



Attachment 1

**Investment Management Report for**  
**ONE Investment - Quarterly Commentaries**

For Period Ending December 31, 2025

## Macroeconomic and Capital Markets Commentary and Outlook

The following commentary summarizes meaningful trends and events that we've observed over the past quarter.

Global **economic growth** faced competing forces this past year, as the headwinds of U.S. tariffs and tumbling immigration were partially offset by fiscal stimulus and continued interest rate cuts by central banks. Accordingly, economic growth persisted, if at an uninspired clip. We believe growth should accelerate moderately in the year ahead and may pleasantly surprise

**Growth tailwinds for 2026**

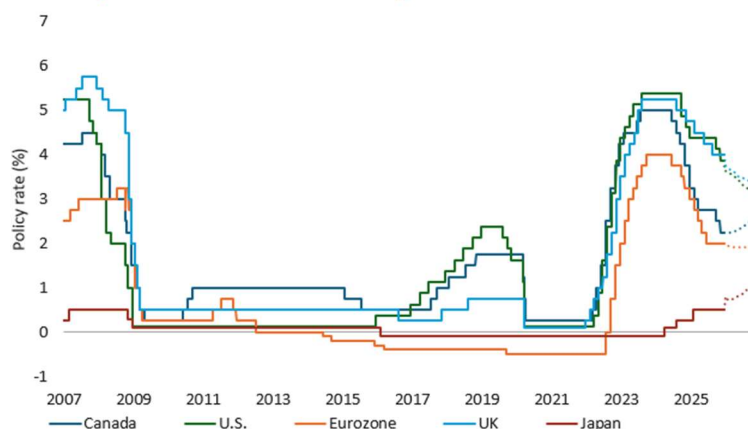
	U.S.	Canada	Rest of developed world
Monetary policy	+	++	++
Fiscal policy	+	+	+
Stock market wealth effect	++	++	++
Oil prices	++	+	++
U.S. dollar	+	.	-
AI cap ex	+	.	.
AI productivity	+	+	+
<b>Overall</b>	<b>++</b>	<b>++</b>	<b>++</b>

Note: As of 12/01/2025. Source: RBC GAM

relative to consensus expectations. Tariff headwinds should fade, and important tailwinds are set to blow. These beneficial forces include interest rate cuts, further fiscal stimulus, low oil prices, a positive stock market wealth effect, further growth in artificial intelligence (AI) expenditures, and the early stages of an AI-driven productivity boost. The U.S. economy should remain among the developed world's economic growth leaders, while in Canada, we continue to budget for a period of subdued growth through the first quarter of 2026 as tariff impacts settle and until greater clarity is achieved on the fate of the USMCA trade deal. At that point, we expect the combination of rate cuts and fiscal stimulus should permit a steady acceleration into the end of the year.

In terms of **rate cuts**, the clock has not yet run out on this monetary easing cycle. Looking ahead, we budget for a bit more economic help, both due to the lagged effect of earlier rate cutting and the future impact of additional easing to come. The U.S. Federal Reserve (Fed) in particular can afford to deliver several more rate cuts as it moves from a restrictive to a neutral stance, and the Fed's recent move to end

**Most major central banks are cutting interest rates**



Notes: As of 12/08/2025. Dotted lines indicate futures pricing. Source: Bloomberg, RBC GAM.

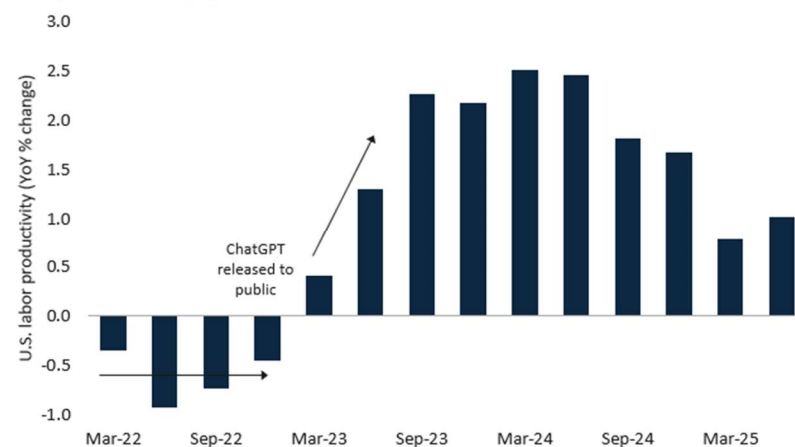
quantitative tightening is also supportive. In our opinion, the Bank of England also appears to have space for further easing, and it is conceivable that Bank of Canada could return to easing. Fiscal stimulus is also set to be an important 2026 theme. The One Big Beautiful Bill Act should have a substantially positive

effect on U.S. economic growth as a variety of its tax-cutting initiatives take effect in 2026. In Canada, the latest budget unveiled fiscal stimulus measures and a push for more infrastructure and capital investments, while globally, many countries have committed to additional defence spending.

One factor not mentioned thus far but of ongoing significance is **inflation**. It remains too high in the U.S. and slightly elevated in several developed markets, primarily due to tariff increases and persistent post-pandemic economic scarring. Our CPI forecasts for 2026 are slightly above consensus, reflecting aggressive central bank easing amid persistent inflation and large fiscal deficits that could lead some countries to tolerate higher inflation. However, we expect year-over-year inflation to peak in spring 2026 before declining, supported by four key factors: the U.S. labour market is cooling, a continuing post-shock tariff impact on inflation should be relatively tame, shelter costs are easing, and oil prices are low. On the whole, inflation may not fall by quite as much as consensus expectations, but there is room for improvement in the year ahead.

**Artificial intelligence** has become a topic of central importance to capital markets and a significant economic driver, with massive capital expenditures for model and infrastructure development already contributing substantially to economic growth. While concerns about AI bubbles and malinvestment are understandable given the scale of deployment, today's situation differs markedly from the late 1990s tech bubble – current stock valuations are more reasonable, and the involved companies are largely profitable and diversified with spare cash flow even after enormous outlays. Regardless of short-term stock movements, this massive AI spending is advancing the technological frontier and promises substantial productivity increases across industries, leading us to budget for accelerated productivity growth in coming decades that is already becoming visible. Although the majority of AI capital expenditures occur in the U.S. and China, technological breakthroughs typically deliver productivity benefits globally, making this a worldwide opportunity. That said, alongside this tremendous promise, it will be essential to monitor for signs of large-scale worker displacement, as higher structural unemployment would pose significant societal and economic challenges.

**U.S. productivity growth has increased since the release of ChatGPT**



Note: As of Q2 2025. Source: U.S. BLS, Macrobond, RBC GAM

Turning to capital markets, **global equity markets** ultimately found their footing in 2025 and rewarded investors with strong returns in most major markets amid easier financial conditions, impressive profit growth, and heightened expectations that AI will transform business. The strong gains mean that valuations have been creeping higher almost everywhere, and the overvaluation story is no longer just a U.S. large-cap phenomenon. The S&P 500 is the most expensive equity market, but markets in Canada and Japan are also close to a full standard deviation above their fair values. Stock indices in Europe and emerging markets continue to trade at attractive distances below their fair value.

Equity Indices Performance Comparison as of Dec 31, 2025 (%)		
	3 Mo	1 Yr
S&P/TSX Composite Index (C\$)	6.25	31.68
S&P 500 Index (C\$)	1.24	12.56
MSCI World Index (C\$)	1.59	15.41
MSCI EAFE Index (\$C)	3.30	25.07
MSCI Emerging Markets Index (C\$)	3.18	27.30

Source: RBC GAM

In the **U.S.**, the S&P 500 Index finished the period on a slightly weak note, but still managed a positive return over the quarter and a double-digit return over the full year. Six out of eleven sectors in the index generated a negative return over the fourth quarter, and most notably, the Information Technology sector – which makes up a third of the sector by weight – was flat over the period following several quarters of robust returns. This lackluster performance occurred as shares of several major technology companies declined due to concerns about AI industry valuations and fears of a potential AI bubble. Meanwhile, the Health Care sector generated strong returns on the back of easing policy uncertainty as several pharmaceutical companies reached agreements with the U.S. government, combined with strong demand for several blockbuster drugs, particularly GLP-1s such as Ozempic and Wegovy.

In **Canada**, the S&P/TSX Composite Index delivered a 6.3% return in the fourth quarter, outperforming global peers as strength in banks, gold mining, and technology drove new all-time highs. Declining interest rates and fiscal support offset domestic headwinds including sluggish economic growth and elevated unemployment. Canadian equities are poised to benefit from robust earnings growth, though a measured outlook prevails because of trade uncertainty. The impending CUSMA renegotiation in 2026 poses risks, and higher U.S. tariffs on Canadian steel and aluminum continue to undermine long-term investment confidence in certain sectors.

**Emerging market equities** finished 2025 having outperformed developed markets for the first time in five years, with the MSCI Emerging Markets Equity Index outperforming the MSCI World Index by a meaningful 11.9% over the one-year period. Moreover, long-term drivers are in place for a new cycle in favour of emerging markets. U.S. dollar weakness has been a significant factor in these long-term cycles, and a prolonged decline in the dollar would support further EM outperformance and provide EM central banks with opportunities to ease monetary policy. Return on equity is another important factor in the improvement of relative returns in emerging markets, and several EM countries are now focusing more on shareholder value, boding well for outperformance. The possibility of a new long-term cycle favouring emerging markets combined with the potential for a peak in relative U.S. economic growth and stock-

market capitalization has renewed investor interest in emerging markets. The substantial valuation discount versus developed markets should also support EM stocks.

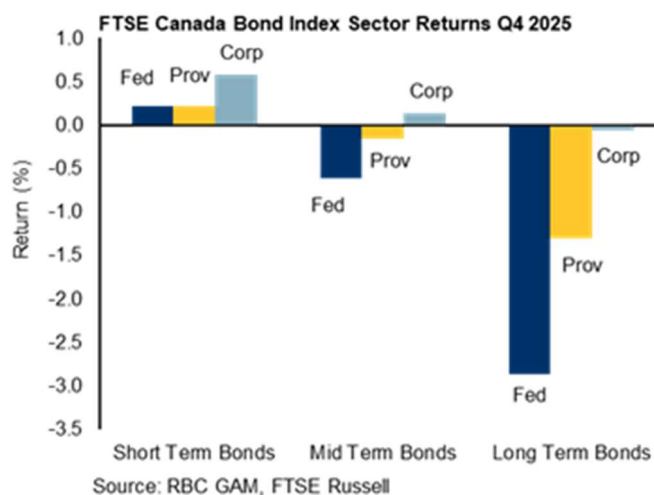
**Global fixed income markets** delivered modest positive returns in the fourth quarter, supported by declining interest rates and easing monetary policy expectations. U.S. bonds posted solid gains as the Fed cut rates twice during the period, while international and emerging market debt benefitted from a weaker U.S. dollar and relatively attractive yields.

#### The Canadian fixed income market

experienced mixed performance in the fourth quarter, with rising Government of Canada bond yields creating headwinds that were partially mitigated by narrowing credit spreads. Ultimately, the FTSE Canada Universe Bond Index delivered a negative return of -0.3% for the period. The steepening of the GoC yield curve led short- and mid-term bonds to outperform the negative returns in long-term bonds over the quarter. In the short- and mid-term segments, corporate bonds outperformed as

a result of spread tightening and yield accrual. Corporate bonds also outperformed in the long end, mostly due to their significantly shorter duration profile (and thus, lower sensitivity to rising GoC yields) compared to the federal and provincial segments.

Looking ahead, bond yields across the GoC yield curve are expected to rise modestly as a result of recent economic strength, which may further be bolstered by the federal government's expansionary fiscal policy. This expected rise is already reflected in bond prices. In terms of credit, it continues to offer an attractive source of incremental yield in fixed income portfolios, although the possibility of spread widening exists should we encounter a risk-off scenario.



## Fourth Quarter Review

### Duration and Yield Curve

Global trade policy uncertainty eased in the fourth quarter as many countries continued to secure deals with the U.S., though Canada remains an exception with negotiations stalled since late October. With a formal review of the United States-Mexico-Canada Agreement (USMCA) not set to kick off until the second half of 2026, tariffs are likely to continue to cast a shadow over economic activity over the short to medium term. Beyond trade, Canada's economy showed signs of improvement over the fourth quarter. After unemployment hit its highest level since 2016 (excluding the COVID-19 pandemic period), Canada's jobs market posted three consecutive months of hiring, pushing joblessness back down to 6.5%. While an improvement, unemployment remains elevated, and alternative measures of labour market health point to a less robust revival than headline figures would suggest. In addition, Canada's Q3 GDP came in higher than expected, though growth was mostly up because of a sharp drop in imports. Early estimates of Q4 GDP points to a modest contraction in economic growth. Nonetheless, we suspect the Canadian economy is picking up after a uniquely difficult period.

The fourth quarter also saw the release of the Canadian federal government's 2025/2026 budget, with the combined federal and provincial deficit totalling approximately 4% of Canadian GDP, one of the largest amounts of stimulus since the early 1990s outside of COVID-19 and the global financial crisis. While fiscal expansion has moved into focus, monetary policy is expected to remain a strong economic ballast over the medium term. The BoC cut its policy rate early in the quarter, with policymakers citing softer growth and weakness in the labour market as justification for easing rates to 2.25% in October. While inflation remains slightly above the BoC's 2% mid-point target, the bank believes that price pressure is relatively contained. Further, the BoC emphasized the limitations of monetary policy in addressing the structural economic challenges facing the Canadian economy and warned against cutting rates too aggressively to avoid spurring a resurgence in inflation. Against this backdrop, the BoC kept its policy rate on hold at its December meeting, as expected. As of the end of the fourth quarter, the bond market is pricing in roughly one hike in 2026 as opposed to further cuts. In the U.S., despite limited data amid the government's record 43-day shutdown, the Fed moved forward with two 0.25% rate cuts to reduce its federal funds rate to 3.50 – 3.75%. Market participants expect further easing by the Fed, however policymakers continue to balance the trade-off of their dual mandate – price stability and maximum employment – which are currently moving in opposite directions. Amid this backdrop of monetary and fiscal stimulus, a quieting tariff story, and a mixed bag of economic data, shorter-term GoC bond yields increased less than those of longer-term maturities, resulting in a steepening of the yield curve.

In terms of positioning, the portfolio began the fourth quarter with a duration shorter than that of the benchmark. The genesis of this positioning came in mid-September based on a combination of macroeconomic and technical factors coinciding with a swift decline in yields. At that time, we believed the move lower was overdone and that yields would retrace higher in the near term. This position was managed tactically throughout the quarter, with yields moving sideways for the majority of the period. The

portfolio ended the quarter with a slightly smaller short duration position relative to where it began. The portfolio's yield curve positioning was also adjusted over the quarter to benefit from a potential flattening yield curve scenario. We believe that market participants appear to be too pessimistic regarding the Canadian economy despite the meaningful amount of fiscal spending on the horizon and the lagged effects of significant monetary policy easing by the BoC. Any positive surprises in key economic data then have the potential to pull BoC hikes forward and result in short-term yields rising. Overall, the combination of the portfolio's tactical duration and yield curve positioning was positive to relative performance over the quarter.

The bond market is pricing higher yields across the curve over the next 12 months, with yields on short- and medium-term tenors expected to increase more than longer-term maturities. Key risks that could drive fixed income markets up or down include but are not limited to a prolonged global trade war and its potential impact on economic growth and inflation, alongside geopolitical tensions and the challenges posed by highly indebted governments. These factors suggests that yields are likely to remain volatile over the short to medium term. As such, we will continue to seek tactical opportunities while maintaining a disciplined approach to duration and yield curve positioning.

<b>Government of Canada Yields (%)</b>					
	<b>1 Yr</b>	<b>2 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>30 Yr</b>
December 31, 2025	2.39	2.59	2.97	3.43	3.86
Forward Curve for December 31, 2026	2.85	2.95	3.27	3.62	3.93
<b>Implied Change (1 year)</b>	<b>+0.46</b>	<b>+0.36</b>	<b>+0.30</b>	<b>+0.19</b>	<b>+0.07</b>

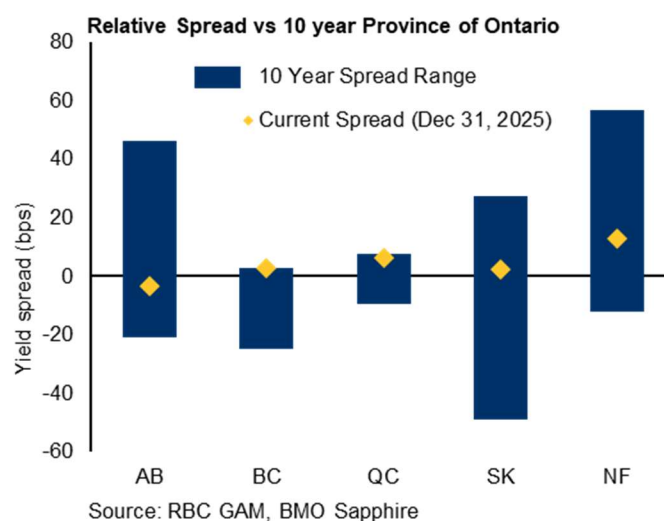
Source: RBC GAM (BondLab), Bloomberg.

## Foreign Sovereign Bonds

As was the case in the previous quarter, the tactical short duration position described above was largely achieved using 10-year UST bond futures instead of selling GoC bonds outright. This decision was initially based on our assessment that positioning of U.S. duration was overbought and extended at the end of September. At the time, these technical dynamics were more pronounced in the U.S. market than in Canada. Since then, this stretched positioning unwound in a relatively tame manner as yields moved sideways for the first two months of the quarter and we eliminated the position. We then chose to reinitiate the tactical short duration in mid-December, largely based on relative valuations, as the yield on 10-year USTs had increased significantly less than similar-term GoCs, leaving more runway to add value. In addition, it is our belief that both markets should be affected by similar dynamics as we head into the new year, i.e., expectations for higher growth and inflation in both Canada and the U.S. are potentially underappreciated by the market. Lastly, UST futures offer excellent liquidity and allow for swift, flexible trade execution. We will continue to closely monitor this strategy and adjust as market conditions evolve.

## Quasi-Government Bonds

The provinces in aggregate have completed approximately 85% of their fiscal year 2025/26 bond borrowing program, which is 16% ahead of fiscal calendar pace with one quarter remaining in their fiscal year. The provinces capitalized on strong demand from both domestic and foreign investors, with the latter representing 35% of total demand, to fund their annual requirements. In the fourth quarter, approximately \$15 billion was issued in the primary market, which was comfortably absorbed by the market. Overall, provincial bond spreads remained resilient, ending the quarter approximately 5 bps tighter than where they began.

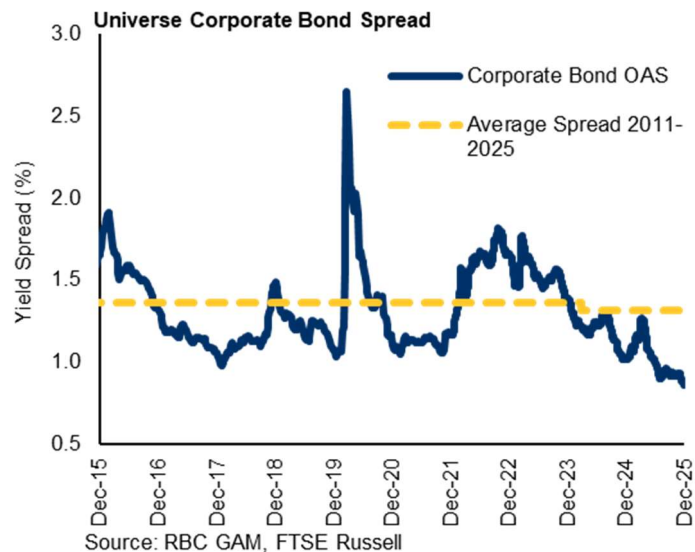


In terms of positioning, the portfolio's overweight exposure to quasi-government bonds was reduced slightly over the quarter, primarily through Province of Ontario bonds. That said, Ontario bonds remain the largest overweight in the portfolio as they offer better liquidity compared to other provinces, providing flexibility to capitalize on more attractive opportunities as they arise. The portfolio also maintains an overweight allocation to the Province of Alberta, supported by its solid fundamentals, as it continued to demonstrate a strong fiscal position relative to other provinces. The portfolio added exposure to the Province of British Columbia, taking advantage of attractive relative pricing opportunities. Despite the addition, B.C. remains the portfolio's largest provincial underweight given our ongoing concerns about the province's weakening fiscal health and substantial exposure to the leveraged real estate sector. The portfolio also remains underweight the rest of the smaller provincial issuers in aggregate, given the less favourable liquidity profiles of their bonds. Lastly, the portfolio's exposure to federal agency bonds remained unchanged and broadly neutral relative to the benchmark over the quarter.

Overall, the portfolio has a modest overweight exposure to quasi-government bonds, with a meaningful bias toward provincials due to their yield advantage over federal agency bonds. This overweight exposure contributed slightly to relative performance over the quarter, as spreads tightened.

## Investment Grade Corporate Bonds

Stabilizing Canadian economic conditions buoyed market sentiment in the fourth quarter, resulting in tighter spreads for investment grade corporate bonds. In addition to the resilient fundamental backdrop, robust demand for credit persisted, supported by fund inflows into Canadian fixed income, driven in part by attractive all-in yields. The market comfortably absorbed primary new market issuance of \$40 billion in the fourth quarter (vs. a 10-year quarterly average of \$25 billion), pushing 2025's total annual volume to a historic \$154 billion – surpassing the \$136 billion record set in 2024. Despite elevated supply, investment grade credit spreads narrowed by approximately 7 bps over the quarter. Valuations continue to look expensive in the current environment, hovering near multi-decade tight.



In terms of economic fundamentals, Canada's high level of household indebtedness and its impact on consumer spending growth remains a key vulnerability for the economy. Elevated debt levels stemming from higher housing costs have left many Canadian consumers more exposed to financial shocks. Elevated debt payments along with weaker employment conditions, particularly in certain pockets of the Canadian economy exposed to trade policy uncertainty, are likely to constrain consumer spending growth. However, the labour market in Canada does look to be on better footing, adding jobs over the quarter that offset losses sustained in the summer months. The weakness in trade-exposed sectors like manufacturing, transportation, and warehousing has yet to spread more broadly across the economy, and while employment data for these sectors has lagged other areas, signs of improvement have been observed since August.

Like Canadian households, corporate fundamentals have also shown little signs of stress so far, giving some support to spreads, which continue to hover near their tightest levels since 2007. Canadian banks signalled that their Provision for Credit Loss ratios have likely peaked, with potential relief in the second half of 2026 contingent on trade policy stability. While there are signs of an improving fundamental backdrop, businesses with significant leverage are particularly vulnerable if earnings growth falters and they are unable to offset increasingly elevated debt payments. The outlook for corporate earnings growth is still uncertain and the ongoing trade uncertainty will test the financial resilience of businesses, particularly those in industries tied to trade. Overall, certain issuers – particularly those with businesses that are more sensitive to changes in the economy, household spending rates, or cross-border exposure – will be more affected by a potential economic slowdown than others. The portfolio has limited exposure to industries directly impacted by tariffs, including manufacturing, steel, and aluminium.

Technical conditions remained supportive for corporate bond issuers, with lower GoC yields (relative to their peak in late 2023), historically tight credit spreads, and healthy investor demand driving record issuance. However, attractively valued opportunities in the primary market were scarce, as valuations continue to be expensive. Looking ahead, 2026 seems poised to be another year of elevated supply if the technical backdrop persists. We could see new issuers come to market, increased M&A activities funded through debt, and increased Maple issuance, particularly from U.S. firms looking to support the financing of their large CapEx programs in the race to build out AI infrastructure. This introduces some uncertainty to the supply/demand dynamics, with potential implications for corporate bond valuations that could result in some more attractively priced investment opportunities.

In terms of positioning, the portfolio's medium overweight exposure to investment grade corporate bonds was reduced slightly over the fourth quarter. Valuations are not particularly attractive as they continue to be relatively expensive following a period of strong performance. Longer-term corporate bonds look particularly expensive, with the spread premium over mid- and short-term corporate bonds around historically tight levels. Therefore, along with modestly reducing the overweight to investment grade corporate bonds, we have also been emphasizing shorter-term credit in the portfolio, where we believe the reward-for-risk balance is more favourable.

Furthermore, we maintained the portfolio's high-quality bias, prioritizing issuers that are less sensitive to cyclical changes in the economy and Canadian consumers. We favour the Infrastructure and Power Generation sectors, where issuers are typically regulated and generate stable, predictable cash flows with strong government support. We remain highly selective in the primary market, participating only in new deals from high-quality issuers with stable fundamentals to help maintain the portfolio's overweight position relative to the benchmark. The portfolio remains underweight the Financials sector due to its exposure to highly indebted Canadian consumers. Tariffs have dampened business activity and loan growth, increasing the risk of higher credit losses. Given the ongoing uncertainty with respect to trade policy, it remains a risk to the economy and consumers. We are also cautious with regard to the Communications sector. While the pricing competition seems to have eased, multiple headwinds remain such as high corporate leverage near rating agency downgrade thresholds, elevated dividend payout ratios, high capital expenditures, and stalling population growth. These factors leave the sector potentially more exposed to an economic downturn.

Overall, while the portfolio maintains its broadly cautious positioning, it remains overweight corporate bonds as we continue to appreciate the yield accrual offered by the sector as spreads could remain near current levels for an extended period. We will continue to look to capitalize on attractive opportunities in the bond market where the compensation is commensurate to the underlying fundamental risks. Over the fourth quarter, the portfolio's overweight position in investment grade corporate bonds was a positive contributor to relative performance as spreads compressed.

## Private Placement Corporate Debt

The portfolio has exposure to private placement corporate debt securities; these are investment grade bonds that are issued privately rather than through the public bond market, with many not contained in the benchmark. While a substantial portion of these bonds are rated by rating agencies, similar to public bonds, for bonds that are unrated by an agency, our corporate credit team performs an extensive analysis and assigns an internal rating, which must be of investment grade quality to be included in the portfolio. One of the benefits of investing in private debt is the opportunity to expand and diversify investment opportunities. While many of the issues are infrastructure related, the private debt market encompasses many industries and sub-industries not available in the public markets. In addition, private placements often provide attractive illiquidity premiums for investors, as they do not tend to have an active secondary market.

We access private placement corporate bond opportunities via the private placement desks of bond dealers that are our traditional counterparties in public corporate bond markets. The expected yield enhancement within this sector is 50–75 bps over comparable public market opportunities of similar credit quality. Like the public primary market, the private placement sector was also active in the fourth quarter, and we made a few new additions to the portfolio. We added a 7-year bond issue from Montreal Gateway Terminals (Fitch rating: BBB; PH&N internal rating: BBB+), an operator of two out of four international shipping terminals at the Port of Montreal – Eastern Canada’s largest port, and the second-largest port in the country. As one of only two terminal operators at the port, the issuer benefits from limited competition, driven by a lack of alternative shipping routes to Ontario/Quebec markets and long-standing partnerships with major marine shipping firms. The bond is secured by the issuer’s assets, and bolstered by a robust equity cushion and strong free cash flow generation, providing substantial protection for bondholders during economic downturns. The bond was attractively priced at GoC +65-75 bps relative to comparable publicly traded transportation infrastructure bonds of similar term.

Private placement corporate bonds underperformed comparable-term public securities within the Canadian investment grade corporate bond market over the quarter given the predominant exposure to steady, less cyclical, infrastructure-related debt that lagged over the period. That said, we expect that the extra yield spread from private placement corporate bonds will continue to provide a return tailwind to the portfolio over the long term and contribute to stability during downturns.

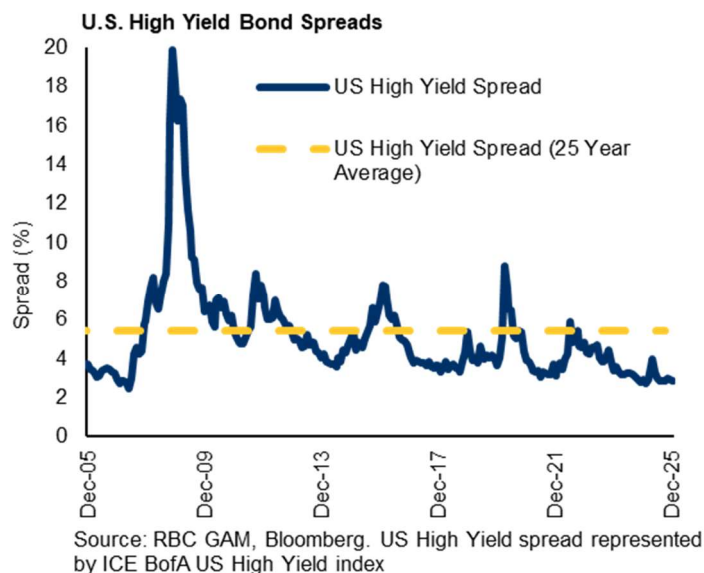
## High Yield Corporate Bonds

High yield bonds delivered positive performance in the fourth quarter, driven by strong yield accrual. October began with a risk-off shift as trade tensions between the U.S. and China dominated market attention, initially driving high yield spreads wider. However, as the month progressed investor sentiment shifted on optimism around a potential trade truce, along with the Fed delivering a policy rate cut. Volatility in the high yield bond market continued through most of November as investors grappled with the longest U.S. government shutdown in history and uncertainty around the scale of AI-driven mega spending. The remainder

of the year saw market stress ease with a dovish Fed cutting its policy rate again in December, providing support for high yield spreads. Spreads ended the quarter around the same level as where they began, remaining near historically tight levels. The persistent appetite for yield suggests that investors feel economic and corporate conditions will likely stay favourable in the near term.

Capital market activity for high yield bonds improved over the quarter after a slow start. Gross and net issuance finished the year well ahead of 2024 levels, with refinancing leading in terms of use of proceeds. Demand for the asset class continues to be supported by steady inflows, with November being the only exception in the past eight months. While default and distressed exchange activity ticked upward over the quarter, monthly volumes remained below 2023 and 2024 levels. Generally, defaults have remained low as company earnings remain healthy and supported by robust corporate fundamentals. Furthermore, favourable technical factors have helped foster a positive environment for high yield issuers by reducing the cost for companies to raise funds or refinance debt.

The portfolio's high yield exposure was maintained over the quarter and was a positive contributor to relative performance. This position will be adjusted as necessary depending on how market dynamics evolve. While valuation levels appear stretched, there remains attractive reward for risk in carefully selected high yield bonds.

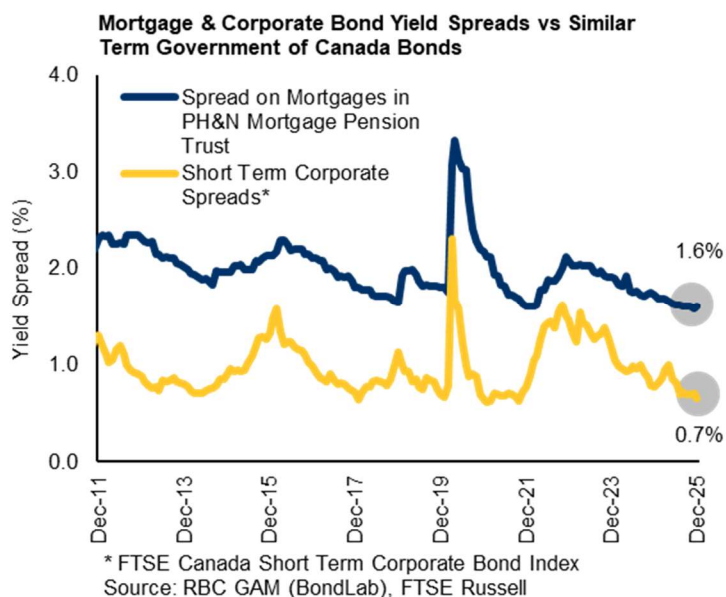


## Mortgages

As of quarter end, the mortgages held in the portfolio had a spread of 160 bps, remaining flat through the quarter. Commercial mortgage origination activity gained momentum as real estate market conditions gradually improved throughout the year. However, because of strong real estate credit and operating fundamentals, the ample availability of debt capital continued pushing lending spreads tighter through the year, relative to historical context.

Credit fundamentals in the industrial sector remain stable despite concerns surrounding the potential impact of tariffs. While rental rate growth has moderated following years of double-digit increases, underlying demand indicators remain positive, and the sector is working through excess supply of new warehouse space as developers have scaled back new construction starts significantly.<sup>1</sup> The office sector continues to show improving operating fundamentals as employers are increasingly implementing and enforcing return-to-office policies. Physical occupancy rates continue to increase, and we have seen a modest uptick in leasing activity.<sup>2</sup> The retail sector continues to favour grocery-anchored properties, as consumer spending on non-discretionary goods outpaces discretionary goods. This shift has supported stronger leasing activity for grocery-anchored retail properties, which has resulted in lower vacancy rates than other retail spaces. Additionally, limited new retail construction has helped grow rents and keep vacancies low.<sup>3</sup> The multi-family sector is experiencing normalization from historically tight levels, with vacancy rates rising modestly due to both pullbacks in population growth and elevated purpose-built rental construction. Despite increased supply, structural housing shortages persist, and homeownership remains out of reach for many, sustaining underlying demand for rental housing.<sup>4</sup>

As we look ahead to 2026, we remain confident in the strong credit fundamentals underpinning the portfolio and the conventional commercial mortgage market. The mortgages are secured by high-quality, income-producing properties across Canada, and both the level of cash flows and property values supporting the mortgages have significant insulation, as evidenced by the high debt service coverage ratio (DSC) of 1.7x and low loan-to-value ratio (LTV) of 50%. Overall, mortgages were a small contributor to relative performance over the fourth quarter.



<sup>1</sup> CoStar National Industrial Report, Q4 2025

<sup>2</sup> CoStar National Office Report, SRRA, Q4 2025

<sup>3</sup> CoStar National Retail Report, RBC Consumer Spending Tracker, Q4 2025

<sup>4</sup> CoStar National Multi-Residential Report, Q4 2025