



Financial Outlook December 2025



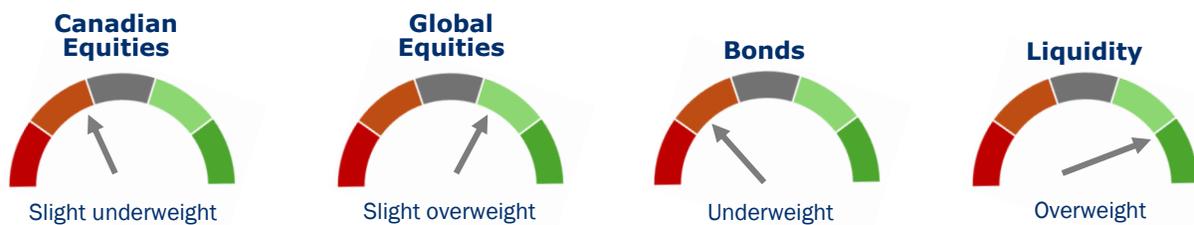
By Martin Delage, Canadian Chief Investment Officer

Markets Maintain Momentum Despite Geopolitical Uncertainty

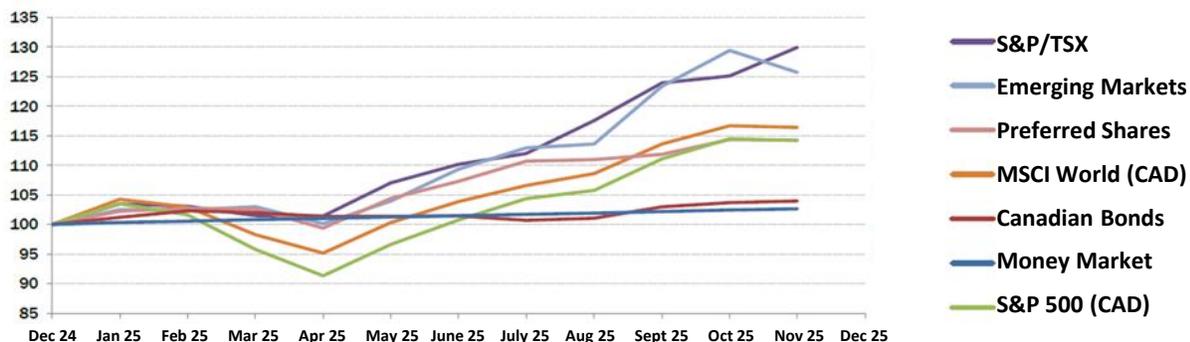
Fourth Quarter Key Highlights:

- Over the period from October 1 to December 31, 2025, financial markets advanced, supported by stable credit conditions. The Canadian equity market posted a gain of approximately +7%, with the S&P/TSX Composite rising from around 21,300 points to nearly 22,800 points, while the U.S. market moved higher gaining approximately +3%, the S&P 500 increased from roughly 4,250 points to about 4,380 points. Furthermore, Canadian preferred shares also delivered solid performance, returning approximately +4% over the quarter, supported by stable interest rates and credit markets.
- During the quarter, 10-year sovereign yields remained relatively stable in the United States. At the same time, yield curves steepened, with the 2–30 year slope widening by approximately +0.24 percentage points in the U.S. and +0.12 percentage points in Canada, reflecting expectations of monetary easing and stronger relative economic resilience in Canada.

Asset Allocation in Our Portfolios



Monthly Financial Market Returns



Source: Bloomberg as of December 31, 2025.

Economy



By Hugues Sauv , FVP, Fixed Income and
 Executive Assistant to the Canadian Investment Officer

Macroeconomic Environment and Market Conditions

In the fourth quarter of 2025, the market environment remained supportive of risk assets, driven by stable credit conditions, strong equity market performance and solid corporate fundamentals.

In the United States, despite disruptions stemming from the longest government shutdown on record, the economy demonstrated notable resilience. Third-quarter GDP growth surprised to the upside at 4.3%, driven by robust consumer spending and sustained investment, particularly in artificial intelligence-related technologies, while fourth-quarter growth is estimated at approximately 3% according to leading indicators. Beneath this headline strength, however, economic performance remains uneven. AI-related and wealth-creation sectors continue to outperform, while non-AI-related manufacturing faces mounting pressure. Leading indicators have deteriorated meaningfully despite resilient hard data, and the labour market is showing early signs of marginal softening, highlighting an increasingly bifurcated economy.

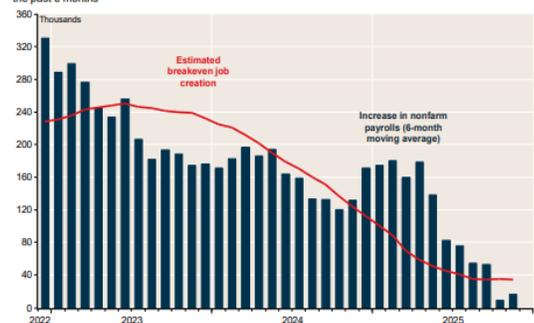
In this context, inflation is expected to moderate in the near term, though it remains a key risk. While housing-related inflation has begun to ease, core inflation remains above 3%, raising concerns about persistence. Credit markets are also starting to show more selective stress. Rising student loan and auto loan delinquencies point to increasing pressure on households.

At the same time, emerging market dislocations—ranging from concerns surrounding commercial mortgage-backed securities (CMBS), including AAA-rated tranches, to increased activity in credit default swaps (CDS) on large technology issuers—underscore the importance of rigorous credit selection.

Finally, monetary policy expectations are increasingly influenced by political considerations, with a more accommodative tone emerging amid a potential leadership transition at the Federal Reserve and upcoming midterm elections. Meanwhile, the combined effects of tariffs, prospective rate cuts and fiscal initiatives such as the One Big Beautiful Bill (OBBB) are expected to continue shaping inflation dynamics through the first half of 2026.

U.S.: Job creation has slowed but remains close to "neutral"

"Breakeven" monthly job gains* as estimated by the Dallas Fed vs. average increase in nonfarm payrolls over the past 6 months



*Monthly job creation required to keep the unemployment rate stable over the long-term

NBC Economics and Strategy (data via the Dallas Fed and Refinitiv)

Bond Market

By Hugues Sauvé, FVP, Fixed Income and
Executive Assistant to the Canadian Investment Officer



Returns on FTSE Russell Indexes / Fourth Quarter 2025 (%)

Maturity	Federal	Provincial	Municipal	Corporate	Total
Short	0.21	0.21	0.23	0.58	0.33
Medium	-0.62	-0.16	-0.15	0.14	-0.35
Long	-2.87	-1.31	-0.84	-0.06	1.36
Universe	-0.50	-0.60	-0.34	0.34	-0.32

Source: FTSE Russell

In Canada, the economy has shown solid resilience. Real GDP growth in the third quarter, along with several consecutive months of positive job creation, points to continued economic momentum, while trade-related sectors are showing signs of stabilization. Easing inflationary pressures, a supportive fiscal stance, monetary policy easing, and a persistently weak Canadian dollar continue to support economic activity.

However, despite these positive factors, certain signs of fragility persist. Final domestic demand contracted modestly, full-time employment growth remains subdued and survey-based indicators continue to signal restrictive conditions. In addition, mortgage renewal pressures are expected to persist through 2026. Trade uncertainty and less favourable demographic trends, including a slowing pace of population growth, continue to weigh on the medium-term outlook.

Internationally, while a resolution to the Russia-Ukraine conflict would be welcome and appears increasingly plausible, the outlook remains uncertain. China continues to face significant headwinds, driven by persistent trade tensions and weak domestic demand, itself the result of structural challenges such as income inequality, limited fixed-asset investment, a struggling real estate sector, and aging population. In response, China is aggressively redirecting export flows, placing pressure on other major economies—particularly Germany's manufacturing sector—and contributing to heightened global economic uncertainty.

During the quarter, our Canadian fixed-income strategy generated modest value added. Positive returns, primarily driven by an overweight position in municipal bonds and strong credit selection, more than offset the negative impact of positioning at longer durations. In credit markets, where valuations remain historically tight, we maintained a selective approach, favouring high-quality issuers while avoiding cyclical or structurally weak segments. Looking ahead, conditions are expected to tighten, as increased supply driven by large-scale AI investment and record levels of mergers and acquisitions coincides with potentially softer foreign demand amid diversification efforts and rising protectionism—factors that could further exacerbate financing pressures.

Equities

By Nicolas Poirier, Director, Equities



Equity Market Developments

The fourth quarter was marked by positive equity market performance across all regions. Resilient corporate earnings and easing trade tensions helped restore investor confidence. U.S. equities underperformed the global index, reflecting elevated valuations among large-cap technology stocks and associated profit-taking. European equities outperformed, supported by strong earnings growth and easing financial conditions. Finally, Canadian equities delivered the strongest regional performance, driven by strength in the financials and materials sectors. Gold prices continued their upward trajectory, ending the quarter at a record high, up nearly 56% year-over-year in Canadian dollars.

In Canada :

- The S&P/TSX Index rose 6.3% during the quarter
- Best-performing sectors: materials, consumer discretionary and financials, while the worst-performing sectors were real estate, communication and industrials. The materials sector finished the year up 101%, significantly outperforming the Canadian equity index.

Optimum Canadian Fossil Fuel Free Equity

During the fourth quarter, the strategy suffered from an overweight to the industrials sector, stock selection within technology and an underweight to materials. The gold sector, which was underweight in the strategy, rose 11% over the quarter, supported by higher gold prices. At current gold prices, gold companies now meet our profitability criteria and we are assessing the potential to increase exposure in the coming weeks. The strategy benefited, however, from an underweight to the energy sector and strong stock selection in financials. National Bank of Canada delivered the strongest performance over the quarter at 17.6% and represents our largest overweight among the six major Canadian banks.

Optimum Low Volatility Canadian Equity

The strategy suffered from a stock selection in materials, industrials and real estate. Despite some exposure to gold, the underweight position detracted from relative performance. Stock selection in financials and communication contributed positively, notably an overweight to Canadian insurers and Québecor, which gained 19% over the quarter. Over the year, the strategy captured more than 86% of the Canadian index's upside, consistent with its historical profile, particularly during the strongest annual rally in the Canadian equity market since 2009. The strategy remains positioned to better withstand a market slowdown or correction.

Equities (cont'd)

By Nicolas Poirier, Director, Equities



Optimum Canadian Equity Multifactor

During the quarter, the strategy suffered from an underweight to materials and financials and an overweight to real estate. The strategy benefited from an overweight to consumer discretionary, an underweight to energy and stock selection within consumer staples. By construction, the strategy is more sector-diversified than the benchmark, which detracted from performance during a period when the two largest index sectors posted strong gains. The low-volatility component was negatively affected by underweight positioning and stock selection in materials, while the momentum and equal-weight components were hindered by a significant underweight to financials.

In the United States:

- The S&P 500 gained 1.1% in CAD during the quarter
- Best-performing sectors: health care, communication and financials
- Worst-performing sectors: real estate, utilities and consumer staples
- Elevated valuations among AI-related companies prompted a rotation toward lower-valuation sectors

MSCI World Index:

- The index posted a 1.6% gain in CAD during the quarter, led by health care, materials and financials

Optimum Global Fossil Fuel Free Equity

Global equity markets ended the quarter higher, supported by resilient corporate earnings and easing trade tensions. Canadian and European markets outperformed the U.S., driven by strength in materials and financials, which are less heavily represented in the U.S. index. Emerging markets also outperformed the global index during the quarter, supported by strong performance in technology- and export-oriented sectors. The strategy suffered from a stock selection in industrials, financials and consumer staples. Notably, the global banking sector, from which the strategy is currently absent, returned 8% in Canadian dollars over the quarter. Given improving profitability across the sector, we are evaluating the introduction of exposure in the coming weeks. The strategy benefited, however, from an overweight position and stock selection in technology and communication.



40 years
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Who are we?

The three asset management firms are subsidiaries of Optimum Financial Group, a diversified, global and privately owned group whose mission since 1969 has been to ensure its clients' financial security.

With a track record of 40 years in asset management, we have brought together a team of highly qualified professionals from various areas of the financial and technology sectors.

The firms stand out with their client proximity and excellence. Optimum Asset Management Inc. in Canada combines its talents with those of its sister companies, Optimum Gestion Financière S.A. in France and Optimum Quantvest Corporation in the United States. With teams in three countries, we have privileged access to various markets. The subsidiaries had a combined CA\$7.5 billion in assets under management for institutional and private clients as at December 31, 2025.

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