economy shed jobs for the second straight month in August, hitting an unemployment rate of 7.1%, up from 6.9% in July. This is currently the highest since 2016 (outside the pandemic). The economy lost 66k jobs, mostly concentrated in part-time positions. The U.S. economy added 22k jobs which was a sharp slowdown and the unemployment rate increased to a four-year high of 4.3%, up from 4.2% in July.

The U.S. labour market is still stronger than Canada's, but is losing momentum, giving the Federal Reserve more reason to cut rates gradually. The Canadian market signals slack, which historically leads the Bank of Canada to consider easing monetary policy if the slowdown persists.

Headline CPI - Inflation (July 2025)

In Canada, inflation moved lower in July at 1.7%, from 1.9% in June. Most of the decline was attributable to lower year-over-year gasoline (energy) prices and softer demand. U.S. inflation is 2.7%, with expectations that the next report may creep up. If the average tariff level stays at its current 19.2%, year-over-year CPI inflation should continue to rise for the rest of the year before stalling in a 3.5%-4.0%.

Inflation is no longer considered a serious threat in either country. Central Banks are focused on cooling growth and softer labour markets. In Canada, the Bank of Canada policy rate is 2.75% with markets expecting a September cut of 25 bps. The U.S. Fed Funds target is 4.25 – 4.50%, and markets expect a 25 bps cut in September. Overall, rate cuts signal that central banks are willing to support growth and markets in a slowing economy, but it can be a slippery slope where the public expects further cuts, borrowing decisions are delayed and businesses leaders put their decision making on pause until the cuts come.



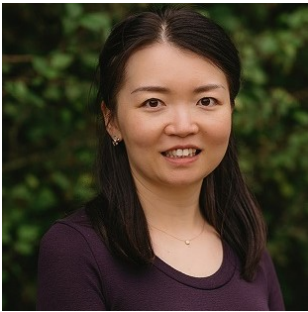
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Sources:

TD Wealth Investment Office – Weekly Market Report (August 22nd – August 29th, 2025)

TD Economics – Commentary (Canadian Employment August 2025), Canadian Quarterly GDP Q2 2025, Canadian Consumer Price Index July 2025)

J.P. Morgan Asset Management U.S. 3Q 2025 – Guide to the Markets as of August 31st, 2025

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