

MARKET SUMMARY

Third Quarter 2025

S&P/TSX Composite TR

Q3	YTD	1 year
↑ 12.5%	↑ 23.9%	↑ 28.6%

S&P 500 TR (US\$)

Q3	YTD	1 year
↑ 8.0%	↑ 14.8%	↑ 17.6%

MSCI EAFE GR (C\$)

Q3	YTD	1 year
↑ 6.9%	↑ 21.6%	↑ 19.0%

Canada Broad Bond Market TR*

Q3	YTD	1 year
↑ 1.4%	↑ 2.8%	↑ 2.7%

THIRD QUARTER HIGHLIGHTS

- S&P/TSX Composite hits a new all-time high of 30,066.60 on September 23rd
- S&P 500 hits a new all-time high of 6,699.52 on September 23rd
- Canadian dollar was range bound, ending the quarter at \$0.7186
- WTI Oil was range bound, ending the quarter at \$67.02 USD per barrel
- Bank of Canada lowered the overnight rate by 0.25% to 2.5%

SUMMARY

Investment markets performed strongly in Q3 2025, with major global equity indices reaching new highs by September 30th. Both Canadian and US bonds rose, and gold hit a record high on the quarter's final day. Market performance was driven by anticipated and delivered interest rate cuts from the US Federal Reserve and Bank of Canada in September, though economic data showed a clear divergence between the two economies, with Canada's significantly weaker.

The S&P/TSX jumped 12.5%, the S&P 500 rose 8.0%, the MSCI EAFE gaining 6.9%, and gold surged 16.3%. The S&P/TSX notably outperformed the S&P 500, aided by strong rallies in gold stocks and the broader materials sector. The Canadian Bond Universe returned 1.4% for the quarter with the expectation of further BoC interest rate cuts. Despite strong equity performance, the quarter ended with uncertainty around a potential US government shutdown on October 1st that could delay key data releases.

The US economy showed resilience with Q2 GDP growth revised upward to 3.8% annualized, driven by stronger consumer spending. However, labour market weakness emerged as a concern, with August payrolls adding only 22,000 jobs vs expectations of 75,000 and unemployment rising to 4.3%. The Fed cut rates by 25 basis points to 4.00-

4.25% on September 17th, citing rising downside risks to the labour market.

Canada's economic picture remained weak with Q2 GDP falling 1.6% annualized and the economy shedding 66,000 jobs in August, pushing unemployment to 7.1%. Despite this weakness, inflation remained benign at 1.9% in August, within the BoC's target range. The Bank of Canada cut its overnight rate to 2.50% on September 17th, responding to the softer labour market and easing core inflation.

Looking ahead, significant uncertainties remain including ongoing US/Canada trade negotiations, China-US trade tensions, slowing job creation, and an on-going US government shutdown. Despite Canada's weak economic backdrop, the strong performance of Canadian equities demonstrates the importance of maintaining diversified portfolios aligned with personal investment goals.

"An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." – Benjamin Graham

STRATEGIC NOTES

In his seminal work "Security Analysis," Benjamin Graham – often called the father of value investing and mentor to Warren Buffett – establishes a clear distinction between investment and speculation, a delineation that remains fundamental to financial theory today. According to Graham, "An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." This definition emphasizes that true investment is grounded in rigorous analytical work that provides reasonable assurance of both capital preservation and satisfactory returns.

The hallmark of investment, as Graham articulates, is the thorough analysis that precedes it. This analytical framework involves examining a company's financial statements, understanding its business model, evaluating its competitive position, and determining a conservative estimate of its intrinsic value, seeking a "margin of safety" – a significant price discount that provides protection against analytical errors, unforeseen circumstances, or adverse market conditions. This disciplined approach stands in stark contrast to speculation, which is characterized by its focus on anticipating market movements or events without adequate analytical foundation.

Graham further distinguishes between investment and speculation by highlighting the speculator's preoccupation with price movements rather than underlying value. While investors concern themselves with the productive capacity, earning power, and asset value of businesses, speculators primarily focus on predicting how other market participants will behave. The speculator might purchase securities based on tips, rumors, chart patterns, or momentum, without necessarily understanding the fundamental economics of the underlying business. Graham notes that speculation becomes particularly dangerous when it masquerades as investment, leading individuals to take risks they don't fully comprehend.

Perhaps most importantly, Graham emphasizes that the distinction between investment and speculation is not merely academic but has profound practical implications. He warns that those who approach the market as speculators, even if they call themselves investors, expose themselves to significant psychological and financial hazards. The investor's analytical foundation provides both rational decision-making criteria and emotional fortitude during market turbulence, whereas the speculator lacks these stabilizing influences. Graham's wisdom reminds us that maintaining the discipline to remain an investor rather than devolving into a speculator is essential for long-term financial success.

At Eastport, we follow and partner with portfolio managers who embody these fundamental investment principles. We select managers who prioritize rigorous analysis over market timing, who understand intrinsic value over price momentum, and who maintain disciplined processes through all market conditions. Although there are no guarantees in the world of investing, this approach ensures your capital is managed by professionals who focus on long-term value creation rather than short-term speculation, providing the analytical foundation and emotional fortitude needed to navigate both calm and turbulent markets successfully.

The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, RBC GAM, National Post, Bank of Montreal Economics, Yahoo Canada Finance, OilPrice.Com and Trading Economics. Index information was provided by Morningstar, TD Newcrest and Bloomberg. Eastport portfolio returns are net of all investment management fees but do not include an advisory fee. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. This publication is for informational purposes only and has been prepared from public sources which are meant to be reliable. None of the information in this should be construed as investment advice. Speak to your Investment Advisor to learn if this product is right for you. Designed Securities Ltd. (DSL) is regulated by the Canadian Investment Regulatory Organization (CIRO), and a Member of the Canadian Investor Protection Fund (www.cipf.ca). Jonathan Lewis, Matthew Jenkinson, Andrew Blanchard, Andrew Parrott, Lori Burgess, and Nicholas Down, are registered to advise in securities to clients residing in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan and the territories of Northwest Territories, Nunavut, and Yukon. The views expressed are those of the author and not necessarily those of DSL. This report does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or to any reliable person to whom it is unlawful to make such offer or solicitation. Content is accurate as of the date of publication, and subject to change without notice.



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