Market & Economic Summary

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SECOND QUARTER HIGHLIGHTS

- *S&P/TSX Composite hits a new all-time high of 26,857.10 on June 30th*
- *S&P 500 hits a new all-time high of 6,173.12 on June 30th*
- *Canadian dollar strengthened to a 9-month high $0.7385 on June 16th*
- *WTI Oil was range bound end the quarter at $67.61 USD per barrel*
- *Bank of Canada maintained overnight rate at 2.75%*

MARKET SUMMARY

Second Quarter 2025

S&P/TSX Composite TR

Q2	YTD	1 year
⬆ 8.5%	⬆ 10.2%	⬆ 26.4%

S&P 500 TR (US$)

Q2	YTD	1 year
⬆ 10.8%	⬆ 6.2%	⬆ 15.1%

MSCI EAFE GR (C$)

Q2	YTD	1 year
⬆ 6.3%	⬆ 13.8%	⬆ 18.0%

ICE Bof AML Canada Brd Mkt TR

Q2	YTD	1 year
⬇ 0.7%	⬆ 1.3%	⬆ 5.8%

SUMMARY

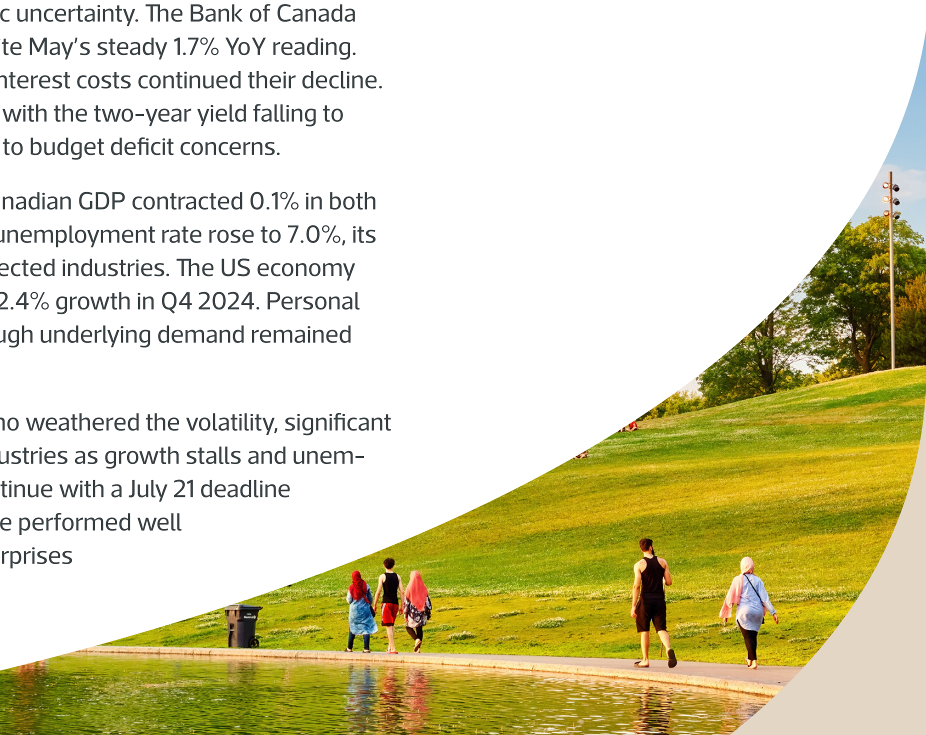
Q2 2025 began turbulently with equity markets plunging after the US announced sweeping global tariffs on April 2. This, coupled with a brief but intense Israel-Iran conflict which saw the USA bomb Iran's nuclear sites, drove market volatility to extreme levels. Gold reached record highs in June while oil prices, after a brief spike, finished the quarter below their starting point. Despite these challenges, markets staged a remarkable recovery, with major indexes reaching record highs by quarterend, buoyed by resilient corporate earnings and improved US-China trade relations.

North American equity markets posted strong gains through the quarter, with the S&P/TSX Composite rising 8.5%, the S&P 500 up 10.8%, and the MSCI EAFE gaining 6.3% in Canadian dollar terms. These gains pushed all major indexes into positive territory both year-to-date and on a 12-month basis. The Canadian market continued to outperform the S&P 500 over the full year, though it lagged in June. Meanwhile, the FTSE Canada Universe Bond Index declined slightly, closing down 0.70%.

Central banks maintained cautious stances amid economic uncertainty. The Bank of Canada held its policy rate at 2.75%, citing inflation concerns despite May's steady 1.7% YoY reading. Housing costs moderated to 3% growth while mortgage interest costs continued their decline. US Treasury markets ended Q2 expecting rate cuts in Q3, with the two-year yield falling to 3.72%, though longer-term yields remained elevated due to budget deficit concerns.

Economic indicators revealed growing pressure points. Canadian GDP contracted 0.1% in both April and May, with manufacturing particularly weak. The unemployment rate rose to 7.0%, its highest since September 2021, with job losses in tariff-affected industries. The US economy showed similar strains, contracting 0.5% in Q1 2025 after 2.4% growth in Q4 2024. Personal spending, income, and retail sales all declined in May, though underlying demand remained relatively stable.

Looking ahead, while Q2 ended positively for investors who weathered the volatility, significant challenges remain. Tariffs are impacting key Canadian industries as growth stalls and unemployment rises. Critical trade negotiations with the US continue with a July 21 deadline looming. Despite these headwinds, Canadian equities have performed well year-to-date. The second half of 2025 may bring more surprises but potentially greater clarity on future growth directions.



> *This pattern of sharp decline followed by strong recovery has repeated throughout market history, yet continues to challenge even experienced investors' resolve during periods of heightened volatility.*
>
> *– Matthew Jenkinson*

STRATEGIC NOTES

In a period of extraordinary market volatility during the second quarter, we witnessed significant economic disruption following President Trump's implementation of comprehensive global tariffs. This policy decision delivered a systemic shock to the world economy, the full implications of which remain uncertain as they continue to ripple through various sectors. During this turbulent time, adherence to fundamental investment principles has proven more crucial than ever for preserving and growing client portfolios.

The market reaction was swift and dramatic. The S&P 500 experienced a substantial 16.4% drawdown, which was further compounded by a 4% weakening of the US dollar. Simultaneously, the TSX underwent a 12% decline. Remarkably, this precipitous drop occurred within just three days, followed by an equally dramatic recovery of more than half those losses in a single session. After several days of fluctuation, both indices demonstrated impressive resilience, ultimately closing the quarter at new highs—28% and 21% above their lowest points during the aggressive Liberation Day market drawdown.

This recent market episode serves as a powerful reminder of the unpredictable nature of short-term market movements and the dangers of reactive investment decisions. Investors who succumbed to panic and exited the market during the initial downturn would have missed the subsequent remarkable recovery, potentially crystallizing significant losses. This pattern of sharp decline followed by strong recovery has repeated throughout market history yet continues to challenge even experienced investors' resolve during periods of heightened volatility.

The fundamental principle that remains steadfast through these market gyrations is the importance of maintaining a disciplined, long-term investment approach. Markets have consistently demonstrated their capacity to absorb and adjust to economic and political shocks over time. While short-term volatility can be unsettling, history has repeatedly shown that well-diversified portfolios structured according to sound investment principles and aligned with individual risk tolerances and time horizons continue to be the most reliable path to long-term financial success.

We remain cautiously attentive to how these tariff-related disruptions may further influence economic conditions. We also recognize the resilience and adaptability of markets and businesses. Opportunities often emerge from periods of dislocation for those positioned to capitalize on them. At Eastport, we remain committed to navigating these complex market conditions on behalf of our clients, employing our disciplined investment approach while remaining alert to both risks and opportunities that may arise in this evolving landscape.

In summary, Eastport stands firmly beside you during these challenging market conditions. Our carefully constructed portfolios havedemonstrated their resilience through this recent investment storm, and our team continues to provide vigilant oversight and strategic adjustments as market conditions evolve. We remain dedicated to preserving and growing your wealth through both calm and turbulent market periods.