



HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

OCTOBER 2025 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- Global equities advanced in October as the market continues to believe that global central banks will continue to lower interest rates into the first half of 2026, providing support for assets (stocks, bonds and commodities).
- The S&P 500 (in CAD) ended the month higher by rallying another +3.06% and the S&P/TSX Composite increased slightly by +0.97%.
- International equities (outside the US) ended the month higher by +2.06%.
- **Leaders:** The tech-heavy S&P 500 outperformed the S&P/TSX Composite as money continues to flow in US technology stocks, while in Canada, gold miners pulled back after running up very quickly.
 - In the US, the information technology was the sector leader.
 - In Canada, the information technology sector also led.
- **Laggards:**
 - In the US, the materials sector was the biggest laggard, followed by financials and the real estate sector.
 - In Canada, gold miners and other resource-based companies lagged the most, followed by the real estate sector.

Fixed Income

- US government bonds continued higher this month as central banks cut interest rates.
- The Canadian Universe Bond Index also rose higher this month, gaining +0.69%, as the Bank of Canada cut interest rates.

As at October 31, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	+0.69%	+3.69%
Canadian Equities <i>S&P/TSX Composite Index</i>	+0.97%	+25.13%
US Equities S&P 500, in C\$	+3.06%	+14.49%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+2.06%	+29.01%
Gold	+3.76%	+52.59%
Oil <i>West Texas Intermediate Crude</i>	-2.23%	-14.97%
Canadian Dollar	-0.63%	+2.81%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) continues to be volatile due to policy uncertainty, weaker-than-expected demand and an increasing oil surplus. Oil fell for the third month in a row, falling 2.23% and closing just below \$61.
- Gold had a very strong start to the month, reaching a record high of \$4,380 but gave back some of the gains in the latter half of the month as investors took profits. By the end of the month, gold closed above \$4000, rising by +3.76% MoM.
- The US Dollar gained +0.62% this month.

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Notable Monthly Highlights

USA – The US Federal Reserve cut its interest rate by 0.25% this October

- The US Federal Reserve (FED) cut its policy interest rate down from 4.25% to 4.0%. Market participants are still expecting one more rate cut in December despite the US Fed offering no clear signal.
- Despite signs of persistent inflation, the labour market continues to lag.
 - The annual inflation rate ticked higher to 3.0% in September, coming in slightly below market expectations, but still above the US target rate. The core inflation rate decreased from 3.1% the prior month to 3.0% YoY in September, which also came in below expectations.
 - The unemployment rate for September has not come in yet but it is expected to remain at 4.3% YoY.
 - Business confidence improved as it rose from 48.7 in August to 49.1 in September. However, consumer confidence turned sour as it moved from 55.1 in September to 53.6 in October.

Notable Monthly Highlights (Continued)

Canada – The Bank of Canada cut its interest rates by 0.25% again in October despite sticky inflation

- Prime Minister Mark Carney announced big commitments to rebuild Canada's economy, while also restructuring Canada's trade by relying less on US as its trade partner.
- The Bank of Canada cut its interest rate by 0.25% to 2.25% as Canada's economic growth outlook remained subdued.
 - Inflation spiked up to 2.4% YoY in September from 1.9% in August, surpassing market consensus of 2.3% and marking the highest inflation rate since February. Inflation picked up largely due to a higher price tag in groceries, particularly in sugar and confectionary. In addition, core inflation increased from 2.6% in August to 2.8% in September.
 - Retail sales are expected to decrease by 0.7% MoM in September, according to a preliminary estimate, which would make it the third highest monthly drop this year.
 - Canada's unemployment rate remained at 7.1% YoY in September, coming in slightly below expectations of 7.2% unemployment, but keeping steady at its highest levels since August 2021.
 - Business confidence increased from 50.1 in August to 59.8 in September. Meanwhile, consumer confidence slightly improved from 47.7 to 47.8 in September.

World – China and the European Central Bank held interest rates

- The Chinese equity markets ended negative in October as China's economy remains rocky.
 - Several Chinese companies, such as Tencent, Alibaba and Baidu, posted negative returns this month after quick runups.
 - The People's Bank of China held its benchmark lending rates at 3.0%.
 - Retail sales slowed to 3.0% YoY in September from 3.4% YoY the prior month but came in slightly above market expectations.
 - The Manufacturing PMI (Purchasing Manager's Index) rose to 51.2 in September from 50.5 in August.
- The European Central Bank made no changes to interest rates at its October meeting.

Watermark Private Portfolios Outlook and Positioning

Global equity markets continued to rally as the US Federal Reserve and Bank of Canada cut interest rates. As uncertainty with global trade remains and equity valuations run higher, we continue to seek out opportunities to take profits on market upswings so that we can allocate those proceeds into sectors or securities that appear to have a better risk-to-reward potential.

	Underweight	Target	Overweight	October 2025 Highlights
Equities			●	- As North American central banks are expected to cut interest rates further, we have re-positioned our equity weighting and allocated more to North American equities. - The equity investments in the portfolios focus on North American companies that are growing their revenue and dividends.
Fixed Income	●			We remain underweight fixed income, holding Brandsen Global Income Opportunities Pool, which offers several fixed income strategies that focus on achieving positive returns in all investment environments, thereby providing more diversification than traditional fixed income.
Private Credit		●		No change, we maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.
Private Real Estate		●		- No changes. Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class. - Private Infrastructure has a massive tailwind with AI data centers and green energy projects needing to be built.

Changes in Portfolio Positioning Over the Past Month

In the Enhanced Conservative, Growth, & Maximum Growth Core:

- Sold BMO Low Volatility Canadian Equity ETF in the Enhanced Conservative, Growth, & Maximum Growth Core portfolios.
- Bought Fidelity All-In-One Equity ETF in the Enhanced Conservative, Growth, & Maximum Growth portfolios.

In the Enhanced Balanced Core:

- Trimmed Percy Harris Global Equity Pool in the Enhanced Balanced Core portfolios.
- Bought Jaxton Park North American Equity Pool in the Enhanced Balanced Core portfolios.

In the Enhanced Conservative, Balanced, Growth, & Maximum Growth Plus:

- Sold BMO Low Volatility Canadian Equity ETF in the Enhanced Conservative, Balanced, Growth, & Maximum Growth Plus portfolios.
- Sold Invesco Canadian Government Floating Rate Index ETF in the Enhanced Conservative, Balanced, Growth, & Maximum Growth Plus portfolios.
- Bought TD Q Canadian Dividend ETF in the Enhanced Conservative, Balanced, Growth, & Maximum Growth Plus portfolios.

Did You Know?

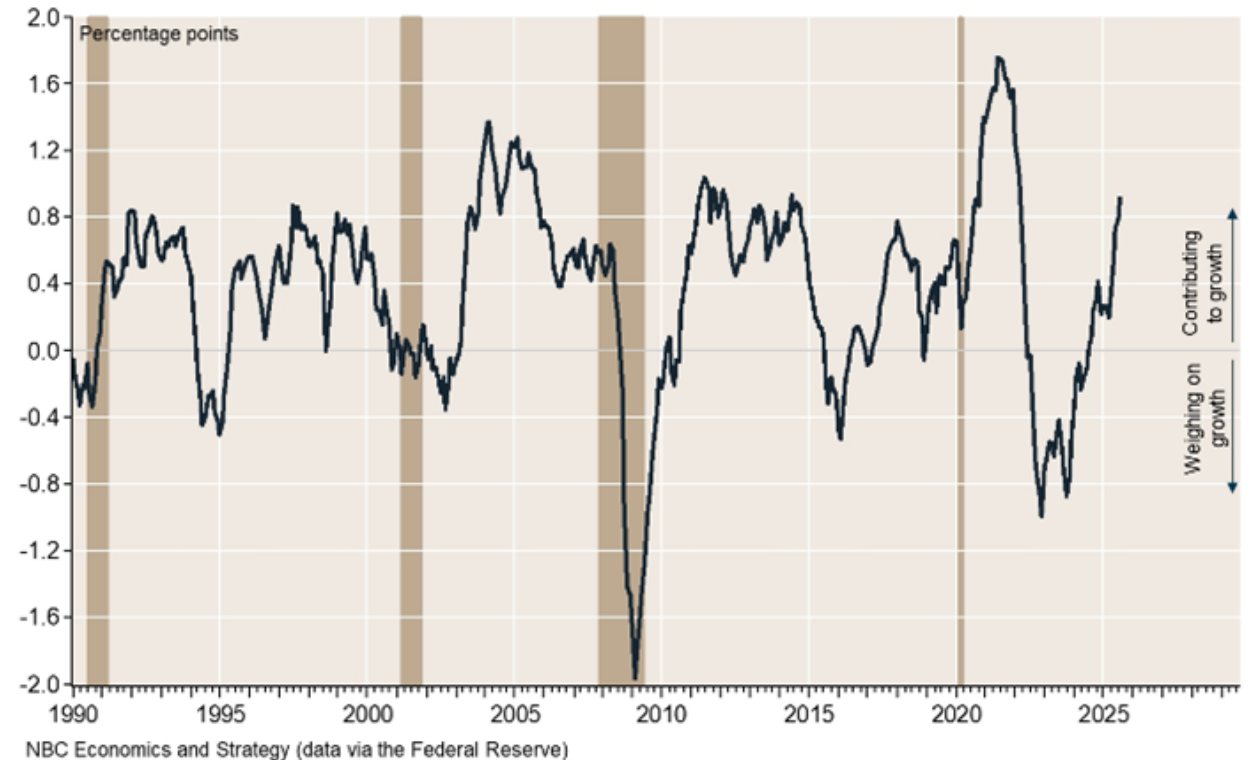
Lower interest rates in the US, providing easier economic conditions (also known as loose financial conditions), are expected to increase US GDP by about 1% over the next 12 months.

Our opinion:

With the US FED providing easy financial conditions and as we expect US equity markets to continue higher over the next 6 months, it seems like we are walking a tight rope. While looser economic policy provides a tail wind to risk assets, stock valuations are increasing, trade policy uncertainty remains, a US government shutdown still exists, and the labour market in the US is weakening. Therefore, we still stress the importance of a well diversified portfolio with investments in private equity, private infrastructure and private real estate that complement public equity investments. Historically, these private investments have had consistent rates of return with much less volatility than their public equity counterparts, resulting in a well diversified portfolio.

U.S.: Looser financial conditions will act as a significant boost to growth

Contribution of financial conditions to GDP growth over the next 12 months



Key Economic Indicators

	Inflation Rate		Interest Rate		Unemployment Rate		GDP Annual Growth Rate		Stock Market Valuation (Forward P/E)	
	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.
USA	3.00%		4.00%		4.30%		2.10%		23.7	
Canada	2.40%		2.25%		7.10%		1.20%		17	
China	-0.30%		3.00%		5.20%		4.80%		13.5	
Japan	2.90%		0.50%		2.60%		1.20%		16.6	
United Kingdom	3.80%		4.00%		4.80%		1.40%		13.3	

Source: Trading Economics

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