



Market Perspectives



Building Resilience:

Four Pillars Shaping the Investment Landscape

As autumn unfolds and financial markets continue to shift, the TD Wealth Asset Allocation Committee (“the Committee”, “we”, “our”) remains committed to guiding investors through evolving economic conditions and uncovering new investment opportunities.

This perspective has been especially important in recent months. Equity markets rebounded sharply in the third quarter following April’s volatility spike, which was driven by geopolitical tensions and tariff shocks. Despite these headwinds, we

maintained a measured and strategic asset class positioning outlook—an approach we believe has provided solid guidance heading into the fall.

2025 has been a year marked by both significant milestones and remarkable resilience in financial markets. Despite ongoing global uncertainties, shifting trade regulations, and legislative changes, markets have not only absorbed these shocks but have repeatedly reached new record levels, underscoring the enduring strength of the investment landscape.

Equity markets have delivered robust returns, with the S&P 500 Index up approximately 21%, the S&P/TSX Composite Index up over 28%, and international markets advancing around 18% (**Exhibit 1**).

In an environment defined by uncertainty, we believe that disciplined asset allocation and global diversification remain essential to long-term success.

TD Asset Management Inc., (“TDAM”) continues to emphasize a focus on long-term portfolio metrics—return, risk, and time—over short-term market noise.

Looking ahead, our focus remains on helping investors navigate complexity, seize opportunities, and achieve their financial goals through resilient and forward-thinking strategies.

Our latest review highlights four key pillars shaping the investment outlook for 2025 and beyond: Inflation, Interest Rates, Growth, and Markets.

Exhibit 1: Key Market Returns

Returns as of September 30, 2025	3m	1y	3y	5y	10y
S&P 500 TR - C\$	10.26%	21.12%	25.46%	17.42%	15.73%
S&P/TSX Composite TR - C\$	12.50%	28.60%	21.31%	16.68%	11.82%
MSCI EAFE Cap Wgtd ND - C\$	6.83%	18.43%	22.21%	12.07%	8.57%
MSCI Emerg Mkt GD - C\$	13.13%	21.71%	19.31%	8.39%	8.83%

Source: Bloomberg Finance L.P. As at September 30, 2025.

Returns

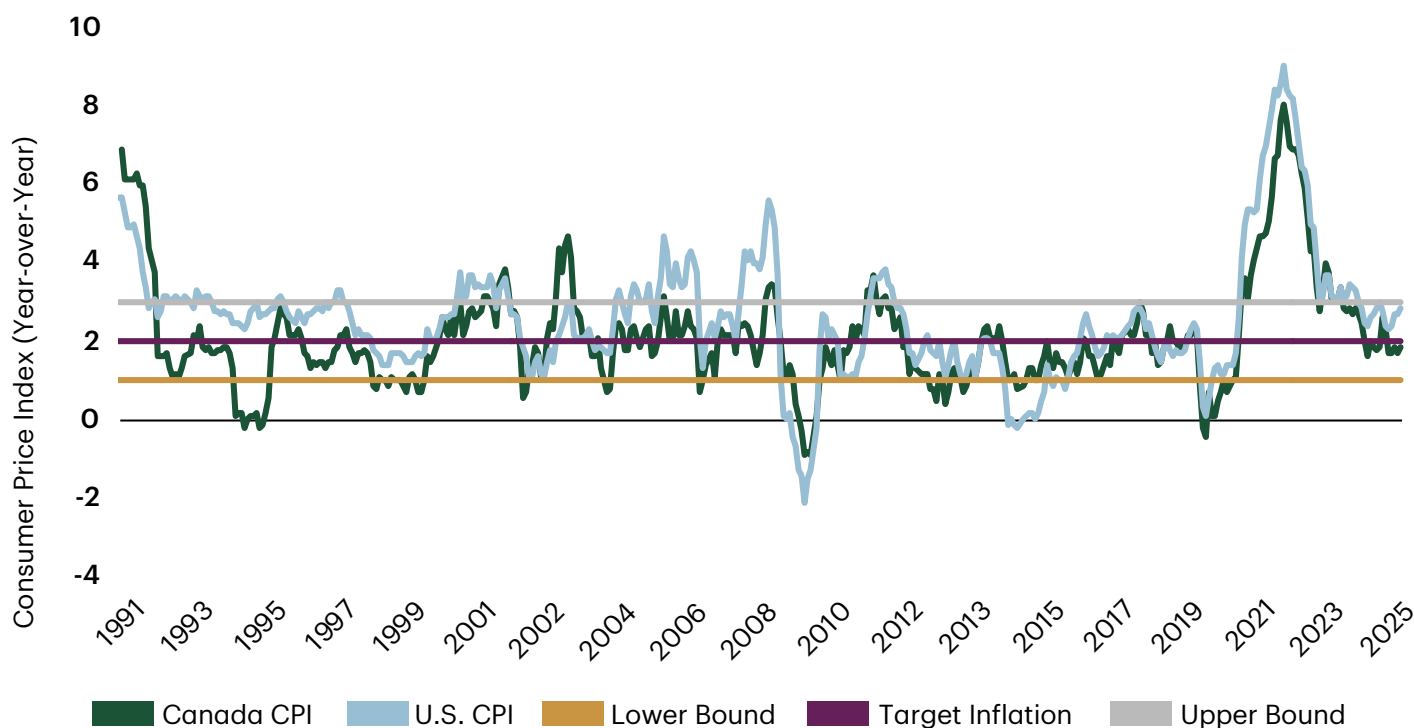
1 Inflation

Risk to the Upside But Otherwise Benign

Inflation has dominated headlines in recent years, but the environment is shifting. While the elevated price pressures of 2022 were driven by fiscal transfers and supply chain disruptions, in our view, these factors are unlikely to repeat. Today, inflation is expected to remain well-contained, though pockets of risk persist—particularly in sectors like agriculture, where reduced immigration and hiring challenges could drive costs higher.

We believe that we are transitioning from a disinflationary regime to one marked by moderate, persistent inflation (**Exhibit 2**). This is a healthier setting for investors, supporting nominal Gross Domestic Product (“GDP”) growth and corporate earnings, without the runaway inflation seen in the 1970s. Upside risks remain, especially from sector-specific tariffs and supply chain adjustments, however, inflation is expected to be benign compared to recent years. For investors, this means portfolios should be positioned to benefit from steady growth while remaining vigilant to sector-specific risks.

Exhibit 2: Inflation



Source: TD Asset Management Inc., Bloomberg Finance L.P. CPI monthly as of Aug 31, 2025.

Transition

2 Interest Rates

Market Pricing Hinges on Economic Outcomes

Interest rates remain a central theme in the current investment landscape, and their future direction will be determined by the evolving economic backdrop. The path of rates in both Canada and the U.S. is now closely tied to fiscal policy, budget deficits, and the broader growth agenda.

In Canada, expansionary fiscal policy is expected to offset recent economic weakness, while the Bank of Canada (“BoC”) is likely to maintain its policy rate at 2.5% for an extended period to support stability. The anticipated announcement of one of the largest budget deficits in Canadian history will provide additional stimulus, allowing the central bank to stand back and let fiscal measures do the heavy lifting. As a result, further rate cuts may be limited, and the BoC is likely to hold steady until economic conditions warrant a change.

In contrast, the U.S. is on the verge of a significant rate-cutting cycle. The composition of the U.S. Federal Reserve (the “Fed”) is set to change, with new

appointments expected to favour looser monetary policy. Over the next 18 months, rates could be lowered by as much as 200 basis points, reflecting a proactive approach to supporting growth and managing inflation. This shift will have important implications for asset prices and currency markets, as lower rates typically boost equities and compress yields across fixed income.

Ultimately, the trajectory of interest rates will hinge on how economic outcomes unfold. If fiscal stimulus succeeds in driving growth, central banks may be able to maintain accommodative policies without stoking runaway inflation. Conversely, if growth falters or inflation re-emerges, policymakers may need to adjust course. For investors, this means staying attuned to macroeconomic developments and recognizing that interest rate decisions are no longer isolated—they are deeply intertwined with fiscal policy, global trade dynamics, and the evolving structure of the central banks.



3 Growth

Policy Risks, Fundamentals, and the Need for Stimulus

While the underlying fundamentals of the economy remain robust, policy risks continue to cast uncertainty over the overall outlook. Governments worldwide are shifting toward pro-growth agendas, but the path is not without obstacles. Regulatory reforms, such as Bill C5, are streamlining investment processes and accelerating project approvals, but these moves also raise questions about the long-term balance between regulatory oversight and economic expansion.

Globally, the pledge by non-U.S. NATO countries to increase defense spending to 5% of GDP by 2035 represents a significant policy shift, equating to an additional estimated \$1.7 trillion USD in spending. While this is bullish for nominal growth and equity

markets, it also introduces new risks related to fiscal sustainability and geopolitical stability.

Against this backdrop, stimulus measures are not just helpful—they are essential. Fiscal stimulus directed toward growth-related projects, infrastructure, and domestic investment will be crucial in sustaining momentum and mitigating the impact of policy uncertainty. The risk is that policymakers may overdo it, swinging too far in one direction before equilibrium is restored. For investors, this means that while strong fundamentals provide a solid foundation, the ability of governments to deliver timely and targeted stimulus will be the key to navigating challenges ahead and unlocking new opportunities for growth.



4 Markets

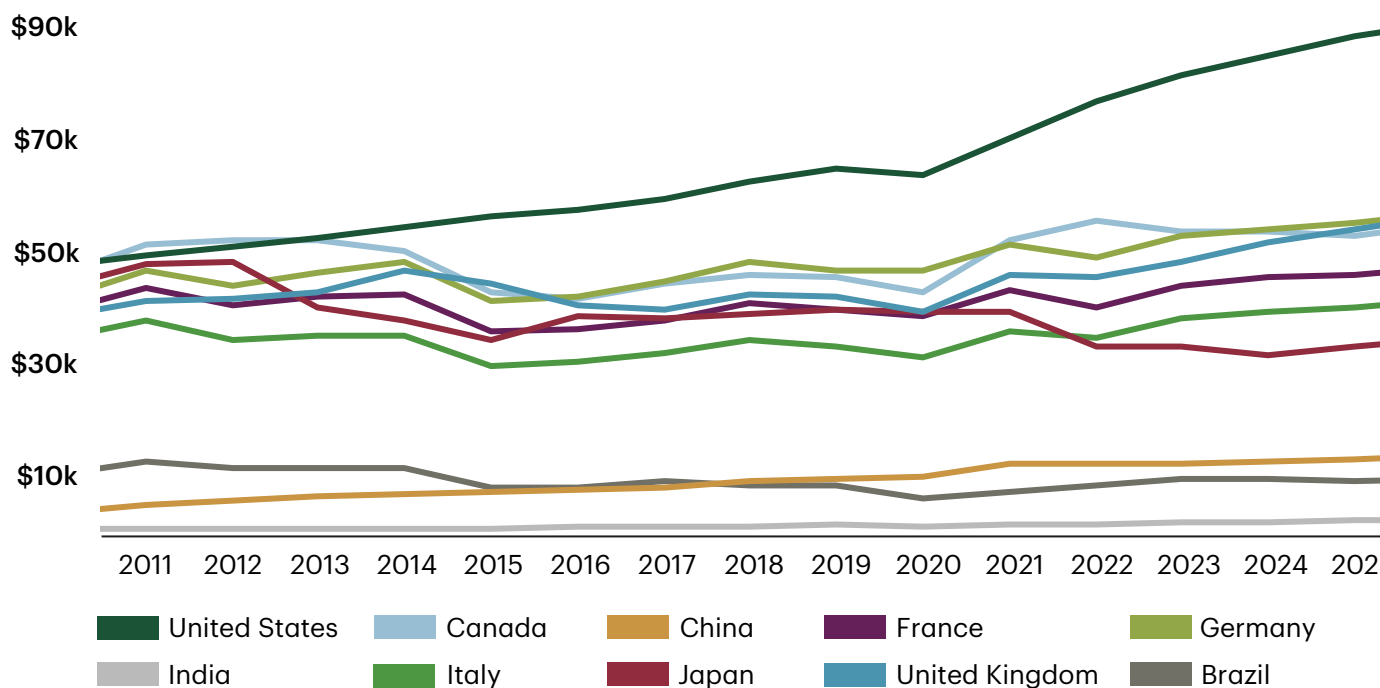
Continue to Drive Momentum, Global Diversification Can Help Mitigate Risk

Equities: Broadening returns and global opportunities

The equity market story in 2025 is one of broadening returns and renewed optimism. While certain segments of the market may be fully valued, accelerating nominal GDP growth is expected to support earnings and drive strong performance

across the board (**Exhibit 3**). Returns are no longer concentrated in a handful of U.S. companies; instead, gains are emerging from diverse sources, including international markets and Canada.

Exhibit 3: G7 GDP Per Capita



Source: International Monetary Fund, Bloomberg Finance L.P. As of Dec 31, 2024.

Diversification

We have maintained an overweight to Canadian equities, supported by the strong financial position of the Financials and Resource sectors and expected 2025 earnings growth. Canadian banks have delivered strong earnings and manageable credit risk.

Globally, major fiscal stimulus plans in Germany, political change in Korea, and improving sentiment in other regions have been monitored. Europe has

since plateaued, and the outlook is now more neutral across regions. Emerging markets and small-cap equities are seen as potential beneficiaries of rate cuts, provided that global growth remains intact. We continue to hold a modest underweight view to international and emerging markets equities, reflecting our sustained preference for North American markets, as earnings per share growth has remained solid, particularly for S&P 500 Index companies (**Exhibit 4**).

Exhibit 4: S&P 500 Index Trailing Earnings Per share



Source: TD Asset Management Inc., Bloomberg Finance L.P. As at June 30, 2025

Fixed income: Yield focused

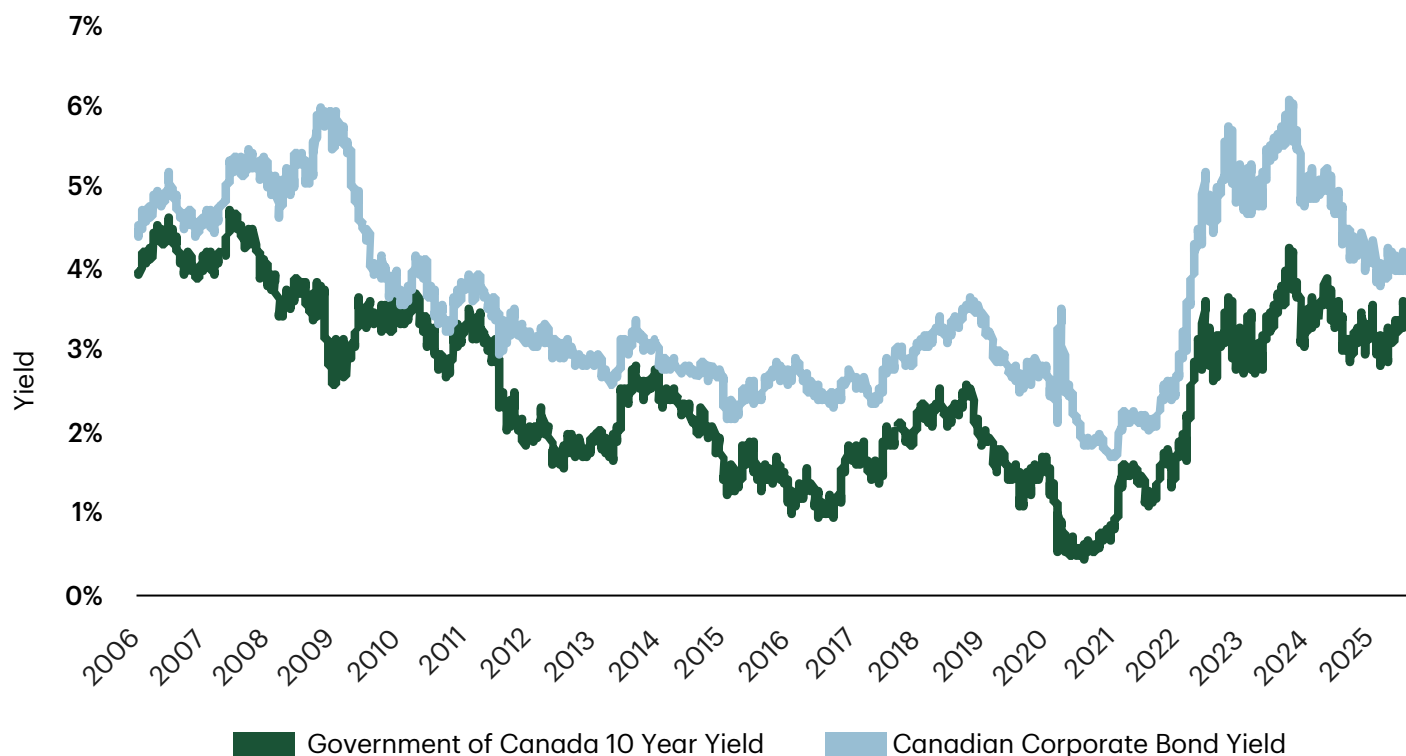
At TDAM, our fixed income portfolios have continued to demonstrate strong performance, supported by resilient corporate fundamentals and persistently tight credit spreads. We have maintained a strategic overweight in corporate credit, which has enabled us to capture incremental yield and deliver compelling income opportunities for our investors. With yields in Canada holding above 3% and spreads remaining compressed, the credit environment continues to reflect a healthy and stable market backdrop (**Exhibit 5**).

In the context of a moderating growth outlook, we believe that core fixed income strategies—those

that balance credit exposure with duration—offer a more prudent approach than pure credit plays, which may be more vulnerable to spread widening. As such, we continue to advocate for diversified fixed income allocations that can provide both income and downside protection.

Amid ongoing macroeconomic uncertainty, fixed income remains a cornerstone of portfolio resilience. Its role in dampening volatility and preserving capital is increasingly vital, particularly as investors navigate a more complex and evolving economic landscape.

Exhibit 5: First Time in Over a Decade That Canadian Yields Are >3%



Note: Real coupon yield = Coupon yield minus annual year-over-year CPI.
Source: TD Asset Management Inc., Bloomberg Finance L.P. As of Aug 31, 2025.

Real assets and commodities: Diversification and risk management

Alternative investments continue to play a crucial role in investor portfolios by providing diversification and risk management. The Infrastructure sector remains a preferred real asset exposure, offering high single-digit to low double-digit returns and a robust pipeline of global projects. The Committee has maintained its overweight to the Infrastructure sector relative to the Real Estate sector, which continues to face headwinds in the Canadian market. While income growth in the Real Estate sector has been solid, capital appreciation has been limited. We expect this positioning to persist until economic conditions improve.

Mortgages can offer low duration and favourable loss history relative to investment grade credit,

making them an attractive strategy for conservative profiles. Alternatives, however, have not kept pace with equities in 2025, but their value becomes evident during periods of heightened volatility, providing consistent returns and cushioning portfolios against market sell-offs.

Commodities have continued to serve as effective portfolio diversifiers. Gold, in particular, has benefited from macroeconomic uncertainty, challenges to central bank independence, and the onset of a rate-cutting cycle. Gold is up approximately 40% this year, while the broader commodities complex has delivered returns comparable to U.S. equities in Canadian dollar ("CAD") terms.

Currency currents: Positioning for a softer U.S. dollar

The U.S. dollar (“USD”) has entered a period of structural weakness, with multiple internal sources pointing to a sustained downward trajectory. This shift is not merely cyclical—it reflects a deliberate policy stance by the U.S. government aimed at addressing long-standing trade deficits, managing swelling national debt, and revitalizing domestic manufacturing. As a result, the USD is no longer viewed as an untouchable reserve currency, but rather as a tool for economic rebalancing.

Despite recent declines, in our view, the USD remains overvalued by long-term valuation metrics. However, its momentum against the CAD may be tempered by Canada’s relatively weaker growth fundamentals. Investors globally are diversifying away from the USD, attracted by more stable policy environments and better valuations in other developed markets.

Interest rate dynamics are central to the USD outlook. While the Fed is expected to cut rates in response to inflationary pressures—particularly those stemming from new sector-specific tariffs—rising long-term Treasury yields, driven by deficit-expanding tax cuts, may limit the decline in borrowing costs. Tariff uncertainty continues to cloud the U.S. economic outlook, with elevated duties on Chinese imports contributing to inflation and currency volatility.

Looking ahead, modest softness in the USD is expected in the short-term, with currency risk unlikely to significantly impact market performance over the next 12 to 18 months. However, medium-term pressures—including fiscal imbalances, policy shifts, and global diversification—are likely to keep the USD under pressure.

Confidence in the Path Forward

As we look to the remainder of 2025 and beyond, the Committee remains confident in the resilience and opportunity inherent in today’s investment landscape. The combination of disciplined asset allocation and a forward-thinking approach is designed to position our investors for success in a world marked by transformation and disruption. We remain bullish on equities, optimistic about fixed income, and confident in the value of alternatives. The broad range of investment solutions at TDAM are designed to outpace cash, manage risks, and capitalize on emerging opportunities. While challenges remain—from currency risk to geopolitical shifts—the Committee’s commitment to resilience, diversification, and investor-centric solutions ensures that we are well-prepared to navigate whatever lies ahead.

Resilience

WAAC Current Positioning and Asset Class Outlook

To close out the third quarter, our portfolio positioning reflected a **modest overweight** in equities and alternatives, and a **modest underweight** in fixed income. Below, we outline our **rationale** for this positioning and provide our **outlook** for each asset class.

The **TD Wealth Asset Allocation Committee** convenes monthly to assess evolving market conditions and make strategic adjustments to asset class views as needed.

Equities | Modest Overweight

Global equity markets are up year-to-date, as tariff risks appear manageable and earnings trends remain positive. We remain overweight equities; while there could be bouts of volatility as valuations

have expanded, government policy is increasingly pro-business, central banks are accommodative, and earnings growth remains positive.

Sub Class	Allocation
Canadian Equities	Modest Overweight
U.S. Equities	Modest Overweight
International Equities	Modest Underweight
Emerging Markets	Modest Underweight

The positive impact of BoC rate cuts and potential shifts in fiscal and business policy could provide some economic offset to the uncertainty of trade negotiations with the U.S. **The S&P TSX Composite Index (TSX)** potential returns are supported by the strong financial position of the Financials and Resource sectors and 2025 earnings growth expectations.

U.S. equities have rallied as technology spending and revenue growth remain robust. Earnings revisions have also shown improvement. U.S. equities could be further supported by “One Big Beautiful Bill” Act tax policies and the potential for further deregulation. While these benefits may be partially captured in valuations, equities continue to be supported by earnings growth.

International equities have rallied year-to-date as multiples rebounded from low levels and Germany announced a major fiscal stimulus plan. That said, at this point there appears to be less scope for further multiple expansion given earnings trends. Japanese equities look attractive on a relative basis with momentum building behind corporate reform but there may be volatility as the Bank of Japan may look to continue raising rates.

Emerging Markets (EM) central banks, such as Mexico, South Korea, and China have cut rates this year. China continues to struggle with challenges in its property sector but has announced policies that could provide some stabilization for its economy.

Positioning

Fixed Income | Modest Underweight

As the Canadian economy remains challenged by U.S. policy uncertainty, the Bank of Canada (BoC) has further lowered its policy rate without committing to a specific future policy path. We believe the BoC

has sufficient flexibility to respond to a wide array of economic outcomes and, as such, we expect bonds to provide diversification benefits, reduce overall portfolio volatility and preserve capital.

Sub Class	Allocation
Domestic Government Bonds	Neutral
Investment Grade Corporate Credit	Modest Overweight
Global Bonds – Developed Markets	Neutral
Global Bonds – Emerging Markets	Modest Underweight
High Yield Credit	Neutral

Domestic Government Bonds: The BoC has the flexibility to adopt an accommodative policy stance to provide support to the economy if conditions deteriorate further. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.

Credit spreads remain tight as all-in yields drive strong investor demand. **Investment Grade Corporate credit** fundamentals should be resilient to any near-term economic volatility. With risk premiums fairly flat across the yield curve, we continue to favour short to mid-term corporate bonds over longer term bonds.

Global Bonds Developed Markets: We believe that U.S. policy uncertainty will manifest differently across countries with respect to growth and inflation expectations. Therefore, opportunities across developed market bonds will likely vary substantially.

While **emerging markets (EM)** are benefiting from a broad-based decline in the U.S. dollar (USD), valuations of USD-denominated EM bonds are screening rich compared to developed market corporate bonds. However, there continue to be opportunities to earn high levels of income in select local currency EM markets.

High yield bonds have fully recovered from trade-policy related volatility and spreads are now close to the tightest levels of the last five years. Nonetheless, credit quality remains robust and should combine with a benign lending backdrop to keep corporate defaults low. Uncertainty around trade policy and economic growth could cause spreads to widen, but we expect this to be offset by attractive all-in yields.

Alternatives | Modest Overweight

We believe that an allocation to alternative assets can benefit diversified portfolios especially when implemented over the long-term. Alternative assets can provide inflation protection and attractive absolute returns, while acting as long-term portfolio stabilizers via their diversification benefits and less

correlated income streams. Given the nature of private asset classes as well as the present phase of value adjustment in several markets and asset classes, we believe that this may be an attractive time to increase or consider an allocation to alternative assets.

Sub Class	Allocation
Commercial Mortgages	Neutral
Private Debt (Universe)	Modest Underweight
Domestic Real Estate	Neutral
Global Real Estate	Neutral
Infrastructure	Modest Overweight
Commodities	Neutral

Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.

Private debt: High credit quality and global diversification provides an income ballast in an uncertain economic environment. Incremental income and potential capital appreciation from interest rate moderation provide upside.

Domestic Real Estate: We believe most value adjustments in Canadian commercial real estate are complete. Office occupancy (especially in Toronto) should improve by 2026 as large users mandate returns to work. Despite U.S. tariff policy volatility, Canada's industrial market remains healthy. Poor condo markets and lower immigration have temporarily pressured residential rental rates in Toronto and Vancouver due to housing shortages.

Global Real Estate: Returns are starting to improve globally. U.S. and Asian Pacific markets have seen the capitalization rate stabilizing, while Europe continues

to outperform. New capital raising and significant redemption recissions are also early indicators of the improved sentiment for continued recovery.

Infrastructure continues to offer stable returns and lower volatility due to its essential long-term nature. The persistent global infrastructure spending gap remains a key investment driver, reinforcing the need for increased investment. Additionally, accelerating trends such as the electrification of industry and the expansion of digital infrastructure are significantly increasing demand for power generation assets, creating compelling investment opportunities.

Commodities: Gold continues to benefit from demand from central banks and investors as they seek a safe-haven in uncertain times. Despite the economic uncertainty, metals prices have held-in YTD as markets are currently balanced. Oil has weakened as OPEC+ looks to slowly return supply, but also to manage member commitments and might adjust as market conditions warrant.

Sub Class	Allocation
U.S. Dollar USD	Modest Underweight

The USD has declined YTD, and based on our long-term valuation metrics, remains overvalued. Current U.S. policy has led to uncertainty in trade and fiscal deficits. While this has increased the attractiveness of other developed market currencies for diversification, the momentum of USD weakness versus the CAD may moderate near term due to Canada's weaker growth fundamentals.

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David Sykes, CFA
Senior Vice President &
Chief Investment Officer, TDAM

TDAM Asset Allocation



Michael Craig, CFA
Managing Director, Head of Asset
Allocation and Derivatives, TDAM



Anna Castro
Managing Director,
Asset Allocation, TDAM

TDAM Equities



Justin Flowerday, CFA
Managing Director, Head of Public
Equities, TDAM



Jennifer Nowski, CFA
Managing Director,
Portfolio Manager, TDAM

TDAM Fixed Income



Michael Augustine, CFA
Managing Director, Head of
Fixed Income and Asset Liability
Management (ALM), TDAM



Alex Gorewicz
Vice President & Director,
Active Fixed Income Portfolio
Management, TDAM

TDAM Alternatives



Colin Lynch
Managing Director, Head of
Alternative Investments, TDAM



Bruce MacKinnon
Managing Director, Head of Private
Debt Research & Origination, TDAM

Epoch



Kevin Hebner, PhD
Managing Director,
Epoch Investment Partners, Inc.



William Booth, CFA
Managing Director,
Epoch Investment Partners, Inc.

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TD Wealth

Sid Vaidya
U.S. Wealth Chief
Investment Strategist,
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Bryan Lee
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Lead of Asset Allocation Client
Portfolio Management, TDAM

Jafer Naqvi, CFA
Managing Director,
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Market

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