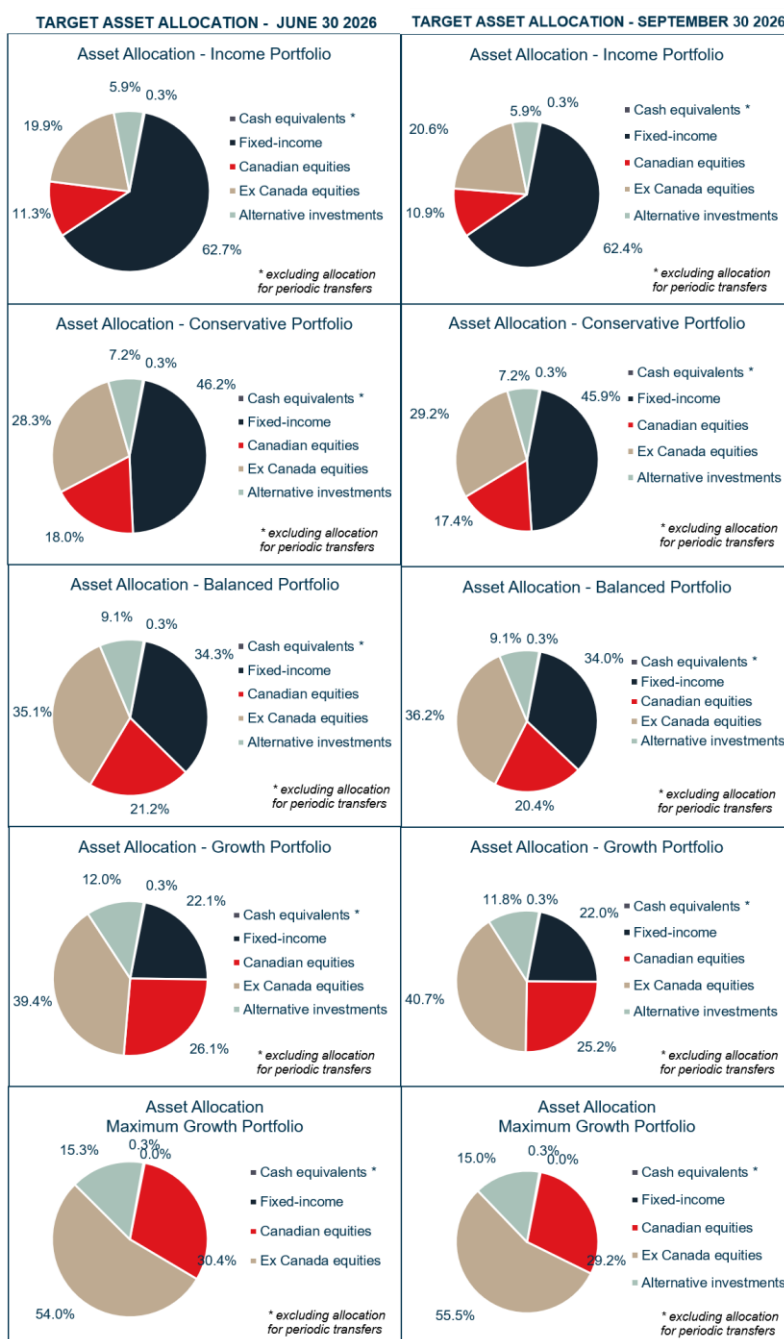




3RD QUARTER 2026 SUMMARY

Asset Allocation Strategy

We did not make any changes to the portfolio's asset allocation during the third quarter. The variations observed resulted from changes in the relative valuations of the investments.



Portfolio Model Revisions

During the quarter, we sold Salesforce (CRM), taking advantage of a rebound in the stock price to redeploy the proceeds into IDIV.B (Manulife Smart International Dividend ETF). This exchange-traded fund invests in a diversified portfolio of international companies with the potential to pay consistent and growing dividends over time. This approach focuses on businesses that combine dividend payments with ongoing reinvestment in their operations, supporting long-term growth.

We also sold the IA Clarington Multi-Strategy Alternative Pool and combined the proceeds with the redemption of the Russell 2000-linked note to invest in two new contingent income notes. One is linked to the U.S. technology sector, while the other is linked to an index of large-cap U.S. companies. These notes were custom designed by National Bank's Structured Products team exclusively for our clients, with the objective of adding a source of income that differs from traditional equities and fixed income investments.

To better understand contingent income notes, here is an overview of how the technology-sector-linked note works. Its objective is to provide income at an annual rate of 8.16%, paid monthly, provided that the underlying index does not decline by 40% or more from its initial level. In other words, income continues to be paid as long as the index remains above 60% of its starting value. At maturity, in seven years, this same 60% threshold applies to the repayment of principal. If the index finishes above this level, the full principal is repaid. If it finishes below the threshold, the principal becomes exposed to the decline in the index.

Why use this type of investment? The goal is not to capture the full upside of the technology sector, but rather to harness its growth potential to generate a steady stream of income while providing a measure of downside protection. The note may also be redeemed prior to maturity if the index performs sufficiently well. As such, it complements the portfolio's more traditional investments and helps diversify our sources of income and return.

Quarter Highlights

The past several months have once again demonstrated the resilience of financial markets. Despite an environment marked by ongoing geopolitical tensions, rising energy prices, and a return to interest rate hikes, markets have generally managed to maintain their upward trajectory. Investors have, however, had to contend with greater volatility than earlier in the year, resulting in wider performance disparities across asset classes.

One of the most significant developments of the quarter remains the prolonged disruptions around the Strait of Hormuz, which continue to put upward pressure on gasoline and diesel prices. This situation has contributed to inflation remaining higher than anticipated, prompting several central banks to adopt a more restrictive monetary stance by raising policy rates or signaling the possibility of further increases.

In the United States, the Federal Reserve raised its policy rate in September, the first increase since 2023. This decision reflects the resilience of the U.S. economy and labour market, but more importantly, the persistence of inflationary pressures. As a result, long-term bond yields moved higher and reached levels not seen in nearly two decades.

Higher interest rates weighed on bond markets, which experienced a challenging quarter. Equity markets, meanwhile, continued to benefit from positive economic growth and corporate earnings that generally exceeded expectations. Companies linked to artificial intelligence and technology infrastructure continued to support the performance of major U.S. indices, although the enthusiasm seen earlier in the year has moderated somewhat.

In Canada, the market was supported by the strong performance of the energy and natural resources sectors, which represent a significant portion of the domestic market. Rising energy prices benefited many of these companies and helped offset weakness in sectors that have been more adversely affected by higher interest rates.

Outlook

The North American economy continues to post respectable growth, supported by significant investment in infrastructure, technology, and corporate modernization. Labour markets remain relatively strong, and corporate earnings continue to advance.

That said, the margin for error remains fairly narrow. If energy prices stay elevated for an extended period, inflation could prove more persistent than expected and force central banks to keep interest rates higher for longer. Conversely, an easing of geopolitical tensions and, consequently, lower energy prices would be beneficial for both the economy and financial markets.

In this environment, we are maintaining our strategic asset allocation unchanged. We are now benefiting from higher interest rates than at the beginning of the year on the fixed income side, which improves return prospects for the years ahead. Within equities and alternative investments, the addition of income-generating solutions further diversifies our sources of return and aims to provide greater performance stability during periods of market volatility, as well as a degree of protection during periodic market downturns. Such declines are a normal part of the market cycle and have historically occurred, on average, once or twice per year.

In summary, we are approaching the end of the year with measured optimism. While certain risks remain, particularly the persistence of inflation, we believe the economy will continue to demonstrate resilience. The current environment serves as an important reminder of the value of maintaining a well-diversified portfolio and staying focused on long-term objectives. The outlook remains favorable, and we continue to approach the months ahead with confidence and discipline.

“A goal without a plan is just a wish.” – Antoine de Saint-Exupéry

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