



GLOBAL ASSET
MANAGEMENT

2026 MARKET OUTLOOK & LONG-TERM CAPITAL MARKET ASSUMPTIONS



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INTRODUCTION

2025 IN REVIEW: LISTEN TO WHAT THEY SAY BUT RESPOND TO WHAT THEY DO

2025 was a year that reminded Canadian investors of the importance of discipline, and of how crucial it is to realize that politics are not the economy, and the economy is not the market. Political headlines—from trade disputes to elections—often generated noise, but markets moved according to fundamentals and liquidity rather than sentiment.

The way politics are evolving, and the tone in which things are communicated, may be unsettling to many of us. Ultimately, investors need to be able to separate their values and beliefs from their investment decisions. Those that were able to do that were well rewarded in 2025, with markets posting another solid year across the board, despite the significant correction we saw in April (see Exhibit 1).

The reshaping of global trade was one of the defining themes of the year. Tariffs, shifting alliances, and supply chain realignments forced exporters to rethink their strategies. Canada, with its heavy reliance on U.S. demand, faced challenges but also new opportunities.

Reducing its vulnerability to U.S. policy swings remains critically important for Canada. Companies with global adaptability and diversified markets will be viewed by investors as more resilient than those tied to a single geography.

Canada's domestic economy showed both strain and resilience. Productivity growth remained sluggish, debt servicing costs stayed relatively elevated, and housing affordability continued to weigh on consumer sentiment. The Canadian dollar, with tariffs and the funding-rate differential acting as significant headwinds, did not appreciate against the U.S. dollar to the same extent as other developed-market currencies.

The Bank of Canada's rate cuts provided relief to borrowers and supported fixed-income returns. For investors, the Canadian story in 2025 was one of balancing short-term headwinds with long-term structural opportunities.

Technology, particularly artificial intelligence (AI), is proving to be far more than a passing trend. Multi-year, substantial infrastructure investments in data centres, semiconductors, and cloud platforms demonstrate that leading companies

see a significant and enduring opportunity. The potential productivity gains driven by AI are massive, but adoption remains non-linear and will unfold with lags.

For investors, maintaining exposure to both domestic innovators and global leaders in AI infrastructure has become a long-term imperative. AI is a secular growth story, but patience and strategic positioning are essential to capturing its benefits. In-depth knowledge of the industry and its key players is extremely important. History shows that when technological disruption occurs, long-term winners are often not the initial leaders in a field. Mobile phones (Research in Motion and Nokia) and web browsers (Netscape) are notable examples.

The most powerful market driver of 2025 was the sheer scale of stimulus implemented by governments and central bankers across the globe. Fiscal spending on infrastructure, renewable energy, and defense, combined with accommodative monetary policy, acted as a cushion against volatility and supported risk assets across the board. Liquidity remained abundant, allowing investment portfolios to weather trade disruptions and geopolitical shocks.

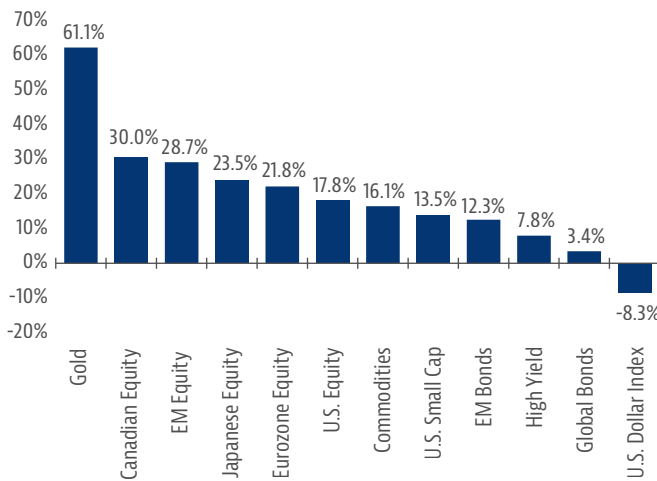
Looking ahead to 2026, the outlook remains constructive. Stimulus is expected to continue supporting infrastructure and energy transition projects, while AI-driven productivity gains may begin to show up more visibly in corporate earnings. Canadian firms that successfully diversify their trade partnerships could outperform peers that remain heavily reliant on U.S. demand. The combination of liquidity, technological transformation, and global diversification provides genuine reasons for optimism.

Yet risks cannot be ignored. Geopolitical tensions, cybersecurity vulnerabilities, and the relative stickiness of inflation could pose significant challenges. Elevated debt-servicing costs and weaker consumer demand could pressure corporate refinancing. Trade volatility also remains a threat, as shifting alliances and tariff disputes could continue to disrupt export flows. For Canadian investors, vigilance is essential: balancing exposure to growth sectors with disciplined risk management will be key to navigating 2026.

To summarize, 2025 reinforced the importance of separating emotions and political views from objective analysis. Canada has a lot of work ahead, but with stimulus as a backstop

and a renewed focus on infrastructure investment, there are genuine reasons for optimism. As we enter 2026, Canadian investors should remain constructive but cautious, prepared to seize opportunities while keeping a close eye on the risks that could reshape markets.

EXHIBIT 1: MAJOR ASSET CLASS RETURNS YEAR-TO-DATE 2025



Source: Morningstar Direct, as of December 15, 2025.

LONG-TERM CAPITAL MARKET ASSUMPTIONS

OVERVIEW

In a world undergoing considerable disruption, the 2026 Long-Term Capital Market Assumptions (LTCMA) provides a disciplined framework to look beyond short-term noise and focus on the structural forces that shape long-term return expectations. While forecasting a decade ahead remains inherently uncertain, our consistent approach offers clarity on expected returns and risk dynamics across asset classes, supporting strategic asset allocation decisions.

This year's outlook highlights financial market resilience and stabilizing macroeconomic factors, anchored by three key themes:

- Policy and rate normalization shaping fixed income opportunities, creating a foundation for stability after a period of volatility.
- Structural growth drivers such as technology and fiscal engagement supporting a balanced global outlook.
- Heightened differentiation across public and private markets, reinforcing the need for active positioning and selectivity.

This year's long-term government bond yield projections were revised down, with modest adjustments in the United States and more pronounced declines in the United Kingdom. These changes reflect updated neutral rate assumptions and notably softer inflation expectations, particularly in the U.K. In contrast, Japan's long-awaited rate normalization supports higher long-term bond returns. These shifts have also led to a slight recalibration in credit markets, with spreads adjusting in line with government bond yields.

Long-term equity return estimates in developed markets remain broadly aligned with last year, with modest downward adjustments in regions where valuations have reached

historically elevated levels. Japan saw the largest upward revision in return expectations, though overall projections remain toward the lower end of the developed-market range. At the same time, emerging markets continue to offer compelling long-term opportunities despite ongoing policy uncertainty and geopolitical risks.

Private market assumptions highlight the structural return advantage of private assets over public markets. In this environment, thoughtful allocation and manager selection are essential to capture long-term opportunities and manage performance dispersion across strategies.

Currencies are expected to converge toward long-term fair value. U.S. dollar weakness in 2025 has allowed the British pound and euro to close much of their undervaluation gap. The Canadian dollar, however, remains undervalued relative to the U.S. dollar, leaving scope for appreciation.

Taken together, the 2026 LTCMA reinforces a clear message: long-term forces remain intact despite short-term disruption. Return expectations for diversified portfolios, including the traditional 60/40 mix, are broadly unchanged. In an environment where structural trends outweigh temporary volatility, the LTCMA offers investors a disciplined framework to position portfolios with confidence and clarity for the future.

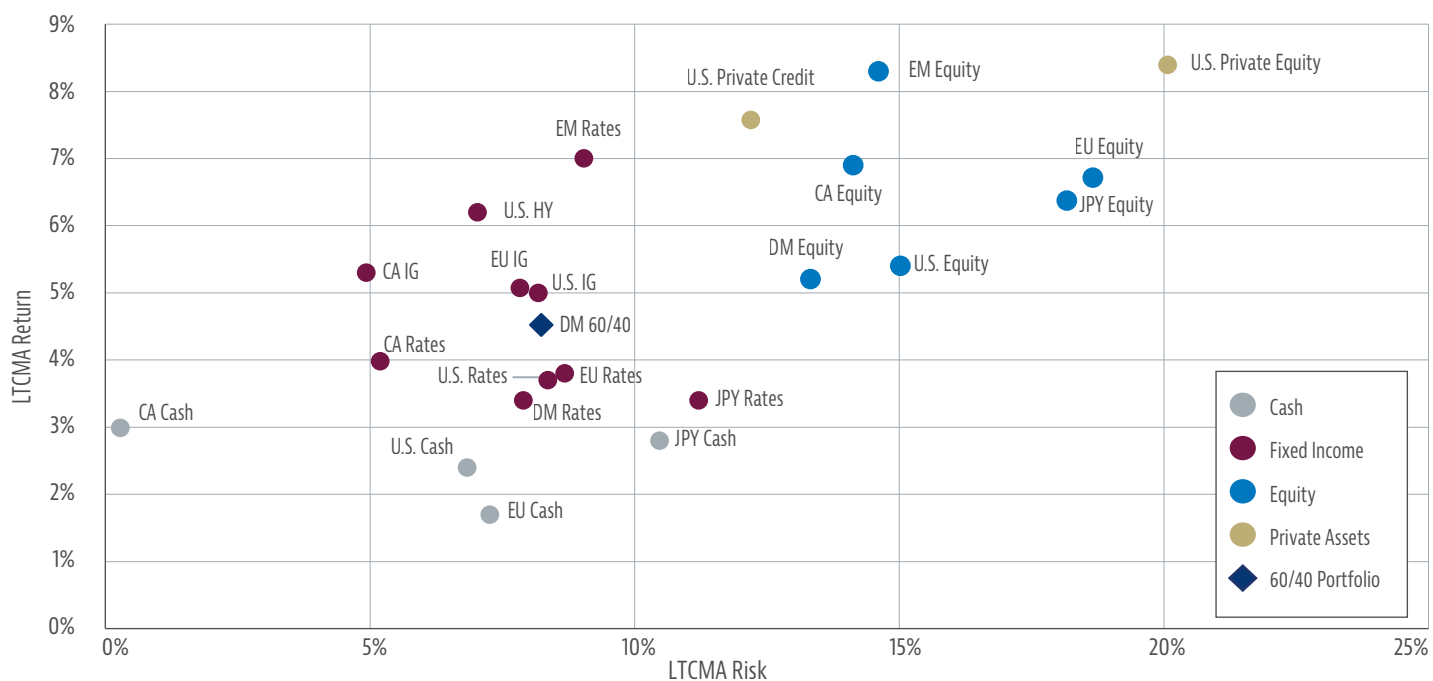
In Exhibit 3 and 4, projected long-term risk-adjusted returns are presented on an unhedged basis and a fully hedged basis, respectively. The fully hedged returns in Exhibit 4 account for long-term interest rate differentials, reflecting the potential cost or premium of hedging foreign investments to the portfolio's base currency, which in these scenarios is the Canadian dollar.

EXHIBIT 2: 2026 FORWARD-LOOKING (10-YEAR) RETURN PROJECTIONS

		CANADA	US	EURO	UK	JAPAN	DM	EM
Portfolios	60/40 (Local Currency)	5.7%	5.8%	6.2%	7.1%	4.4%	5.2%	–
	60/40 (CAD)	5.7%	4.7%	5.5%	7.0%	5.3%	4.5%	–
Cash and Fixed Income	Cash	3.0%	3.5%	2.3%	3.2%	2.0%	–	–
	Government Bonds	4.0%	4.8%	4.5%	4.1%	2.6%	4.1%	–
	Investment-Grade / Sovereign Credit	5.3%	6.1%	5.8%	5.4%	2.8%	–	8.0%
	High Yield Credit	–	7.2%	–	–	–	–	–
Equity	Large Cap	6.9%	6.5%	7.4%	9.1%	5.6%	6.0%	9.0%
	Small Cap	7.6%	7.4%	8.8%	10.0%	6.2%	–	–
Private Markets	Private Credit	–	8.6%	–	–	–	–	–
	Private Equity	–	9.5%	–	–	–	–	–
Foreign Exchange	FX (against CAD)	0.0%	-1.1%	-0.7%	-0.1%	0.9%	-0.7%	-0.7%

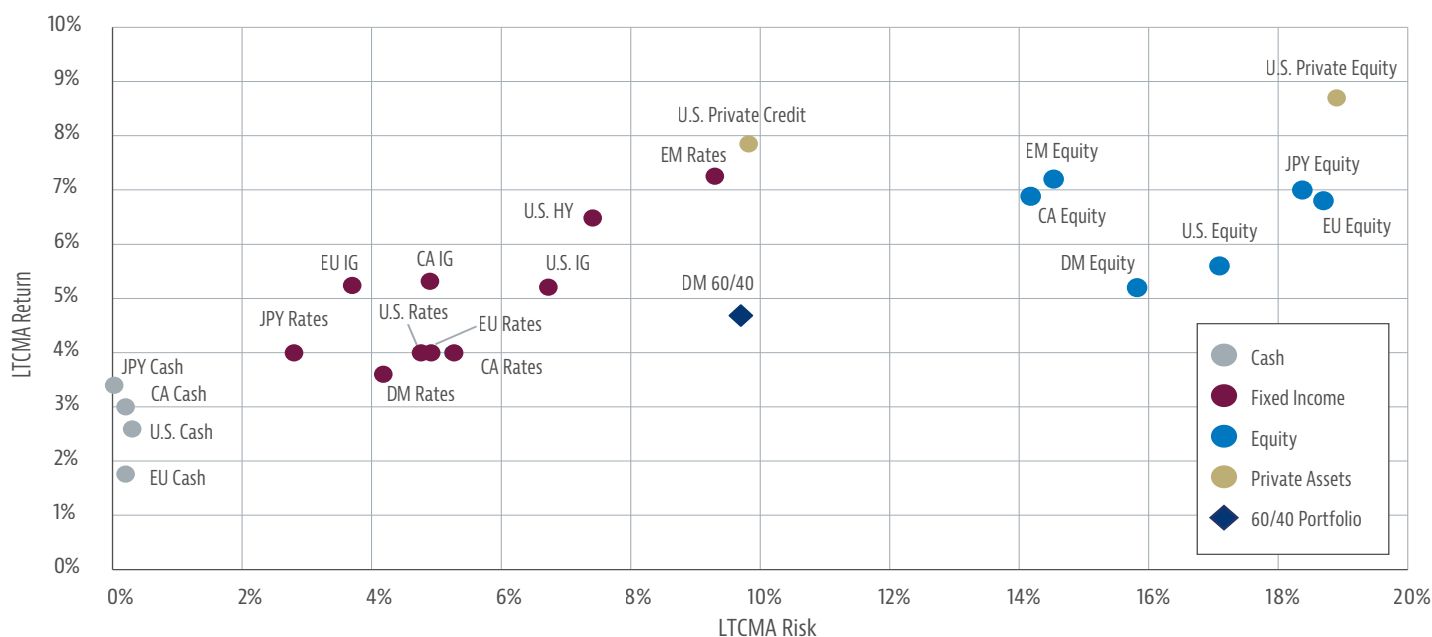
Source: CI Global Asset Management, as of December 2025. All returns in local currency, unless otherwise specified.

EXHIBIT 3: LTCMA RISK-RETURN PROFILE (UNHEDGED IN CANADIAN DOLLARS)



Source: CI Global Asset Management, as of December 2025.

EXHIBIT 4: LTCMA RISK-RETURN PROFILE (HEDGED IN CANADIAN DOLLARS)



Source: CI Global Asset Management, as of December 2025.

MODEL ENHANCEMENTS

We have continued to expand our data library by integrating insights from a wider range of official sources, including country-specific statistical agencies and central banks. In addition, several asset class models have been refined to enable more precise assessments of return and risk potential. Key enhancements include:

- **Credit:** Adjusted high-yield return projections to reflect market practice, where most bonds are called at a premium to par before maturity.
- **Private Markets:** Updated risk calculations to account for market illiquidity and introduced the Geltner filtering technique to unsmooth returns, thus capturing more realistic volatility (risk) projections.
- **Equities:** Revised equity valuation models to better account for current market dynamics and prevailing valuations.

These ongoing refinements strengthen the LTCMA framework, ensuring it remains a robust tool for long-term strategic planning. For a more thorough explanation and details about our LTCMA models, please review our [LTCMA White Paper](#).

MACROECONOMIC CHANGES: 2026 VS. 2025

EXHIBIT 5: DEVELOPED MARKET LONG-TERM GROWTH AND INFLATION PROJECTIONS (2026 VS. 2025)

	Real GDP Growth Projection		Inflation Projection	
	2026	2025	2026	2025
U.S.	1.9%	2.1%	2.4%	2.5%
Euro Area	1.2%	1.2%	2.0%	2.0%
Canada	1.6%	1.7%	2.1%	1.8%
Japan	0.6%	0.7%	1.9%	1.4%
UK	1.4%	1.3%	2.4%	3.5%

Source: CI Global Asset Management, as of December 2025. The above table reflects 10-year annualized real GDP growth and inflation projections. 2026 projections as of December 2025, while 2025 projections are as of December 2024.

The 2026 LTCMA incorporates changes to the macroeconomic outlook, reflecting structural shifts shaping long-term growth. Slower population growth remains a central headwind, driven by an aging population in developed economies and tighter immigration policies implemented over the past year, limiting the expansion of the working-age population. These demographic pressures represent an important constraint on future growth potential.

Conversely, productivity gains supported by advancements in artificial intelligence and technology, together with substantial fiscal support and the normalization of monetary policy, help offset these challenges. As a result, long-term global growth projections remain broadly unchanged, with inflation anchored near central bank targets.

RATES AND CREDIT ASSUMPTIONS

EXHIBIT 6: 10-YEAR RETURN PROJECTIONS FOR RATES AND CREDIT (2026 VS. 2025)

	Government Bonds		Investment-Grade/ Sovereign Credit		High Yield Credit	
	2026	2025*	2026	2025*	2026	2025*
U.S.	4.8%	5.2%	6.1%	6.5%	7.2%	7.6%
Euro Area	4.5%	4.4%	5.8%	5.7%	-	-
Canada	4.0%	4.0%	5.3%	5.4%	-	-
Japan	2.6%	1.8%	2.8%	2.0%	-	-
UK	4.1%	5.7%	5.4%	7.0%	-	-

Source: CI Global Asset Management, as of December 2025. 2026 projections as of December 2025, while 2025 projections are as of December 2024.
 *2025 projections incorporate changes in methodology to reflect this year's model enhancements.

In the 2026 LTCMA, projected equilibrium rates show slight adjustments, reflecting model enhancements related to the neutral rate and updated inflation projections. The outcome is a downward adjustment in the U.S. and an upward adjustment in Japan, while Canada and the Euro area remain stable.

As a result of these shifts, projected returns on government bonds are expected to be lower in the U.S., stable in Canada and Europe, and higher in Japan. Lower government bond yields modestly reduce return expectations for investment-grade credit, as diminished yields generally constrain overall return potential, while higher yields provide incremental support to returns. Assumptions for investment-grade spreads, defaults, and recoveries are expected to remain consistent with long-term averages, ensuring stability in expected credit performance.

In high-yield credit, changes to returns are driven primarily by changes in bond yields, while default and recovery assumptions remain aligned with historical norms. Adjusted return projections also reflect market practice, where most bonds are called at a premium to par before maturity.

Overall, the outlook for rates and credit reflects a stable return environment, reflecting modest shifts in government bond yields and steady term premiums across developed markets.

EQUITY ASSUMPTIONS

EXHIBIT 7: 10-YEAR RETURN PROJECTIONS FOR EQUITY (2026 VS. 2025)

	Large Cap		Small Cap	
	2026	2025*	2026	2025*
U.S.	6.5%	6.8%	7.4%	7.8%
Euro Area	7.4%	7.8%	8.8%	9.4%
Canada	6.9%	7.2%	7.6%	8.0%
Japan	5.6%	5.2%	6.2%	5.7%
UK	9.1%	10.7%	10.0%	11.8%

Source: CI Global Asset Management, as of December 2025. 2026 projections as of December 2025, while 2025 projections are as of December 2024, *2025 projections incorporate changes in methodology to reflect this year's model enhancements.

The 2026 LTCMA projects a varied outlook for equity returns across developed markets, with downward adjustments to return projections in the U.S., Canada, and the Euro area. These revisions reflect higher starting valuations, which limit forward-looking return potential. By contrast, Japan's equity outlook benefits from upward adjustments to equilibrium rates and higher expected earnings growth, resulting in a more constructive return profile compared to 2025.

Regional differences also reflect growth differentials, productivity trends, and valuations adjustments. Markets with stronger productivity gains and more favourable valuation entry points are poised for comparatively higher return expectations. Our projections are based on the average of three equity models: a growth model (driven by nominal GDP and dividends), a price-to-earnings model (decomposing returns into sales growth, margin changes, valuation shifts, and dividends), and an equity risk premium model (based on spreads to government bonds and long-term mean reversion).

Canada

The outlook for Canada was revised lower but remains balanced with several supportive factors contributing to a stable-to-positive view. This is primarily driven by our price-to-earnings (P/E) model, which reflects a normalization of P/E multiples from elevated starting levels. A lower expected dividend yield also weighs on overall returns while a higher projected equity risk premium (ERP) provides some support.

United States

In the U.S., projected returns were revised lower, driven by the results of our P/E model, which reflects elevated valuation multiples that continue to weigh on overall return potential. Our growth model also suggests lower return projections due to a lower expected dividend yield, while our ERP model produces similar results to last year.

Euro Area

For the Euro area, projected returns were revised lower, driven by the results of our P/E model and our growth model. The revisions reflect a higher starting valuation multiple and a lower expected dividend yield. A higher equity risk premium provides some offset but overall returns are lower due to the P/E and growth models.

Japan

Japan shows the most positive shift in equity expectations for 2026, though overall projections remain at the lower end of the developed-market range. The growth model reflects improved return prospects driven by anticipated GDP growth and increased productivity, while dividend yields remain stable.

Across developed markets, small-cap premiums remain stable, supporting consistent return assumptions for this segment. These updates reflect a balanced view of regional equity drivers, accounting for both structural growth factors and valuation adjustments in each market.

PRIVATE ASSETS ASSUMPTIONS

The 2026 LTCMA presents an adjusted outlook for private assets with modest changes to expected returns, driven by refinements in our modeling approach. The projected private equity risk premium is slightly higher than in 2025, reflecting adjustments that incorporate recent market dynamics. Lower yields in the high-yield credit market are expected to benefit private equity by creating more favourable conditions for financing and leverage.

For private credit, the 2026 model incorporates updated recovery-adjusted default rates, offering a more precise assessment of credit performance under various scenarios.

Overall, the outlook for private assets remains strong, with these refinements supporting a balanced perspective on risk and opportunity across private equity and private credit.

CURRENCY ASSUMPTIONS

The 2026 LTCMA applies our established framework for assessing currency valuations and long-term exchange rate trends. This framework draws on purchasing power parity (PPP) forecasts and interest rate differentials to inform long-term valuation estimates.

The Canadian dollar remains similarly undervalued, consistent with last year's results, reflecting its largely unchanged position against the U.S. dollar over the past year. As interest rate differentials between the two economies narrow, this should support Canadian dollar appreciation over the medium term.

The euro has appreciated sharply this year, shifting from undervalued to overvalued relative to the Canadian dollar. Conversely the Japanese yen remains undervalued, though to a lesser extent than last year, indicating potential for further appreciation as PPP dynamics continue to normalize.

CONCLUSION

The 2026 Long-Term Capital Market Assumptions incorporates key adjustments compared to last year. Modest changes to growth and inflation expectations have resulted in lower projected returns for equities, government bonds, and high-yield credit in North America and Europe. In contrast, projected returns for private equity and Japanese assets were revised higher on the back of favourable structural shifts and valuation adjustments.

While these are not definitive forecasts, the projections serve as a guide for strategic asset allocation, highlighting shifts in growth drivers, demographics, and valuation trends. This LTCMA framework prioritizes adaptability, helping investors make informed decisions aligned with evolving economic conditions and long-term objectives.

MACROECONOMIC OUTLOOK

MAIN TAKEAWAYS

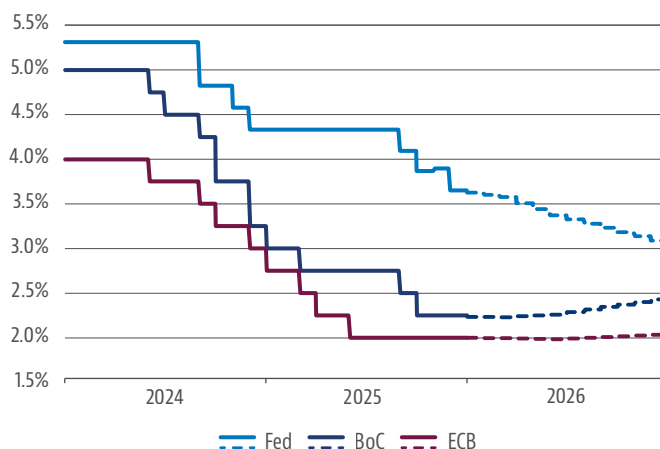
- Stabilizing conditions and broad policy easing pave the way for a constructive 2026 growth environment.
- U.S. growth is expected to gain momentum, buoyed by monetary easing and supportive policy ahead of the mid-term elections, while Canada's pro-growth agenda and supportive fiscal policy aims to boost growth and strengthen confidence.
- A drive toward self-sufficiency and restructured supply chains, backed by global fiscal support, is shaping the next growth cycle.

FROM UNCERTAINTY TO GROWTH IN A RE-SHAPED GLOBAL ECONOMY

After a year of unprecedented turbulence driven by global trade upheaval, shifting political dynamics and geopolitical shocks, the global economy enters 2026 at a critical juncture. The disruptions over the past year have tested financial markets and governments alike, but resiliency has prevailed. As we look ahead, signs of stabilization are emerging. Although uncertainty remains, it has moderated and is setting the stage for a more balanced and constructive economic environment.

Policy support is broadening, with lower interest rates in effect (Exhibit 8) and expansionary fiscal policy underway across most major economies. This environment provides a favourable backdrop for investment and offers opportunities across key sectors.

EXHIBIT 8: CENTRAL BANK POLICY RATES



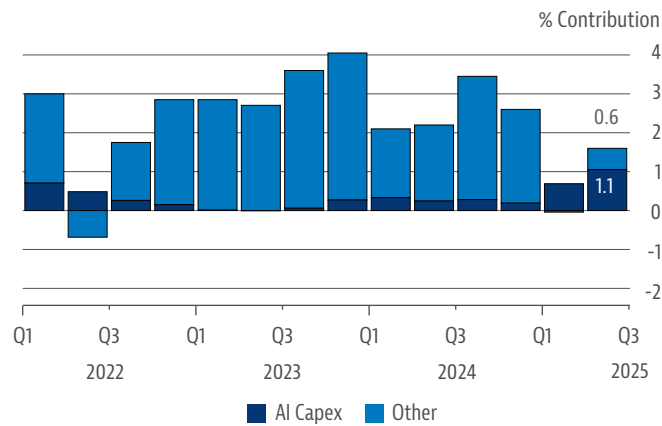
Source: Bloomberg Finance LP, Macrobond, as of December 16, 2025.

Artificial intelligence is rapidly becoming a transformative force, though its ultimate impact remains uncertain. Surging investment, especially in the U.S., underscores AI's potential to enhance productivity across industries, ranging from professional services to manufacturing and technology. While the benefits will emerge gradually, AI's evolution adds both optimism and complexity to the long-term economic landscape.

UNITED STATES: RE-ACCELERATION AS MID-TERMS NEAR

The U.S. economy enters 2026 with key tailwinds supporting growth. Lower interest rates, expansionary fiscal policy, and sustained AI-related capital expenditures are all helping to underpin economic momentum (Exhibit 9). Together, these forces create an environment where growth could accelerate as the year progresses, potentially reigniting demand-driven inflationary pressures.

EXHIBIT 9: U.S. REAL GDP GROWTH



Source: U.S. Bureau of Economic Analysis (BEA), Macrobond. As of September 25, 2025.

Against this backdrop, the economy is also undergoing a period of rebalancing. The labour market has softened as job creation has slowed on a trend basis and the unemployment rate has moved higher (Exhibit 10). Meanwhile, inflation has held steady, and tariff-related price pressures have so far proven to be benign. These economic developments will allow the U.S. Federal Reserve to continue easing policy in the near term, even as its leadership undergoes change and questions around its independence resurface.

EXHIBIT 10: U.S. LABOUR MARKET INDICATORS



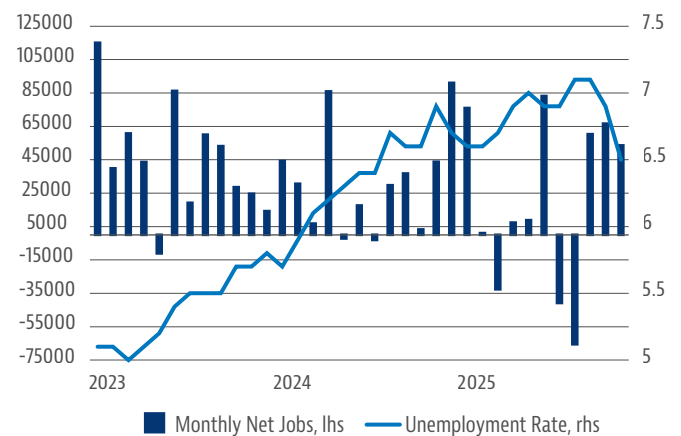
Source: U.S. Bureau of Labor Statistics (BLS), Macrobond. As of December 16, 2025.

The political backdrop will come into focus later in the year. The 2026 mid-term elections will determine control of Congress, and with it, the administration's ability to advance its policy agenda. Voter-friendly measures may be rolled out through mid-year, centered around deregulation, domestic investment, and targeted tax relief. Together with ongoing fiscal expansion and an easier policy stance, these initiatives could further strengthen growth and lay the groundwork for a more durable expansion.

CANADA: BALANCING CHALLENGES AND OPPORTUNITIES

Canada enters the new year facing both challenge and opportunity. While there are early signs of a stabilization in the labour market (Exhibit 11), trade tensions continue to weigh on business investment, consumption, exports, and employment, and the upcoming USMCA renegotiation adds an additional layer of uncertainty. While the U.S. remains Canada's most important trading partner (Exhibit 12), Canada is also pursuing trade diversification, with an ambitious goal of doubling non-U.S. exports over the next decade. For now, the anticipated re-acceleration south of the border should provide a lift to domestic growth.

EXHIBIT 11: CANADA LABOUR MARKET INDICATORS



Source: Statistics Canada, Macrobond. As of December 5, 2025.

EXHIBIT 12: CANADA EXPORTS TO THE U.S.



Source: Statistics Canada, Macrobond. As of December 11, 2025.

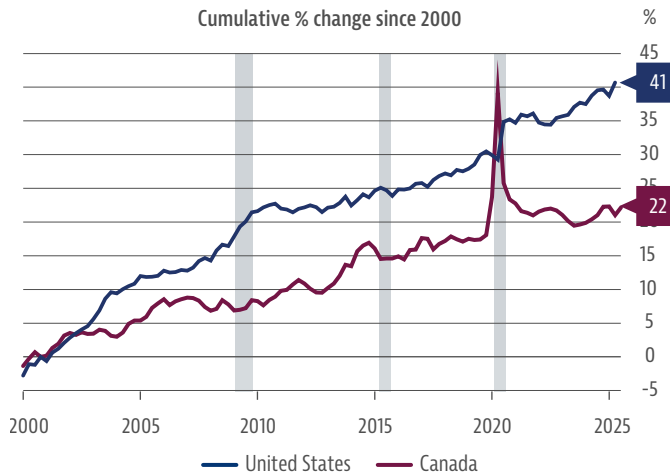
The federal government’s investment-focused budget aims to boost subdued business sentiment (Exhibit 13) through targeted investment incentives. The new Major Projects Office is also expected to advance projects of national interest and help structure and coordinate financing as needed. Taken together, these initiatives will support challenged productivity (Exhibit 14). That said, while meaningful improvements are likely to unfold gradually, early signs of increased investment could lay the foundation for stronger medium-term growth. The outlook for 2026 will hinge on translating policy initiatives into tangible investment, productivity improvements, and progress on trade diversification.

EXHIBIT 13: BUSINESSS OUTLOOK INDICATOR



Source: Bank of Canada, Macrobond. As of October 20, 2025.

EXHIBIT 14: LABOUR PRODUCTIVITY
(REAL GDP PER HOUR WORKED)

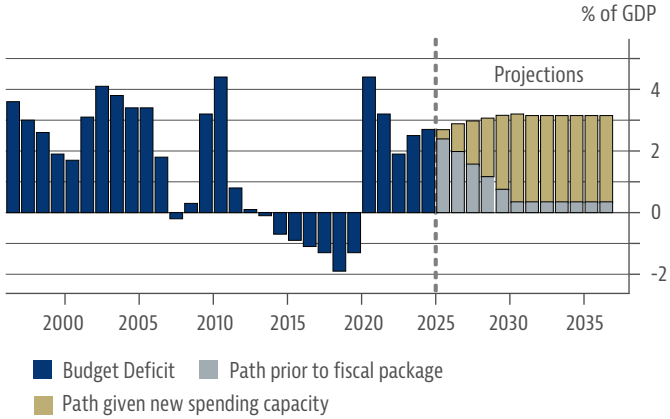


Source: Statistics Canada, U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), Macrobond. As of December 3, 2025.

GLOBAL: FISCAL EXPANSION AND STRATEGIC SELF-RELIANCE

Globally, the story is one of synchronized easing and fiscal expansion. Europe’s infrastructure commitments (Exhibit 15), Japan’s re-industrialization drive, and China’s targeted stimulus are collectively supporting a modest upturn in global growth.

EXHIBIT 15: GERMAN GOVERNMENT BUDGET DEFICIT



Source: European Commission, Bloomberg Fiance LP, Macrobond. As of May 22, 2025.
*Assumes additional EUR 500bn infrastructure spending over 12 years and defense spending increase from 2% to 3% of GDP over 5 years.

At the same time, a new global paradigm is emerging; one that prioritizes self-reliance, regional supply chains, and security capacity. Nations are rebuilding from within, developing new trade relationships, expanding energy independence, and investing in military and technological resilience.

LOOKING AHEAD

2026 will likely mark the beginning of a new growth cycle. Policy support is broadening, AI is transforming capital allocation, and the world is re-engineering its foundations for a more self-sufficient era. For investors, this environment calls for discipline and adaptability—staying positioned for opportunity but grounded in the awareness that the changes ahead will be anything but linear.



ASSET CLASS OUTLOOKS

Equity Outlook

MAIN TAKEAWAYS

- A multi-year AI capex surge spanning data centres, chips, and power is reshaping global demand across energy, utilities, industrials, and commodities.
- Opportunities are emerging in Europe, Japan, Canada, and emerging markets as fiscal support, monetary easing, and supply-chain shifts strengthen regional growth.
- The U.S. remains expensive, while Europe, Japan, and China offer better value, making active positioning key for navigating uneven global equity returns.

OVERVIEW

Global equities enter 2026 at a pivotal moment, with the backdrop of moderating inflation, synchronized rate cuts, and technological investment. The acceleration of AI investment—from data centres to semiconductor fabrication and power infrastructure—is reshaping capital flows, supply chains, and fiscal policy. While regional earnings and valuation dispersion remain high, they are increasingly paired with identifiable long-term structural growth opportunities. We expect positive returns across all major geographies with leadership likely from China, U.S. and emerging markets.

AI INVESTMENT: A MULTI-YEAR CAPEX SUPERCYCLE

The AI buildout has become a defining global capital cycle. Worldwide annual investment in AI-related data centres is projected to exceed \$200-250 billion by 2026 as demand for accelerated computing continues to scale. Meeting this demand requires extensive expansion in land, energy, cooling infrastructure, high-performance semiconductors, and interconnect capacity.

Power generation and transmission constraints are emerging as critical bottlenecks. Utilities across North America, Europe, and Asia anticipate trillions in cumulative investment over the decade to supply data-center-driven load growth. Semiconductor supply chains—from lithography to advanced packaging—are also receiving multi-year commitments.

This cycle favours technology, utilities, industrials, and commodity producers, generating broad-based but uneven earnings momentum across regions.

EUROPE: FISCAL STIMULUS, INFRASTRUCTURE, AND DEFENCE SPENDING

Europe enters 2026 with unusually strong fiscal support. Infrastructure initiatives aimed at energy transition, grid modernization, transportation, and digital capacity continue to flow through EU-level programs and national budgets. Defence spending has risen markedly as multiple countries now exceed the 2% NATO threshold, driving procurement, modernization, and logistics demand. This represents one of Europe's most durable fiscal backdrops in more than a decade.

VALUATION

Valuations across regions remain diverse. U.S. large-cap multiples are elevated—driven by AI leaders—while broader U.S. equities trade closer to long-term norms. Canada trades at a relative discount due to its sector mix. Europe and Japan continue to offer attractive valuations supported by improving profitability. China remains one of the most discounted major markets due to persistent structural and policy concerns. Valuations in the U.S. remain elevated, while valuations for the rest of the world are slightly above longer-term levels.

EXHIBIT 16: MSCI USA INDEX PERFORMANCE

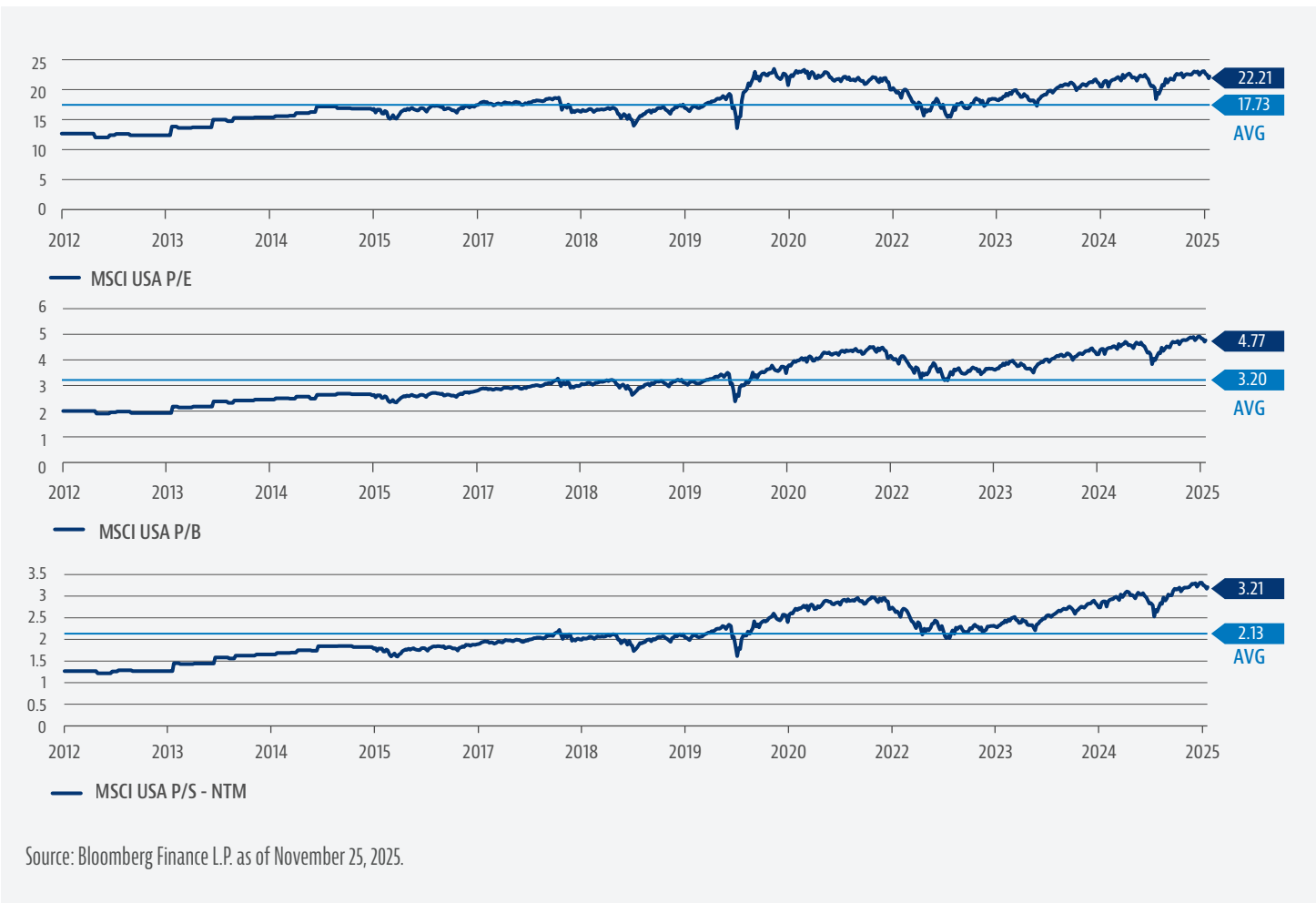
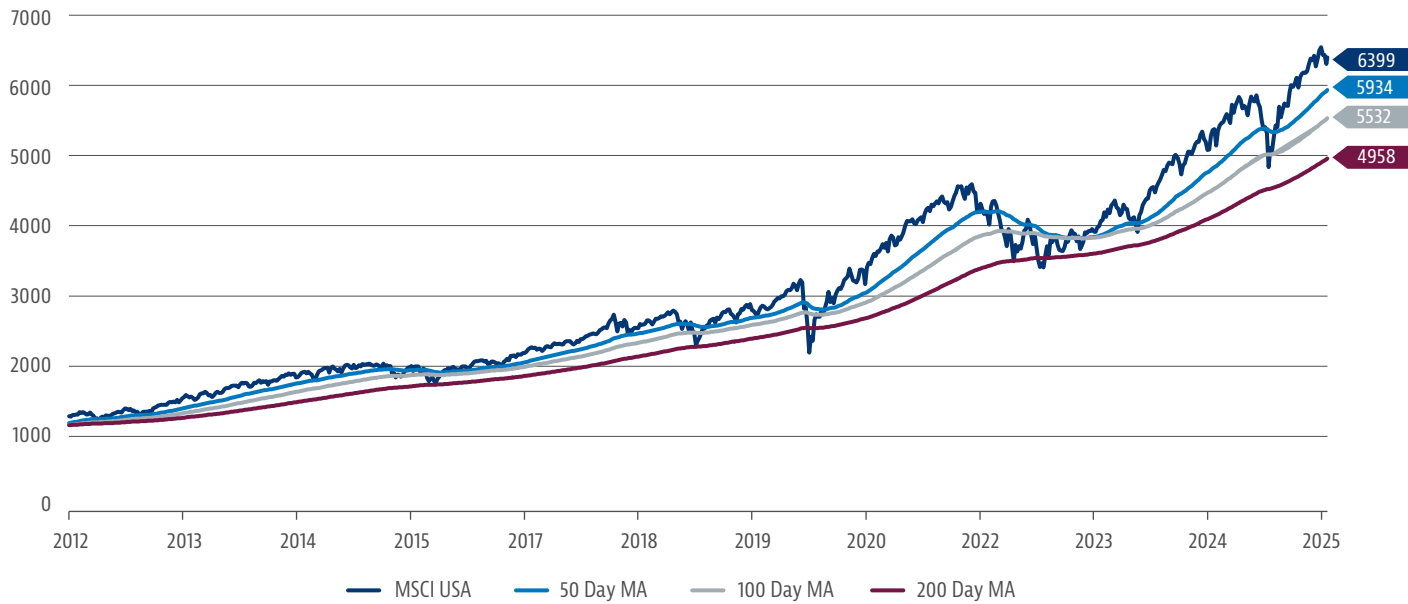
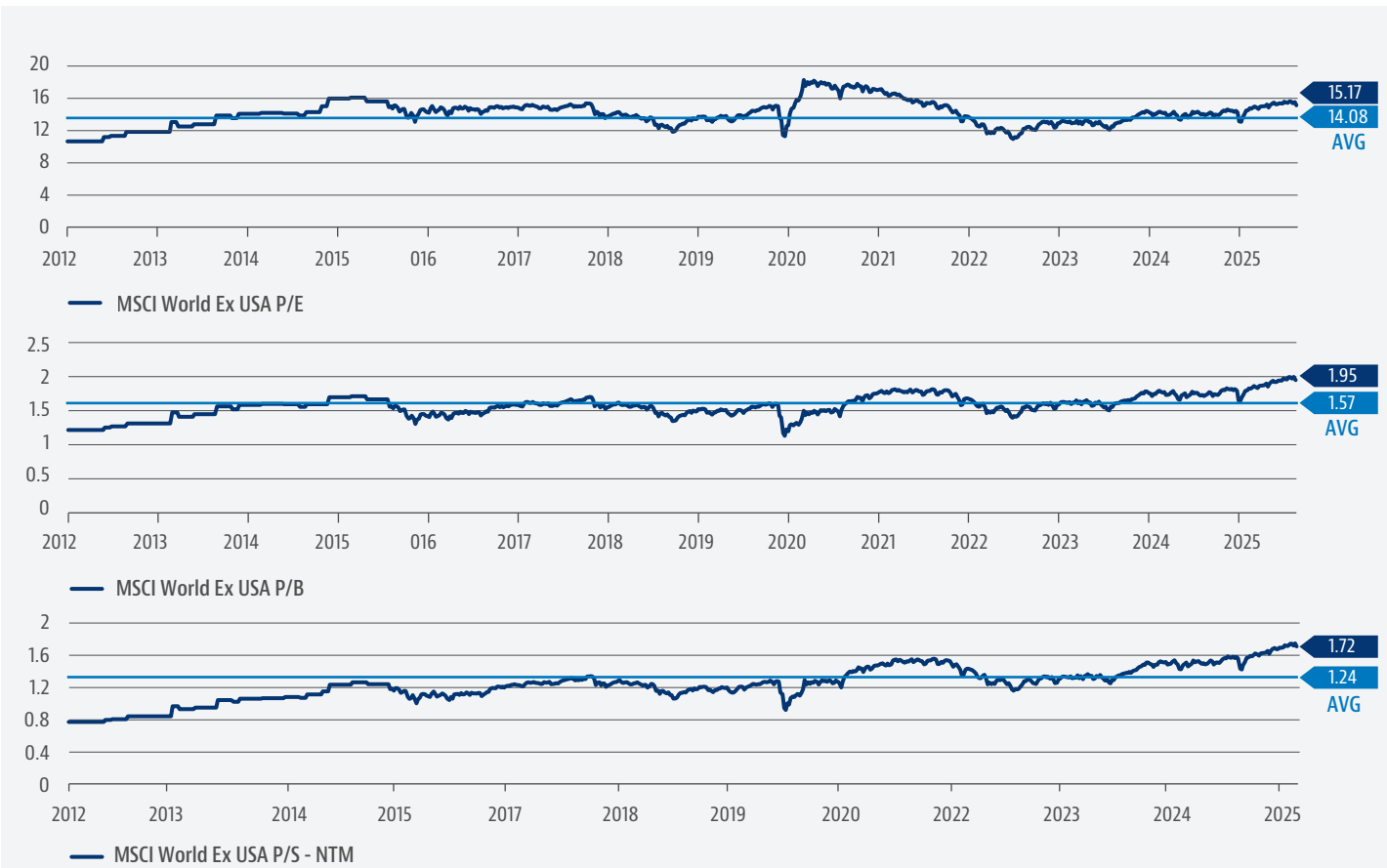
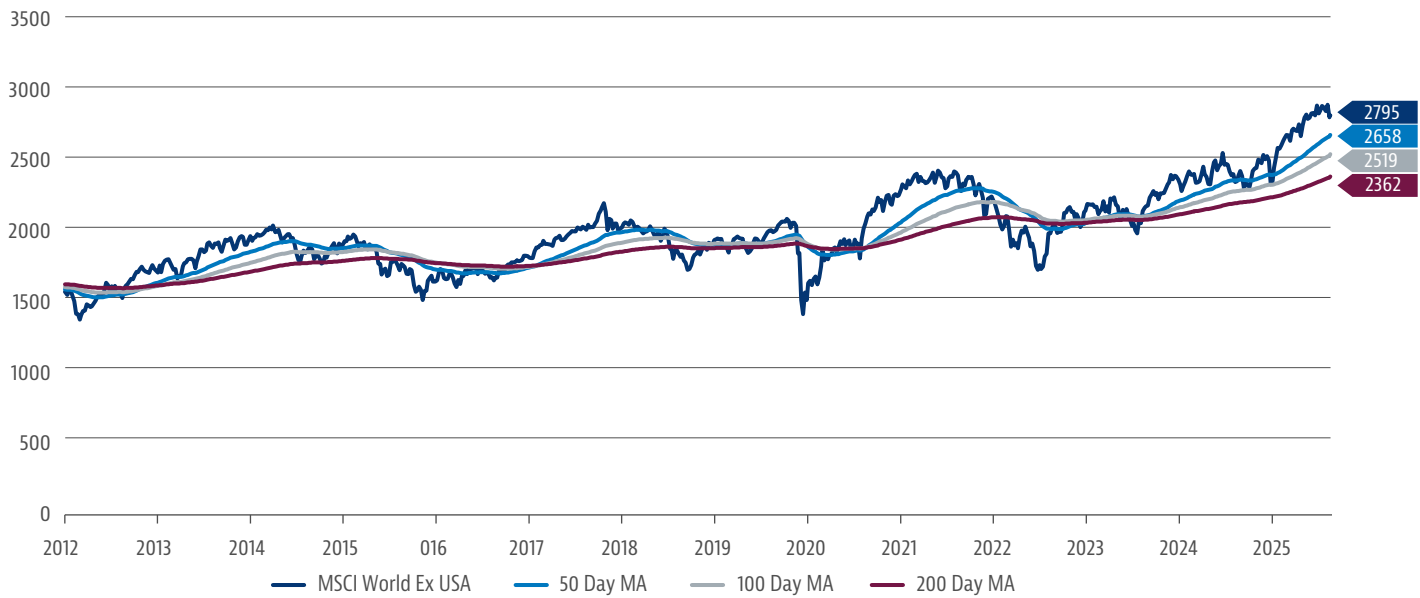


EXHIBIT 17: MSCI WORLD EX USA INDEX PERFORMANCE



Source: Bloomberg Finance L.P. as of November 25, 2025.

REGIONAL OUTLOOKS

- **North America** — The U.S. remains the global centre of AI investment, with strength in technology, communication services, and industrials tied to power and infrastructure buildouts. Canada is well positioned for the global AI and electrification cycle, with the ability to provide natural gas, copper, and critical minerals for the AI buildout.
- **Europe** — Structural challenges persist, but fiscal stimulus from infrastructure and defence supports the earnings landscape. Monetary easing and healthy banking systems add stability.
- **Japan** — Corporate governance reforms, capital-efficiency initiatives, and a supportive policy environment should continue to drive equity performance.
- **Emerging Markets** — Strong balance sheets, earlier monetary easing, and supply-chain diversification support earnings. Growth in India should continue to be supportive. In China, headwinds still persist, but exposure to AI hardware, electric vehicle supply chains, and renewable technologies remain compelling.

CONCLUSION

The global equity environment in 2026 reflects the intersection of a powerful AI-driven capex cycle, divergent fiscal policies, and evolving geopolitical dynamics. While U.S. innovation leadership continues to shape global market returns, compelling opportunities are emerging across Europe, Japan, Canada, and select emerging markets due to supportive policy frameworks and attractive valuations. Overall, 2026 offers a constructive backdrop for equities, although dispersion across regions and sectors underscores the need for active management.

Fixed-Income Outlook

MAIN TAKEAWAYS

- Policy uncertainty and politics will shape early 2026, but a shifting Fed stance and leadership changes seem already priced in to current yields.
- Markets shift towards a more pro-growth, stimulus-supportive backdrop, driven by AI-related capital spending, rollback of tariffs, and consumer-focused stimulus proposals.
- Credit remains attractive but selective, with rangebound spreads and active management favoured over cash and GICs.

The markets will arrive in 2026 with shaky optimism, piecing together the state of the U.S. economy after the disruption of the government shutdown. Weakness in the labour market seems to have the U.S. Federal Reserve's attention for now. However, the tension between the fading impact of tariffs and stimulus may shift policy back toward a more hawkish stance. Jerome Powell's successor as Fed Chair will also be named, joining fellow Trump appointees Governors Miran and Bowman, increasing political pressure on the Fed.

The prospect of moderate growth, enabled in part by AI capital expenditures—data centres, power generation—coupled with rising unemployment may magnify the competing inflation versus unemployment policy and political goals. The rollback of food tariffs, the trial balloon of 50-year mortgages, and potential \$2,000 stimulus cheques indicate a Trump pivot ahead of the midterms. We have been thinking about market and policy dynamics in a “Good Trump” (tax cuts, de-regulation), “Bad Trump” (tariffs, DOGE), “Good Fed” (weak growth, dovish), and “Bad Fed” (sticky inflation, hawkish) framework. A shift toward a Good Fed/Good Trump environment in early 2026 may drive further steepening of the yield curve.

Most other central banks are at or near neutral rates, with dovish biases. Some regional splits persist: where the Bank of Canada and European Central Bank began their cutting cycles

earlier and went deeper, the Bank of England likely needs to keep cutting while the Bank of Japan remains its own island of hawkishness. Canada deserves special mention given the combination of a likely re-negotiation of USMCA in 2026 and provincial government stimulus that, in total, matches federal government stimulus at roughly 2% of GDP. The re-negotiation of USMCA is a wildcard but will likely be viewed favourably as businesses and investors prefer clarity, even if the terms are weaker for Canadian manufacturing and exports. Canadian government bond yields could finish 2026 flat or even higher than 2025. For 2026, active management of government bonds and corporate bonds offer better positioning than cash and GICs.

Fundamentally, the economy—and therefore—credit spreads likely remain rangebound, supported by fiscal stimulus (i.e. the One Big Beautiful Bill), easier monetary policy, and deregulation, especially lighter capital requirements for U.S. banks that should lower the cost of lending. Technically, the amount of debt issuance to fund AI-adjacent capital spending may be the bigger driver of valuations. Further contributing to spread volatility outside of AI is the fact that the marginal change in corporate balance sheets is now one of re-leveraging, a significant change from 2024. Prudent security selection will reward investors in the following year, as landmines in credit typically do not materialize until two to three years after issuance. All told, we expect credit to generate positive excess returns. With a smaller opportunity for spread compression in investment-grade bonds and a softer tailwind from falling government bond yields, 2026 total returns should be slightly lower than 2025.

Private Markets Outlook

MAIN TAKEAWAYS

- AI has become a key catalyst in private markets—fuelling the rise of the “Private Mag 7” and record private funding rounds.
- Private equity continues to be a buyer’s market—too many funds, slow distributions, and an ongoing shakeout; deal terms and leverage are improving, favouring new PE investments.
- Private credit strength expected to continue (despite recent headlines), but become more selective. Returns are likely to remain above public markets and underwriting quality will matter more.

AI dominated the narrative in public equities in 2025, it had a similar effect in private equity (“PE”) and venture capital (“VC”) that likely continues into 2026. Blurring the line between PE (given their scale) and VC (given the negative cash flows), the “Private Mag 7”—Anduril, Anthropic, Databricks, OpenAI, SpaceX, Stripe, and xAI—sit squarely at the epicentre of the AI theme. Together, these seven companies have an implied total valuation of \$1.4 trillion, approximately the same size as the German stock market. These could eventually become material IPOs, with a scale not seen since Facebook (now Meta Platforms) and Google (Alphabet) went public in 2012 and 2014, respectively. However, their ability to continually tap private capital to fund operating losses until they can sufficiently grow revenues and margins may alleviate the need to ever list publicly.

Anthropic, for example, raised \$3.5 billion of equity in March 2025—their fifth funding round—at a \$61.5 billion valuation; \$13 billion in July at a \$183 billion valuation, and then \$15 billion in November from NVIDIA and Microsoft at a rumoured \$350 billion valuation. While the magnitude of AI spending is tremendous, the return on investment is unknown, so we remain cautious on this part within private markets.

We expect “non-AI” PE activity to increase in 2026 despite a three-year period of muted returns. The largest and/or best-performing sponsors are fundraising and have dry powder to invest. There were 81 take-private transactions valued at \$255 billion in the United States through mid-November 2025, which, according to Goldman Sachs, is the highest level since 2007. Debt-fund dividends to PE sponsors have also increased, totalling nearly \$29 billion in 2025, matching the record set in 2021. However, many General Partners (“GPs” aka sponsors) still need to monetize investments in older vintage funds to disburse to investors (Limited Partners or “LPs”). As we have written previously, the absence of disbursements or distributions by PE funds of older vintages has led to a more difficult fundraising environment for many GP sponsors. This difficulty could lead to a further shakeout or consolidation of the industry. Apollo President Jim Zelter was quoted as stating in September, “I think there are many, many PE funds that are out there that have raised their most recent fund and don’t realize it’s their last fund.” Weeks later, Brookfield CEO Bruce Flatt told Bloomberg TV, “There should be 4,000 less PE firms in the United States.” KKR’s Alisa Wood pointed out, “There are 19,000 private equity funds in the U.S. There are 14,000 McDonald’s...That’s actually crazy, right?” Does this make it a buyer’s market? We vote yes. The equity component of recently leveraged buyouts (“LBOs”) have been larger and the debt component smaller, which augers a return to private equity’s roots of “buy cheap and fix” over financial engineering reliant on multiple expansion. We take this as a good sign and want to be overweight to new private equity investments.

Generalist investors seem to want there to be a problem in private credit, even though the two high-profile bankruptcies in the fourth quarter of 2025 occurred in the bank (Tricolor) and broadly syndicated loan (First Brands) markets. In some ways, though, they are right to be anxious. Capital is inherently fungible, and rapid growth in an asset class typically leads to poor underwriting and lower returns. This will be evident in specific vintages (e.g., 2021) and specific sectors (such as debt-funded software roll-ups) that face difficulties, but it is hard to reconcile equity markets at or near all-time highs and a high default rate.

Private credit vehicles like Business Development Corporations (“BDCs”) and closed-end funds are typically capitalized with term debt and levered one time, representing less systemic risk than deposit-funded banks did in 2007. The ongoing “democratization” of private markets will bring new opportunities and challenges. Evergreen funds provide retail access and liquidity but also add to contagion risk as investors attempt to correct ambitious origination and poor underwriting, looking to source liquidity where they can get it. We refer to the words of Apollo’s John Zito who calls this period in private credit one of “dispersion, not distress” and caution investors practice prudent manager selection.

While private credit and infrastructure have outcompeted PE and VC on returns and fundraising since 2022, we expect this advantage to subside in 2026. These asset classes, however, are still likely to outperform their public market equivalents in 2026, earning their illiquidity premium.

Asset Allocation Outlook

MAIN TAKEAWAYS

- Equities remain an important investment, especially when we look at markets, sectors, or companies outside of the Magnificent 7, where valuations are less stretched.
- Positive real rates are back in fixed income, which should restore the appeal of the asset class to investors going forward. While credit markets offer limited yield pickup, they remain fundamentally sound.
- After a decade of weakness, commodities - led by gold - are rebounding amid inflation concerns, geopolitical risks, and currency debasement fears, signaling renewed investor interest in real assets.

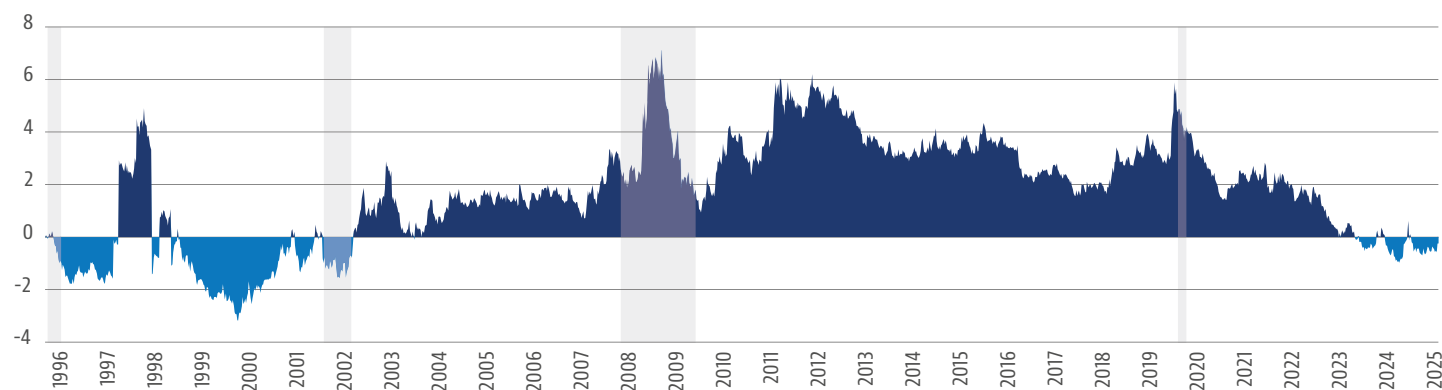
Things have become more interesting for asset allocators who have spent the past decade and a half riding a structural decline in equity risk premia, during which investors enjoyed roughly 15% returns per year, while the broader bond market suffered, averaging 2.4% per year over the same period (as at November 30, 2025). Investors initially shifted away from stocks in favour of bonds at the height of the 2008 financial crisis, but by the end of 2025 this positioning had completely

reversed, with fixed-income investments largely ignored and equity ownership near all-time highs. This golden period for asset markets featured no recession, aside from the brief COVID-related drawdown and extended financial repression by the largest world central banks and their quantitative easing.

From a valuation perspective, this does not mean stocks cannot remain expensive relative to bonds, as illustrated by the equity risk premium (ERP) (see Exhibit 18). In fact, during the 1990s, the ERP was negative for most of the decade, a period defined by a disinflationary growth boom driven by technological innovation and China's entry into the World Trade Organization (WTO) and the global economy. Therefore, at the height of the Global Financial Crisis, stocks were widely avoided and risk premiums spiked, setting the stage for the mega bull market of the past 15 years. Now, the end of the 1990s did see a painful bear market in stocks following the tech bubble burst, but there are reasons for optimism that this is not 1999. Stocks remain an important investment, especially when you look at markets, sectors, or companies outside of the Magnificent 7 and other parts of the AI story, where valuations are less stretched.

Valuations did not drive returns alone, especially in more recent years. Earnings-per-share growth continues to be impressive and well above historical averages (10% versus 7% for the S&P 500). Much of this strength has come from the Magnificent 7, which have delivered exceptional EPS growth of

EXHIBIT 18: EQUITY RISK PREMIUM: S&P 500 EARNINGS YIELD VS. U.S. 10-YEAR TREASURY



Source: Bloomberg Financial L.P., as of November 21, 2025.

50% per year since the onset of the 2020 COVID-related crisis. Now, while this fundamental strength is expected to decline in the next few years, it is still projected to be robust. There are concerns about the future returns on invested capital, as these companies are expected to spend up to half a trillion dollars in 2026, with the potential benefits from AI-related products and services still some distance away. In an economy that continues to normalize growth, inflation, and interest rates, alongside extended equity valuations, fundamental corporate strength becomes the most important factor.

The outlook for fixed income also has some challenges. The 2022 collapse in bond prices, as the global economy exited from negative real interest rates, left a scar on investors and caused many to question whether the asset class can still act as a hedge to equities. With inflation remaining persistent at ~3% and policy loosening, this points to easier financial conditions—which, outside of the COVID period, are near record levels (see Exhibit 19)—a negative backdrop for bond prices. The U.S. Federal Reserve policy rate is now 4%, and with inflation at 3%, the real policy rate sits at 1%, which is not historically restrictive, despite the government’s claims. The administration prefers lower interest rates to support expansive fiscal policy and to keep interest expenses low to help with its sizeable borrowing needs, including the U.S. budget deficit currently at \$2 trillion. Credit markets do not offer much additional yield over government bonds, but they are also not significantly leveraged and continue to have strong fundamental cash flows. Positive real rates are back

in fixed income, which should restore the appeal of the asset class to investors going forward.

Meanwhile, it has been a lost decade for commodity markets, as low inflation and an aggressive global decarbonization agenda weighed on broad commodity markets, led by energy weakness in oil and natural gas. However, we believe this tide is turning as inflation is gaining a foothold again. This is most evident in gold, which has broken out from the doldrums in the past couple years, to trade to above US\$ 4000/oz. In addition to inflation concerns, fundamental positives include rising geopolitical risk, weaponization of the U.S. dollar, and concerns about debasement of the U.S. dollar and other fiat currencies against real assets.

EXHIBIT 19: U.S. FINANCIAL CONDITIONS INDEX (1990-2025)



Source: Bloomberg Financial L.P., as of November 21, 2025.



GLOBAL MARKET OUTLOOKS

Canadian Equities

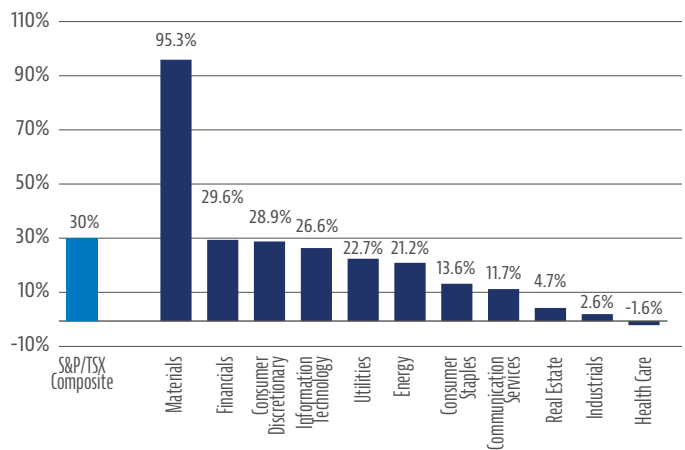
MAIN TAKEAWAYS

- Canadian equities delivered strong returns in 2025 despite modest GDP growth and trade challenges; 2026 returns expected to normalize to mid- to high-single digits.
- Growth drivers include higher spending, lower rates, increased investment, and potential trade benefits; earnings projected to rise ~12% with reasonable valuations.
- Risks include trade uncertainty and possible rate hikes; materials (gold), financials, and industrials remain favored sectors.

2025 was a surprisingly strong year for the Canadian stock market, with robust performance despite a challenging trade and economic backdrop. With GDP growth of only 1%, delivering a stock market return more than three times the average for this century was quite a feat.

While the strength in materials (particularly gold) has been notable, market performance has been broad-based, with six of the 11 industry subcategories posting returns above 20%, including the largest sector, financials. Only one sector—healthcare—recorded negative returns, while most others delivered solid positive performance.

EXHIBIT 20: TSX SECTOR PERFORMANCE (YEAR-TO-DATE)



Source: Morningstar Research Inc., as of November 30, 2025.

FROM RECAP TO PRECAP...

After three good years in a row, investors are understandably focused on whether current exuberance could compromise future returns or set markets up for losses. We do not see this as likely. Market drawdowns are typically driven by sharp declines in earnings, which appear highly unlikely or by extremely elevated valuations, which is not the case today. While 2026 is unlikely to match the return levels of 2025, we expect Canadian equities to perform reasonably well, with returns in the mid- to high-single digits, broadly in line with historical averages.

Canadian companies are likely see earnings growth supported by higher levels of consumer and government spending, the continued flow through of lower interest rates, increased corporate investment, and – although more binary in nature – a reasonable outcome on trade with the United States, as CUSMA renewal faces an important test in July.

Providing some headwind against these positive factors is a moderately higher valuation starting point for Canadian stocks. Consensus estimates for 2026 suggest earnings growth of approximately 12%, with the TSX trading at a price-to-earnings ratio just under 17x. TSX valuations have increased in nine of the past 10 quarters, with the first quarter of 2025 the lone exception amidst trade-related concerns. Relative to its own history and to bond yields, valuations are neither expensive nor cheap, and we therefore do not expect significant gains from multiple expansion. However, Canada remains attractively priced compared to the U.S. S&P 500, despite expectations for comparable double-digit earnings growth in 2026.

There remains uncertainty around trade, and the Bank of Canada may pivot from interest rate cuts toward hikes by the end of 2026. However, we expect rates to remain low for quite some time, supporting both economic recovery and current valuation levels.

It is important to remember that approximately 50% of TSX revenues are generated outside of Canada, with the majority of those international earnings coming from the United States. Currency movements and global economic developments therefore play an important role, particularly for the roughly

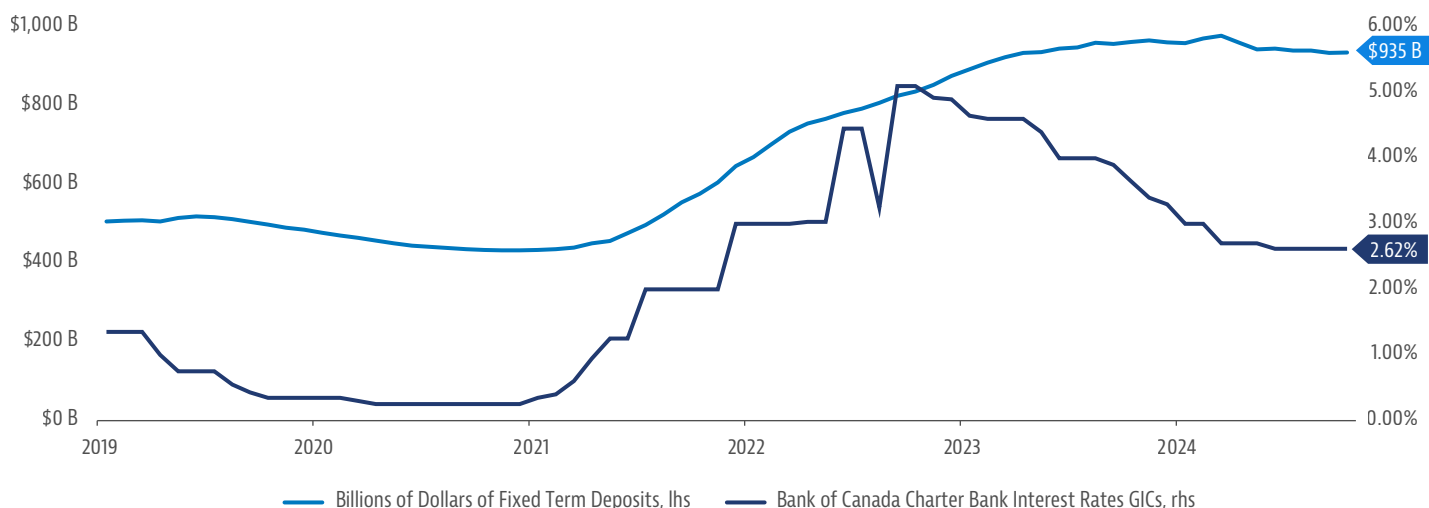
one-third of the market represented by materials and energy stocks. While we are constructive on minerals and energy stocks, commodity prices introduce a higher degree of uncertainty for these sectors.

Within the TSX, increasing corporate investment should benefit industrial companies, while earnings growth among Canadian financials is expected to support share prices despite elevated valuations.

Additional support for our constructive outlook comes from early signs that Canadians are withdrawing savings from higher-rate GICs and reallocating these funds into other vehicles, including equities. Canadian deposits increased by over \$500 billion since the beginning of the COVID-19 pandemic, with large increases in 2022 when rates spiked above 5%. Only this year have deposit levels begun to decline, by approximately \$28 billion. We expect these outflows to find their way into equity markets, which are already experiencing positive inflows, providing further support for Canadian stocks.

Overall, with economic growth supported by a variety of macroeconomic factors, moderate valuation, and high-quality companies overlooked by many investors, we feel comfortable with the return profile for Canadian equities in 2026.

EXHIBIT 21: EARLY SIGNS OF DEPOSIT OUTFLOWS: CANADIANS MOVING FROM HIGH RATE GICs TOWARD GROWTH ASSETS



Source: Bloomberg Finance L.P. as of December 15, 2025.

U.S. Equities

MAIN TAKEAWAYS

- The “Magnificent Seven” tech companies—NVIDIA, Apple, Alphabet, Microsoft, Amazon, Meta, and Tesla—continue to lead market performance, driven by AI investments projected to surpass \$600B in 2026. They now account for 32% of the S&P 500, with the U.S. at the forefront of AI adoption.
- The 2026 outlook is optimistic for broader equity performance, supported by tax cuts, bonus depreciation, deregulation, trillions in reshoring and foreign investment, muted inflation, and expected Fed rate cuts.
- U.S. equities are expected to remain strong in 2026, supported by fiscal stimulus, deregulation, reshoring, muted inflation, and Fed rate cuts, with AI continuing to drive economic growth across sectors.

U.S. ECONOMIC BACKDROP

We experienced another year of robust returns, with the S&P 500 and Nasdaq Composite Index gaining 17% and 22% (data as of November 28, 2025), respectively. The S&P 500’s Price-to-Earnings (P/E) ratio is relatively unchanged year-over-year and remains below 2021 levels, though it is still above its longer-term average (see Exhibit 22). The “Magnificent Seven” (Nvidia, Apple, Alphabet, Microsoft, Amazon, Meta, and Tesla) continue to anchor market performance as investors price in the opportunities created from their investments in AI infrastructure (see Exhibit 23). These investments are expected to surpass \$600 billion in 2026 (see Exhibit 24).

The Magnificent Seven now represents 32% of the S&P 500, supported by outsized year-to-date performance from Alphabet (+67%) and NVIDIA (+33%) (data as of November 28, 2025). We are still in the early stages of AI adoption, with

perceived leadership shifting between OpenAI’s ChatGPT and Alphabet’s Gemini. We expect multiple winners to emerge, and that AI will have profound impacts across applications ranging from industrial manufacturing to self-driving vehicles.

Outside the AI “ecosystem,” the economy has struggled amid the recent government shutdown and ongoing policy uncertainty regarding tariffs, immigration, and health care. This is reflected in higher unemployment and various data points, including consumer sentiment and industrial production, which are near recession levels. Unsurprisingly, companies in more cyclical sectors have faced headwinds.

POSITIONING FOR 2026

We are optimistic that performance can broaden out in 2026 as the Trump administration shifts its focus toward consumer affordability ahead of the mid-term elections. The One Big Beautiful Bill Act features tax cuts, bonus depreciation, and deregulation, which are expected to stimulate economic activity. This will be most apparent in the spring when consumers receive their tax refunds. Moreover, we expect a benefit from the trillions in reshoring and foreign direct investment into the United States negotiated by President Trump. Inflation remains muted, and the Federal Reserve is poised to deliver multiple interest rate cuts as it redirects its efforts to support the labour market.

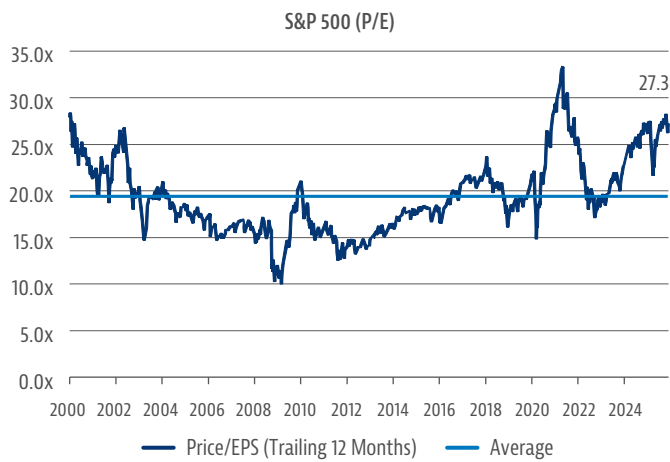
In May, Federal Reserve Chair Powell will be stepping down, and it is likely that his successor will maintain, if not accelerate, the pace of rate cuts. This typically supports equity appreciation and should help revive depressed areas of the economy, such as commercial and residential construction. We see compelling value in sectors including industrials, consumer discretionary, and health care, which lagged in 2025 but stand to benefit from these policy changes.

We continue to favour a barbell approach of owning companies with secular tailwinds that can withstand any economic environments, alongside businesses facing short-term headwinds trading below intrinsic value. We see ample opportunities to execute this strategy in 2026.

FINAL THOUGHTS

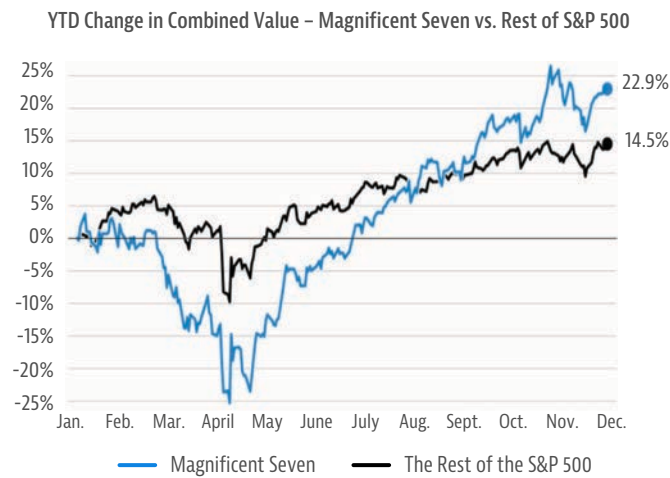
We think U.S. equities can continue their momentum into 2026, underpinned by expansionary fiscal and monetary policy. This view is supported by the mosaic of data points we gather from meeting with portfolio companies, touring their facilities, and speaking with industry experts. We expect AI to remain a key driver of economic growth, and we seek to invest in both the hyperscalers and companies across the economy that contribute to, or benefit from, this transformative technology.

EXHIBIT 22: MARKET VALUATION REFLECTS POSITIVE OUTLOOK



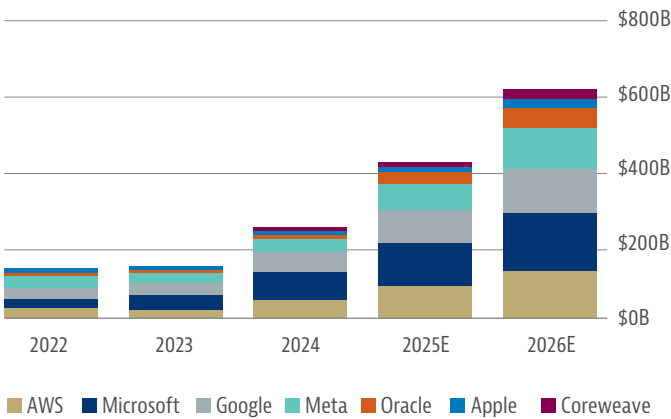
Source: Bloomberg Finance L.P., as of November 28, 2025.

EXHIBIT 23: MAGNIFICENT SEVEN CONTINUE TO OUTPERFORM



Source: Reuters, as of November 28, 2025.

EXHIBIT 24: AI CONTINUES TO DRIVE CAPEX INVESTMENTS



Source: Bloomberg Finance LP, as of November 12, 2025.

Global Equities

MAIN TAKEAWAYS

- With U.S. rates and dollar expected to fall, growth gaps widen setting the stage for renewed outperformance in 2026.
- Record buybacks, earnings rebound, and corporate reforms make Japan a compelling story beyond macro trends.
- Structural challenges and limited fiscal flexibility keep Europe lagging behind global peers.

Near-term history would suggest that emerging markets typically struggle to outperform for two consecutive years or maintain relative performance over multiple years. Since 2012, emerging markets have topped the performance list three times, ranking second highest in 2012 (see exhibit 25). However, relative performance fell dramatically the following years as U.S. rates rose (2013) or when rates rose and U.S.-dollar strength weighed on relative performance (2018, 2021/2022).

Adding to these headwinds, emerging-market economic growth, as measured by the difference in nominal economic growth between emerging markets and the U.S., turned negative in subsequent years, confirming the forward-looking nature of investors. Heading into 2026, all the historical headwinds—higher U.S. rates, a higher U.S. dollar, and a deterioration in economic growth differentials—are expected to be absent and turn into further tailwinds for emerging-market equities. U.S. rates are expected to decline further, U.S.-dollar weakness should continue as the Fed cuts rates, and growth differentials between the U.S. and emerging markets are expected to widen next year and sustain that level of outperformance in the years that follow. Although emerging markets rallied strongly in 2025, and positioning and valuation are not nearly as favourable as the start of the year, we continue to see positive returns, with relative outperformance expected in 2026 and over the longer term.

Apart from emerging markets, Japan continues to be an attractive destination for investment as we head into 2026. With rate-hike expectations largely priced in and the extent of the fiscal stimulus now known, the focus could shift from Japan being a “macro” trade to stock selection becoming the primary driver of returns in 2026 and beyond. Stock buybacks are continuing at a record pace, earnings momentum seems to be returning after a disappointing first half of 2025, corporate margins are improving, and corporate reforms are expected to take another step up in 2026, with a focus on unused large cash balances (large cash balances are still a hindrance to shareholder returns at many Japanese companies). The Prime Minister’s approval ratings, the yen, and wage trends will be critical for both the implementation and continued push for pro-growth policies and further improvement in corporate governance and capital structure efficiencies.

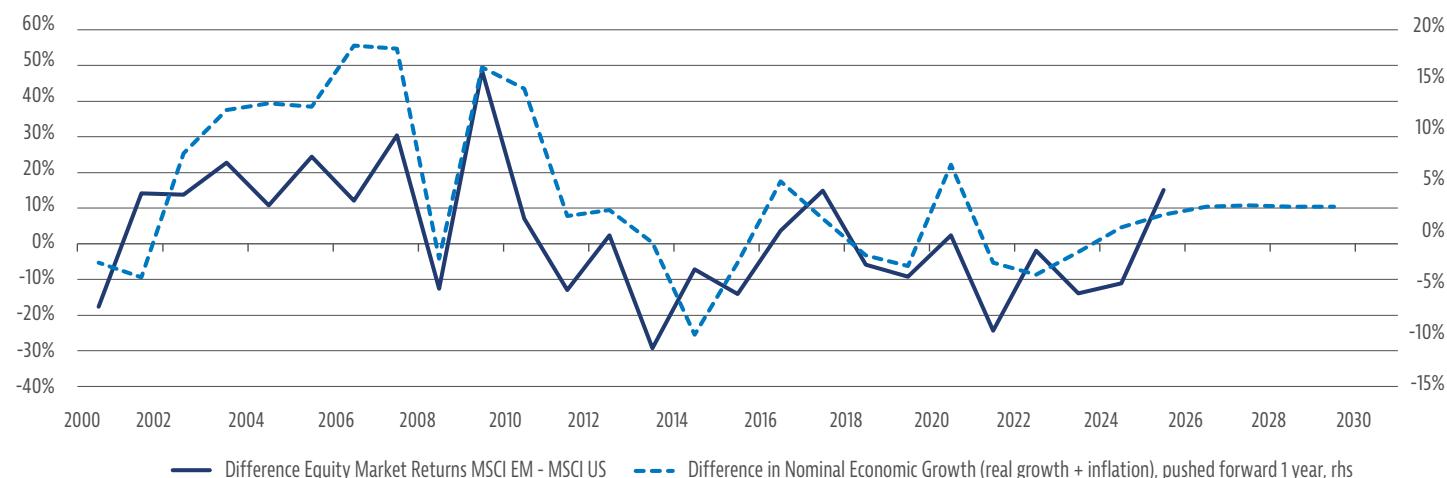
Both emerging markets and Japan face structural challenges, albeit different challenges, but cyclical factors will likely trump structural concerns throughout 2026. This may not be true in Europe, where fiscal constraints and different priorities, both within countries and across the EU, are likely to limit the scale of any fiscal stimulus. Germany is the clear exception but it cannot on its own address Europe’s deep structural challenges—including productivity, demographics, and regulatory hurdles—at a time when European companies are being hollowed out by U.S. tariffs and Chinese competition, and economic growth remains well below that of the United States.

EXHIBIT 25: MAJOR ASSET CLASS RETURNS: IMPORTANCE OF DIVERSIFICATION

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD 2025
Global Real Estate 28.6%	US Equity 32.40%	Global Real Estate 15.6%	Canadian Fixed Income 3.5%	Canadian Equity 21.1%	Emerging Markets Equity 37.8%	Canadian Fixed Income 1.4%	US Equity 31.5%	Emerging Markets Equity 18.7%	US Equity 28.7%	Global Infrastructure -0.2%	US Equity 26.3%	US Equity 25.0%	Canadian Equity 30.0%
Emerging Markets Equity 18.6%	International Equity 22.80%	US Equity 13.7%	US Equity 1.4%	US High Yield Fixed Income 17.5%	International Equity 25.0%	Global Investment-Grade Bonds -1.2%	Global Infrastructure 27.0%	US Equity 18.4%	Global Real Estate 27.2%	Canadian Equity -5.8%	International Equity 18.2%	Canadian Equity 21.7%	Emerging Markets Equity 28.7%
International Equity 17.3%	Global Infrastructure 15%	Global Infrastructure 13.0%	Global Real Estate 0.1%	Global Infrastructure 12.5%	US Equity 21.8%	US High Yield Fixed Income -2.3%	Global Real Estate 23.0%	Global Investment-Grade Bonds 9.2%	Canadian Equity 25.1%	US High Yield Fixed Income -11.2%	US High Yield Fixed Income 13.5%	Global Infrastructure 15.1%	International Equity 27.4%
US Equity 16%	Canadian Equity 13%	Canadian Equity 10.6%	International Equity -0.8%	US Equity 12.0%	Global Infrastructure 20.1%	US Equity -4.4%	Canadian Equity 22.9%	Canadian Fixed Income 8.7%	Global Infrastructure 11.9%	Canadian Fixed Income -11.7%	Canadian Equity 11.8%	US High Yield Fixed Income 8.8%	Global Infrastructure 23.4%
US High Yield Fixed Income 15.6%	US High Yield Fixed Income 7.4%	Canadian Fixed Income 8.8%	Global Investment-Grade Bonds -3.2%	Emerging Markets Equity 1.6%	Global Real Estate 11.4%	Global Real Estate -4.7%	International Equity 22.0%	International Equity 7.8%	International Equity 11.3%	International Equity -14.5%	Global Real Estate 10.9%	Emerging Markets Equity 8.1%	US Equity 17.8%
Global Infrastructure 11.9%	Global Real Estate 4.40%	US High Yield Fixed Income 2.5%	US High Yield Fixed Income -4.6%	Global Real Estate 5.0%	Canadian Equity 9.1%	Canadian Equity -8.9%	Emerging Markets Equity 15.9%	US High Yield Fixed Income 6.2%	US High Yield Fixed Income 5.4%	Global Investment-Grade Bonds -16.2%	Emerging Markets Equity 10.3%	Canadian Fixed Income 4.2%	Global Real Estate 11.9%
Canadian Equity 7.2%	Canadian Fixed Income -1.2%	Global Investment-Grade Bonds 0.6%	Canadian Equity -8.3%	Global Investment-Grade Bonds 2.1%	US High Yield Fixed Income 7.5%	Global Infrastructure -9.5%	US High Yield Fixed Income 14.4%	Canadian Equity 5.6%	Emerging Markets Equity -2.2%	US Equity -18.1%	Global Infrastructure 6.8%	International Equity 3.8%	Global Investment-Grade Bonds 7.9%
Global Investment-Grade Bonds 4.3%	Emerging Markets Equity -2.3%	Emerging Markets -1.8%	Global Infrastructure -11.5%	Canadian Fixed Income 1.7%	Global Investment-Grade Bonds 7.4%	International Equity 13.8%	Canadian Fixed Income 6.9%	Global Infrastructure -5.8%	Canadian Fixed Income -2.5%	Emerging Markets Equity -19.7%	Canadian Fixed Income 6.7%	Global Real Estate 2.0%	US High Yield Fixed Income 7.8%
Canadian Fixed Income 3.6%	Global Investment-Grade Bonds -2.6%	International Equity -4.9%	Emerging Markets Equity -14.6%	International Equity 1.0%	Canadian Fixed Income 2.5%	Emerging Markets Equity -14.2%	Global Investment-Grade Bonds 6.8%	Global Real Estate -8.2%	Global Investment-Grade Bonds -4.7%	Global Real Estate -24.4%	Global Investment-Grade Bonds 5.7%	Global Investment-Grade Bonds 1.7%	Canadian Fixed Income 4.0%

Source: Morningstar Research Inc, as of November 30, 2025. Please refer to the disclaimers section for the indices used to represent the asset classes.

EXHIBIT 26: EM PERFORMANCE AND ECONOMIC GROWTH DIFFERENTIALS



Source: CI Global Asset Management. International Monetary Fund. Bloomberg Finance L.P., as of November 28, 2025. United States: MSCI USA Index; Emerging Markets: MSCI EM Index.

Small-Cap Equities

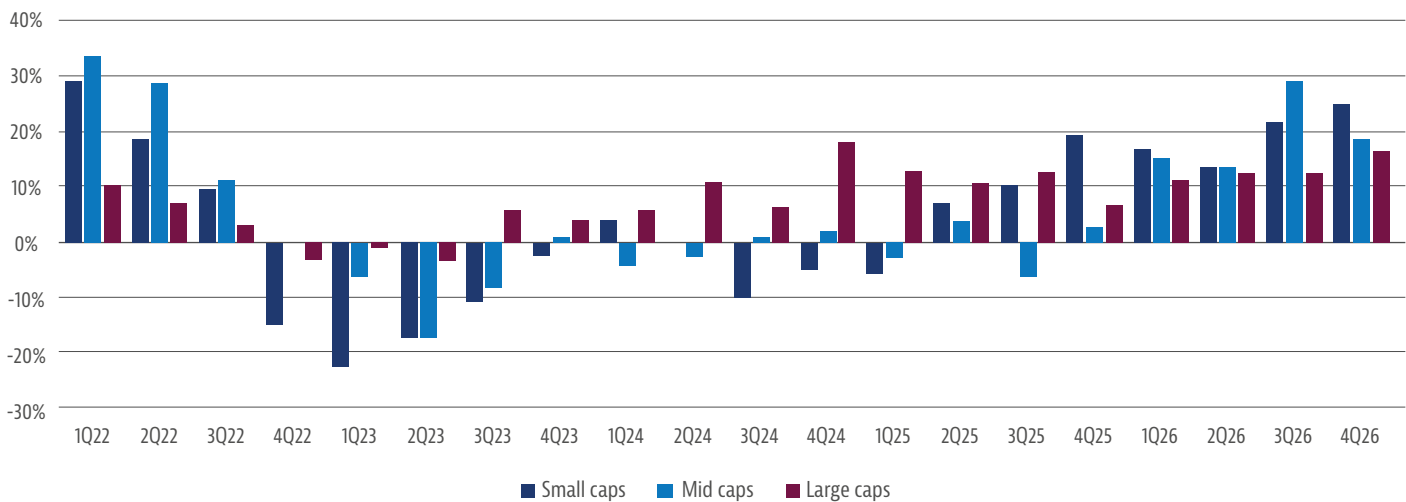
MAIN TAKEAWAYS

- In 2025, small-cap performance was highly concentrated in a few industries, primarily those benefiting from AI expansion and increased government defense budgets. Ten stocks, representing less than 6% of the Russell 2000 Index, accounted for 60% of the index's returns, despite many of the top performers being unprofitable and highly valued. In Canada, a similar pattern emerged, driven largely by the gold sector.
- Looking ahead to 2026, the outlook is optimistic for broader equity performance. The Trump administration's focus on consumer affordability and the introduction of the One Big Beautiful Bill Act are expected to stimulate economic activity through tax cuts, bonus depreciation, and deregulation. Additional tailwinds include trillions in reshoring and foreign direct investment negotiated by President Trump, muted inflation, and anticipated interest rate cuts by the Federal Reserve.
- U.S. equities are positioned to maintain momentum into 2026, supported by expansionary fiscal and monetary policy. Insights drawn from meetings with portfolio companies and industry experts suggest that AI will continue to be a major driver of economic growth

Small caps offer exposure to a broad array of industries globally. However, growth in 2025 was heavily concentrated in industries benefiting from the AI buildout or expanding government defence budgets, while many other industries experienced challenged operating environments. This imbalance resulted in an extreme concentration of returns. Growth was extremely scarce and substantial capital flowed into a few select pockets. To put this in perspective, 10 stocks, representing less than 6% of the Russell 2000 Index, accounted for 60% of the index's returns. Five of the top 10 were unprofitable, and none of the remaining names traded below 40x EBIT. Canada experienced a similar concentration of returns, driven predominately by the gold sector.

As we enter 2026, we believe growth is poised to broaden. Current U.S. consensus earnings estimates for 2026 project +18% EPS growth for small caps, compared with +16% for mid-caps and +13% for large cap. This acceleration in earnings growth is anticipated to come from the healthcare and materials sectors, both of which have lagged for most of the last five years. Historically, small caps outperformed large caps 75% of the time over the last 25 years when their earnings grew at a faster rate.

EXHIBIT 27: SMALL CAP EARNINGS GROWTH NOW POSITIVE, EXPECTED TO ECLIPSE LARGE CAP EARNINGS GROWTH IN 2H25 AND 2026



Source: FactSet, Bank of America, as of September 30, 2025.

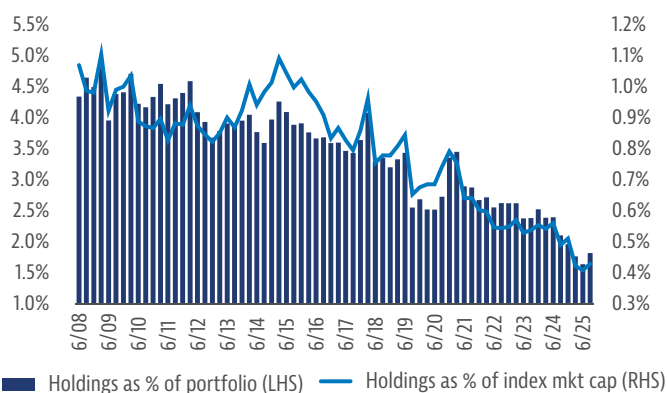
Fundamental factors driving optimism for small-cap earnings acceleration in 2026 include:

(Note: All of these factors are generally more beneficial to small caps than large caps.)

- **Accelerating Capex Cycle:** Governments globally, including Canada and the United States, are implementing accelerated depreciation incentives to pull forward capital projects. Additional tailwinds include aging infrastructure, AI-related capex, increased defence spending, reshoring, automation, and nation-building initiatives.
- **Consumer Stimulus:** Trumps Big Beautiful Bill includes more than \$134 billion in annualized incremental tax cuts, including measures such as eliminating tax on tips. In Canada, the government reduced the lowest tax bracket from 15% to 14% and introduced automatic tax filing for low-income earners. These changes are expected to begin in 2026 as they receive their refund cheques.
- **Deregulation:** Governments globally appear to be working to reduce red tape, which typically favors smaller companies.
- **Lower Interest Rates:** Small caps benefit disproportionately more than large caps due to their higher interest costs, greater reliance on capital markets for funding, and generally higher levels of debt.

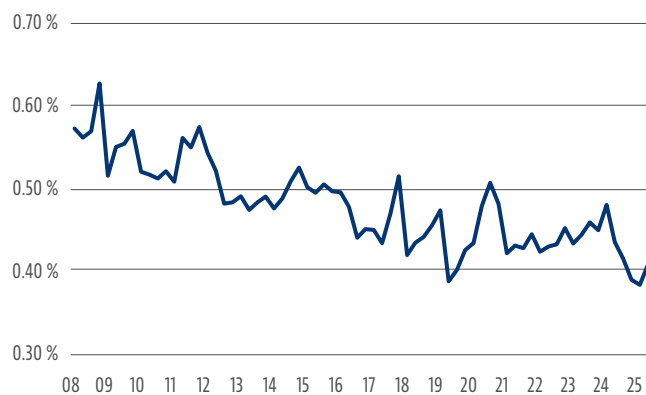
A recent survey suggests fund managers remain significantly underweight small caps. If small caps outperform large caps on a fundamental basis in 2026, we believe the resulting flow of funds could become a key tailwind to the space. Due to limited institutional interest, 35%-40% of daily small-cap trading volume is retail, which has contributed (and will likely continue to create) significant mispricings. Strategic buyers and private equity have taken notice, and M&A activity has risen to its highest levels since 2021.

EXHIBIT 28: SMALL CAPS MAKE UP JUST 1.8% OF MULTI-CAP MANAGERS' PORTFOLIOS, JUST OFF OF LOWS HIT A QUARTER AGO (BASED ON DATA SINCE 2008)



Source: London Stock Exchange Group plc., FactSet, Bank of America, as of December 2, 2025.

EXHIBIT 29: SMALL CAPS WEIGHT IN MULTI-CAP PORTFOLIOS IS HISTORICALLY LOW



Source: London Stock Exchange Group plc., FactSet, Bank of America, as of December 2, 2025.

FUND POSITIONING

We have been increasing our weight in select out-of-favour sectors such as healthcare. The space has substantially derated due to regulatory uncertainty and the need to digest the significant amount of spending that occurred during the COVID-19 pandemic. In addition, we remain overweight industrials, which we expect to benefit from increased capital spending and lower interest rates.

The United States continues to be a core overweight, continuing to benefit disproportionately from the AI buildout. President Trump also appears focused on stimulating the consumer ahead of the mid-term elections, which should provide an additional tailwind. Canada is becoming increasingly attractive as well. While there may be challenges in the short term, we believe Prime Minister Carney is making the right decisions for the medium to long term. Valuations in Europe remain inexpensive, and we are identifying stock-specific investments in certain regions to deploy capital selectively.

FINAL THOUGHTS

We continue to find attractive investment opportunities in small caps. Although valuations have risen, they still offer relative value compared with large caps. Capital markets activity is accelerating, and strategic buyers have returned. At a minimum, we believe investors should no longer remain underweight this asset class.

Real Assets

MAIN TAKEAWAYS

- 2025 saw strong infrastructure performance led by utilities and transportation, though subsector results were mixed (utilities strong, energy lagging, telecoms weak, transportation constrained). Looking ahead to 2026, infrastructure remains attractive given discounted valuations, durable cash flows, and structural growth tailwinds, with expected high single digit returns.
- Real estate delivered positive returns in 2025 but underperformed broader benchmarks, with U.S. markets reversing prior leadership due to political and valuation pressures. Asia outperformed, supported by lower bond yields and reforms in Japan.
- With global investors still under allocated to real estate and listed assets trading at 5–20% NAV discounts, the sector offers inexpensive valuations relative to history. Combined with supportive rate environments and mid single digit earnings/dividend growth, total returns in the high single digit range are plausible.

REAL ESTATE

Real estate returns were positive in 2025, though they trailed broader benchmarks. For example, the S&P 500 Real Estate GICS sector underperformed the S&P 500 by over 1,400 bps on a total return basis through the end of October. The U.S. had been a leader among global real estate markets, a trend that reversed in 2025 due to political headlines, shifts in certain market fundamentals, and relative valuations that were higher than those in other geographies entering the year. On a compounded basis, the U.S. is still among the best-performing regions over the past three years. The strongest performers this year were in Asia, where lower bond yields supported markets such as Singapore and Hong Kong, and corporate

reform initiatives drove returns in Japan.

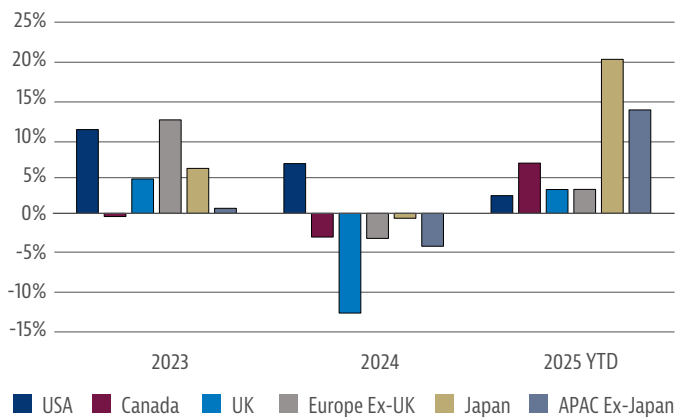
Many developed markets are now well into the central bank rate-cutting cycle. Markets appear to be pricing in two to three rate cuts in the U.S. and the U.K. through the end of next year, and a couple of rate hikes in Japan, with all other major central banks priced to remain on hold through the end of 2026.

Of greater consequence to real estate, 10-year sovereign yields are expected to be +/- 25 bps from current levels over the next 12 months, a backdrop that is supportive for private real estate underwriting and valuations. The recent Real Estate Allocations Monitor published by Cornell University's Baker Program in Real Estate and Hodes Weill & Associates, L.P. suggests that, relative to their target real estate allocations, global institutional investors remain underallocated. This could bode well for transaction activity in the coming year and be supportive of valuations.

Analysts forecast earnings growth for the sector to be in the mid-single digit range over the next 12-24 months. Dividend yields are in the low to mid-single digit range. In the absence of any multiple expansion or contraction, a total return in the high-single digit range seems to be within the realm of reason.

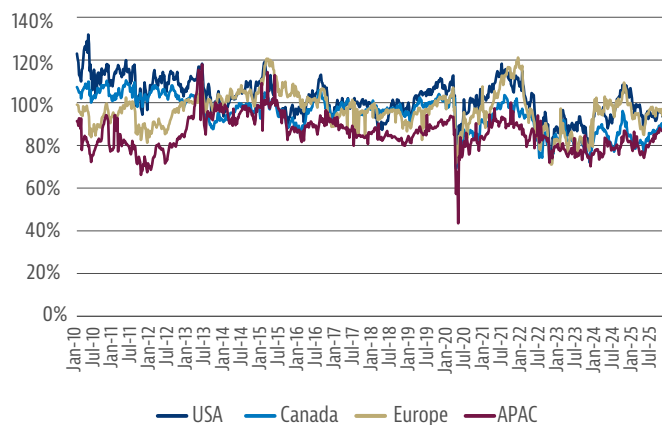
On a net asset value (NAV) basis, listed real estate is typically trading at a 5% to 20% discount. Relative to history, multiples are inexpensive compared with their own long-term averages, and cheap when compared to the long-term average multiple spread of major stock market benchmarks. Mean reversion from a valuation perspective could positively augment the total return profile of the sector.

EXHIBIT 30: FTSE EPRA NAREIT TOTAL RETURNS



Source: Bloomberg Finance L.P., S&P Capital IQ, Green Street Advisors LLC, CI Global Asset Management Annual and Quarterly Reports, CI Global Asset Management, as of November 30, 2025.

EXHIBIT 31: CONSENSUS EPRA NAREIT P/NAV



Source: Bloomberg Finance L.P., S&P Capital IQ, Green Street Advisors LLC, CI Global Asset Management Annual and Quarterly Reports, CI Global Asset Management, as of November 30, 2025.

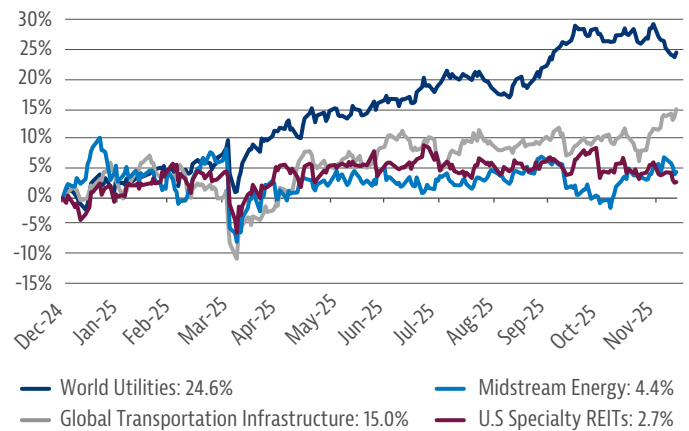
INFRASTRUCTURE

Infrastructure delivered strong performance in 2025, with the MSCI Global Core Infrastructure Index returning 13.6%. Our funds have performed well (CI Global Infrastructure Fund – 14.5%, CI Global Infrastructure Private Pool – 14.6%, CI Global Real Asset Private Pool – 10.3% (source: Morningstar Direct Inc. as of November 30th, 2025) driven by strong growth in utilities and transportation/industrials sectors.

PERFORMANCE ACROSS THE FOUR INFRASTRUCTURE SUBSECTORS:

Utilities – This sector showed notable strength throughout 2025 due to structural tailwinds in power generation and AI. While these tailwinds are expected to continue, utilities may struggle to see valuation expansion.

EXHIBIT 32: YEAR TO DATE (YTD) PERFORMANCE- INFRASTRUCTURE SUBSECTORS



Source: Bloomberg Finance L.P., as of December 11, 2025. Midstream Energy = Alerian Midstream Energy Total Return Index, Global Transportation Infrastructure = MSCI World Transportation Infrastructure Gross Total Return LCL Index, U.S. Specialty REITs = Dow Jones US Specialty REITs Total Return Index USD, World Utilities = MSCI World Utilities Net Total Return USD Index.

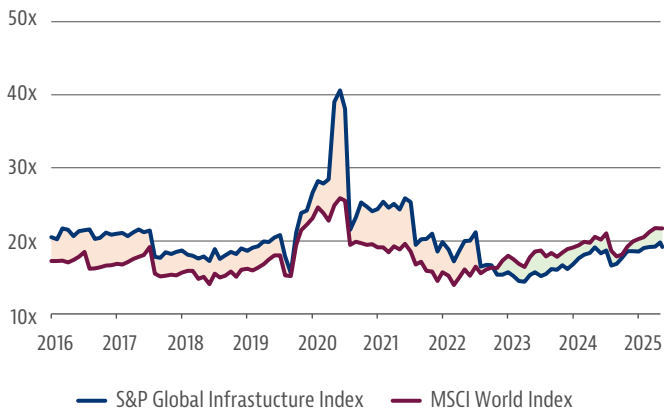
Energy – Optimism around the pipeline trade following the U.S. elections faded over the year, as midstream equities lagged amid sluggish growth, trade concerns, and challenging oil fundamentals. Canadian stocks are likely to benefit from an improved policy backdrop in 2026.

Telecommunications – Performance declined in the second half of the year on muted near-term growth expectations and interest rate uncertainty. This has created an attractive valuation backdrop within a structurally growing sector.

Transportation – Trade and policy concerns stifled the recovery of a multi-year industrial downturn, which was reflected in index returns in 2025. Looking ahead to 2026, we see a significant opportunity in transportation infrastructure. Moderate economic growth, the potential for a cooling of trade tensions, and continued growth in travel should support improved performance across toll roads and airports.

With many investors struggling with elevated stock market valuations, infrastructure remains compelling, trading at a significant discount to global equities' P/E multiples (see Exhibit 33). We maintain infrastructure's historical premium to global equities as our valuation anchor, particularly as the factors that drove valuation premia in global equities increasingly translate into infrastructure capital expenditure. For 2026, diversification benefits and structural growth tailwinds favour the durable cash flows of infrastructure in an environment where growth is stabilizing but policy risk remains high. We expect positive returns in line with historical high single-digit levels in 2026.

EXHIBIT 33: INFRASTRUCTURE VS. GLOBAL EQUITY VALUATION



Source: Bloomberg Finance L.P. as of December 11, 2025.

Canadian Rates

MAIN TAKEAWAYS

- Canada entered 2025 with solid growth, but trade uncertainty from U.S. tariffs weighed on the outlook. The Bank of Canada cut rates to 2.25%, likely the terminal rate for this cycle.
- Government and sub-sovereign bonds outperformed in 2025, with spreads narrowing to their lowest since the global financial crisis, driven by yield declines in shorter maturities.
- Stimulative monetary and fiscal policy, including provincial stimulus and Prime Minister Carney's budget, is expected to support the recovery, though inflation risks remain. Bond markets are likely to focus on the timing of the next rate hiking cycle, with yields historically rising after the final cut before easing into hikes.

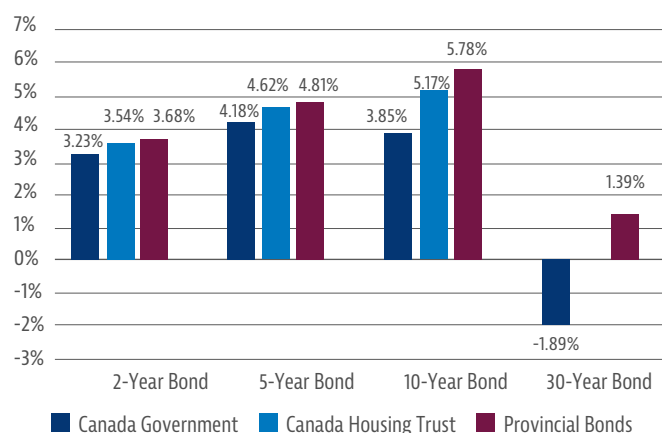
Canada entered 2025 on solid footing. The Bank of Canada (BoC) cut rates in 2024 from 5.00% to 3.25% while real GDP growth remained above 2% year-over-year. However, President Trump pursued a more aggressive trade agenda at the outset of his second term. While Canada has avoided the worst of the tariffs so far, uncertainty remains surrounding the status of the Canada-United States-Mexico Agreement (CUSMA), which is scheduled for review in July 2026.

The pall this cast over the economy caused the Bank of Canada to forecast a structural downshift in GDP growth, with the economy expected to grow only 1.1% in 2026, compared to 1.8% prior to President Trump's tariff announcements. To support the economy, the Bank of Canada cut rates four additional times in 2025, bringing the overnight rate to 2.25%—the lower end of the BoC's estimated neutral range of 2.25%-3.25%. This level is likely the terminal rate for the current cycle.

As a result, Canadian government and sub-sovereign bonds performed well in 2025 through the end of November. Yields declined across maturities of 10 years and under, while yields on maturities of over 10 years rose. Moreover, the yield spread

in provincial bonds and Canada Housing Trust bonds relative to Canada government bonds of similar maturity narrowed to their lowest levels since the Global Financial Crisis (GFC). This compression drove outperformance in sub-sovereign bonds in 2025 (see Exhibit 34 below).

EXHIBIT 34: GOVERNMENT BOND RETURNS

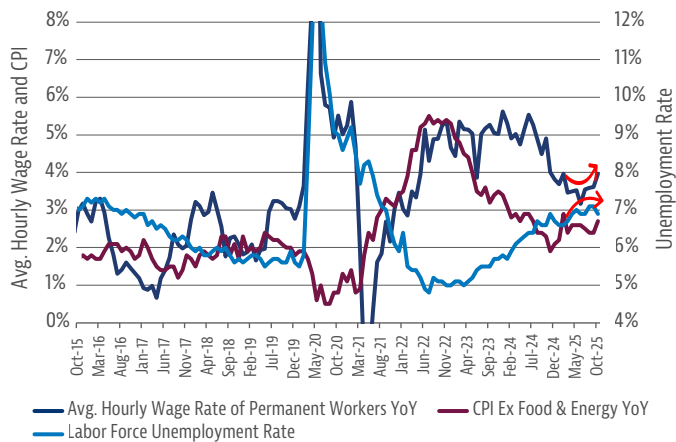


Source: Bloomberg Finance L.P., as of November 30, 2025.

Looking ahead to 2026, we expect bond markets to focus on economic recovery and the timing of the next rate hiking cycle. In our view, both monetary and fiscal policies are currently stimulative. Provincial budgets have responded to tariff-related risks with significant incremental stimulus, which we estimate at approximately 1% of nominal GDP. Meanwhile, Prime Minister Mark Carney's first budget adds incremental deficit spending equivalent to 1% of nominal GDP. Combined with the 275 bps of rate cuts delivered by the Bank of Canada over the past year and a half, we expect these measures to support an economic recovery.

At the same time, the Bank of Canada will need to remain diligent on inflation, which we expect will keep attention focused on the timing of the next hiking cycle. The labour market is finding its footing, with the unemployment rate stabilizing and wages turning higher (See Exhibit 35). Core inflation remains elevated at around 3% and has risen since the end of 2024. Higher wages could place additional upward pressure on inflation, particularly given the supportive monetary and fiscal backdrop in 2026.

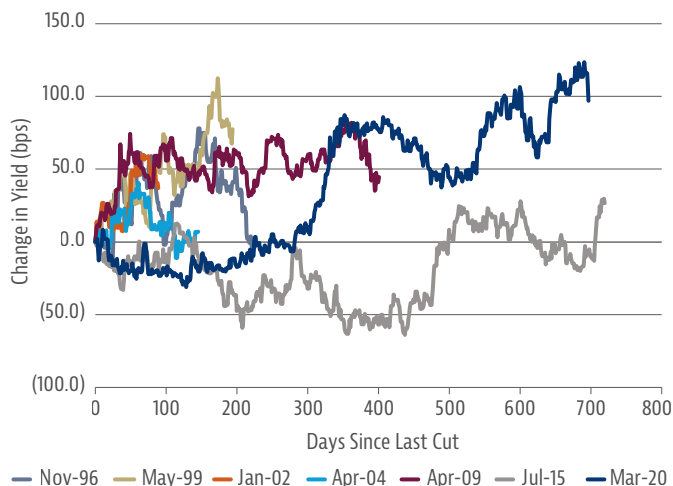
EXHIBIT 35: AVERAGE HOURLY WAGES AND UNEMPLOYMENT



Source: Bloomberg Finance L.P., as of November 30, 2025.

Historically, yields tend to rise following the final rate cut by the Bank of Canada. Over the past 30 years, across seven cutting cycles, a similar pattern emerged. Yields typically increase from their level at the last cut, then begin to decline 60 days or less before the first hike, as bond investors anticipate slower growth resulting from tightening. This pattern is evident in the 10-year Government of Canada bond yield, which usually rises more than 40 bps following the last cut before declining ahead of the first hike (see Figure 36). We are positioning for this dynamic in 2026.

EXHIBIT 36: CANADA 10-YEAR BOND YIELD AFTER BANK OF CANADA'S FINAL RATE CUT IN THE PAST SEVEN CUTTING CYCLES



Source: Bloomberg Finance L.P., as of November 30, 2025.

We anticipate reducing duration in 2026 from an underweight position. The renegotiation of CUSMA remains a material risk, as a failure to reach an agreement could pressure yields lower. However, we expect that a deal will be reached in 2026. Assuming this outcome, greater policy clarity should support businesses reinvesting in the economy, reinforced by monetary and fiscal stimulus. As a result, we believe significant alpha can be generated in 2026 through active curve and duration positioning.

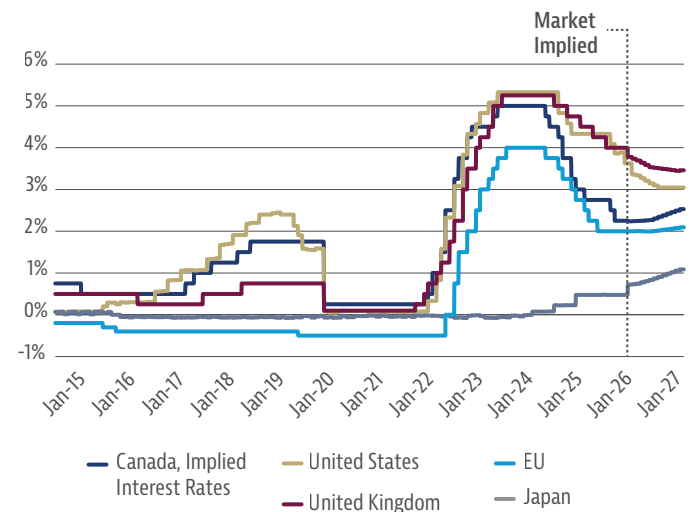
Global Rates

MAIN TAKEAWAYS

- Developed-market central banks have largely completed rate cuts, unwinding post-pandemic tightening while keeping inflation expectations anchored. Policy rates, however, remain higher than previous cycle lows.
- U.S. growth is resilient despite a brief soft patch, with one additional cut expected in the first quarter of 2026. Inflation is likely to remain sticky above 2%, keeping rates on hold and yields rangebound, with moderate upside risk later in 2026.
- The European Central Bank (ECB) and Bank of England (BoE) are expected to remain on hold amid balanced inflation and growth, while Bank of Japan (BoJ) continues its gradual policy normalization. Emerging markets stand to benefit from supportive global conditions and potential Fed cuts, offering attractive credit opportunities.

Looking back at the global easing cycle that began in mid-2024, developed-market central banks, with Bank of Japan as the outlier, have managed the delicate task of removing monetary policy restraint while keeping long-term inflation expectations anchored. After cumulative rate cuts ranging from 0.75% in Australia to 3.25% in New Zealand, policy rates are now near neutral. Post-pandemic tightening is unwinding, and easing cycles are ending at levels higher than the lows of the previous cycle and more consistent with pre-GFC norms. While regional divergences remain, global growth looks resilient enough to keep most central banks on hold. As 2025 draws to a close, the key question is whether loose financial conditions and structurally high fiscal deficits will reignite the business cycle, forcing rate hikes, or simply sustain growth near potential with limited inflation. The answer may only become clear later in 2026, once near-term cyclical supports fade

EXHIBIT 37: CENTRAL BANKS TARGET RATES – CONSENSUS FORECAST



Source: CI Global Asset Management, as of December 10, 2025.

In the United States, the Fed has delivered insurance cuts amid a softening labour market and modest rise in unemployment. The economic soft patch following the government shutdown should allow the Fed to deliver one additional cut in the first quarter of 2026, bringing the terminal rate to 3.25%. Our base-case reflects resilient growth supported by fading tariff shock, a strong deregulation agenda, personal tax refunds, sustained fiscal deficits, and accommodative financial conditions. Inflation is likely to remain sticky above 2%, but stable enough to keep rates on hold. Yields are likely to remain rangebound in early 2026, with a modest rise in longer-term yields as the cyclical upswing becomes clearer. Risks to our outlook include continued disinflation or higher-than-expected unemployment, which could bring further rate cuts. A new Fed Chair could tilt policy more dovish. Alternatively, stronger growth could tighten the labour market, lower unemployment, and accelerate wage growth, shifting the narrative toward potential rate hikes. Even so, the Fed's bar for moving from neutral to hawkish remains high. Concerns about fiscal dominance and Fed independence have eased but cannot be dismissed. Overall, we expect any backup in yields to be moderate and U.S. Treasuries to deliver positive total returns in the low- to mid-single digits (in U.S.-dollar terms).

In Europe, the ECB has described policy as being “in a good place,” with inflation converging to target and the Euro area economy broadly balanced. We expect the ECB to remain on hold amid resilient Euro area growth, supported by German fiscal spending and core inflation near target. Yields should remain rangebound, with limited scope for spread compression in Spain, Italy, or France, with the latter vulnerable to political noise. Despite a more upbeat eurozone growth outlook, inflation risks appear balanced. Downside risks stem from Germany’s fiscal policy execution, given exposure to global demand volatility and limited long-term competitiveness without structural reforms. In the U.K., the Bank of England has been slower to cut rates, with headline and core inflation stuck in the mid-3% area. Signs of labour market slack should allow the BoE to continue easing gradually, with two additional cuts expected before mid-2026. Longer-term yields may face pressure from political uncertainty, keeping term premiums elevated.

The Bank of Japan is set to continue its gradual normalization path. The Japanese bond market struggled in 2025, underperforming G10 peers as persistent above-target inflation and expansionary fiscal agenda under a new Prime Minister pushed long-end yields to historically high levels. We expect Japanese rates to underperform again in 2026, though less severely.

Outside developed markets, opportunities remain in emerging-market sovereign credit. Our base-case reflects moderate global growth, reducing the risk of sharp credit-spread widening. Emerging-market growth should continue to outperform developed markets, with reform momentum intact. Supportive financial conditions are strengthening external financing buffers. Prospects for additional Fed interest rate cuts and lower (or at least stable) U.S. yields provide a tailwind for emerging-market returns and fund flows.

Investment-Grade Credit

MAIN TAKEAWAYS

- Investment-grade (IG) credit had an excellent year, with Canadian IG returning nearly 5% and U.S. IG over 8%, supported by favourable conditions including steady growth, muted corporate leverage, and strong demand.
- While supportive fiscal policy and AI driven capex should aid the economy, inflation remains sticky and corporate margins may soften. Spreads are expected to modestly widen to around 95 bps in the base case, though strong demand could keep them tighter in the first half of 2026.
- With increased debt issuance, rising mergers-and-acquisitions (M&A) activity, and potentially softer demand, particularly if oil revenues decline, credit spreads could widen toward 105 bps by year-end. On the upside, a stronger scenario could see spreads tighten to around 80 bps, still pointing to moderate but positive returns for IG credit in 2026.

The investment-grade corporate bond market delivered another strong year in 2025, supported by a favourable market environment. The Canadian IG index returned 4.97% year-to-date, as of November 28, 2025, driven by a 15 bps tightening in spreads to 93 bps and a 42 bps decline in yield-to-maturity to 3.84%. The U.S. IG index returned 8.09% year-to-date, as of November 28, 2025, supported by a 59 bps decline in yield-to-maturity to 4.80%, while spreads remained flat at 82 bps.

The market was driven by several factors that all came together to create an ideal environment for credit. Credit performs best in an environment when economic growth is in the 1-3% range, inflation is near central bank targets, policy rates are being cut, and corporate earnings are rising, while companies remain financially prudent and maintain stable or improving leverage. Debt-financed M&A, share buybacks, and capital expenditures were relatively muted as companies

implemented conservative financial policies. In addition, demand for credit and yield remained strong, while net supply was steady to declining. Credit markets benefited from most of these conditions in 2025, making it a good year for credit investors.

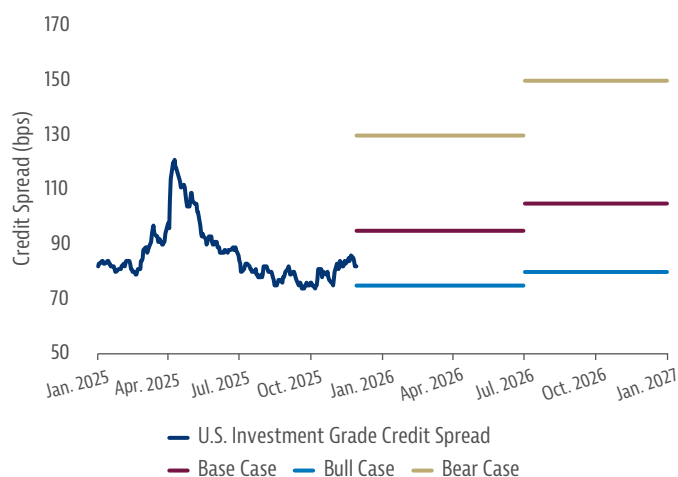
The only significant market sell-off occurred in late March and early April, when U.S. President Trump introduced his "Liberation Day" tariff rates. Risk assets sold off sharply as the announced tariffs were much higher than expected, raising concerns that increased trade barriers would fuel inflation and trigger an economic slowdown. However, the U.S. Administration retreated from the higher tariffs rates just a week later and signalled a willingness to negotiate with affected countries. As a result, risk assets continued their upward trajectory. Investment-grade credit spreads reached their year high in April at +121 bps before tightening by 47 bps to a low of +74 bps in mid-September.

The relatively high yield of U.S. investment-grade credit made it an attractive asset for both domestic and foreign investors. Retail inflows to U.S. credit provided a strong tailwind to the IG market, alongside continued strong demand from insurance companies writing annuities and GICs. The new-issue market was buoyant in 2025, with gross issuance exceeding US\$ 1.6 trillion; however, the net supply declined year over year. Higher maturities, coupon payments, and tender activity drove the net supply lower, helping to sustain a strong bid for IG credit not only in the U.S., but also in Canada and Europe.

With much of this positive news priced into the market, the question becomes: where do IG spreads go from here? Several trends that emerged in the fall of 2025 are likely to carry into 2026. Artificial intelligence, data centres, and power generation have come into sharper focus across both equity and credit markets, particularly with respect to capital expenditures, debt issuance, and returns on investment. In addition, M&A activity is increasing in value, if not in transaction numbers, with financing becoming more debt-oriented. Boards and management teams are growing more confident amid lighter regulation and a more constructive economic outlook, increasing their willingness to allow leverage to rise.

For the first half of 2026, trends from 2025 are expected to persist, albeit with lower intensity, leading to a modest widening in spreads to around 95 bps in our base case. The U.S. economy should gain strength in 2026 from the fiscal stimulus and AI-related capital expenditures, although employment is clearly slowing. Inflation remains sticky in the high-2% range, and President Trump's tariff and deportation policies have not helped. The U.S. Federal Reserve is therefore likely to slow the pace of rate cuts to two in 2026, given that inflation remains above target despite rising weakness in the labour market. Corporate earnings are projected to continue rising, but at a more moderate pace, while margins are likely to soften from record levels. Much of this positive outlook is already priced into both the equity and credit markets.

EXHIBIT 38: U.S. IG CREDIT SPREADS-2026 PROJECTION



Source: CI Global Asset Management, Bloomberg Finance L.P., as of November 30, 2025

Investor demand is expected to remain strong, as U.S. investor positioning is fairly neutral, leaving room for spreads to tighten if investors gradually overweight portfolios, or more likely, add exposure on any spread widening. Under this bullish scenario, spreads could tighten to as low as 75 bps in the first half of 2026. However, as we enter the new year, the market will likely take a more neutral approach and price itself closer to the base case for credit, which would infer a widening toward 95 bps. One area of concern is falling oil prices: while supportive for inflation, Middle Eastern investors – who have emerged as significant buyers of U.S. IG credit over the past 18 months – could reduce demand if oil-related revenues weaken.

It is currently more difficult to estimate where spreads will be in the second half of 2026, particularly given that the new Federal Reserve Chair, appointed in June 2026, is expected to be more dovish than Chair Powell. The gross supply is expected to increase to roughly \$1.8 trillion in 2026, while net supply, after accounting for maturities and coupon payments, is expected to rise to 30%. Higher net issuance, rising M&A leverage, and softer demand are likely to contribute to modest widening in spreads.

Should yields fall significantly, total returns would remain solid but spreads are likely to widen as demand wanes with the lower yields. By year-end 2026, our base case expects spreads to end at 105 bps; however, if the favourable backdrop for credit is sustained throughout the year, our bull case sees spreads ending closer at 80 bps. Overall, we believe investment-grade credit will deliver moderate positive excess returns and decent absolute returns in 2026.

High-Yield Credit

MAIN TAKEAWAYS

- Despite volatility and modest margin erosion, strong fundamentals and low default rates supported competitive returns in 2025.
- High-yield supply is set to surge in 2026, driven by leveraged buyouts, mergers-and-acquisitions (M&A) activity, and AI-related capital spending, creating potential market absorption challenges.
- Periods of spread widening and coupon-like returns are expected, favouring bottom-up credit work and sector expertise to capitalize on emerging opportunities.

In general, 2025 was an eventful year for markets, and the high-yield bond market was no exception. Throughout the year, the market showed resilience, and our focus on company fundamentals and valuation helped us navigate several bouts of volatility to deliver competitive returns for our investors. From a fundamentals perspective, we observed a modest erosion in profit margins and leverage levels over the course of 2025. Nevertheless, corporate balance sheets for high-yield bond issuers remain strong, as reflected in the benign rate of default that has persisted for the past five years. Appetite for new issuance also underscored the market's resilience which, after a brief tariff-related hiatus, saw issuance accelerate as the year progressed, with new supply readily absorbed by market participants.

Another evergreen feature for the market is financing leveraged buyouts and M&A activity. In 2025, we saw renewed momentum on both fronts, with Electronic Arts attempting the largest leveraged buyout on record and Paramount-Skydance launching an audacious, roughly \$108 billion hostile takeover bid for Warner Bros. Discovery in response to its sale agreement with Netflix. This activity, alongside continued AI-related capital spending, supports a robust net supply outlook for 2026 across both the investment-grade and high-yield bond market.

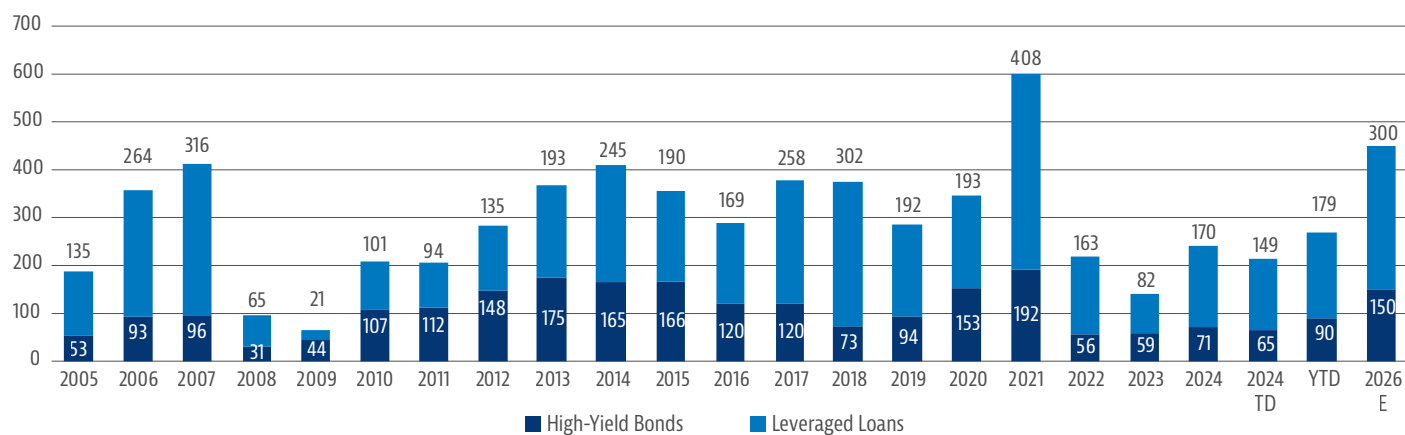
Given our constructive macro outlook and setting aside any number of concerns, we believe the quality and quantity of new issue supply is likely to be the defining question for high-yield bond investors in the year ahead. The key consideration is whether the market can effectively absorb a robust issuance calendar.

First, we observed that prior to 2025, the market experienced an undersupply environment for four consecutive years, creating a degree of catch-up as issuance normalizes. Second, while the size of the market has remained relatively static in recent years, other markets, particularly private credit and investment grade, have grown dramatically. This growth reflects sustained demand for credit overall and provides issuers with a wider set of financing options, resulting in what we view as an "all-hands to the pump" effort to absorb AI-related spending.

Lastly, there is a potential silver lining for high-yield bond investors as the market will need to "compete" with robust investment-grade issuance. Essentially, if much larger businesses such as Oracle and Meta are willing to accept five and six percent coupons to complete their project financing, this will have implications for, and ultimately enhance, potential return prospects of attractive issuers within the market.

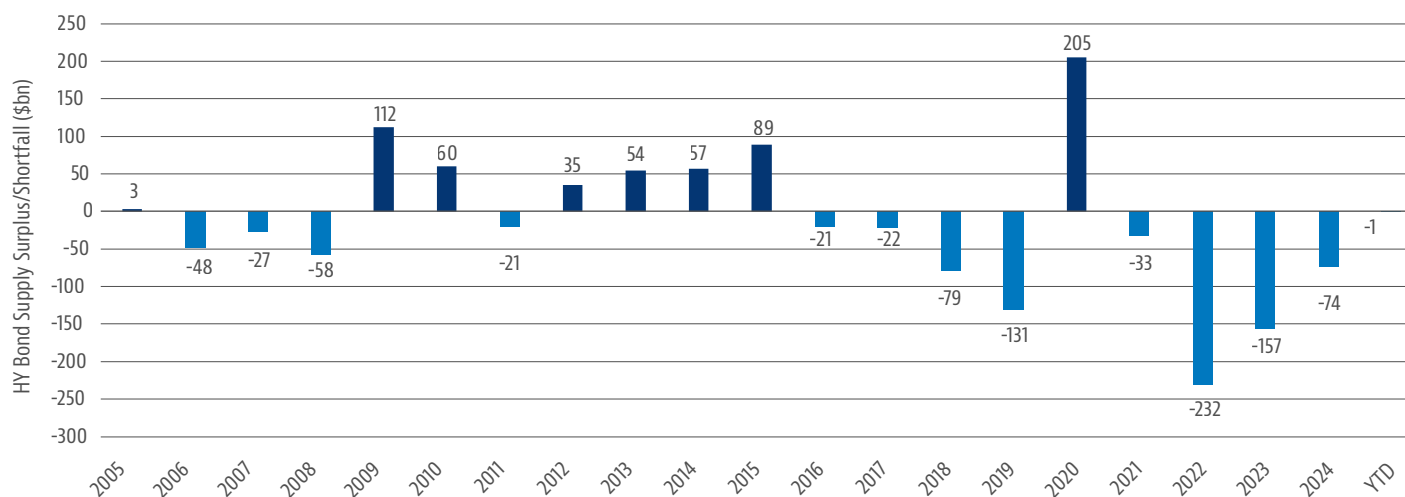
In terms of how we expect the year to unfold, we anticipate that this supply dynamic will create periods of indigestion and brief recalibration as the market absorbs elevated issuance. We also expect modest spread widening, ultimately resulting in a respectable coupon-like return for the year. In summary, this is an environment that favours bottom-up credit work, and our sector-specialist model is well-positioned to capitalize on opportunities and generate positive excess return for our investors.

EXHIBIT 39: LEVERAGED FINANCE ISSUANCE



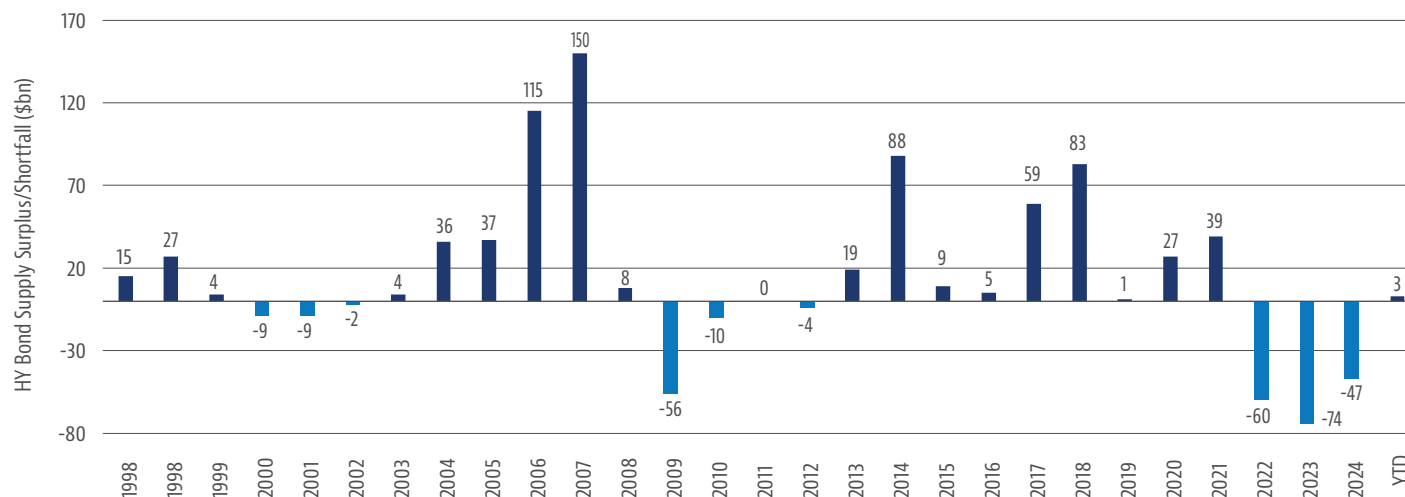
Source: J.P. Morgan. U.S. High Yield & Leveraged Loan Credit Outlook, as of November 25, 2025.

EXHIBIT 40: HY SUPPLY VS DEMAND



Source: J.P. Morgan. U.S. High Yield & Leveraged Loan Credit Outlook, as of November 25, 2025.

EXHIBIT 41: LOAN SUPPLY VS DEMAND



Source: J.P. Morgan. U.S. High Yield & Leveraged Loan Credit Outlook, as of November 25, 2025.

Commodities

MAIN TAKEAWAYS

- 2026 is expected to be a favorable year for commodities overall, driven by macro tailwinds, greater tariff certainty, and a weaker U.S. dollar.
- Oil sentiment is bottoming as OPEC cuts are absorbed, while looming supply limits point to a tighter market. Meanwhile, natural gas should firm with North American LNG, though Qatar's expansion may cap gains by 2027–28. Copper stays supported as the energy transition and digital buildout lift demand amid persistent supply disruptions.
- Gold is expected to remain elevated in 2026, supported by ongoing macroeconomic drivers. Strong crop supply and rising costs have pressured farmer incomes, likely reducing fertilizer use in 2026. The outlook for agricultural chemicals is cautious, except for phosphate, while biofuels remain constructive due to their substitution role in transportation.

The year of 2026 is expected to be supportive for commodities. A combination of greater tariff certainty combined with a lower U.S. dollar provide tailwinds for commodities.

Within the energy complex, 2026 is likely to be an inflection year for both oil and natural gas. Oil sentiment is expected to bottom as the anticipated surplus, largely driven from a return of OPEC's voluntary cuts, becomes well discounted in oil prices. The medium-term outlook remains positive, however, efficiencies in the Permian Basin are plateauing and declining in other basins. With limited spare capacity in OPEC concentrated in Saudi Arabia and UAE, and independent producers failing to invest sufficiently to offset natural well declines, a scenario of tighter supply-demand dynamics emerges beyond the next couple of years.

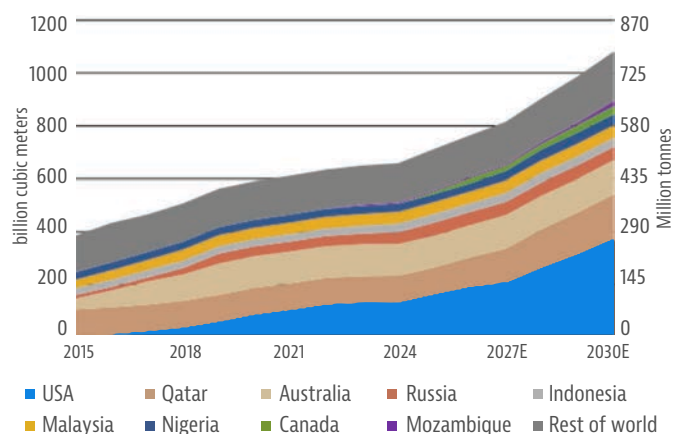
EXHIBIT 42: YEAR-TO-DATE CHANGES IN STOCKS



Source: Goldman Sachs as of November 28, 2025.

Natural gas prices are poised to strengthen in 2026 as new LNG capacity in the U.S. and Canada ramps up, increasing the tether of gas prices to that of the rest of the world. This is encouraging but the window for natural gas will become challenged again in 2027 and 2028 as additional LNG volumes from Qatar enter the market, resulting in supply growth outpacing demand growth.

EXHIBIT 43: GLOBAL LNG SUPPLY CAPACITY



Source: International Group of Liquefied Natural Gas Importers (GILGNI.org), UBS as of November 28, 2025.

In agriculture, strong crop supply in 2025 has pressured prices and, when combined with rising input costs, reduced farmer incomes, likely resulting in reduced fertilizer application in 2026. It is for this reason that we remain cautious on the agricultural chemicals and fertilizers for 2026, apart from phosphate, which benefits from a tighter supply outlook. We do, however, continue to be constructive on biofuels due to their role in replacing diesel and jet fuel in the hard-to-substitute sectors.

The outlook for base metals, particularly copper and aluminium, is positive for 2026. Copper is essential to the global energy and digital transition, electric vehicles, clean power systems such as wind and solar, as well as AI-driven data centers. As global infrastructure continues to expand to support this, demand for copper is also rising. China is the largest consumer of copper, and despite macro headwinds, copper consumption has remained resilient. While Chinese grid spending has recently come under pressure—and a slowdown could extend into 2026—a series of supply side disruptions has pushed the copper market into deficit, a condition expected to persist into next year and support copper prices in 2026. Over the medium to long term, higher copper prices will be required to incentivize new development and address the growing copper deficit.

The gold market has been one of the largest beneficiaries from rising geopolitical and economic uncertainty during 2025. However, high gold prices resulted in weaker jewellery consumption and central banks tempering net purchases in 2025. This was more than offset by strong investor and retail demand, as evidenced by rising ETF holdings. For 2026, expectations are for the U.S. dollar to remain weak and for the Federal Reserve to continue its rate-cutting cycle, at least into the early part of the year—both of which are supportive of gold prices. Central banks are also expected to remain net purchasers in 2026 as they continue to accumulate gold to diversify foreign exchange reserves. Ongoing uncertainty around economic policy and tariffs, rising global debt levels, and the broader theme of dollar diversification remain key supports. Virtually all of the macro drivers that propelled gold to highs above \$4,300/oz in 2025 are still in place and are expected to continue into 2026, supporting elevated gold prices next year.

Currency

MAIN TAKEAWAYS

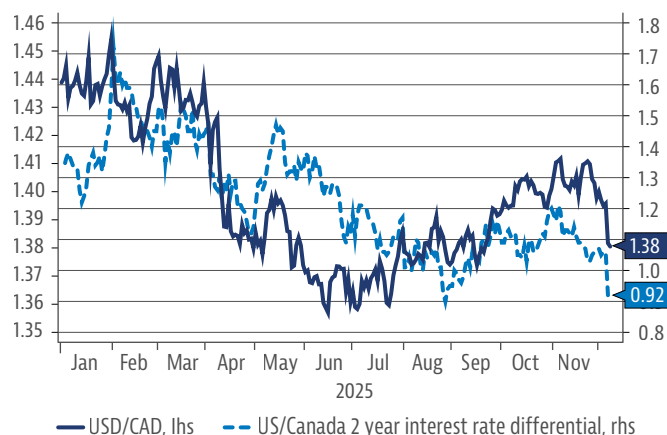
- Synchronized growth momentum across major economies sets the stage for a more balanced FX environment.
- CAD enters 2026 on firmer footing, as the Bank of Canada moves to the sidelines and narrowing interest rate differentials reduce a key headwind.
- Emerging markets retain strong carry appeal, while major currencies face uneven prospects amid shifting policy paths.

The past year brought an unusual mix of political change, policy reversals, and surprising currency moves. Trade uncertainty dominated market sentiment, with Canada electing a new government under Prime Minister Mark Carney and the Bank of Canada cutting rates aggressively. Notably, the U.S. dollar's traditional role as a risk-off asset broke down. From January through June, the U.S. dollar fell even as equities sold off, challenging its function as a reliable hedge in Canadian portfolios. Meanwhile, higher-yielding emerging market and major currencies posted meaningful gains against the U.S. dollar, while the Canadian dollar lagged. We believe these developments will set the stage for 2026.

The macroeconomic environment is constructive for FX markets. Global activity is reaccelerating, supported by broad policy easing and strong investment themes, particularly those tied to artificial intelligence. These forces underpin a more balanced distribution of global growth. Within this context, we expect the U.S. dollar to weaken modestly in 2026. Lower U.S. interest rates, a narrowing growth premium, and persistently high hedge costs are reducing the dollar's relative appeal. Investors have tolerated expensive hedging because U.S. assets have outperformed, but that premium must persist to justify current positioning. Even modest shifts in allocation preferences could put downward pressure on the dollar. For Canadian investors, hedging costs remain a critical consideration.

For the Canadian dollar, the outlook is more constructive than in 2025, though risks remain. Growth should improve alongside a stronger U.S. economy, and fiscal initiatives are beginning to rebuild confidence and support investment, echoing our emphasis on policy-driven growth. With the Bank of Canada now on the sidelines, interest rate differentials should become less of a headwind (Exhibit 44). However, uncertainty around U.S. trade policy and the outcome of USMCA negotiations continues to weigh on business sentiment and investment. Once USMCA is resolved, assuming a favourable outcome, Canada could experience a stronger rebound. The currency's underperformance in 2025 sets the stage for a potential catch-up phase, with an asymmetric payoff as trade clarity improves.

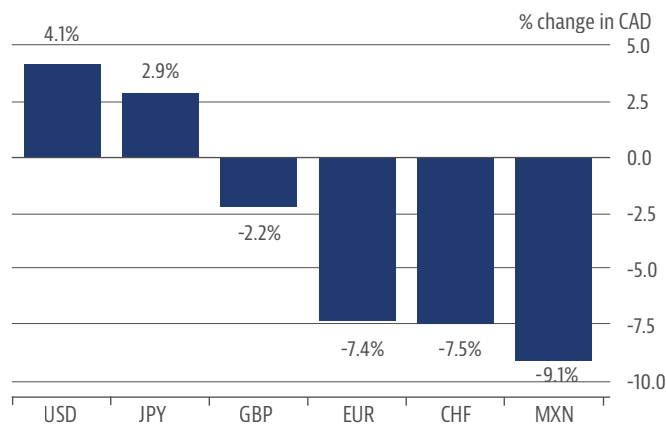
EXHIBIT 44: USD/CAD AND 2-YEAR INTEREST RATE DIFFERENTIAL



Source: U.S. Department of Treasury, Macrobond Financial AB, Tokyo Financial Exchange (TFX), Macrobond, Bloomberg Finance L.P. as of December 5, 2025.

The euro enters 2026 with modest upside against the U.S. dollar, supported by lower U.S. yields and a more stable European outlook. However, the euro may struggle to maintain its gains against the Canadian dollar, especially if Canada's growth momentum strengthens as anticipated in our macro projections (Exhibit 45).

**EXHIBIT 45: CAD VS FOREIGN CURRENCIES: PERFORMANCE
SINCE JAN 1, 2025**



Source: Bloomberg Finance LP, Macrobond, as of December 5, 2025.

Emerging market currencies continue to offer attractive carry and strong fundamentals. Higher yields, improving external balances, and a more stable environment across Asia, reinforced by China’s evolving trade patterns, provide a positive backdrop. Our macro outlook highlights that gains will likely be less uniform across currencies than in 2025, but the asset class remains supported by both income and valuation.

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GLOSSARY OF TERMS

Credit rating/risk: An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payment.

Correlation: A statistical measure of how two securities move in relation to one another. Positive correlation indicates similar movements, up or down, while negative correlation indicates opposite movements (when one rises, the other falls).

Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as number of years. The price of a bond with a longer duration would be expected to rise (fall) more than the price of a bond with lower duration when interest rates fall (rise).

Leverage: An investment strategy of using borrowed money - specifically, the use of various financial instruments or borrowed capital - to increase the potential return of an investment.

Liquidity: The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. Cash is considered to be the most liquid asset, while things like fine art or rare books would be relatively illiquid.

Return (absolute): The measure of what an investment returned over a given time period. An investment that rose from \$1,000 to \$1,100 would have an absolute return of 10%.

Return (risk-adjusted): A measure of investment performance taking into consideration how much risk/volatility was assumed to generate it. Consider two investments, both of which return 10% over a given time period. The investment with the greater risk-adjusted return would be the one that experienced less price fluctuation. Two of the most commonly used measures of risk adjusted returns are Sharpe and Sortino ratios.

Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

Yield curve: A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. A normal or steep yield curve indicates that long-term interest rates are higher than short-term interest rates. A flat yield curve indicates that short-term rates are in line with long-term rates, whereas an inverted yield curve indicates that short-term rates are higher than long-term rates.



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