

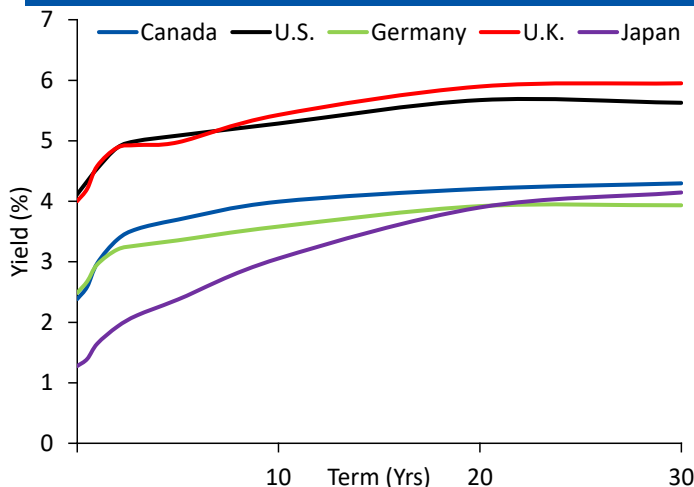
Market Statistics

	Sep/26	Jun/26	Mar/26	Sep/25
Yields (%)				
90 Day T-Bill	2.38	2.26	2.31	2.49
10 Yr. Canada Bond	4.00	3.38	3.47	3.18
30 Yr. Canada Bond	4.30	3.78	3.89	3.63
Rates				
C.P.I. (annual %)	3.00	2.80	2.40	2.40
C\$/US\$	0.70	0.70	0.72	0.72
C\$/Euro	0.62	0.62	0.62	0.61
Prices (US\$)				
Crude Oil (bbl.)	90	70	101	62
Natural Gas (mm)	3.00	3.30	2.90	3.30
Gold (oz.)	4,189	4,017	4,554	3,807

Market Returns

	Periods Ending Sep. 30/26			
	3 Mo.	1 Yr.	5 Yrs.	10 Yrs.
S&P/TSX	1.6	20.0	15.2	12.4
S&P 500 (C\$)	2.4	18.1	16.3	16.3
S&P 500 (US\$)	2.3	15.7	13.8	15.3
MSCI EAFE Net (C\$)	0.9	18.1	11.8	10.0
MSCI EAFE Net (US\$)	0.8	15.7	9.3	9.3
MSCI World Net (C\$)	1.9	17.7	14.4	13.7
MSCI World Net (US\$)	1.9	15.2	11.9	12.8
Bond Universe	-3.0	-1.1	0.3	1.3
91 Day T-Bills	0.6	2.3	3.2	2.1

Yield Curves



The Economy

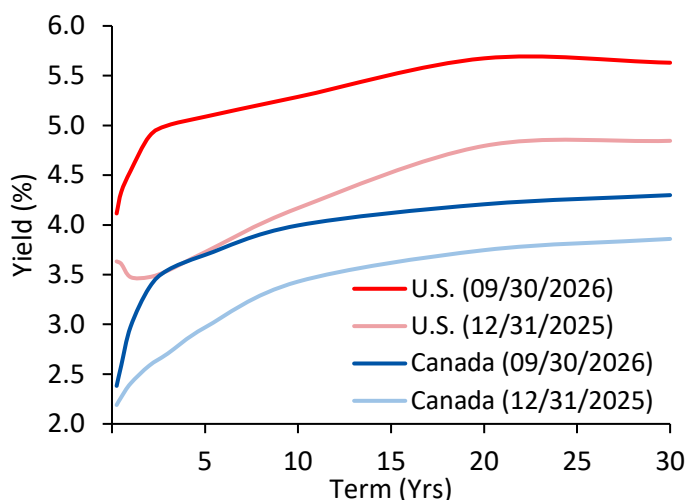
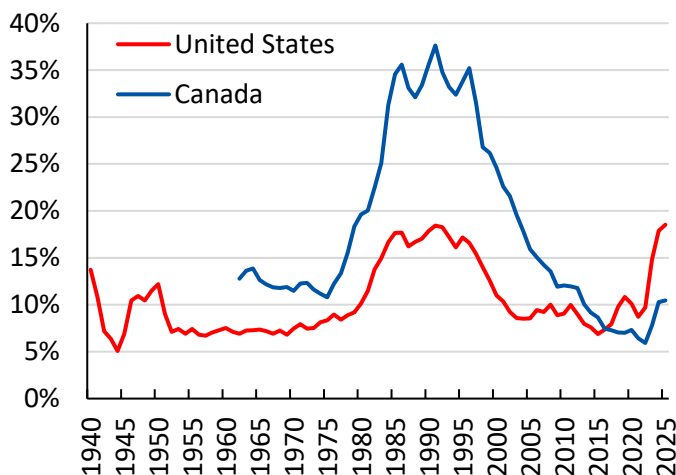
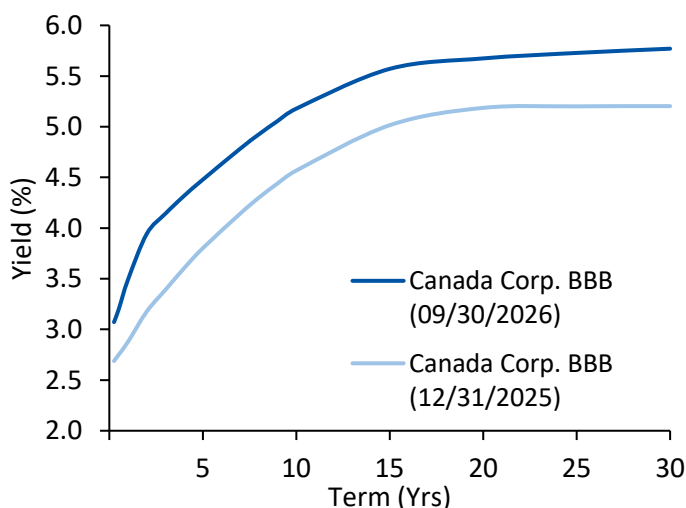
Even with further trade agitation by President Trump, the North American economies have continued to demonstrate decent economic growth. The resiliency is not surprising given that most trade remains governed by the existing Canada/U.S./Mexico trade agreement (CUSMA). The longer-term effects of Canadian layoffs in the auto and steel industries will eventually have an impact, but a relatively quick start to some of the major infrastructure and trade-diversification projects announced by the Liberal government may help offset the declines.

The consumer has been the primary driver of U.S. growth, with consumer spending increasing 6.1% over the past twelve months. There are some mixed signals, however. The Conference Board's Consumer Confidence Index recently declined to 81.9 from above 100 two years ago and now sits only slightly above the 80 level, which normally reflects a coming recession.

With inflation approaching 4.0% in the U.S., all eyes are on the new Federal Reserve Chair, Kevin Warsh. His decision in September to raise the federal funds rate 0.25% to a range of 3.75%-4.0%, in spite of President Trump's disdain for such a move, resulted in an immediate jump in short-term interest rates. Longer-term interest rates have been moving up for some time, as shown on the top chart on page two, resulting in higher bond yields at all maturity levels. Today, the yield on a 10-year U.S. Treasury bond is at the 5.25% level, versus 4.25% at the start of the year, while corporate bond yields have reached 6.25%.

The increase in longer-term interest rates has been driven by investor concerns over rising inflation, as well as the increase in U.S. government debt and deficits. U.S. debt has ballooned from \$23 trillion at the start of this decade to \$40 trillion today. Recent tax cuts and the cost of the war with Iran have added significantly to the debt burden. U.S. federal debt currently sits at more than 100% of GDP, meaning it exceeds the value of everything produced by the U.S. economy in an entire year. The second chart on page two illustrates how federal debt interest charges, as a percent of GDP, are once again breaching the 20% level.

Amid rising inflation and growing concerns over government debt levels, long-term interest rates have also increased in most other major global economies. Canadian interest rates have climbed (as shown on the top chart of page 2), but only at half the pace of the U.S. increase, and our rates remain 1.25%-1.5% lower. Canadian inflation also remains lower at

Canada vs. U.S. Yield Curves**Federal Debt Interest Charges (% of GDP)****Canadian Corporate Bond Yields**

the 3% level and our interest expense relative to GDP is only 10%. As we have written in past Coerente Views, relative to many major economies, Canada's lower debt burden means we have the capacity to support infrastructure investment and trade diversification initiatives.

The Markets

Despite a difficult month of September, equity markets posted positive returns for the third quarter overall as the S&P/TSX gained 1.6% and the World Index 1.9% (in Canadian dollar terms). One-year results remain solidly in double-digit territory, as shown in the Market Return table. Most of the returns in global equity markets continue to come from large technology and AI-related companies. These companies, virtually all U.S.-based, now represent more than half the S&P 500 index weight and almost 40% of the World Index. **Concentration risk within the market indices has clearly intensified.** In Canada, gold stocks were the major contributor to index performance rising 16.4%. Much of the appreciation was of a speculative nature as the price of gold gained only 4%.

The Bond Universe Index returned -3.0% in the third quarter and -1.1% for the most recent twelve-month period. As described earlier, longer-term interest rates have increased as inflation and government debt levels have become of greater concern to investors. Moving forward for Canada, if inflation remains in the 3% range, long-term Government of Canada bond yields around 4% may be near their peak as they provide a real yield (yield in excess of inflation) of 1%, which is the historical norm.

The bottom chart opposite shows that investment-grade Canadian corporate bonds with a term-to-maturity of ten years now yield 5%. This level of yield provides a more attractive alternative to equities and satisfies funding requirements for many foundations and pension accounts. It also means corporate bonds are providing real yields of close to 2%. As a result, in accounts with fixed income, we have gradually begun to add some high-quality Canadian corporate bonds with maturities of ten years or less.

Despite the rise in attractiveness of bond yields, our preferred asset category remains equities. We continue to maintain well-diversified portfolios and have been trimming stock positions where weightings have increased significantly. As described in past Coerente Views, we continue to find attractive valuations across a number of non-technology and less cyclical sectors, including consumer, pharmaceutical and light industrials.

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