

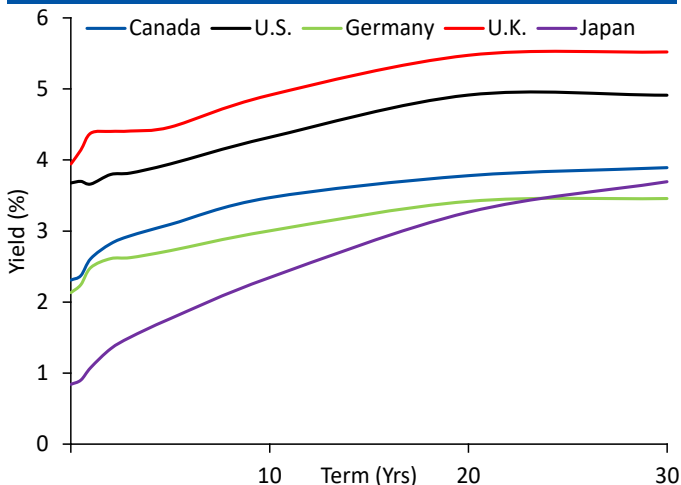
Market Statistics

	Mar/26	Dec/25	Sep/25	Mar/25
Yields (%)				
90 Day T-Bill	2.31	2.19	2.49	2.62
10 Yr. Canada Bond	3.47	3.43	3.18	2.97
30 Yr. Canada Bond	3.89	3.86	3.63	3.22
Rates				
C.P.I. (annual %)	1.80	2.40	2.40	2.30
C\$/US\$	0.72	0.73	0.72	0.69
C\$/Euro	0.62	0.62	0.61	0.64
Prices (US\$)				
Crude Oil (bbl.)	101	57	62	72
Natural Gas (mm)	2.90	3.70	3.30	4.10
Gold (oz.)	4,554	4,308	3,807	3,120

Market Returns

	Periods Ending Mar. 31/26			
	3 Mo.	1 Yr.	5 Yrs. Annualized	10 Yrs. Annualized
S&P/TSX	3.9	34.8	15.2	12.6
S&P 500 (C\$)	-2.6	14.2	14.5	15.0
S&P 500 (US\$)	-4.3	17.8	12.1	14.2
MSCI EAFE Net (C\$)	0.3	17.5	10.2	9.2
MSCI EAFE Net (US\$)	-1.2	21.3	7.9	8.4
MSCI World Net (C\$)	-2.1	15.3	12.6	12.6
MSCI World Net (US\$)	-3.6	18.9	10.3	11.8
Bond Universe	0.2	0.9	0.7	1.8
91 Day T-Bills	0.5	2.5	3.0	2.0

Yield Curves



The Economy

The quarter began with global economies growing at a modest pace and inflation running slightly above the 2% target of central banks. The US looked to be progressing toward a lower interest rate environment, particularly as President Trump exerted public pressure on the Federal Reserve to begin easing, and financial markets were pricing in this eventuality. On the last day of February, the landscape shifted dramatically, however, when the US launched military strikes against Iran.

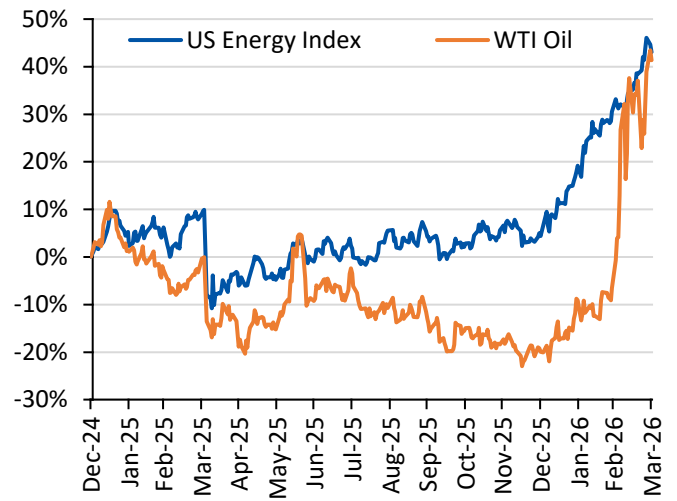
What initially appeared to be an intense but localized conflict quickly grew to encompass the entire Middle East region. Retaliatory strikes from Iran and escalating threats effectively halted tanker traffic in the Strait of Hormuz, a critical chokepoint where 15-20% of the world's oil passes through. As a result, the price of oil surged from the \$65 per barrel level to well over \$100 per barrel. Shortages have begun to appear in Asia and Europe (where much of the Middle East oil is consumed) and global inflation forecasts are now rising, pushing toward the 4% level across Europe, the US and Canada.

The world has experienced oil crises in the past, however, the current landscape features a critical difference in that the US, the world's largest consumer of oil, is now a net exporter of oil. The US still imports heavy crude from Canada, Mexico and South America, but it refines and exports this oil along with its own lighter crude production from shale properties to the world. As a result, the US economy faces a "dual reality" as consumers and many businesses struggle with inflation from higher oil prices while its domestic oil industry is reaping significant additional profits and cash flow. This is very similar to the dynamic in Canada, where Western Canada directly benefits from higher oil prices providing a partial offset to broader inflationary effects felt across the country. Importantly, unlike in past crises, there is no shortage of oil in North America.

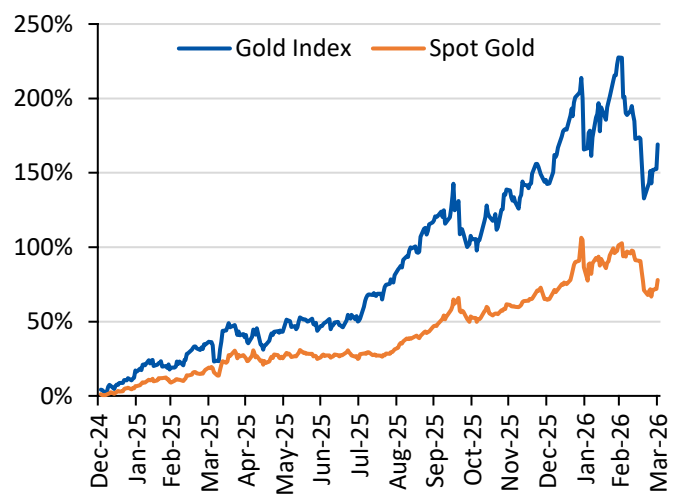
Global oil demand is currently about 105 million barrels per day with roughly 15-20 million barrels normally flowing through the Strait of Hormuz. While non-Gulf oil producers could increase production by another 4-5 million barrels relatively quickly and inexpensively, there remains a sizable shortage that cannot be made up without added capital expenditures and time. Naturally, producers are hesitant to invest significant capital without solid visibility that oil prices will remain elevated for a long period of time. Unfortunately, at this point there are no such assurances and conservation efforts cannot realistically make up the shortfall.

Looking ahead, the most likely scenario is for President Trump

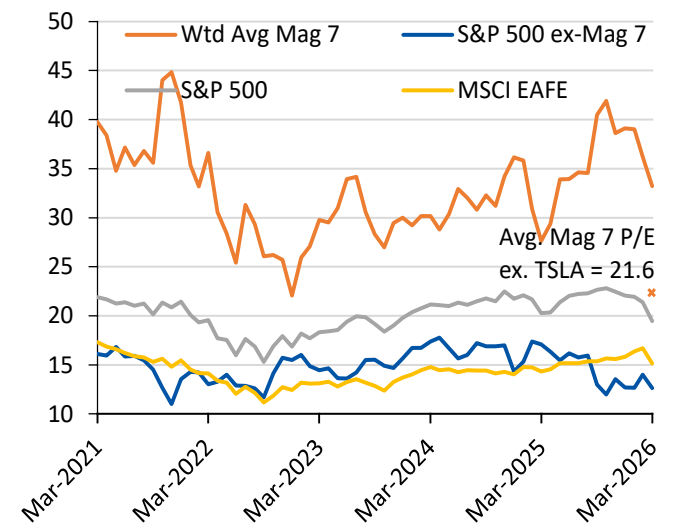
US Energy Index vs. West Texas Intermediate Oil



S&P/TSX Gold Index vs. Spot Gold



Forward P/E – Magnificent 7



to end the war soon. From a political standpoint, entering the midterm election campaigns while engaged in an unpopular war that is increasing the fiscal deficit would be disadvantageous. Especially as the strain of this situation has already been demonstrated by the President’s recent request to Congress for additional funds for the military while making aggressive cuts to domestic programs.

The Markets

During the quarter, the MSCI World Index fell 3.6% in local currency terms (-2.1% in Canadian dollars). Declines were led by companies most sensitive to oil and gas prices, including transportation companies and cruise lines. Interestingly, gold stocks reacted negatively to the US military action (as shown the middle chart) but despite a sharp 18% decline during the month of March, they remain up 11% for the quarter. The continued correction in technology shares early in the quarter also weighed on overall global performance.

In contrast, the Canadian-based S&P/TSX, with its heavy energy weighting, was up 3.9% for the same period. While international markets have performed slightly better than the US market year-to-date, the EAFE Index (Europe, Australia and Far East) contracted 10.2% in March as oil prices spiked. Europe and Asia are the most vulnerable to oil price shocks as they produce little oil themselves. Bond returns were only slightly positive with the Universe Bond Index ending the quarter up 0.2%, after a 2% decline during the month of March driven by prospects for higher inflation and interest rates.

For the effects of war in the Middle East to remain localized, oil must once again pass freely through the Strait of Hormuz. We have taken some profits in oil stocks as we do not expect the price of oil to remain above \$100 per barrel level over the long term as these levels would incentivize significant global production to come on stream. Funds are being reinvested into shares of companies that are less sensitive to oil prices, as well as those based in Europe where price-to-earnings levels are lower and valuations are more attractive (as illustrated in the chart opposite). Also of note, many of the large-cap technology companies (except for Tesla which lacks sufficient earnings support) have returned to much more reasonable valuation levels.

In fixed income, mid-term corporate bonds are currently yielding in excess of 4%. While this provides some margin over expected inflation, we remain cautious given uncertainty on the potential for even higher rates of inflation in the coming months.

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