



Market Commentary

Q4 2025



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December 2025	3 months (%)	1 Year (%)
Canadian Equities		
S&P/TSX Composite Index	6.25	31.68
S&P/TSX 60 Index	5.72	29.06
S&P/TSX Small Cap Index	10.20	50.16
Canadian Fixed Income		
S&P Canada Agg Bond Index	-0.30	2.48
US Equities		
S&P 500 Index	2.66	17.88
Nasdaq Composite Index	2.72	21.14
US Fixed Income		
BBg US Aggregate Bond Index	1.10	7.30
Global Equities		
MSCI World Index	1.67	15.90
MSCI EAFE Index	3.35	25.70
MSCI Emerging Markets Index	3.23	28.05
Global Fixed Income		
FTSE WGBI Index	-1.38	2.50

December 2025	S&P/TSX GIC Sectors (CDN)		S&P 500 GIC Sectors (USD)	
Equity Sectors	3 months (%)	1 Year (%)	3 months (%)	1 Year (%)
Information Technology	2.82	23.06	1.42	24.04
Communication Services	-1.68	11.02	7.26	33.55
Consumer Discretionary	10.96	30.97	0.71	6.04
Utilities	1.85	19.70	-1.40	16.04
Energy	1.77	19.16	1.53	8.68
Industrials	-1.45	3.05	0.88	19.42
Health Care	1.36	0.38	11.68	14.60
Financials	10.48	35.31	2.02	15.02
Materials	11.91	100.61	1.12	10.54
Real Estate	-6.15	4.22	-2.86	3.15
Consumer Staples	-0.71	0.29	0.01	3.90

Source: Morningstar

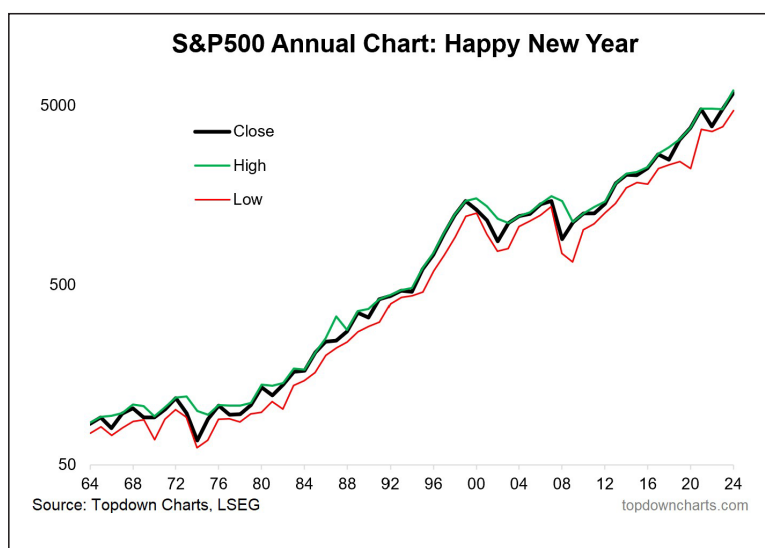
All in Canadian Dollars except US indices and S&P 500 GIC sectors, which are in US Dollars.

Global Markets: Momentum Tempered by Year-End Reality

Global markets closed out 2025 with solid gains, though momentum moderated in Q4 as investors digested the cumulative impact of earlier rate cuts, elevated equity valuations, and persistent geopolitical uncertainty. While equity markets remained positive for the quarter, leadership narrowed and volatility increased into year-end.

Central banks maintained a cautious easing bias. The U.S. Federal Reserve and Bank of Canada both held policy rates steady during the quarter after September cuts, emphasizing data dependence and signaling a slower pace of easing in 2026. Inflation continued to trend lower but remained sticky in services, reinforcing the message that the final leg toward target will be uneven.

Corporate fundamentals remained supportive. Earnings growth slowed modestly but stayed positive, with balance sheets healthy and cash flows resilient. Markets increasingly shifted from “rate-cut optimism” toward a more fundamental assessment of growth sustainability heading into 2026.



Equity Markets: Narrowing Leadership and Selective Strength

Equity markets delivered positive, though more measured, returns in Q4:

- U.S. equities advanced modestly, with gains concentrated in large-cap technology and AI-exposed leaders. Broader market participation softened, and small-caps lagged after their strong Q3 rally.
- Canadian equities consolidated gains after a strong summer. Financials and materials provided support, while energy markets were mixed amid volatile commodity prices.
- International equities were mixed. Europe faced growth headwinds from weak manufacturing activity, while emerging markets benefited from selective stimulus measures and stabilizing currencies.

Valuations became a more prominent focus. After a strong multi-quarter rally, investors showed increased sensitivity to earnings quality, balance sheet strength, and realistic growth expectations.

Artificial Intelligence: From Acceleration to Execution

AI remained a defining investment theme in Q4, though the narrative evolved. Markets began differentiating between companies building infrastructure and those successfully monetizing AI applications.

Capital spending on data centers, semiconductors, and cloud infrastructure remained elevated, but investors increasingly scrutinized timelines for revenue realization. This shift resulted in greater dispersion within technology sectors, favoring firms with visible cash-flow conversion over pure growth narratives.

Fixed Income: Stability Returns, Income Takes Center Stage

Fixed income markets delivered steady returns in Q4:

- Government bond yields moved within a narrow range as central banks paused and inflation data stabilized.
- Corporate credit spreads remained tight, reflecting investor confidence and limited default risk.
- Income generation re-emerged as a key driver of returns, particularly in high-quality investment-grade credit.

While yields are lower than mid-2024 peaks, fixed income continues to play a meaningful role in portfolio diversification, income generation, and downside protection as economic growth normalizes.

Commodities and Gold: Consolidation After a Historic Year

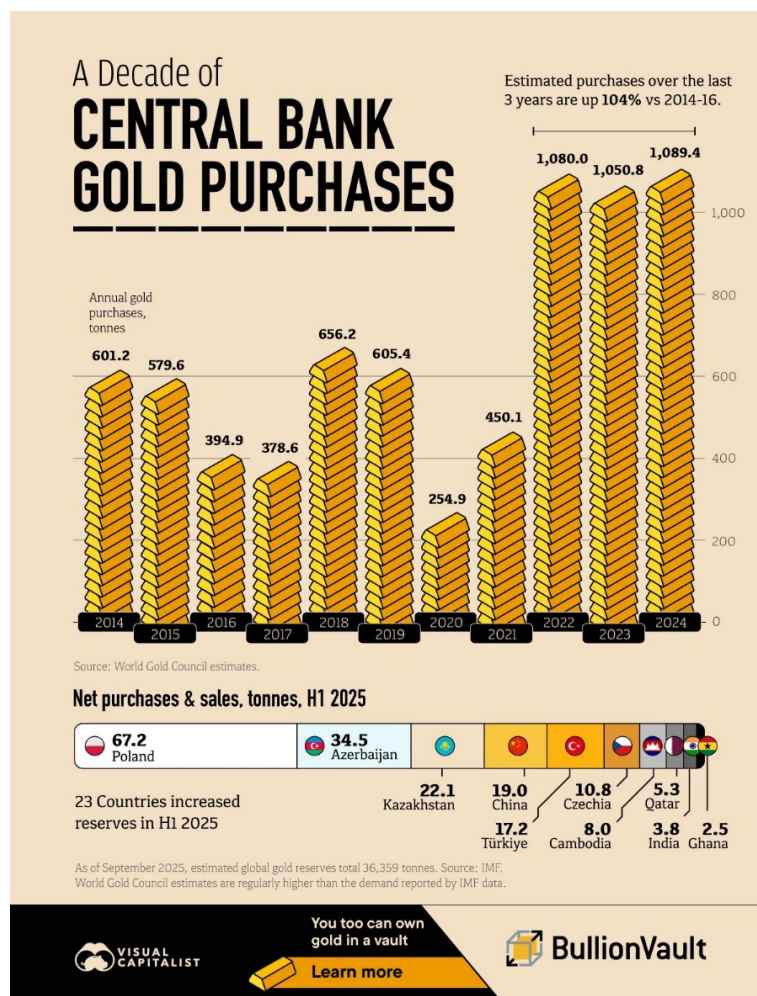
After a historic run earlier in 2025, gold prices consolidated in Q4, holding near elevated levels. Central bank demand, geopolitical risk, and declining real yields continued to provide long-term support, even as short-term momentum cooled.

Energy markets were volatile, reflecting supply discipline from OPEC+ alongside concerns about global demand growth. Industrial metals softened late in the year, tracking slower manufacturing activity, particularly in Europe.

Focus on Canada: Resilience with Regional Divergence

Canada's economy continued to show resilience into year-end, though growth remained uneven:

- Consumer spending moderated but stayed positive, supported by wage growth and easing inflation.
- The housing market showed signs of stabilization as mortgage rates declined modestly.
- Labour markets cooled gradually, reducing pressure on inflation without triggering widespread job losses.



Regional trends remained divergent:

- Central Canada continued to face trade-related pressures, particularly in manufacturing.
- Western provinces benefited from relative strength in resources and infrastructure investment.
- Atlantic provinces maintained momentum supported by population growth and construction activity.

Private Markets: Positioning for 2026

Private markets activity improved incrementally in Q4. Lower financing costs and increased valuation clarity supported renewed deal discussions, particularly in infrastructure, private credit, and select growth equity strategies.

Private credit remained attractive, offering compelling risk-adjusted yields and contractual income in a late-cycle environment. Institutional investors continued to emphasize disciplined underwriting and downside protection.

Looking Ahead: Entering 2026 with Balance

As investors move into 2026, several themes will remain front-of-mind:

- **Monetary Policy:** The pace of future rate cuts will depend on inflation progress and labour market trends.
- **Earnings Growth:** Markets will increasingly reward consistency, pricing power, and balance-sheet strength.
- **Valuations:** Selectivity will be critical after an extended rally.
- **Geopolitics and Trade:** Ongoing global tensions remain a structural source of volatility.

Final Thoughts: Discipline Over Prediction

The market environment entering 2026 favors discipline over speculation. While opportunities remain across public and private markets, diversification, quality, and risk management are essential. Staying invested, maintaining perspective, and aligning portfolios with long-term objectives remain key to navigating the next phase of the cycle.

Your Mandeville Advisor is well positioned to help you assess opportunities, manage risk, and adjust your strategy as conditions evolve.





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