Q3 2025 REVIEW

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As we ease into autumn and the leaves start to turn, I hope you and your family are settling back into familiar routines after a well-earned summer. Fall always feels like a fresh start—a time to take stock, tidy up loose ends, and refocus on what matters most. It's also a natural moment to revisit your financial goals before year-end: ensuring your plan still aligns with your life, your cash flow is comfortable, and your investments are positioned sensibly for the road ahead. Thank you for your continued trust; it means a great deal. If anything has changed for you, or if you'd simply like a check-in as we head toward Thanksgiving and the holidays, I'm here and happy to help.

Market Summary

Markets finished the summer on a strong note as central banks began easing. In mid-September, the U.S. Federal Reserve cut rates by 0.25% and signalled a gradual path to further reductions, even as August inflation ran at ~2.9% year over year. In Canada, the Bank of Canada also trimmed its policy rate by 0.25% to 2.50%, citing softer growth and a weaker backdrop, with recent PMI readings still in contraction. Equity markets welcomed the shift, with the S&P 500 rising by a little over 7% for the quarter. At the same time, Canada's S&P/TSX Composite posted a double-digit gain and set fresh record highs into quarter-end, helped by strength in technology and resource names as gold hovered near record levels. Overall, policy support and resilient earnings kept risk appetite healthy, even as we continue to monitor growth and inflation trends into the fall.

Index (as of Sep 30th)	1-month	3-month	6-month	1-year
S&P/TSX Composite Index	5.11%	11.79%	20.49%	25.10%
Dow Jones Indus. Avg	1.87%	5.22%	10.47%	9.61%
S&P 500 Index	3.53%	7.79%	17.67%	16.08%
NASDAQ Composite Index	5.61%	11.24%	30.99%	24.58%

Inflation and Interest Rates

Inflation eased on both sides of the border through the summer, and central banks finally started to take their feet off the brake. In the U.S., annual inflation sat just under 3% in August, and the Federal Reserve delivered a 0.25% rate cut in mid-September—the first move lower this year—bringing its policy range to 4.00%–4.25% and signalling a cautious, data-driven path from here. In Canada, inflation was cooler at about 1.9% year-over-year in August, and the Bank of Canada trimmed its overnight rate by 0.25% to 2.50% at its September meeting, noting growth headwinds even as it remains alert to underlying price pressures. Bottom line: borrowing costs have started to come down, but policymakers are easing gradually, aiming to support growth without letting inflation flare up again.

Real Estate and Housing

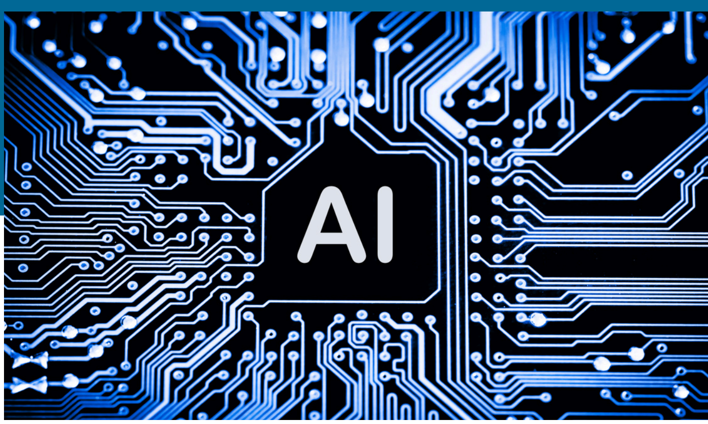
Canada's housing market stayed sluggish in the third quarter of 2025, with rate cuts helping at the margin but not enough to spark a broad rebound. Resale activity picked up in spots, yet momentum was uneven, and many buyers remained cautious amid affordability strains. Listings continued to climb faster than sales in several large centres, shifting conditions in favour of buyers and leaving benchmark prices mostly flat to slightly lower through quarter-end. On the supply side, new home starts softened while a wave of completions and new purpose-built rentals added near-term inventory, easing rent pressure only modestly. Overall, Q3 looked more like drift than recovery—a market feeling the weight of high carrying costs and fragile sentiment, with a risk of further price slippage if financing relief is slow or the labour market cools into winter.

Gold and Silver - Bright Spots

Gold (in U.S. dollars) spent the third quarter of 2025 hovering near record territory—choppy at times, but generally firm—as the first rate cuts from major central banks lowered real yields and kept safe-haven demand supported. A stronger U.S. dollar in spurts capped rallies, yet the overall backdrop remained constructive into quarter-end. Against that setting, I'm evaluating a measured addition to silver across portfolios because I believe we're in the early stages of a broader commodity upturn. Silver often outperforms later in precious metals cycles, and several forces support this thesis: global easing is improving liquidity; years of underinvestment have constrained new supply; industrial demand—especially from solar and electronics—continues to expand; and the gold-to-silver ratio remains historically elevated, leaving room for catch-up if sentiment holds. Any allocation would be sized prudently and implemented with diversified, liquid vehicles, given silver's higher volatility.

Artificial Intelligence

Artificial Intelligence (AI) remained the market's headline theme in the third quarter of 2025. Spending on data centres and AI infrastructure remained elevated as cloud providers ordered more advanced chips and servers, keeping the "picks-and-shovels" side of the trade—semiconductors, equipment makers and data-centre operators—in the lead. Software names were more mixed as investors waited for clearer revenue lift from new AI features, and rich valuations meant headlines about regulation, export controls and supply bottlenecks produced sharp day-to-day swings. Within our portfolios, Micron stood out as a beneficiary of tighter supply and improving pricing in advanced memory used for AI (notably high-bandwidth memory that helps AI chips move data faster), alongside a better backdrop for DRAM and DDR5. We continue to favour a selective, diversified approach across the AI ecosystem—owning core enablers while sizing positions prudently given volatility and execution risk.



Cryptocurrencies

Cryptocurrencies were volatile but generally constructive through the third quarter of 2025, with sentiment improving as rate-cut expectations and better market "plumbing" supported liquidity. Bitcoin spent the quarter trading in a wide range as macroeconomic headlines pushed prices around. Still, the bigger story was the steady mainstreaming of access: spot ETFs have deepened transparency and liquidity, custodial standards continue to improve, and regulators are providing clearer guardrails in major markets. Against that backdrop, we added a small position in a North American–listed Bitcoin ETF(IBIT) over the past few weeks. Our thesis is straightforward: the regulatory landscape is becoming more predictable, institutional participation continues to broaden (more asset managers, platforms, and service providers supporting compliant ownership), and digital assets now fit more cleanly within a diversified portfolio. We're sizing the allocation prudently, recognising higher volatility, and will rebalance as needed—treating it as an opportunistic satellite holding rather than a core position.

Geopolitical Events

Geopolitics stayed noisy in the third quarter of 2025, but markets largely looked through the headlines. Ongoing conflicts and trade frictions kept energy and shipping in focus, while periodic headlines around great-power tensions and technology export rules sparked short bursts of volatility. For the most part, investors treated these as background risks rather than trend-setters, with rate cuts and earnings doing more of the heavy lifting for prices. Defence, cybersecurity, and select commodities exhibited a bid on risk hedging, whereas travel- and trade-exposed names were more volatile. Our takeaway: the geopolitical backdrop remains unsettled but manageable for diversified portfolios. We're staying nimble, favouring quality balance sheets and maintaining some ballast in cash, short-duration income, and hedges in case headlines intensify into year-end.

Tariffs and Trade

Tariff and trade headlines between the United States and Canada stayed noisy but manageable in the third quarter of 2025. Washington maintained a firm "Buy American" stance and continued targeted measures for autos, steel/aluminum, and clean-tech supply chains, while Ottawa pressed for carve-outs and defended long-running files, such as softwood lumber. That backdrop created occasional uncertainty for cross-border manufacturers and suppliers, especially on pricing and sourcing, but day-to-day goods' flows remained resilient. In markets, the effect was more pronounced in sector moves than in the broad indices: exporters and auto-parts names struggled with headline risk and currency swings, while railways, energy, and select materials held up due to steady North American demand. Our take: trade policy is a watch item, not the main story—we continue to favour diversification across sectors and currencies, and a tilt toward quality balance sheets to navigate any further tariff noise.

Looking Ahead

Looking ahead to the fourth quarter of 2025, we remain cautiously optimistic. Rate cuts are slowly easing financial conditions, and corporate earnings are holding up, but after a strong run, it's normal for markets to pause or pull back—and we think a correction is likely. Our base case is that any setback should be temporary, driven more by positioning, year-end headlines, and seasonal volatility than by a change in the underlying trend. We expect the broader market to re-find its footing as the quarter progresses, supported by easing policy and steady demand. In portfolios, this means staying diversified, favouring quality balance sheets, maintaining some cash for opportunities, and being ready to add selectively if we receive the usual, healthy reset.

Downturns are uncomfortable, but they're also a regular part of investing—and a good test of discipline. The key is to stay anchored to a clear, well-researched thesis and a time horizon measured in years, not weeks. Markets can swing on headlines; fundamentals evolve more slowly. By keeping portfolios diversified, rebalancing when prices move sharply, and adding to quality positions at sensible valuations, we turn volatility from a threat into an opportunity. This is where process matters: set targets, review the facts, and avoid emotional decisions that derail long-term compounding. Our approach is to favour strong balance sheets and durable cash flows, and to let time do the heavy lifting. Sticking with the plan through the cycle is how we protect capital on the way down and participate fully when markets recover.