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CHARTBOOK

MARKET COMMENT.

Prepared by OceanFront Investment Counsel Inc.

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Market Comment

Are we in an AI bubble? This question has been asked more often of late as the bull market in stocks marches higher, led by AI stocks. Whether we are in a bubble or not is impossible to determine with certainty. There are certain stocks and areas of the market that exhibit some concerning signs in terms of valuation and may be overpriced based on overexuberance about the future prospects of the business. However, there are also other areas that are more attractively priced.

Earnings forecasts for 2026 are quite positive, per Bloomberg, so analysts are optimistic that companies will continue to show strong financial performance in the aggregate. Sentiment, as measured by the University of Michigan Consumer Sentiment Survey, is highly negative, which is a contrarian indicator for stocks. Historically, markets tend to experience strong forward returns when the investing public is negative on the economy, while when the public is confident in the economy it can be a sign of a short-term top.

The Bank of Canada and the Federal Reserve meet next week and will announce their interest rate policy. The BoC is expected to stand pat while the Fed is expected to cut 25 basis points. This and future cuts from the Fed could provide a tailwind for markets.

As investors, it is prudent to look at the entire set of opportunities and not get too concentrated in any one area. A well diversified portfolio goes a long way toward mitigating the risks that are ever-present in the market.

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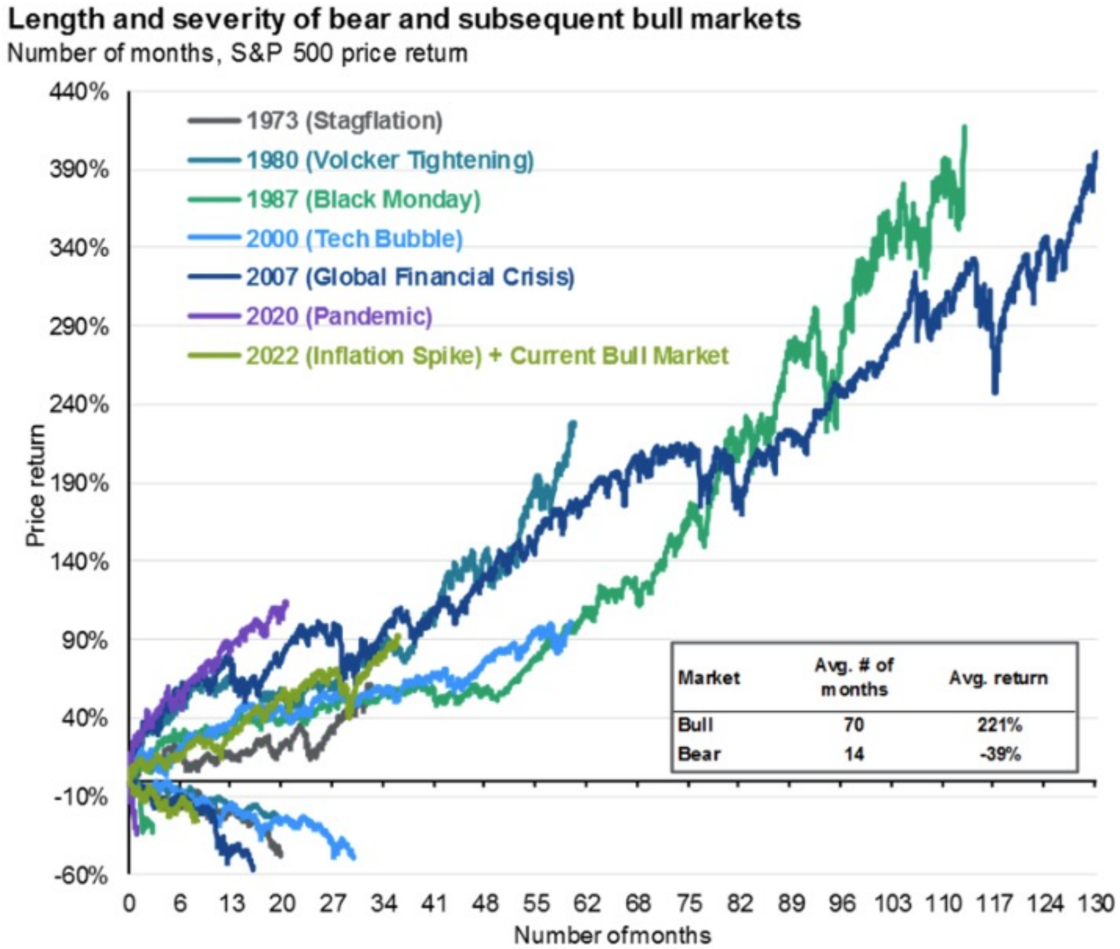
Bull and Bear Market Cycles



Historically, bear markets have been relatively short while bull markets last significantly longer. Based on S&P500 cycles dating back to the 1970s, bull markets have averaged 70 months in length while bear markets have averaged 14 months (with some significant variation in each instance).

If the current bull market were to end now at about 36 months, it would be among the shortest of those in the chart.

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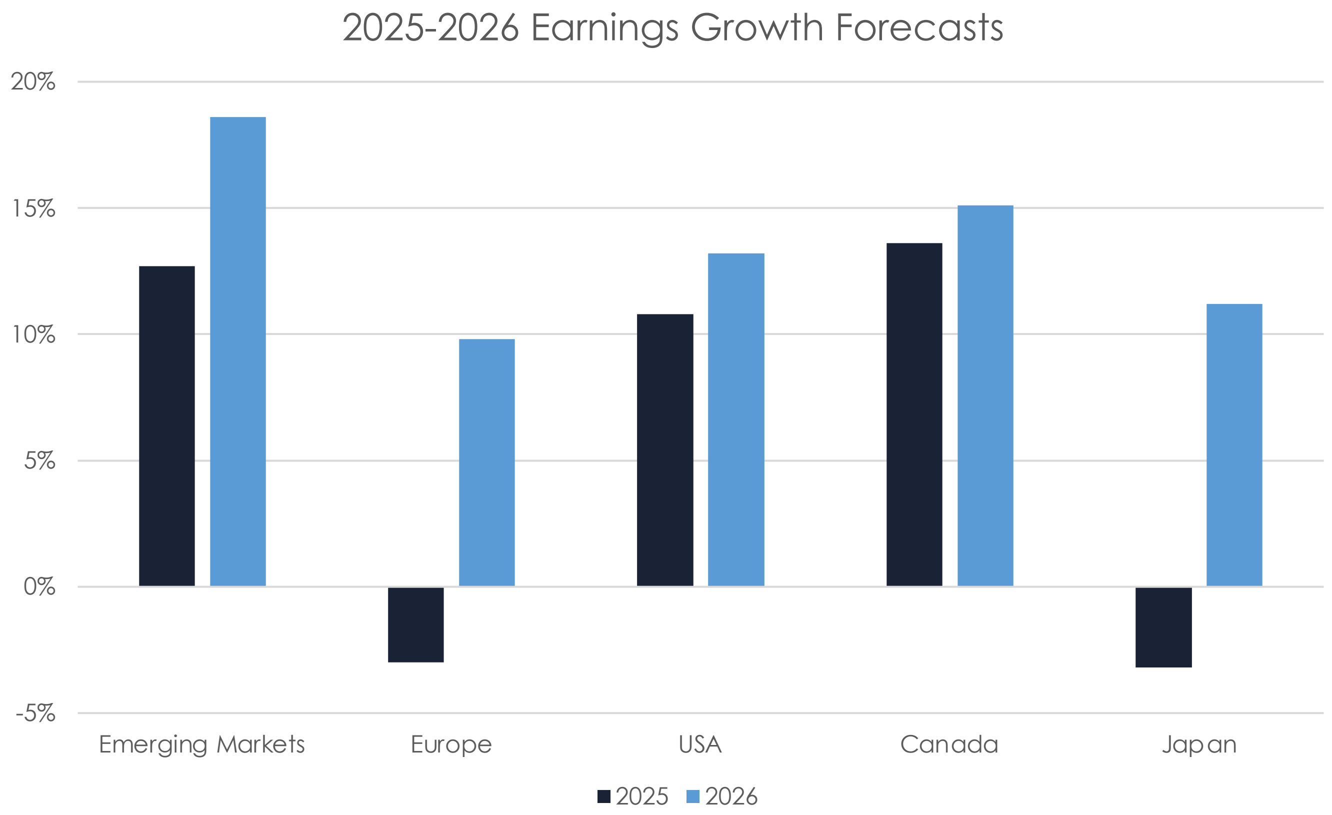
Earnings Forecasts

Earnings forecasts for the remainder of 2025 and into 2026 are quite positive, particularly in Emerging Markets, USA and Canada where companies in those areas are expected to follow up a strong 2025 with an even better 2026 in terms of growth.

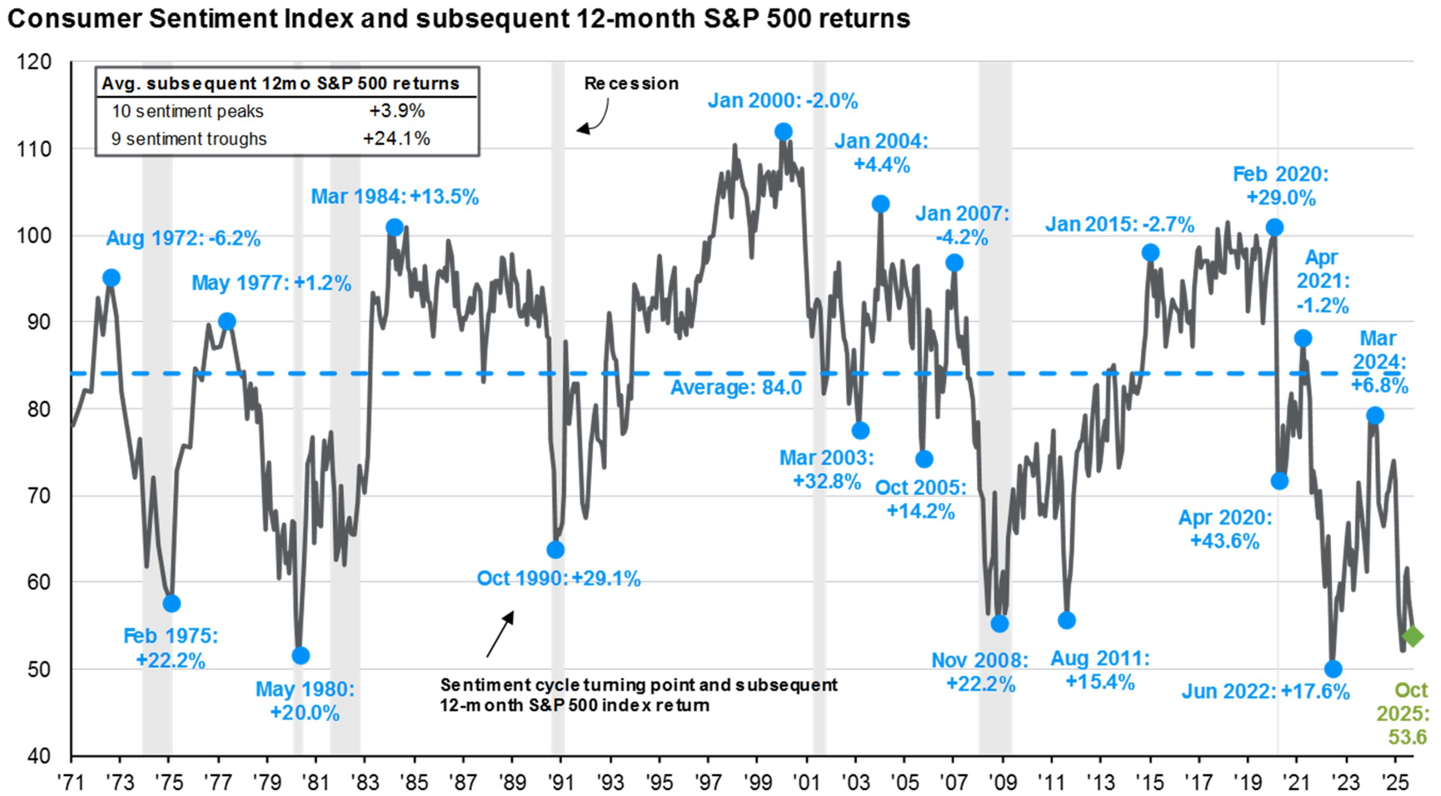


As of Nov. 7, 2025

Consumer Sentiment

Respondents to the University of Michigan Consumer Sentiment Survey continue to show negative attitudes on the economy. The most recent reading in October was among the lowest ever recorded. This tends to be a contrarian indicator, where poor sentiment readings often lead to strong forward returns and high sentiment readings often lead to low forward returns.

The strong bull market in stocks we have experienced and the positive outlook for earnings from the previous slide are in stark contrast to the readings of this survey. This may suggest we are experiencing an economy of "haves" and have-nots", where some are benefitting while others are being left behind.



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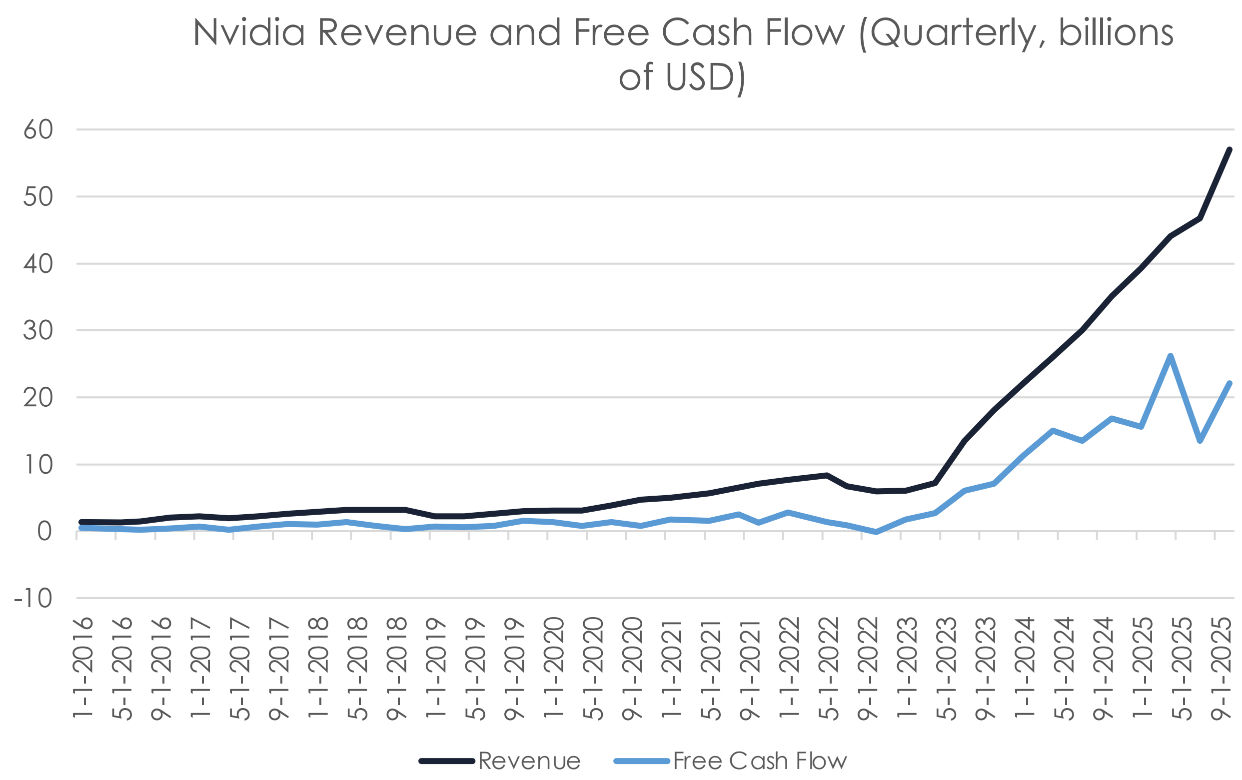
Nvidia Financial Performance

Nvidia, which represents about 7.5% of the S&P500 Index, recently reported its quarterly earnings and continued to show impressive results.

Since the end of 2022, Nvidia has increased their quarterly revenue from US$6 billion to US$57 billion! That's an absolutely staggering rate of growth in just 3 years.



Data as of November 2025

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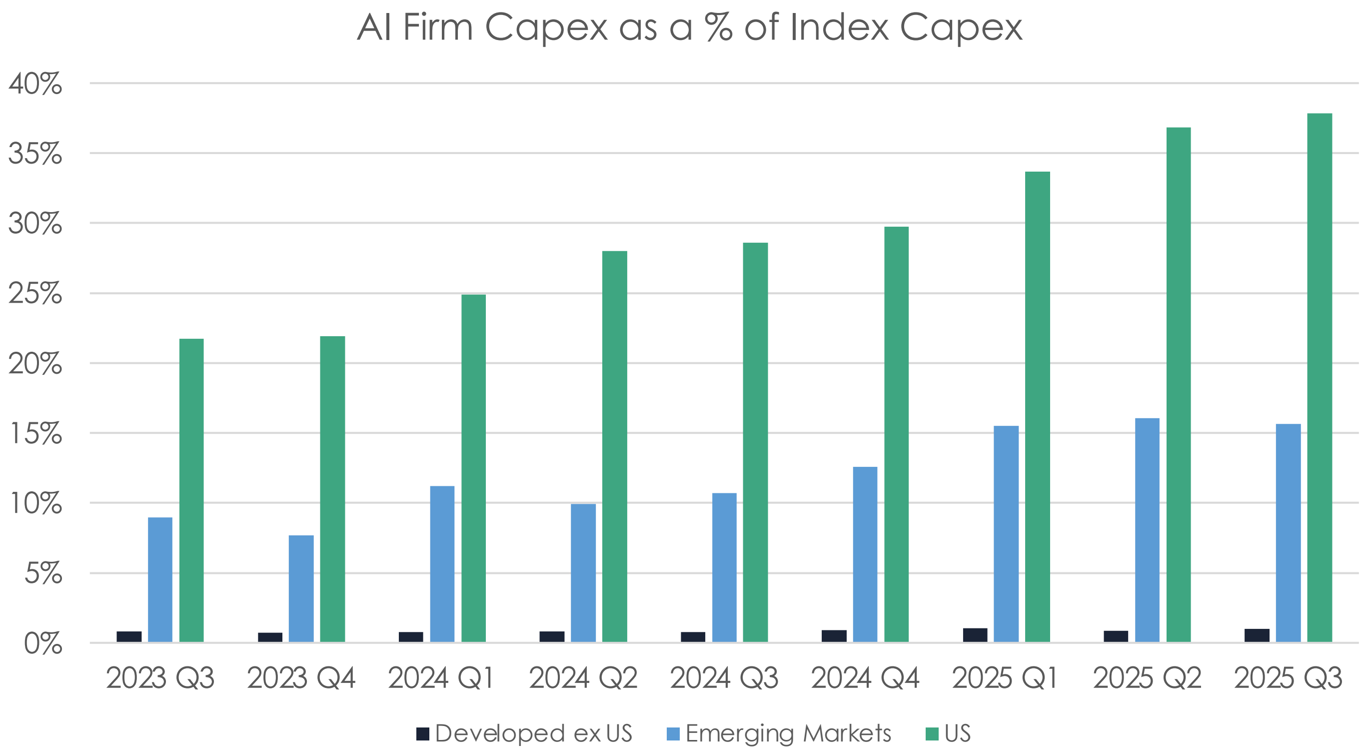
AI Spending

US companies are the global leader in AI investment. The chart shows capex by AI companies as a percentage of total capex of all companies in the relevant MSCI regional market index.

Aggregate spending by these US firms makes up a massive amount of total capex, recently reaching over 35%.



Indices: MSCI US, MSCI Developed Ex-US, MSCI EM

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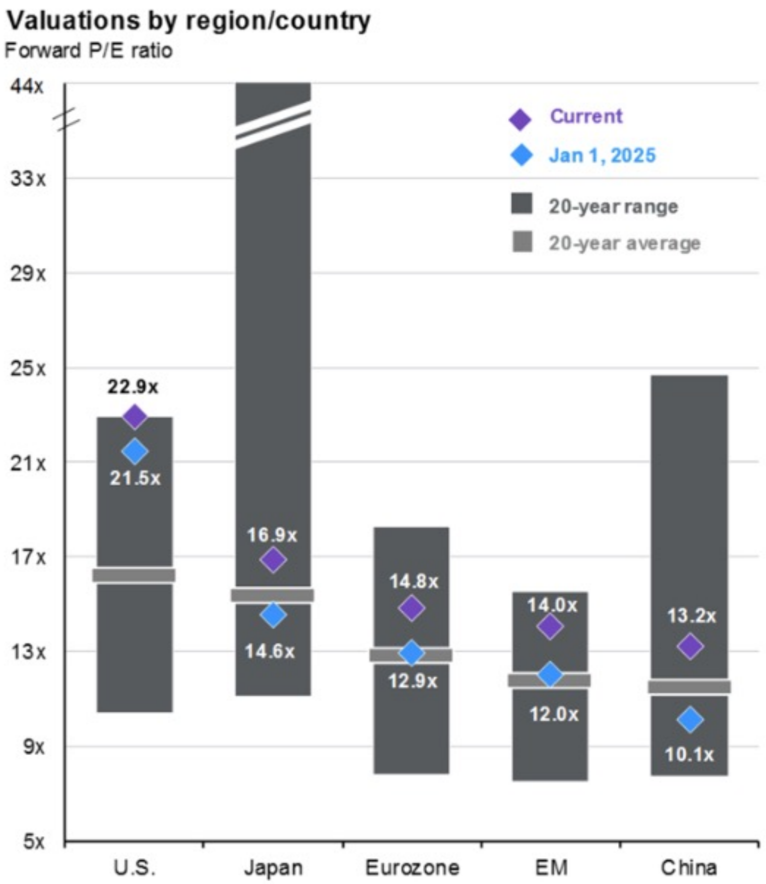
Stock Valuations by Region



This chart compares the valuation of stocks across different regions. The bar shows the 20-year range and average for each region while the diamond markers show the current valuation (as of Nov. 28) and the valuation as of Jan. 1, 2025.

Based on these measures, the US is the most expensive relative to the others and relative to its own historical average, currently sitting right at the top of the 20-year range.

Investors are paying a big premium for US stocks, which makes them a little more risky and a little less attractive than their global counterparts from this perspective.

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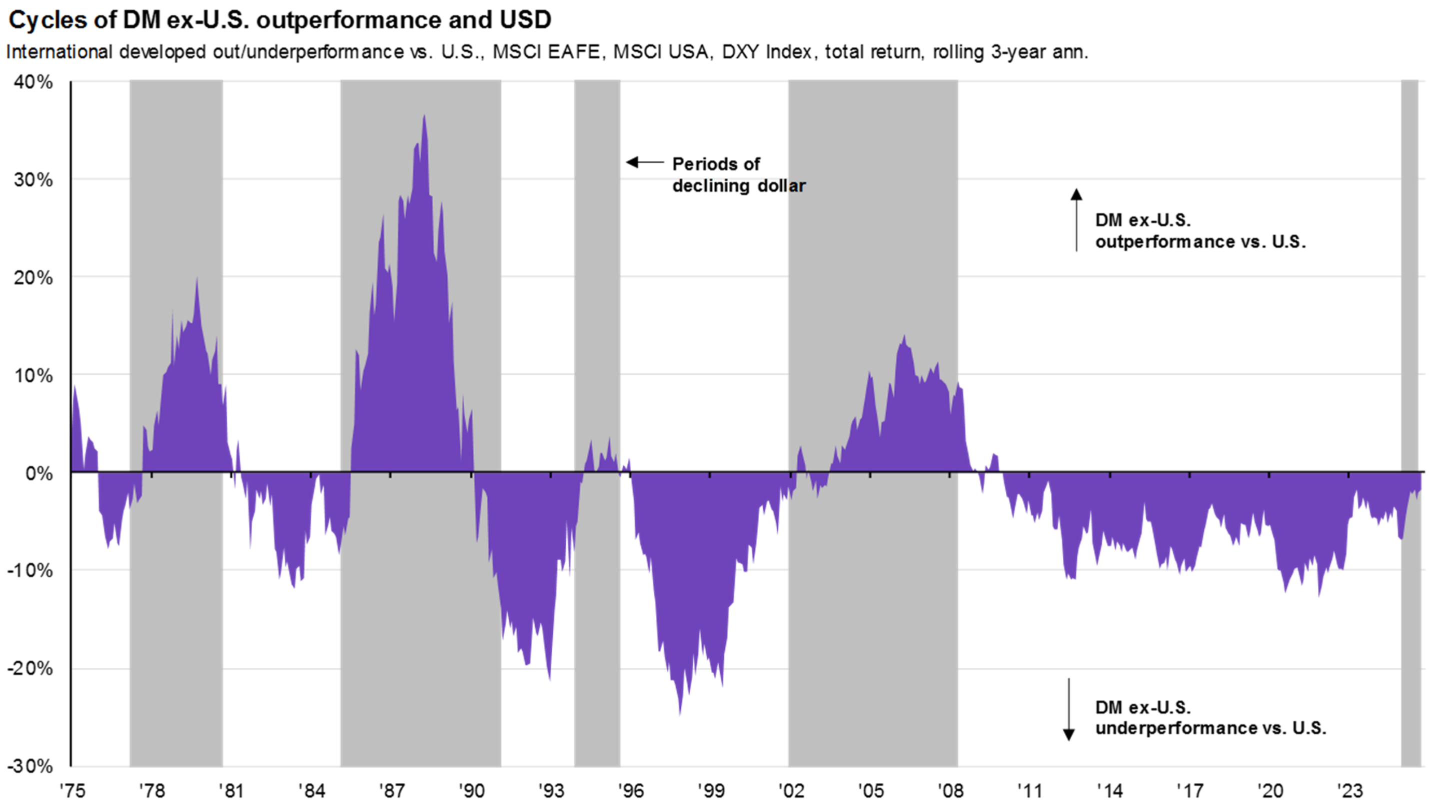
US versus International Stocks



This chart shows the performance of US equities versus international developed equities. The shaded areas indicate periods where the US dollar was in decline, based on the DXY Dollar Index.

International equities have tended to outperform US equities when the US dollar is in decline. During these periods, favourable exchange rates support international equities and tend to attract capital.

The US Dollar has fallen about 10% from its high in January, as measured by the DXY Index. Coupled with the valuation discrepancy from the previous slide, a favourable environment for international equities may be taking shape.

DISCLAIMER

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