

Market Review

as at September 30, 2026

The third quarter was characterized by heightened market volatility as investors responded to persistent inflation concerns, changing interest rate expectations and ongoing geopolitical uncertainty. Despite these headwinds, economic fundamentals remained relatively resilient.

While risks remain, recent market behaviour continues to demonstrate the importance of maintaining a disciplined, long-term investment approach during periods of uncertainty.

Asset Returns

Markets were weak in July but rebounded strongly in August, with that momentum carrying into early September. During the second half of September, the short-term Fed interest rate increased by 25 basis points (0.25%), which did not have a significant impact on markets. However, longer-term interest rates also increased, which contributed to declines in both fixed income and equities.

In North America, large-cap equities struggled, with the exception of the technology sector, which continued to be supported by AI-related momentum. The technology and growth-oriented Nasdaq Index returned 2.6% for the quarter, bringing its year-to-date return to 16.1%. The Russell 2000 Index, which represents small-cap equities, struggled amid the volatility, returning -7.2% for the quarter. Meanwhile, the S&P 500 Index, representing large-cap equities, rose 2.3%, while the Dow Jones Industrial Average returned -2.3%. The primary driver of this performance difference was the higher weighting to technology companies within the S&P 500, highlighting the divergence in performance between the technology sector and the broader economy.

International developed equities continued to underperform North American equities, which we attribute in part to heightened geopolitical tensions in the Middle East and a lack of mega-cap technology companies to drive returns. The MSCI EAFE Index, which represents Europe, Australasia, and the Far East, posted a year-to-date return of 10.9%. Emerging markets performed strongly in Q3, supported in part by South Korean and Taiwanese technology companies, with the MSCI Emerging Markets Index returning 23.4% year to date.

Broad fixed income returns were negative despite higher yields, as the increase in interest rates across all maturities weighed on fixed income indexes. A key driver of higher future rate expectations continues to be inflation concerns related to energy supply disruptions.

Commodity markets performed strongly in the third quarter as ongoing supply chain concerns and inflationary pressures elevated prices. Oil is up 99.5% year to date and 38.7% for the quarter. Gold rebounded over the quarter, rising 3.1%, but remains down 4.4% year to date.

Interest Rate Movements

Interest rates were volatile through the end of the third quarter. Interest rates with maturities greater than one year increased approximately 0.5% during September and are up approximately 1.0% over the past 12 months. The sharp increase in interest rates during the second half of September was largely unanticipated by markets. Short-term interest rates are most relevant for investors holding CDs, money market funds, or savings accounts. Longer-term rates are less noticeable in day-to-day life but often have a greater impact, as they influence larger expenses such as mortgages and corporate financing costs.

Fixed income valuations move inversely to interest rates. As interest rates rise, the value of existing fixed income securities generally declines. The longer the maturity of a fixed income investment, the more sensitive it is to changes in interest rates. A widely used fixed income benchmark, the U.S. Aggregate Bond Index, is currently yielding approximately 5.5%; however, it has generated a negative year-to-date return due to the decline in bond prices caused by rising interest rates.

Investors who hold individual fixed income securities through strategies such as bond ladders generally do not realize these valuation losses unless they sell prior to maturity. By holding bonds to maturity, and assuming the issuer does not default, investors can focus on receiving the contractual interest payments and principal repayment rather than the day-to-day fluctuations in market value. The objective of this approach is to accept the bond's yield at purchase as the expected return and avoid reacting to short-term price movements.

Market expectations remain for one additional short-term interest rate increase prior to year-end, as policymakers continue their efforts to manage long-term inflation. However, that increase could be pushed into early 2027 if economic data begins to weaken in response to higher long-term interest rates. If the U.S. Federal Reserve is successful in bringing inflation back toward its target, longer-term interest rates could move lower, providing a boost for fixed income fund returns through rising bond prices.

Market Review (continued)

Market Volatility, Recessions and Staying Invested

Current economic forecasts suggest there is a meaningful possibility of slower growth ahead. According to the consensus of leading economists and investment firms on Bloomberg, the median probability of a recession over the next 12 months is approximately 20% in the United States and 30% in the Eurozone. These risks are real, but they also imply that recession is not the most likely outcome. Labour markets remain relatively resilient, corporate earnings continue to hold up well, and ongoing investment in artificial intelligence may continue to support productivity gains and economic growth.

For investors, the challenge is balancing legitimate economic concerns with the risk of becoming too defensive. Markets often begin recovering before the economic outlook becomes clear, meaning investors who exit during periods of uncertainty risk missing some of the strongest phases of market performance.

Recent history provides several useful reminders. Since 2000, investors have experienced the Dot-Com Bust, the Global Financial Crisis, the COVID-19 Pandemic, the Russia-Ukraine War, the 2022 inflation and interest rate shock, the 2024 yen carry trade unwind and the 2025 U.S. tariff announcement selloff. While each event had different causes, all produced heightened anxiety and periods of sharp market declines. Yet broad U.S. equity markets ultimately recovered and moved on to establish new highs. The larger bear markets associated with the Dot-Com Bust and Global Financial Crisis took several years to recover, while many recent corrections linked to geopolitical events, policy uncertainty and market positioning recovered within months.

This distinction between a correction and a market crash is important. Corrections of 10% to 20% occur relatively frequently and are a normal part of investing. More severe bear markets are less common and can take longer to

recover, particularly when accompanied by recession or broader financial stress. However, the common thread is that, in broad U.S. equity markets, periods of market weakness have historically proven temporary for investors able to remain focused on their long-term objectives.

Maintaining an emergency fund or cash reserve can help reduce the likelihood of needing to sell long-term investments during a downturn. While no one can predict precisely when the next correction or recession will occur, history suggests that investors who remain diversified, maintain adequate liquidity and avoid emotional decision-making have generally been rewarded for their patience over the long term, although there is no guarantee that this will be the case in the future.

Outlook and Portfolio Positioning

We remain constructive on the long-term outlook for financial markets while recognizing that short-term volatility is likely to persist. Given the current environment, investors should continue to plan ahead for anticipated cash flow needs and maintain adequate liquidity to reduce the likelihood of having to sell long-term investments during periods of market weakness.

Our strategic asset allocation remains unchanged. During the quarter, we completed a review of several underlying investment strategies and made targeted changes to two funds where we believe there are opportunities to seek to enhance long-term risk-adjusted returns while maintaining the intended portfolio structure. We remain committed to a disciplined investment process focused on diversification, prudent risk management and long-term wealth creation.

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Macro Indices Report as at September 30, 2026 (percent)

	SEP	AUG	JUL	Q3 2026	YTD	2025	Annualized	
							3 Years	5 Years
GLOBAL EQUITY								
MSCI AC World Total Return	-1.1	2.7	0.1	1.6	13.0	22.3	21.7	11.6
MSCI EAFE	-3.0	2.0	2.0	0.9	10.9	32.0	19.1	10.0
NORTH AMERICA EQUITY								
S&P 500 Total Return	-0.3	2.7	-0.1	2.3	12.7	17.9	22.9	13.8
DOW JONES INDUSTRIAL AVG	-4.1	1.5	0.4	-2.3	7.2	14.9	17.0	10.6
S&P 400 Net TR	-4.3	0.1	-2.4	-6.4	9.6	7.0	14.0	7.5
NASDAQ COMPOSITE	1.9	4.0	-3.2	2.6	16.1	21.2	27.5	14.1
RUSSELL 2000 INDEX	-5.3	1.0	-3.0	-7.2	13.9	12.8	17.7	6.3
S&P/TSX COMPOSITE INDEX	-2.6	3.1	1.2	1.6	13.0	31.7	25.1	15.2
EUROPE EQUITY								
S&P EUROPE 350 INDEX	-2.4	0.5	1.2	-0.8	10.2	20.4	15.6	10.8
FTSE 100 INDEX	-2.0	0.2	3.6	1.8	9.5	25.7	15.6	12.2
CAC 40 INDEX	-4.2	-2.1	1.3	-4.9	0.6	14.3	7.1	7.4
DAX INDEX	-4.0	2.5	2.5	0.8	2.9	23.0	17.9	10.5
ASIA EQUITY								
MSCI AC Far East Ex Japan	0.3	3.7	-4.2	-0.3	32.3	37.2	27.8	8.5
NIKKEI 225	1.2	3.1	-8.1	-4.1	34.5	28.7	30.2	20.1
HANG SENG INDEX	-3.3	-1.0	13.5	8.6	-1.4	32.5	15.5	3.7
S&P/ASX 200 INDEX	-2.1	1.7	2.3	1.8	4.7	11.4	12.6	9.0
SHANGHAI SE COMPOSITE	-3.4	4.1	-5.9	-5.3	-1.4	21.7	10.1	4.2
SOUTH AMERICA & EM EQUITY								
MSCI EM Net Total Return USD Index	-0.6	3.4	-3.1	-0.4	23.4	33.6	24.1	8.9
S&P LATIN AMERICA 40	-1.2	-0.9	4.7	2.5	15.4	54.5	17.7	14.5
BRAZIL IBOVESPA INDEX	5.0	-0.3	3.5	8.3	15.6	34.0	16.9	10.9
S&P BSE SENSEX INDEX	-5.8	-1.3	2.3	-4.9	-13.9	10.5	4.7	5.6
FIXED INCOME								
ICE BoA 1-3 Year US Treasury Index	-0.5	0.2	0.2	-0.1	0.5	5.1	4.1	1.9
BLOOMBERG US Agg	-2.6	0.4	-1.3	-3.5	-2.9	7.3	4.1	-0.6
BLOOMBERG Multiverse (Unhedged)	-2.4	0.5	-0.5	-2.4	-2.5	8.4	4.1	-1.6
Citi World BIG US Hedged	-1.9	0.1	-1.1	-2.9	-1.8	5.1	4.1	-0.4
ICE BoA US High Yield Index	-2.5	1.0	-0.3	-1.8	0.0	8.5	7.9	3.6
JPM EMBI Global Core – US\$	-3.6	0.8	-1.7	-4.4	-2.4	13.9	9.2	1.4
JPM EM Global Cove – Local	-2.1	0.9	0.3	-0.9	0.9	19.0	7.8	2.5
COMMODITIES								
BLOOMBERG Commodity Index	0.3	7.1	7.2	15.1	29.3	11.1	10.6	7.1
GOLD	-6.3	9.5	0.6	3.1	-4.4	62.5	29.8	18.0
OIL (WTI)	9.9	2.9	22.7	38.7	99.5	-7.6	19.6	21.6

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