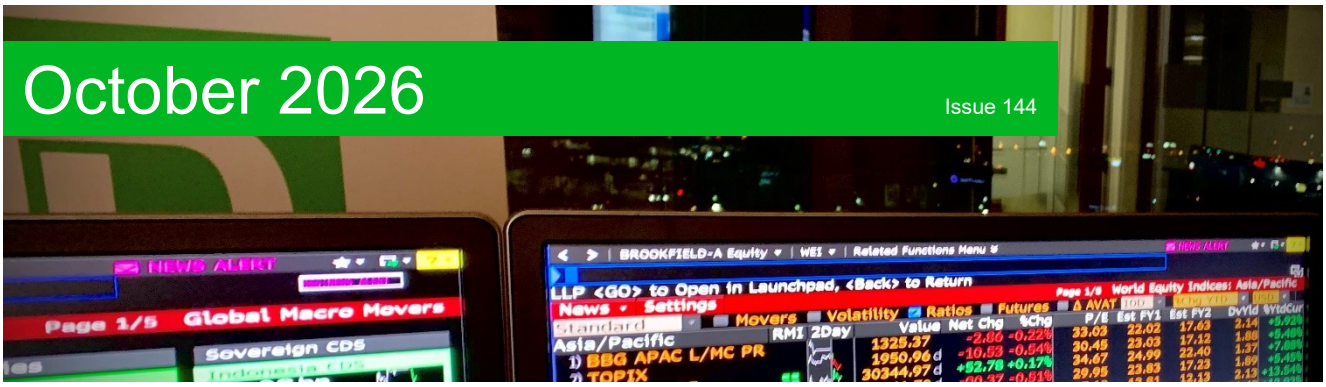
The Charter Group Monthly Letter



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Economic & Market Update

The Charter Group's Autumn Confab

Our 2026 Fall Economic and Market Update consisted of an on-line presentation followed by two in-person sold out events at the Sandman Signature Hotel in Langley. For those unable to attend, or for those who would like a recap of the topics addressed, I have composed the summary below.

At the 2026 Fall Economic and Market Update we discussed:

1. **AI Doom**
2. **Tariffs**
3. **Fuel Prices**
4. **Inflation**

1. AI Doom

- Recent proclamations on the danger of AI to humanity appeared in the headlines and set off a deluge of follow-up articles.
- Began with comments from an Anthropic employee who resigned and spread from there.
- Initial comments suggested humanity could face existential danger by the end of the decade.
- The dramatic nature of the comments likely helped push the story into the mainstream press.
- High levels of viewership/readership and public discussion.
- Several corporate leaders in AI amplified the attention as they echoed the concerns

of the former Anthropic employee.

- It is an issue that resonates generally.
- A human affinity with science fiction could be a contributor. These kinds of plot lines have been appearing in popular culture for decades: Isaac Asimov novels, "2001: A Space Odyssey," "War Games," "The Terminator", "The Matrix", countless, usually space-related, TV programs, etc.
- With public interest, a few other world leaders recently chimed in on AI in general or the dangers in particular: the President of the United States,[1] [2] the Prime Minister of Canada,[3] King Charles,[4] and the Pope.[5]
- It also brought out the voices of people who have been on the topic of AI danger for years, such as Bill Gates who warned of the possibility of "a billion deaths" if AI got into the wrong hands.[6] Nothing new, but the recent flurry of stories may have urged him to reiterate his concerns.
- AI and its potential existential dangers have been discussed for a few years now. The interest in the topic ebbs and flows every year or so.
- Why does this occur?
- I believe some of this is due to the "promotional" nature of the current AI wave. The doom comments from the leaders at firms like OpenAI, Anthropic, and SpaceX (which is essentially a quasi-AI firm) align with their histories of salesmanship. That's vital when raising capital in a very competitive market.
- The message that AI will be so incredible that it could even end life on Earth might be, at its heart, a "humble brag." If it is so impressive with respect to the negatives, imagine how impressive it will be with the positives.
- The doom message also aligns with the idea that involves slowing down AI progress or even pausing it.
- What could possibly be a reason as to why the AI corporate leaders would want to slow it down?
- One reason would be to slow down the dash to raise capital. Everyone doing it at once (billions and trillions in capital seeking) has the potential to raise the cost of capital for these companies.[7] Spreading the financing over a longer period of time

[1] Howard Goller and Don Durfee, "Trump at UN: Threats, diplomacy and 'super intelligence.'" *Reuters*, September 22, 2026.
[2] Nick Robins-Early, "Trump AI deal rebrands 'artificial intelligence' as 'superintelligence.'" *The Guardian*, September 30, 2026.
[3] Tyler Pager and Colby Smith, "Carney Says Risk of an A.I. Catastrophe is 'Above Zero.'" *The New York Times*, September 23, 2026.
[4] Gerhard Mey, "King Charles warns tech leaders of 'existential dangers' from AI." *Reuters*, September 17, 2026.
[5] Angelique Chrisafis, "Pope Leo warns of threat to humanity at start of three-day France visit." *The Guardian*, September 25, 2026.
[6] Mia Osmonbekov, "'A billion deaths': Bill Gates warns about AI in the wrong hands saying a kill switch and self-regulation would be enough." *Fortune Magazine*, September 30, 2026.
[7] Gertrude Chavez-Dreyfuss, "Corporate bond buyers get picky with flood of AI debt." *Reuters*, September 22, 2026.

could take pressure off the capital markets and investors might be willing to lend or to provide equity at lower costs to the companies.

- Kevin Warsh, the chair of the U.S. Federal Reserve Board, has recently commented on how AI borrowing and spending might have contributed to higher borrowing rates for the U.S. federal government.[8]
- Another reason might be "regulatory" capture where the leading companies propose that they be involved in drawing up the regulations. It is natural that they would be looking out for those interests potentially at the expense of smaller or emerging competitors. It's happened in other industries.
- This is tantamount to kicking away the ladder once your company has reached the top.
- Another benefit of slowing down is to minimize the potential of future antitrust fines. The EU frequently slapped Google, Apple, Intel, and Microsoft with fines often totaling billions of dollars. Perhaps a more deliberate pace of progress will avoid careening off the road with respect to anti-competitive behaviors.
- A final reason for slowing down is growing concern with respect to charging for AI use. This is vital because it will determine the return on investment (that investment has been estimated to be up to $10 trillion between now and 2032).[9]
- What if cheap AI models allow enough users to avoid the premium models with higher user prices? Who really needs a Ferrari to drive to the corner store?
- Slowing down could provide more time to plan for pricing the more advanced models to fight off the cheap "open" models.
- A staggering amount of money will need to be charged to individual and corporate users to justify the current spending. I suspect this will be enormously complicated and challenging. That would be tough to do "on the run" while AI is accelerating into the future.
- I should underline that I think that potential dangers with AI are serious and need addressing.
- But I am also in the business of assigning probabilities to scenarios when managing the portfolios. The probability of encountering serious negatives associated with AI: very high. The probability of AI leading to the end of human civilization in the foreseeable future: exceedingly low in my opinion, and certainly nowhere near what all the recent press coverage seems to imply. Needless to say, I am not incorporating such an outcome into the portfolio strategies.

[8] Konrad Putzier, "Warsh Partly Blames AI Spending for Higher Long-Term Rates." *The Wall Street Journal*, September 16, 2026.
[9] Stijn Van Nieuwerburgh, "Financing the AI Buildout." The Brookings Institution, September 23, 2026.

2. Canada-U.S. Tariffs

- Like AI doom, this topic has also received tremendous media coverage since the new batch of tariffs was applied in August.
- The most intensive coverage has been in Canada where the topic elicits strong emotions.
- The coverage tends to reflect the high emotions more than the actual overall economic impact.
- No doubt some of the tariffs will potentially devastate businesses associated with target goods. Plenty of news headlines on calamities for certain businesses or sectors.
- However, for Canada as a whole, the negative impact is marginal.
- The August round of tariffs was applied to about $28 billion in goods. Canada's annual total value in the trade of all goods and services with the U.S. hovers around $900 billion.
- There has been extensive media coverage on Canada's responses including projects "of national importance," investment summits, diversifying trade relationships, and joining other trading blocs. But what if the tariff landscape changes for the better in a few years?
- I hope that Canada's response to future trade risk leads to a more welcoming environment for investor capital as well as an incentive to increase worker productivity by encouraging more capital spending in technology, research, equipment and processes. I am not very confident in this, but one can hope, right? On this point, TD's economists agree with me.[10]
- Bottom line, tariffs are a negative, but perhaps not as much as the intense media interest might suggest.

3. Fuel Prices

- On a weekend in September I drove to Point Roberts. On the digital price signs at gas stations there was no price for diesel. In the space where it normally shows the prices, it just said "Out."
- Where one *can* get diesel in the U.S., the average retail price per gallon recently hit a record high. From the start of this year, the price jumped as high as 86%.[11]
- Gasoline prices have followed a similar trajectory.
- In very general terms, diesel and gasoline come from the same part of an oil refinery. Among all the distillates that can be refined, they are close cousins. In the short term

[10] Beata Caranci and Francis Fong, "No Guts, No Glory – Tax and Regulation the Silent Killer of Competitiveness in Canada." TD Economics, October 27, 2025.
[11] Source: Bloomberg Finance L.P. as of October 12, 2026.

refineries can toggle between one or the other unlike bunker fuel used for shipping for example, which uses a very different set of a refinery's plumbing.

- So, if there is a shortage of diesel, a refinery has some ability to cut the output of gasoline and increase the output of diesel. However, while this might take some pressure off the price of diesel, it can increase the price of gasoline. So, a trade off. And not a great one as consumers can get very frustrated at the sight of rising gasoline prices.
- Diesel pricing can be more difficult to control at the national level as it tends to be a single global "grade." Gasoline grades vary by country and even by season. So, it is not as commoditized, limiting how much global exports and imports can help to manage the price.
- The hostilities in the Persian Gulf and Russia's war on Ukraine have reduced the global amount of diesel available. Diesel being a global commodity, a reduced supply can eventually push up prices in the U.S. and Canada.
- Another close distillate to diesel and gasoline is jet fuel (kerosene). The tradeoff discussed above can also involve jet fuel.
- From the beginning of the year to the first couple of weeks of the Iran war in early March, the price of jet fuel in the U.S. rose 137%. It dipped in the summer but is back near those peak levels.
- Airline passengers can't see the price of jet fuel while it is being pumped into an aircraft. They don't get the immediate price shock as they do when filling up their car at the gas station. But eventually through fuel surcharges or actual higher airfares, those consumers could become frustrated. Not as many people fly as drive, but there may be enough where even jet fuel prices become an election issue.
- The impact of the price of diesel is often more widespread than assumed. It is factored into the price of transported goods, agricultural products, and even many services. People can get very agitated very quickly. And it can affect the rate of inflation without much lag.
- And it doesn't take much longer for higher gasoline and jet fuel prices to also bump up inflation.
- We are also in a world where supply shocks (like the one we are seeing with fuel) tend to hit harder with more sustained consequences compared to a decade ago when it seemed that the shocks could be better absorbed and then dissipate. Some economists and policymakers have communicated their hope that these shocks will decrease in frequency or cease for a period. That's a pretty big wish.
- I would also discount gimmicky responses such as banning the export of diesel. Such ideas assume the energy market to be much simpler than it is and overlook many adverse secondary effects.

- The fuel story has gotten a fair amount of attention from the media. But I think it could have an even more profound influence on investments and the overall economy than the current press coverage might imply.

4. Overall Consumer Inflation

- The general media tends to cover inflation in terms that the average viewer or reader can understand. The price of Big Macs. The price of groceries. The price of gas (previously addressed) etc.
- We get stories of frustration. But little insight into what is driving inflation and the ramifications due to persistent future inflation.
- Economists, policymakers, and politicians like to talk about the annual inflation growth. This number can jump up and down and garner much attention as a result.
- This number is also used for targets (the U.S. Federal Reserve has a target of 2% - despite annual inflation growth being above that target for the last 65 months).
- The other great thing about this number is that it can decline. Annual inflation in the U.S. spiked over 9% in 2022 and then declined from there. So, policymakers can often claim that they have "reduced inflation." Politicians might even claim some credit when this happens by saying that they are delivering on their promise to reduce inflation.
- However, hardly any consumers think this way. They think of the cumulative amount of inflation. If the annual inflation rate declines, it usually only means that prices are now rising at a slower rate. Consumers think that successfully beating inflation means an actual reduction in prices. This only happens during very short spurts of time and is usually associated with some other concurrent economic adversity such as a severe recession, depression, or negative demographic trends in the population.
- So, any annual inflation regardless of how low it is, means prices are still going up on a cumulative basis.
- Since the beginning of this decade, cumulative consumer inflation (CPI) in the U.S. has risen by almost 30%.
- Consumers can mentally anchor what they paid for something years ago and be frustrated by the cumulative growth in inflation over that time. Some items that are bought infrequently are subject to this.
- Media coverage often misses this point and can fail to understand why some consumers are so upset even though inflation has receded from its peak four years ago and has mostly held under 4% since then.
- So, the media could be understating the real level of inflation.
- Also usually lost in the media coverage are the sources of inflation.

- These include less globalization, less global trade, more geopolitical strife, more military battles or threats around shipping choke points, supply shocks, a skilled labour shortage, less than ideal demographics (population aging), the cost of capital, and government debt/deficit spending. These tend to be boring subjects and unexciting headlines.
- As a result, there may not be the amount of media and consumer concern regarding inflation compared to the actual difficulty that this can cause for people as well as the investment markets.
- Often in the coverage, the feedback loop between the cost of capital (interest rates) and inflation is underappreciated.
- Recent attempts by the U.S. Treasury department to intervene in the bond market to drive down interest rates have appeared to have been futile. The bond market might be too worried about the devastation that inflation can have on investing in a bond to be seduced by the notion that the U.S. Treasury can come into the market and reverse the direction of interest rates.
- There was some coverage on the news of the U.S. federal debt crossing $40 trillion in August. But that news in addition to surging government debt levels all over the developed world was hardly enough to change voting patterns or encourage politicians and contenders for political office to campaign on the notion of austerity. Maybe we need the equivalent reaction that we saw with AI doom. Perhaps King Charles and the Pope can chime in here like they did with AI doom? 😊 Kidding. Sort of.
- Although the financial media does have articles on this topic if one looks for them, there doesn't appear to be much consensus on the importance of inflation, the causes and the various feedback loops or spirals.
- Much of Wall Street in the last couple of weeks is suggesting that now is the time to buy longer term bonds and lock in the jump in interest rates since the beginning of the year. That might only work well if we are near the high in inflation and interest rates. Maybe more declarations of an impending debt "doom" might push those who are currently comfortable about rates steadying or falling over to the other side of the debate.
- Bottom line: inflation, its causes, and the effects may not be fully appreciated by the general and the financial media.



Model Portfolio Update[12]

The Charter Group Balanced Portfolio
(A Pension-Style Portfolio)

	Target Allocation %	Change
Equities:		
Canadian Equities	15.0	None
U.S. Equities	34.0	None
International Equities	11.0	None
Fixed Income:		
Canadian Bonds	18.2	None
U.S. Bonds	9.8	None
Alternative Investments:		
Gold	7.5	None
Commodities & Agriculture	2.5	None
Cash	2.0	None

There were no changes to the asset allocations or the holdings in any of the model portfolios during September.

All the asset classes were lower for the month apart from U.S. stocks which climbed about 2% in Canadian dollar terms. The risk appetite for American stocks appeared to rise as investors rotated back into AI and semiconductor stocks despite all the news about impending AI doom.

Among the asset classes, gold was down the most, declining about 5.5% in Canadian dollar terms as a reaction to the spike in U.S. interest rates. In the short term, gold, which doesn't generate a yield, can struggle if the yields on U.S. Treasuries rise. The yield on the 10-year U.S. Treasury bond jumped to 5.28% by the end of September, its highest level since June 2007. In fact, we can now retrace that 5.28% level back to levels we saw for a short period of time in 1993 while interest rates were amid a general decline from 1981 to 2020. This alone might raise questions about whether we are in a generational upswing in interest rates like we saw from 1949 to 1981.

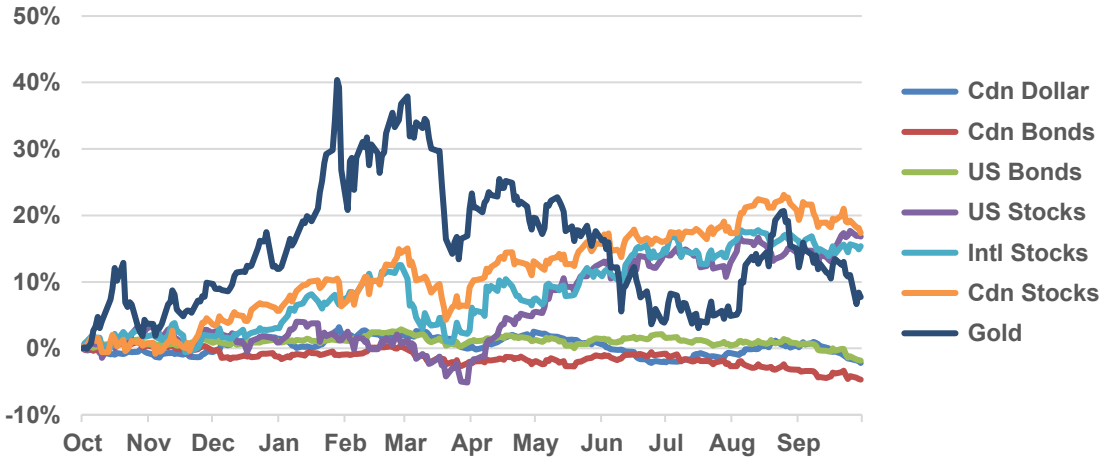
[12] The asset allocation represents the current *target* asset allocation of the Balanced Model Portfolio as of October 12, 2026. The asset allocations of individual clients invested in this Portfolio may differ because of the relative performance of the asset classes since the last rebalancing and because of differences in the timing of deposits and withdrawals. The Balanced Model Portfolio is part of a sequence of five portfolios ranging from conservative to aggressive: Conservative, Balanced Income, Balanced, Balanced Growth, and Growth.

Although not as historically bad a month as September, October can still be rough. Since the beginning of June, investors have rotated out of and then back into AI and semiconductor stocks. If that cycle continues, October could see a rotation back out leading to potential volatility. The other hazard for the market is a continuation of the increase in U.S. Treasury yields which might begin to attract capital out of stocks and into bonds.

A few months ago, I thought the U.S. midterms might add to volatility. However, stock market investors have not been responding much to election news. There might be an assumption that the post-election allocation of power in the U.S. Congress could add to spending. Often the stock market can get a bit of a "sugar high" in response to such an outcome. The bond market tends to not like this and we might have already seen some of its displeasure with the dismal mood that has led to lower bond prices and higher bond yields.

Below is the 12-month performance of the asset classes that I have used in the construction of The Charter Group's model portfolios (**Chart 1**).[13]

Chart 1:
12-Month Performance of the Asset Classes (in Canadian dollars)



Source: Bloomberg Finance L.P. for the interval from October 1, 2025 to September 30, 2026

[13] Source: Bloomberg Finance L.P. – The Canadian dollar rate is the CAD/USD cross rate which is the amount of Canadian dollars per one U.S. dollar; Canadian bonds are represented by the Core Canadian Universe Bond Index; US bonds are represented by Barclays US Aggregate Bond Index; U.S. stocks are represented by the S&P 500 Index; International stocks are represented by the MSCI EAFE Index; Canadian stocks are represented by the S&P/TSX 60 Composite Index; Gold is represented by the Gold to US Dollar spot price.

Top Investment Issues[14]

Issue	Importance	Portfolio Impact
1. Global Geopolitics	Significant	Negative
2. Global Trade Wars & Alliances	Moderate	Negative
3. Inflation from Tariffs (Portfolio Impact)	Moderate	Positive
4. Tariffs: Slowing Economic Growth	Moderate	Negative
5. Long-term U.S. Interest Rates	Moderate	Negative
6. U.S. Fiscal Spending Stimulus	Medium	Positive
7. Growing U.S. Credit Risks	Medium	Negative
8. Canadian Federal Economic Policy	Medium	Positive
9. China's Economic Growth	Light	Negative
10. Canadian Dollar Decline	Light	Positive

[14] This is a list of the issues that we currently deem to be the ten most important with respect to the potential impact on our model portfolios over the next 12 months. This is only a ranking of importance and potential impact and *not* an explicit forecast. The list is to illustrate where our attention is focused at the present time. If you would like an in-depth discussion as to the potential magnitude and direction of the issues potentially affecting the model portfolios, I encourage you to email me at mark.jasayko@td.com or call me directly on my mobile at 778-995-8872.

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The Charter Group is a team that specializes in combining wealth management with discretionary investment management. For an annual fee, we manage model portfolios for private clients. All investment and asset allocation decisions for our model portfolios are made in our Langley, B.C. office. We do not outsource any of the decision-making for our model portfolios – there are no outside actively-managed products or funds. We strive to bring the best practices and the calibre of investment management normally seen in global financial centres directly to the Fraser Valley and are accountable for the results.

Accountability is further enhanced by the fact that Mark and Keith commit all their own investable wealth to the same model portfolios in which our clients are invested.





The information contained herein is current as of October 12, 2026.

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We manage portfolios on a discretionary basis, with investment decisions made by our team.

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We make the decisions and take responsibility for them.

Long-term discipline

Our focus is straightforward - managing risk thoughtfully and supporting long-term growth through the power of compounding over time.

If you would like to learn more about how we invest, we would welcome a conversation.








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