

Review

2025 was a great year for Canadian equities, they had their best annual return since 2009. Global stock markets started the year nervously when the then newly inaugurated US President kicked off his term by threatening the world with punitive import tariffs. On April 2, he delivered on his threats, and plenty of investors were spooked when they took those threats to heart. At first, they were afraid, they were petrified. They kept thinking they could never live without the US on their side. But then they spent a few nights thinking how Trump did them wrong. And their sentiments grew strong, and they learned how to get along. Indeed, a mere 4 days after Trump's tariff announcements, global economies knew that they just wouldn't crumble, lay down and die. They knew they would survive. Global stock markets in fact did more than just survive; they soared. Why? For a couple of reasons. First, because US President Trump was merely bluffing with his tariffs and trade war threats; he walked back every one of those in a matter of days. Second, a silver lining to Trump's actions, global economies learned how to better get along with each other and to rely less on the US. Over the year, Canada's S&P/TSX Composite Index climbed 28.06% (31.7% total return) firmly led by Materials. This nearly doubled the performance of its US counterpart, the S&P 500 Index's

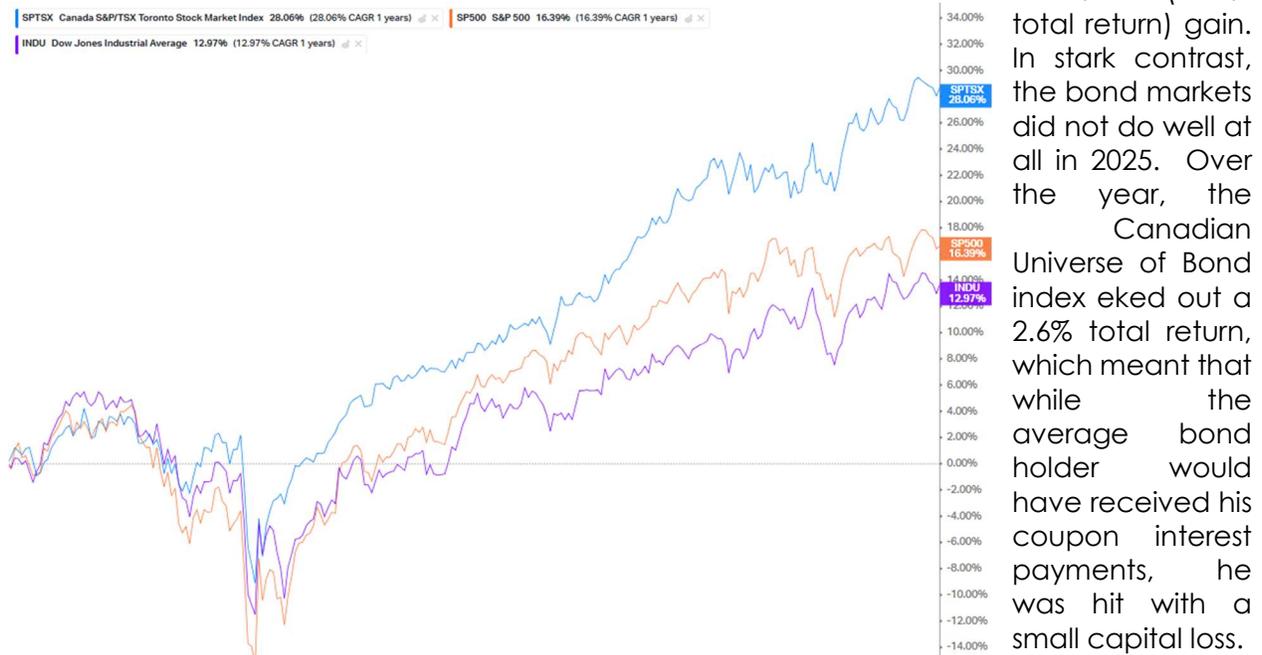


Figure 1: Koyfin Data, Jan 1 - Dec 31 2025

Forecast

We anticipate 2025's momentum will continue through 2026, though the pace of appreciation will almost certainly be less remarkable. Our positive outlook is anchored by what we believe to be the early stages of a multi-year commodity bull market cycle. These cycles typically begin with a surge in price for precious metals as an inflation hedge, followed by base metals like copper and nickel (often viewed as a leading economic indicator) required for building infrastructure. Spikes in energy prices mark the late stages of the cycle as these impacts the end consumer.

The US President's unique approach to global trade and diplomacy has resulted in nations striving to be less reliant on the American economy. A good example is Prime Minister



Carney's "nation-building" push - characterized by new pipeline discussions, diversified trade partnerships, and deregulated energy frameworks to attract AI data centers and other investment - is expected to sustain positive GDP growth despite broader headwinds.

While the fundamental path remains upward, headline risks from CUSMA renegotiations and the geopolitical fallout of the recent Venezuela intervention will likely trigger short-term market wobbles. However, we view the aggressive posturing of the Trump administration as the predictable "Art of the Deal" framework that historically results in pragmatic compromise.

Strategy

Silence is golden, but gold was anything but silent over the past year. The price of the precious metal climbed 66% in 2025, leading to an average gain of 132% in the index of gold related shares on the TSX. Your portfolios have, for a very long time, held shares in a gold royalty company, Franco Nevada, that have performed extremely well since our initial investment. While it might be tempting to lock in some of our profits, we plan to stay on the sidelines with respect to our Franco Nevada shares. We remain confident of the company's prospects because we, along with a great majority of global investors, firmly believe that gold will remain the most coveted and trusted asset of all time, put simply - in gold we trust.

Preferred shares were victims of the COVID19 pandemic when interest rates fell to nearly zero but have fully recovered over the past 2 years. Rate-reset preferred shares, our favored ones, had an exceptional total return of about 15% in 2025. There were many reasons for their big turnaround, but key was that issuers have been redeeming their preferred shares en masse. And when listings of these shares fall while their demand rises, the most elementary law of economics dictates that their prices must rise. Many of our holdings are now trading at prices that exceed their redemption price. That's nice, but at the same time it has effectively tied our hands in terms of our portfolio strategy. While these shares are flashing very handsome capital gains at us, we are reluctant to capture those gains. For the first time, we are having difficulty in finding suitable reinvestment opportunities given the fact that the prices of all rate-reset preferred shares rose in unison. There are few if any trading opportunities left open to us. It seems that our only salve is that we have time on our side. These shares are not yet redeemable and therefore we can continue to enjoy their tax-advantaged yields for a couple more years before they too will be surely called for redemption.

While 2025 was broadly positive, it was not without challenges. Several defensive, high-quality core holdings, including Alimentation Couche-Tard, Constellation Software, and the Class I railways (CNR/CP) underperformed the index. Although our disciplined allocation to these names have led to temporary trailing returns, our conviction in their fundamental compounding power remains unchanged. We view the disconnect between price and value as an opportunity and will continue to opportunistically add to these positions.

Closing Thoughts

We have now fully rolled out our online platform, Ndex, for self-serve delivery of statements and other documents. Please email trevor@leeturner.ca to activate your account if you have not already had the opportunity to.