

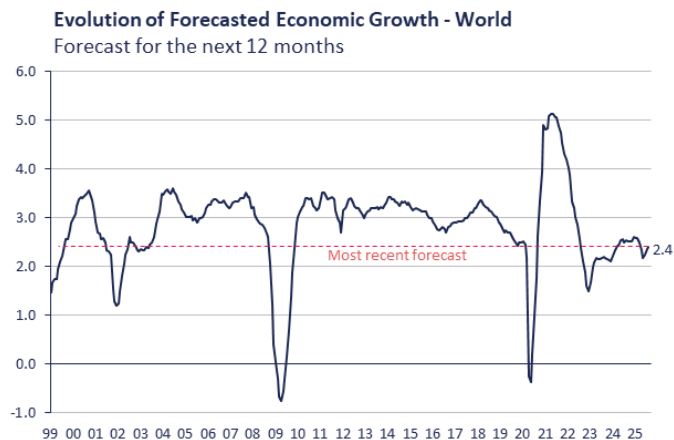
Market Review

SEPTEMBER 2025

Economic Review

A global economy seeking a new balance

In the current context, the pace of global economic growth is proving more moderate than it was during the 2000s and 2010s, decades marked by globalization and the rapid integration of many emerging economies. That earlier surge of activity fostered growth by bringing billions of people into the global economy. Today, the trade war launched by the Trump administration is less a reversal of globalization than a reconfiguration of trade. Indeed, the warming of relations between several countries since the imposition of US tariffs illustrates this trend.

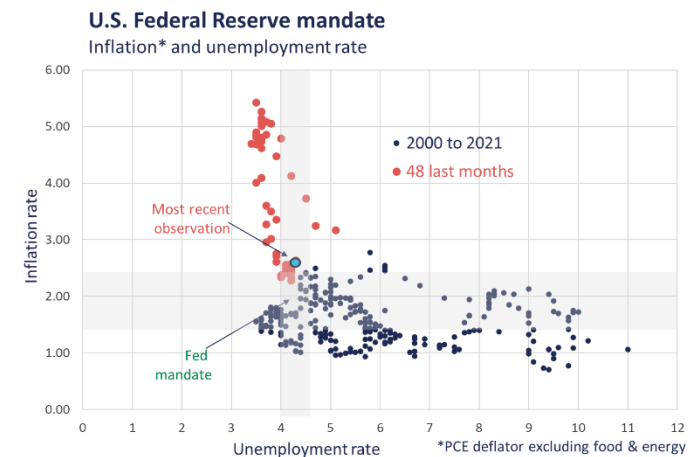


Sources: DGAM, Consensus Economics, September 2025

Nevertheless, the contribution of trade to global growth is somewhat lower than in previous decades. Forecasters' pessimism on this front peaked last May, at the height of the turmoil triggered by US tariffs. The outlook has improved slightly since then, and forecasts have been revised upward from 2.2% to 2.4% for the next 12 months. Globally, monetary conditions have eased notably over the past 2 years, but they remain relatively restrictive in the United States. Inflation remains an issue there,

and economic growth, boosted by rapidly rising deficits, is holding at a steady pace.

In the US, the cooling labour market and the so far “moderate” impact of tariffs on inflation give the US Federal Reserve some leeway to ease monetary policy without stepping on the gas. Whether rightly or wrongly, investors are excited at the prospect of further rate cuts. However, the correlation between key rate trends and stock market returns remains weak. In addition, further rate cuts are far from guaranteed. Both current inflation and that forecast for the coming year remain above target, while the unemployment rate, despite a recent uptick, remains consistent with full employment.

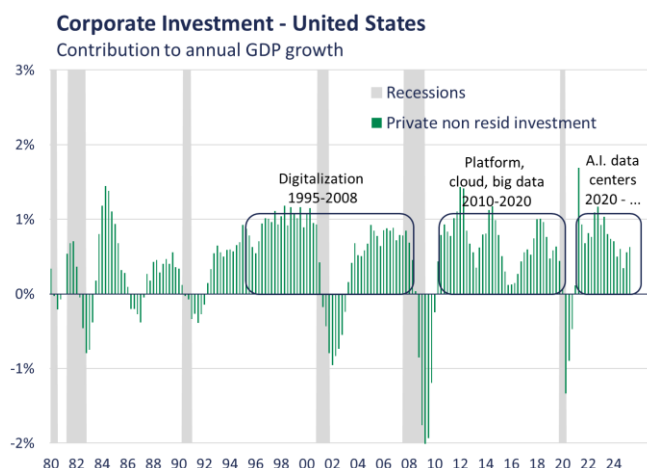


Sources: DGAM, LSEG, September 2025

Talk of an investment boom now dominates economic discourse and is heavily influencing market sentiment. While investment announcements—in particular the more than US\$500 billion planned for data centre megaprojects in 2025—have boosted optimism, their real impact is limited.

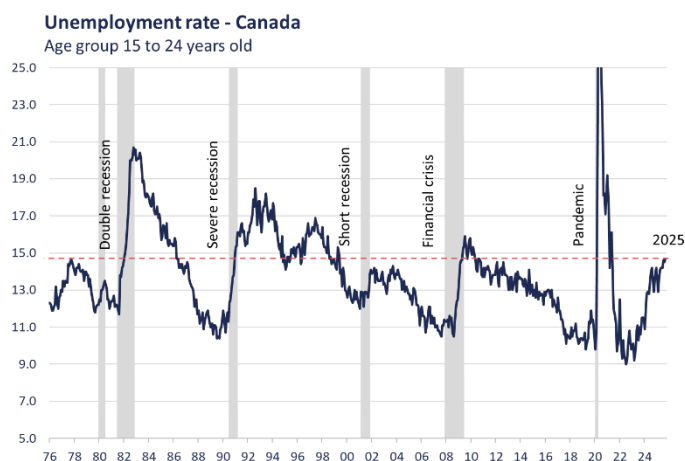
Outside the tech sector, corporate investment intentions remain modest, especially among SMEs, and major S&P 500 companies, although influential, account for only about 20% of total investment. Yet capital expenditures (CAPEX)—just 15% of GDP—often sets the pace of economic cycles.

Recall that during the massive wave of investments tied to the digitalization of the economy in the late 1990s, the pause in capital spending caused by the bursting of the tech bubble was enough to trigger the 2001 recession. The current AI-fuelled boom is reminiscent of that dynamic: While it bolsters confidence, it also raises doubts about profitability and the risk of overinvestment.



Sources: DGAM, LSEG, September 2025

In Canada, the loss of 106,000 jobs in July and August was a severe blow to the labour market. This downturn—the worst since the financial crisis, excluding the pandemic—confirmed what the sharp rise in youth unemployment had already suggested: that full employment has come to an end. In August, the unemployment rate among those aged 15 to 24 reached 14.5%.

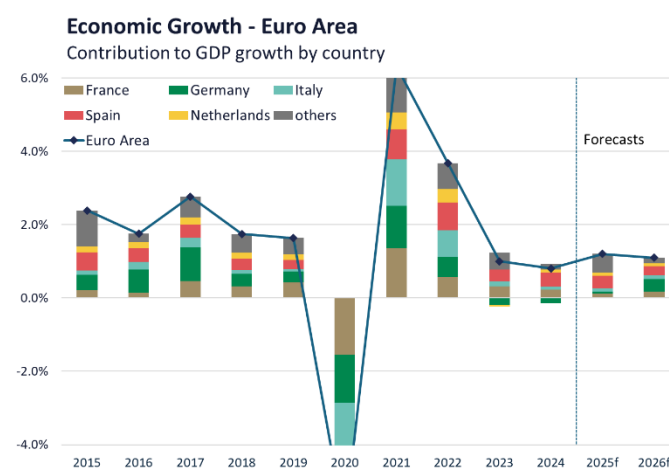


Sources: DGAM, LSEG, September 2025

Persistent trade tensions with the United States have also contributed to weakening the Canadian economy. They heighten trade volatility, undermine business confidence, and hold back

corporate investment. Against this backdrop, the upcoming federal budget is expected to serve as a lever to support economic activity. The Bank of Canada has cut its key rate by 250 basis points (bps) since spring 2024 to support growth, and the market expects a further reduction of 25 bps by the end of the year. This easing is expected to continue filtering through to the economy over the coming quarters.

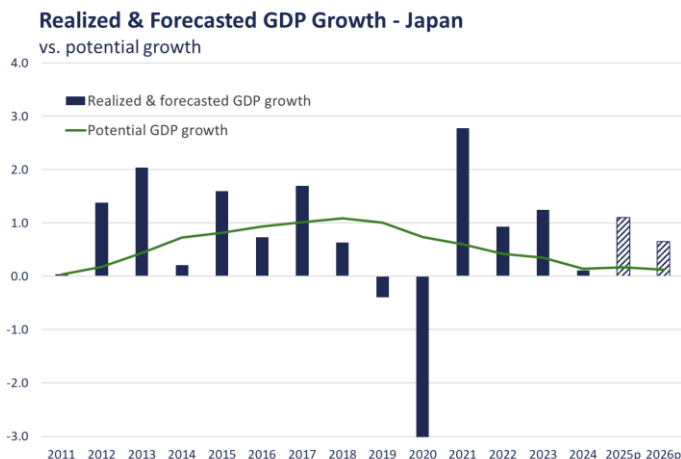
In the eurozone, the contribution of key economies to growth has remained marginal and disappointing over the past 3 years. The consensus among analysts is that Germany will play a much stronger role in 2026. While its economy faces major structural challenges, including a loss of competitiveness aggravated by the US trade war, its large-scale infrastructure and defence modernization program should support activity and generate positive spillovers throughout the region.



Sources: DGAM, LSEG, Consensus Economics, September 2025

Moreover, subdued inflation has allowed the European Central Bank to lower its key interest rate by 200 bps over 18 months. This easing should support growth over the coming quarters. However, further rate cuts are by no means certain, as inflation appears to have bottomed out. In France, the lack of political consensus over fiscal management led to the resignation of the prime minister—the sixth since 2022—followed by that of his successor a few weeks later. The ideological gridlock between parties risks leading to a market-imposed correction, as the lack of a majority continues to block the reforms needed to restore public finances.

In Asia, Japan finds itself at the centre of the storm triggered by US tariff measures. Just over 15% of Japanese corporate revenue comes from the United States, a share similar to that from all Asia. It is therefore no surprise that Tokyo is forging closer ties with its regional partners, especially China and South Korea, to foster the creation of an integrated East Asian economic bloc. That said, the outlook remains encouraging: In 2026, Japanese growth is expected to exceed its potential for the fourth time in 5 years.



Sources: DGAM, LSEG, OECD, September 2025

However, the country is undergoing a political transition following the resignation of Prime Minister Ishiba in September. His successor as party leader, Sanae Takaichi, is seen as a reformist who supports stimulus measures, even as rising political polarization complicates cross-party compromise efforts. Structurally, corporate governance continues to improve. Japan leads the major economies in dividend growth, and the increased independence of corporate boards confirms the effectiveness of the reforms introduced a decade ago.

Canadian Fixed Income

In the third quarter, the 10-year yield on Canadian bonds went from 3.27% to 3.18%. Over the same period, the FTSE Canada Universe Bond Index returned 1.51%. For the corporate bonds included in the index, the return was 1.81%. This result reflects lower interest rates on securities with maturities of 10 years or less, combined with tighter credit spreads.

Provincial Credit

Since late June, provincial spreads have continued to tighten, but at a slower pace than in the second quarter. Benchmark spreads on Ontario 5-year bonds tightened by 3 bps to 17 bps, while 10-year spreads narrowed from 59 to 53 bps. For long maturities, the spread tightened by 3 bps to close the period at 82 bps.

On the fiscal front, we're seeing diverging trends. While the figures are encouraging for Quebec and Ontario, British Columbia continues to struggle, and Alberta's situation has weakened, leaving financing needs unchanged. British Columbia revised its forecasts upward, widening its spreads by about 1 bp compared with Ontario. Meanwhile Quebec's GDP contracted in the second quarter, suggesting that uncertainty related to the US trade dispute is starting to have an effect.

Overall, despite significant upcoming financing needs, the ability of provinces to issue debt on international markets has kept domestic spreads contained. While there are technical factors that explain short-term spread stability, enthusiasm for long-term bonds is limited by abundant supply and occasionally volatile demand. In the last quarter, we expected that an increase in corporate issuance might shake things up for provincial bonds, but that has yet to materialize. Provincial bonds, particularly long-term ones, may seem expensive in absolute terms, but they continue to offer better value than corporate bonds. For the coming quarter, our position is to reduce exposure to provincial bonds during periods of strength, as spreads remain well below their long-term average.

Corporate Credit

Credit spreads on corporate bonds in our Canadian investment universe tightened by 9 bps over the last quarter, in part reflecting sustained demand for this asset class in North America. The US CDX index remained relatively stable, widening by just 1 bp. Tighter spreads were mainly observed among securities with maturities of 10 years or less. The long-term bond segment appears to have been affected by seasonal dynamics, reflecting the anticipated wave of new issuance, as many long-term debt issuers are historically more active in the fall.

In general, issuers' credit profiles remain strong, with sound financial metrics and performance meeting expectations. That said, the automotive sector is facing several challenges, including US tariffs, increased competition in the Chinese market, and a slower-than-expected pace of electric vehicle adoption. These factors have led to downgrades or negative outlooks for several automakers. The primary market remained very active over the quarter, with issues totalling more than \$42 billion, well above the 5-year average of \$26 billion.

Our analysis suggests that spreads, which are near historic lows, do not fully reflect Canada's underlying growth challenges. They seem to be driven more by technical factors, including strong demand for corporate credit due to elevated risk appetite. Robust participation in high-yield and hybrid issues since the start of the year tends to support this view. Accordingly, we maintain our recommendation to underweight corporate credit.

Fixed Income Strategy

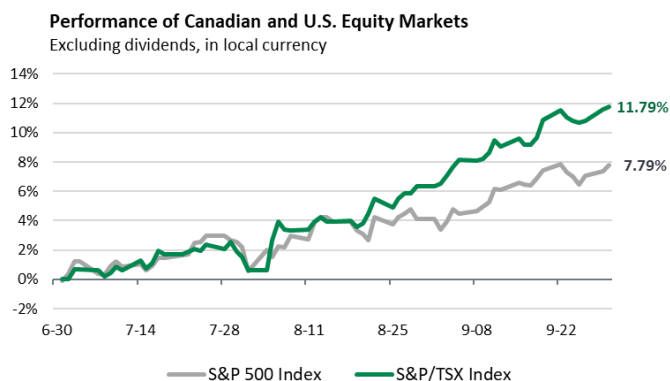
Amid a gradual economic slowdown and monetary easing on both sides of the border, we took advantage of the past quarter to capitalize on several portfolio positions that achieved their targets within a normalization framework. We reduced our duration overweight relative to benchmark indexes, as well as our positions aimed at a steepening of the yield curve. We have also reduced certain exposures to long-term provincial bonds while maintaining

an underweight stance in corporate bonds of the same maturities. We continue to believe that the Bank of Canada will lower its key rate to 2.25%. Additional reductions would signal a clear intent to stimulate the economy, consistent with the framework it has communicated in the past. Given recent inflation trends and their impact in recent years, we see no compelling reason to contemplate a rate below 2.25% at this stage.

Stock Markets

Canadian and US Equities

In the third quarter, North American equity markets maintained the growth momentum seen in the previous quarter, even as economic uncertainty persisted. The S&P/TSX Index ended the quarter up 12.5% from June 30, 2025, for a cumulative year-to-date gain of 24.0% (total returns including dividends, in CAD). In the US, the S&P 500 gained 8.1%, while the NASDAQ rose 11.4%, once again driven by investor enthusiasm for artificial intelligence (AI)-related securities. So far this year, the 2 indexes have posted total gains of 14.8% and 18.0%, respectively (total returns including dividends, in USD).



Sources: DGAM, Bloomberg, September 30, 2025

In Canada, a notable style rotation took place, as quality stocks—usually favoured for their financial strength and earnings stability—gave way to more cyclical names. The strong performance of Canadian equities in the last quarter was largely due to gains in the materials, energy and financial sectors. Since the S&P/TSX Index is structurally more exposed to these cyclical components, it has continued to outperform its US counterparts since the start of the year. Enthusiasm around AI continues to support the tech sector in Canada and the US, although this segment is starting to show signs of overheating.

As for the broader economic context, uncertainty stemming from tariff measures is compounded by concerns over the potential effects of the budget reconciliation bill dubbed the "One Big Beautiful Bill," passed in July. A number of sectors, especially

those involved in the energy transition, could be affected, but the full extent of its impact remains to be seen. Despite this backdrop, investor risk appetite has increased, with a marked bias toward cyclical and technological sectors. The latest results from the Bank of America's Fund Manager Survey highlight this shift: Only 16% of participants now expect the global economy to weaken in the coming months, down sharply from 46% in June and 82% in April.

As for corporate valuations, indicators have continued to improve. At the end of the third quarter, the S&P/TSX Index was trading at around 17.1x projected earnings, up from 16.1x in early July. In the US, the S&P 500 was trading at 22.8x earnings, compared with 22.1x 3 months prior. In terms of earnings per share, analysts expect steady growth of 10.8% for Canadian companies over the next 12 months and 8.6% for their US counterparts.

Across Canada, all sectors except industrials ended the third quarter in positive territory. Gold stocks delivered the strongest returns, fuelled by soaring gold prices that reached record highs above US\$3,800 per ounce as of September 30, with short-term projections as high as US\$4,000 per ounce. This environment boosted mining shares, with the sector index posting a 37.8% return in the third quarter.

The information technology, energy and financial sectors followed, with returns of 13.2%, 12.6% and 10.6%, respectively. While the tech sector as a whole has performed well, it masks significant disparities: Several stocks have benefited from the enthusiasm around artificial intelligence, while others have seen sharp declines. For example, OpenText's share price rose 30.8%, supported by its strategy to refocus on core AI-related segments and divest non-core assets, which should enhance its organic growth profile.

In contrast, Constellation Software shares fell 24.3% following the resignation of its founder and CEO, which created uncertainty about the continuity of its acquisition strategy. In the financial sector, all Canadian banks saw their share prices rise, buoyed by earnings that exceeded expectations and the prospect of monetary easing, which should reduce pressure from loan losses.

With uncertainty still high, short-term economic forecasts remain difficult to establish. Such an environment requires constant agility. Accordingly, we are maintaining a core of quality holdings, focusing on those that demonstrate resilience across economic cycles. The dominant presence of these securities helps preserve portfolio stability. At the same time, we are considering purchases of securities that have corrected in price, provided they show tangible signs of improvement.

International Equity

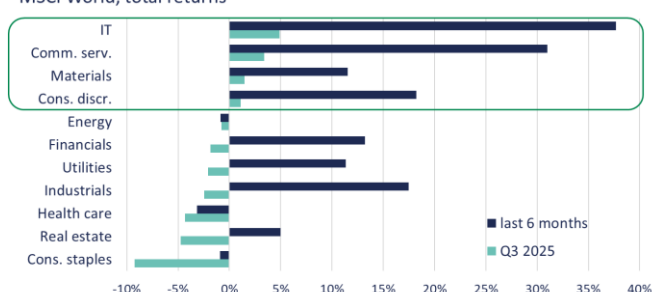
Financial markets stabilized in the third quarter, despite continued international tensions. The rebound in index values was

supported by higher-than-expected earnings results and forecasts as well as by the easing of financial conditions. The momentum was further bolstered by the strength of the AI segment, fuelled by massive spending announcements from Oracle and Nvidia and a sharp rise in Alibaba's share price. This optimism coincided with a sharp increase in precious metals prices, driven by geopolitical tensions and concerns about a possible depreciation of fiat currencies.

Against this backdrop, regional performance appeared mixed, with emerging markets outperforming developed economies as investors largely ignored gloomy economic data. Sector-wise, communications, information technology and energy outperformed, while healthcare and consumer staples lagged. The financial sector showed strong momentum, as themes such as offshore oil, nuclear energy and copper extraction gained popularity.

Relative Returns - Sectors

MSCI World, total returns

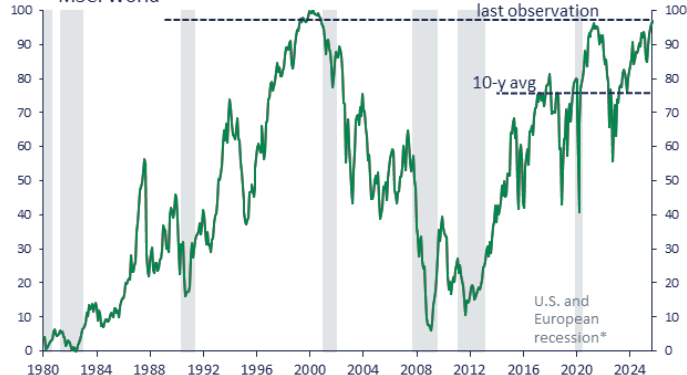


Sources: DGAM, MSCI, September 30, 2025

On the currency front, the US dollar held steady, while commodity currencies such as the Canadian and Australian dollars made modest gains, despite their persistent undervaluation. Gold continues to outperform bonds and equities, supported by accommodative global monetary policies and low institutional exposure, although its valuation is starting to appear stretched.

Historical Valuation - Aggregate Percentile

MSCI World



Sources: DGAM, LSEG, MSCI, IBES, NBER, *ECRI, Bloomberg, September 2025

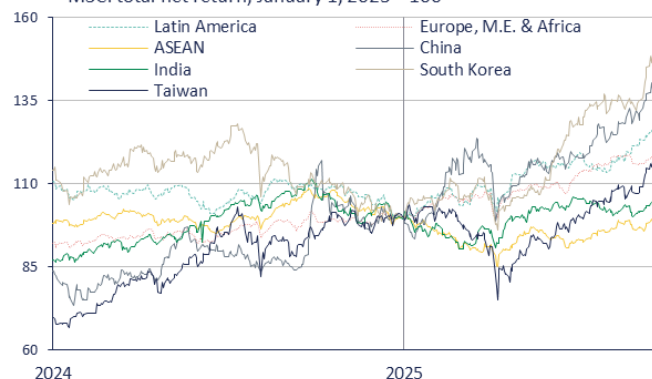
As stock markets reached new highs, valuation indicators moved closer to their highest levels since the tech bubble of the early 2000s. The MSCI World Index now sits at the 97th percentile of its historical distribution, while US equities remain the most expensive, with the MSCI USA index reaching the 100th percentile. Europe, meanwhile, is still the most affordable region, with an aggregate valuation at the 86th percentile.

Emerging Markets Equity

In the third quarter, emerging market equities continued their upward trend, with the index up 12.2%. Its value has increased steadily over the past 3 quarters, its longest period of gains in 21 years. Year to date, the index has delivered a 24.3% return, outperforming developed markets by 9.7 percentage points (total return, net dividends reinvested, in local currency).

Equity Market Returns Since 2024

MSCI total net return, January 1, 2025 = 100



Sources: DGAM, LSEG, September 30, 2025

A weaker US dollar, lower US interest rates, easing geopolitical tensions between the US and China, and renewed enthusiasm for artificial intelligence have boosted sentiment toward emerging market equities, particularly those in North Asia, including China, Taiwan and South Korea.

Capital flows into emerging market equities continue, with investor positioning remaining reasonable. Some investors who were initially skeptical of the Chinese market have chosen to increase their exposure to avoid missing the rally. Investor sentiment remains positive but requires ongoing monitoring, as a speculative bubble could form around artificial intelligence.

As for the valuation of emerging market equities, our normalized model indicates a deterioration over the third quarter, from the 83rd to the 95th percentile of its historical distribution. Given this elevated level, we have lowered our assessment, although emerging markets remain very attractive compared with developed markets, especially the US.

Growth in emerging economies has remained satisfactory so far in 2025. Strong demand for technology products seems to have

offset the uncertainty surrounding US tariffs. However, it's still too early to say whether AI investment growth in 2026 will match the pace seen in 2025. We believe that monetary policy will continue to provide support to these economies in the coming months. Fiscal policy may be less favourable in 2026, as deficits in many countries are reaching uncomfortable levels. This could create some headwinds for domestic demand.

Given this backdrop, we favour Chinese equities and the communication services sector over Taiwanese equities and commodity-related sectors. In recent months, positions have been added in Korean and Brazilian securities, whose valuations remain appealing, while exposure has been reduced in Southeast Asia, where economic indicators have weakened.

Asset Allocation

Caution warranted amid strong market momentum

As previously mentioned, the major stock markets performed strongly in the third quarter, reaching new highs driven by earnings-per-share growth forecasts and expanding valuation multiples. Compared with their historical averages since 1995, these multiples are elevated (except for the EAFE region), while earnings growth remains below average outside the US.

This market momentum is due in part to the AI investment frenzy, the magnitude of which recalls the tech bubble of the 2000s. In the 5 months leading up to the March 2000 peak, the NASDAQ surged 109%, the S&P/TSX and Russell 2000 rose by 50%, and the S&P 500 gained 26%. Since the April 2025 low, these same indexes have risen between roughly 38% and 51%. In 2000, the bubble deflated following a rate hike by the Federal Reserve. However, monetary tightening does not seem imminent, and in the meantime, investors remain inclined to follow the saying: “As long as the music plays, keep dancing.” Still, in a context of low-risk premiums, a sharp increase in long-term rates could be enough to rekindle market nervousness.

Against this backdrop, the potential for short-term appreciation appears limited, as does our risk appetite. We remain slightly

overweight in equities, mainly through the equal-weighted S&P 500 Index, which reduces megacap exposure; the MSCI EAFE Index, where valuations remain reasonable; and South Korea, which benefits from the government's “Value-up” initiative to boost listed company valuations.

Despite the US government's intention to lower the 10-year rate, bond yields have continued to rise, exceeding expectations amid a US tariff war that is weighing on global growth. This trend has persisted even as long-term issuance has slowed, and US Federal Reserve Chair Jerome Powell announced that balance sheet reduction would soon end. Several factors explain this resilience: US fiscal deficits, concerns about Federal Reserve independence, pension reform in the Netherlands, bond issuance by the Bank of England, fiscal pressures in the UK and France, relaxation of Germany's deficit rule, and the normalization of monetary policy in Japan.

Credit spreads are at cycle lows and close to their historical troughs. In comparable periods—before the global financial crisis or the LTCM fund collapse in 1998—credit spreads remained tight for several quarters, supported by abundant central-bank liquidity and leveraged buyers, a situation now repeating itself. In this context, we favour Canadian bonds over global government and corporate securities, despite the widening federal deficit in Canada.

The table below presents our positioning recommendations as at September 30, 2025.

POSITIONING					
	--	-	0	+	++
CANADIAN EQUITY	☐	☐	☒	☐	☐
US EQUITY	☐	☐	☐	☒	☐
EMERGING MARKET EQUITY	☐	☐	☐	☒	☐
EAFE EQUITY	☐	☐	☐	☒	☐
US 10Y BONDS	☐	☐	☒	☐	☐
CANADIAN 10Y BONDS	☐	☐	☐	☒	☐
CAN. CORPORATE BONDS	☐	☒	☐	☐	☐
CASH	☐	☒	☐	☐	☐

■ Fixed Income					
Yields to maturity - Canada	Current level	1 month	3 months	6 months	1 year
Bank of Canada overnight rate	2.50%	2.75%	2.75%	2.75%	4.25%
2 years	2.47%	2.64%	2.59%	2.46%	2.91%
10 years	3.18%	3.38%	3.27%	2.97%	2.96%
30 years	3.63%	3.82%	3.56%	3.23%	3.14%
Credit market	Current level	1 month	3 months	6 months	1 year
Mortgage rate (prime rate)	4.7%	5.0%	5.0%	5.0%	6.5%
5-yr credit spreads (CDX.IG)	52	51	51	61	53
5-yr High yield credit spreads (CDX.HY)	321	322	318	376	330
5-yr Emerging debt credit spreads	258	269	295	318	329
■ Fixed Income indices	Total return				
	Current level	1 month	3 months	6 months	5 years (ann.)
FTSE Provinces index	1376	2.6%	1.6%	2.1%	-1.3%
FTSE Municipal index	1508	2.4%	2.0%	3.3%	-0.5%
FTSE Corporate index	1499	1.6%	1.8%	5.2%	1.8%
FTSE Overall	1204	1.9%	1.5%	2.9%	-0.2%
■ Currencies	Variation				
	Current level	1 month	3 months	6 months	5 years (ann.)
CAD/USD	0.72	-1.3%	-2.2%	-2.9%	-4.3%
CAD/EUR	0.61	-1.7%	-1.8%	-7.6%	-4.4%
CAD/GBP	0.53	-0.8%	-0.1%	-3.4%	-8.0%

■ Fixed Income					
Yields to maturity - United States	Current level	1 month	3 months	6 months	1 year
Fed rate	4.25%	4.50%	4.50%	4.50%	5.00%
2 years	3.61%	3.62%	3.72%	3.88%	3.56%
10 years	4.15%	4.23%	4.23%	4.21%	3.75%
30 years	4.73%	4.93%	4.77%	4.57%	4.10%
Credit Market	Current spread	1 month	3 months	6 months	1 year
Spreads Ontario - 10 years	50	56	57	65	66
Spreads utilities - 10 years	92	94	92	105	115
Spreads communications - 10 years (BBB)	116	120	125	143	147
Spreads banks - 10 years	28	33	32	38	44
■ Equities	Total return C\$				
	Current level	1 month	3 months	6 months	5 years (ann.)
S&P/TSX Composite	30023	5.4%	12.5%	28.9%	16.7%
S&P 500	6688	5.1%	10.5%	21.7%	17.5%
MSCI World	4307	4.7%	9.7%	21.2%	16.0%
MSCI Emerging Markets	1346	8.6%	13.3%	21.3%	8.4%
MSCI Global Small Cap.	647	3.4%	11.0%	17.1%	12.7%
■ Misc.	Yield / return				
	Current level	1 month	3 months	6 months	5 years (ann.)
VIX (level)	16%	15%	17%	17%	26%
Bloomberg Commodity Index	105	3.2%	4.8%	7.5%	9.1%
Gold	3859	11.9%	16.8%	45.2%	15.4%
WTI crude oil	62	-1.7%	0.5%	-5.8%	6.1%

Legal notes

This document was prepared by Desjardins Global Asset Management Inc. (DGAM), for information purposes only.

The information included in this document is presented for illustrative and discussion purposes only. The information was obtained from sources that DGAM believes to be reliable, but it is not guaranteed and may be incomplete. The information is current as of the date indicated in this document. DGAM does not assume any obligation whatsoever to update this information or to communicate any new fact concerning mentioned subjects, securities or strategies. The present Information should not be considered as investment advice or recommendations for the purchase or sale of securities, or recommendations for specific investment strategies, and should not be considered as such. Under no circumstances should this document be considered or used for the purpose of purchasing units in a fund or any other offer of securities, regardless of jurisdiction. Nothing in this document constitutes a declaration that any investment strategy or recommendation contained herein is suitable for an investor. In any case, investors should conduct their own verifications and analyzes of this information before taking or failing to take any action whatsoever in relation to the securities, strategies or markets that are analyzed in this report. It is important not to base investment decisions on this document alone, which does not replace prior checking or the analytical work required of you to justify an investment decision.

The information is intended to be general and intended to illustrate and present examples relating to the management capabilities of DGAM. All views, comments and opinions are subject to change without prior notice.

The information presented on the market context and strategy represents a summary of DGAM's observations regarding the markets as a whole and its strategy as of the date indicated. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies.

The information is presented confidentially and is intended **for advisor use only**. Under no circumstances may this document be reproduced, in whole or in part, nor distributed, published or mentioned in any way whatsoever, nor can the information, opinions or conclusions it contains, without having obtained prior written consent from DGAM.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec used under license.