2025 Q3 Investor Newsletter

Master of Management in Finance

DESAUTELS Capital Management
Gestion de capitaux

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Master of Management in Finance
Class of 2026

"An investment in knowledge pays the best interest."

- Benjamin Franklin

DESAUTELS Capital Management
Gestion de capitaux

STRATEGIST MESSAGE

Dear Investors,

This quarter has been one of learning, reflection, and renewed conviction. As strategists, our goal remains to bridge academic insight with real-world decision-making, translating research, valuation work, and collaboration into actionable portfolio strategy.

Our teams have strengthened sector coverage, enhanced coordination between the Alpha Squared and SRI funds, and deepened our commitment to disciplined, fundamentals-driven investing. Beyond results, what defines our progress is the professionalism, curiosity, and rigor shown by every analyst in our program.

We would like to thank you, our investors, for your continued trust and support. Without your confidence in our program, none of this would be possible. Finally, we are grateful for the guidance of Professors di Pietro and Kondo, whose mentorship shapes everything we do at Desautels Capital Management.

Yours truly,

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Zhaoxin (Jo) Li
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Karim Chaitani
SRI Fund Strategist

Thomas Di Stefano
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STRATEGIST REVIEW

2025 MARKET REVIEW & OUTLOOK

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STRATEGIST REVIEW

2025 Market Recap

Q1 2025: Rotation and Consolidation

Markets began 2025 with optimism around AI productivity and policy continuity, but the quarter quickly shifted **to tariff shocks and valuation resets**. President Trump's tariffs (up to 25% on imports from Mexico, Canada, and China) sent the U.S. Trade Policy Uncertainty Index to record highs, pushing investors toward defensive assets.

The **S&P 500 fell 4% and the NASDAQ over 10%,** its weakest quarter since 2022, as the **"Magnificent 7" corrected sharply** while energy gained 10%. Yet fundamentals held firm: the U.S. composite PMI reached 53.5 in March, job growth slowed modestly, and the F**ed held rates at 4.25%-4.50%**.

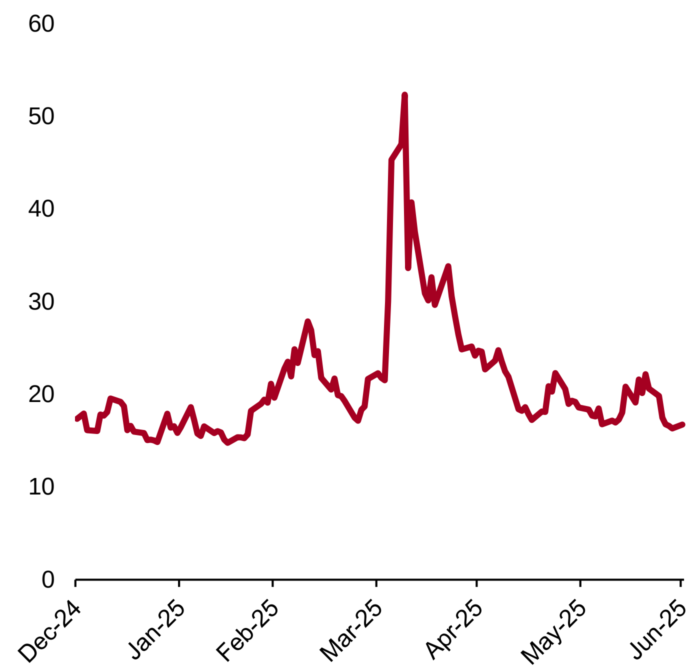
Canadian equities proved more resilient, with the S&P/TSX up 1.5% as materials (+20%) and utilities offset tech weakness. **Firms rushed exports ahead of tariffs, boosting Q1 GDP to 2.2% annualized**, while inflation rebounded. The BoC held rates but tempered its dovish stance.

Overall, North American markets underwent a **healthy valuation reset as investors repriced policy and growth risks** after an overheated 2024.

Figure1: UBS Magnificent 7 Index Performance for Q1 2025 (UBXXMAG7 Index)

Q2 2025: A Round-Trip Quarter

Figure 2: Cboe VIX Volatility Index for H1 2025



The second quarter of 2025 saw **extreme volatility followed by a powerful recovery**. Markets plunged after Liberation Day (April 2), when the U.S. announced tariffs up to 145% on Chinese goods, **triggering a 20% equity drawdown and spiking the VIX to 50**. Within weeks, the administration rolled back most measures, negotiating a 30% tariff ceiling and calming markets.

By quarter-end, the **S&P 500 had rallied 10.9%**, its best quarter since 2023, while the Magnificent 7 surged 19%, supported by strong earnings and resilient growth. **Real GDP expanded 3.8% annualized** as inflation eased to 2.4%, and credit spreads tightened.

In contrast, **Canada's GDP contracted 1.6% as exports plunged 9% under new U.S. tariffs**. The Loonie weakened and markets priced in rate cuts as the Bank of Canada maintained caution.

Overall, North America delivered a **classic round-trip quarter, from tariff panic to policy relief**, revealing U.S. resilience amid Canada's external drag.

STRATEGIST REVIEW

2025 Market Recap

Q3 2025: Resilience Amid Policy Shifts

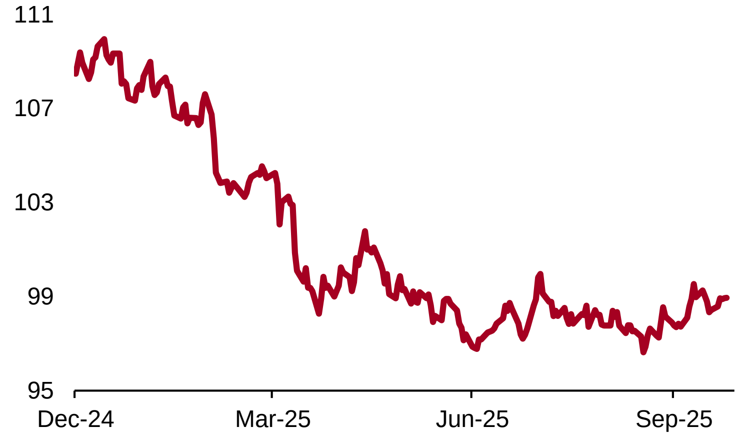
The third quarter saw the **U.S. economy defy expectations with GDP growth near 4%**, despite tariff frictions and cooling labor markets. Strong consumer spending and a narrower trade deficit sustained momentum. The **Fed cut rates 25 bps in September**, its first move since 2023, as inflation peaked at 2.9% in July before easing.

Equities extended their rebound as the **S&P 500 rose 8.1%, its best Q3 since 2020**, led by tech. Yet labor weakened: unemployment hit 4.3%, payrolls fell for a fifth month, and services neared contraction. Policy noise persisted as **tariffs were partially reversed, fueling currency volatility**.

Canada **avoided recession but remained fragile**. Exports improved under CUSMA exemptions while investment lagged. The **Loonie weakened as the U.S. dollar rebounded**, pressuring commodities but aiding competitiveness.

Overall, Q3 marked a **two-speed North America: resilient U.S. expansion versus cautious Canadian recovery** exposed to external risks.

Figure 4: U.S. Dollar Index (DXY) YTD performance



**DXY indicates general int'l value of the USD by averaging the exchange rates between the USD and major world currencies*

	US	Canada
1Y Recession Probability Forecast (Mean)	31%	36%
Treasury Term Premium (2Y-10Y)	0.53%	0.70%
Corporate Spread (Baa vs. 10Y Treasury)	1.67%	1.40%

Figure 3: Canada Real GDP Growth, QoQ % Seasonally Adjusted Annual Rate and Unemployment Rate (% SA)

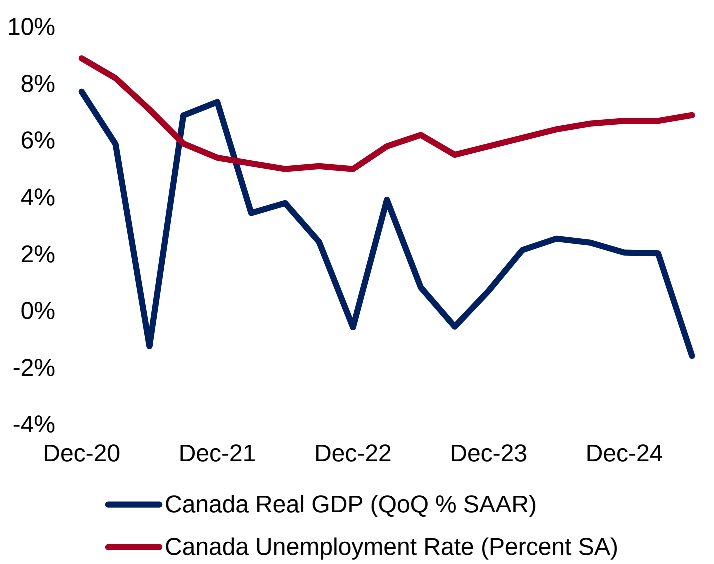
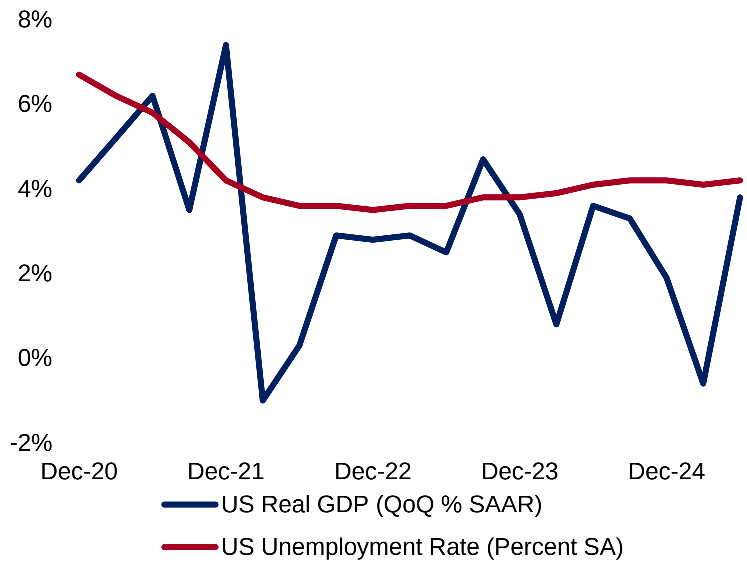


Figure 5: US Real GDP Growth, QoQ % Seasonally Adjusted Annual Rate and Unemployment Rate (% SA)



STRATEGIST REVIEW

2025 Market Recap

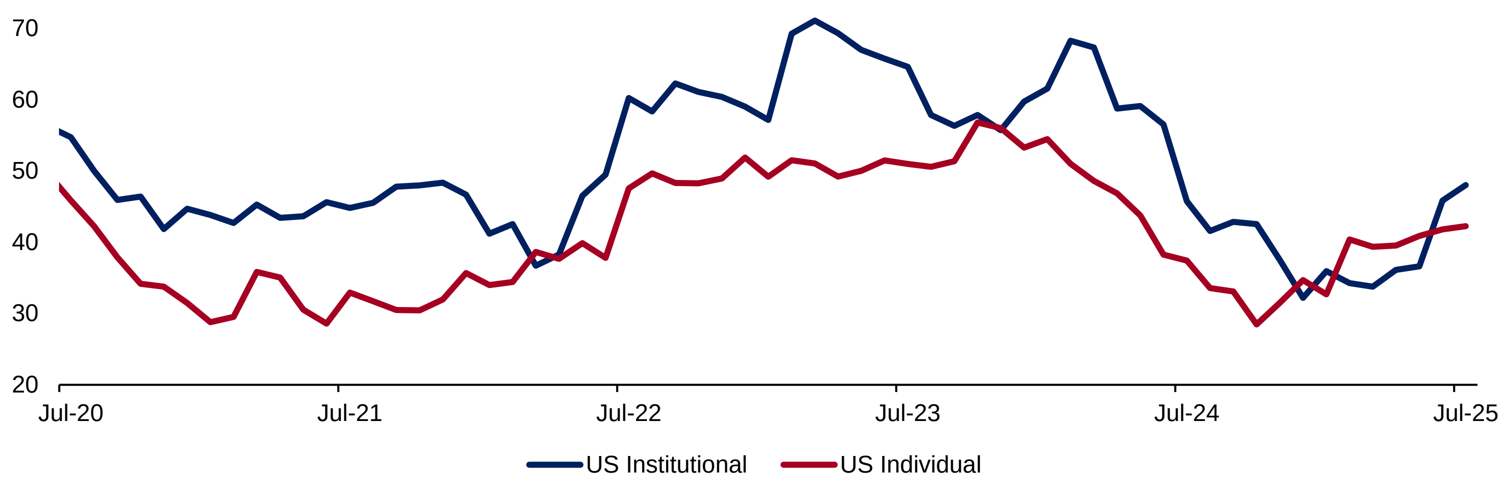
Our Outlook for the Rest of the Year

Following a volatile first half, the North American outlook for the remainder of 2025 appears defined by **divergent monetary paths but a shared soft-landing narrative**. In **Canada, moderating inflation and sluggish growth** give the Bank of Canada room to **ease further**, while in the **United States**, the Federal Reserve's **gradual cuts are cushioning a slowing but still resilient economy**. The sharp **correction in Q1 helped deflate speculative excess in AI-linked equities** without derailing the broader cycle, leaving valuations elevated but more balanced across sectors.

With growth softening, trade uncertainty lingering, and both economies adjusting to policy transitions, we are **cautious about making directional macro calls**. Instead, consistent with our investment philosophy at DCM, we aim to generate alpha through **bottom-up selection while maintaining a neutral macro stance: a portfolio with beta close to one**, **limited style tilts, and a preference for quality companies with durable earnings power in both Canada and the U.S.**

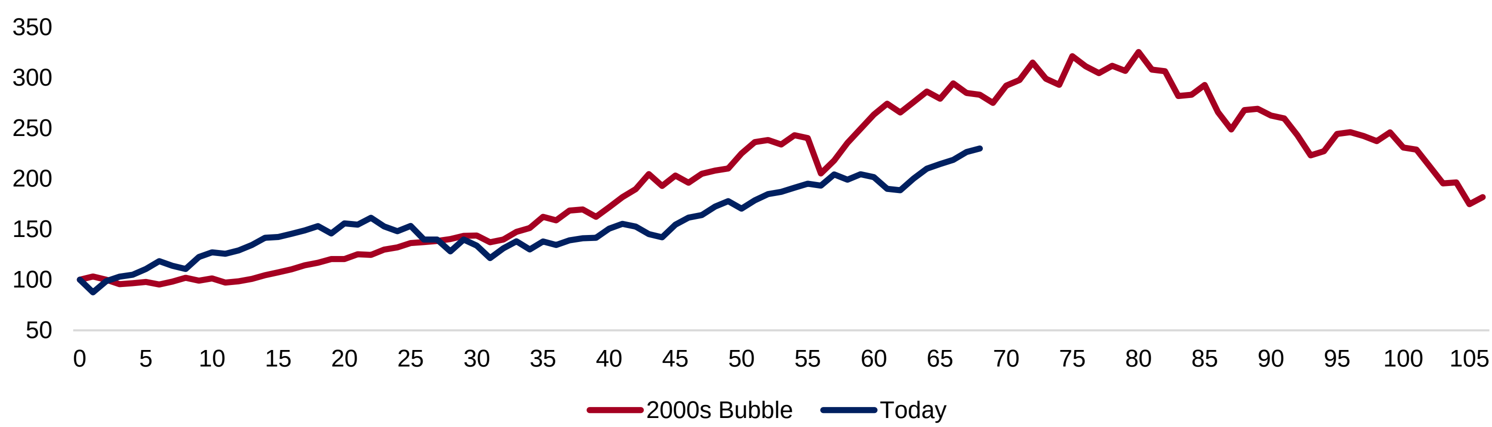
In our view, the coming months favor discipline over prediction: participating in markets through stock-specific conviction rather than broad thematic or macro bets.

*Figure 6: U.S. Valuation Confidence Index**



** Percentage of the population who think that the market is not too high vs. sensible investment values*

Figure 7: S&P 500 Bull-market Performance, Dot-com Bubble vs. Today



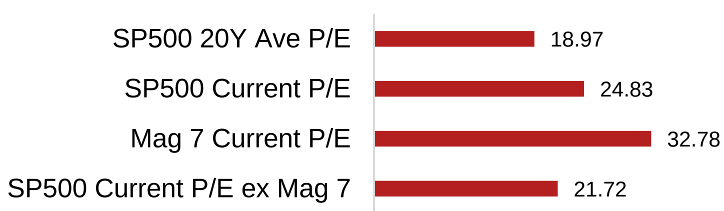
STRATEGIST REVIEW

2025 Market Recap

Valuation Framework

The historical average P/E ratio of the overall market is approximately 19, whereas the current market P/E stands near 25, suggesting a relatively expensive valuation. While a significant portion of this elevated ratio is driven by the performance of the "Magnificent Seven" large-cap technology stocks, even when these are excluded, the S&P 493 still trades at a P/E ratio of 22, above its long-term average. This elevated multiple reflects investor optimism regarding future earnings growth. Current forecasts for S&P 500 earnings growth project approximately 12% in 2026, far exceeding the historical average of around 2%. Such expectations contribute to the market's premium valuation.

Figure 8: Valuation ratios



The CAPE ratio, or cyclically adjusted P/E, compares the price of the index to the inflation-adjusted average earnings of the past ten years. This measure helps smooth out cyclical earnings volatility and offers a longer-term perspective. Currently, the CAPE ratio paints a similar picture to the conventional P/E ratio, indicating that the market remains expensive by historical standards

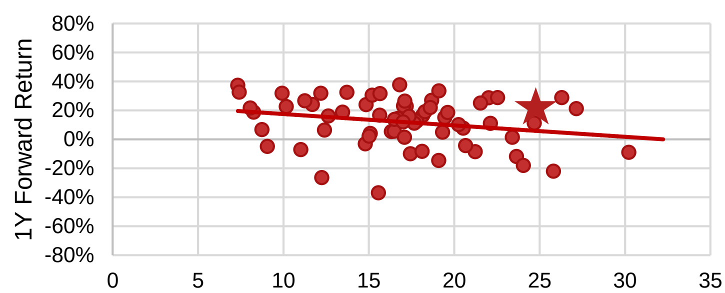
Figure 9: S&P 500 CAPE Ratio = Price/Average earnings over past 10Y

The Fed Model evaluates equity market valuation by comparing the earnings yield of the S&P 500 with the 10-year U.S. Treasury yield. Historically, this spread averages around +2%, meaning equities typically offer a yield premium over bonds. At present, the spread is approximately –0.5%, implying that equities are less attractive relative to fixed income and reinforcing the interpretation of an overvalued market

Historical Regression Analysis

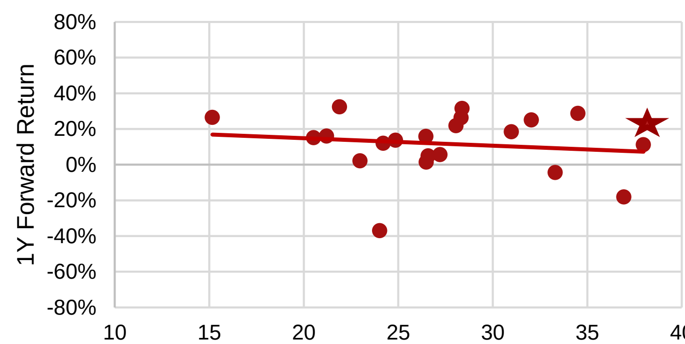
To determine whether high valuation ratios predict lower future returns, we conducted historical regression analyses. Results indicate that higher P/E ratios are indeed associated with lower one-year forward returns. However, the R-squared values of these regressions are very low, suggesting that while valuation metrics have some predictive power, they explain only a limited portion of future performance. Therefore, we do not rely exclusively on these valuation metrics when forming our outlook. Instead, we integrate our own strategic views regarding growth opportunities and risk factors to assess whether these drivers are properly reflected in current valuations.

Figure 10: 1Y Forward Annual Return vs. P/E Ratio



Beta	R-Squared
-0.0079	**6%**

Figure 11: 1Y Forward Annual Return vs CAPE Ratio



Beta	R-Squared
-0.0042	**2%**

Although current valuation metrics signal that the market is expensive relative to history, this does not necessarily imply impending underperformance. A comprehensive assessment requires moving beyond valuation measures alone. Market dynamics are influenced by a broader set of factors, including macroeconomic trends, policy developments, and technological innovation.

STRATEGIST REVIEW

Thematic Special Topic – Macroeconomic Conditions

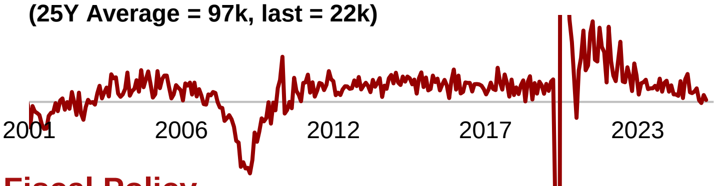
Fed Policy

The Fed cut rates by 25bps at its last FOMC meeting on Sept 17th, 2025. The cut was justified by two consecutive soft job market prints from the headline Non-Farm Payroll number. Jerome Powell also signaled a shift in the focus of the dual market towards the unemployment mandate to the detriment of the inflation target.

Tariffs also present a challenge for the Fed that will have to identify inflation caused by tariffs that are expected to be one-time shocks from firms running out of their front-buying of inventory. The inflation prints being presented in an aggregated fashion will make this excessively complicated, especially since not all industries are affected the same, and will not all increase their prices simultaneously.

This said, the Fed is now in a precarious situation given that inflation is still above the 2% target, but the labor market is showing cracks. Last FOMC meeting (Oct 29th 2025) , the Fed signaled that it would drive carefully given the data blackout. It also announced the end of QT, which will lead to more lending capacity for banks to finance expensive AI projects and the needs of the current economy.

Figure 12: **Non-Farm MoM Change (25Y Average = 97k, last = 22k)**



Fiscal Policy

The main fiscal policy point in 2025 is the Big Beautiful Bill that took effect on July 4th. Some notable changes are:

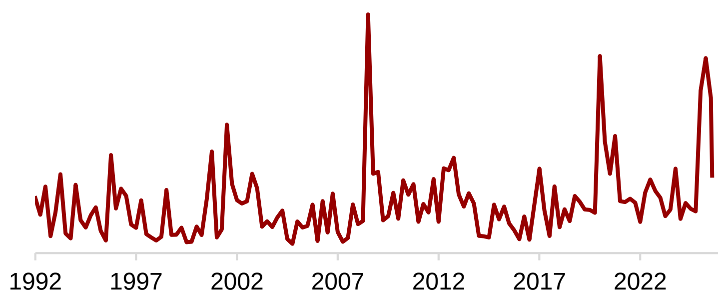
- An extension of the 2017 tax cuts, leading to a lower corporate tax rate. The impact will be generally positive for all sectors, but more so for capital-intensive sectors (AI CAPEX, Industrials, and Materials). Health Care and Financials have less potential upside from these changes.
- Medicaid cuts are leading to less healthcare spending for lower-income individuals. Negative for the sector and especially safety-net hospitals serving low-income consumers.
- Lower-than-expected cuts to clean energy which was a positive shock for the sector.

The CBO estimates that the bill will add $3 trillion of net increases to the US deficit over the next 10 years. The bill did not generate a significant market reaction.

Economic Uncertainty

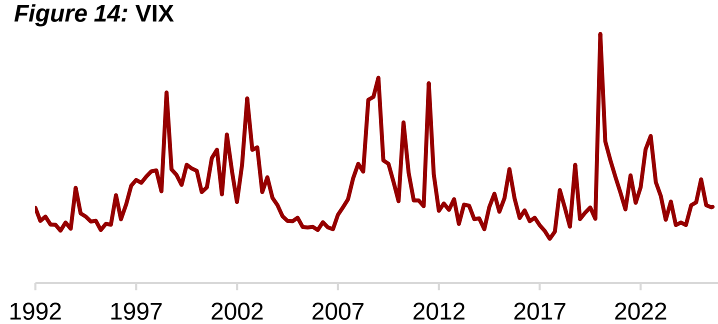
Macro uncertainty is high, and there is a lot of exogenous risk to economic conditions from the unpredictable nature of the Trump administration. This is demonstrated by the US Economic Uncertainty Index that measures uncertainty based on newspaper coverage, tax code expirations, and forecaster disagreement. The index indicates uncertainty levels comparable to the 2008 financial crisis and the Covid pandemic.

Figure 13: **US Economic Uncertainty Index**



Another consideration to take is whether this uncertainty has driven market volatility. However, looking at the VIX, we can deduce that the market has generally overlooked the economic turmoil of 2025 in comparison to past uncertainty periods.

Figure 14: **VIX**



Takeaway

Given the challenges the Fed faces with its dual mandate and the government shutdown, the Trump fiscal policy, and the high but ignored economic uncertainty, we do not want to take a macro bet if our active management strategy. We will instead rely on our bottom-up fundamental analysis and align our sector allocations with our sector team recommendations to generate alpha

STRATEGIST REVIEW

Thematic Special Topic – Tariffs

Our Approach to Tariff Uncertainty

Tariffs are uncertain and effectively impossible to predict. That is why we are not making a macro call; we treat tariffs as a bottom-up, company-specific exposure.

Recent swings show the uncertainty: markets sold off on headlines of 100% tariffs on China, then partly recovered as Trump took a lighter stance. We now await outcomes from his Asia trip, where Trump has announced a finalized deal awaiting approval, which could affect the TikTok deal, U.S. soybean purchases, and rare-earth-linked auto/aerospace supply chains. Uncertainty also surfaced with Canada: after the Ontario ad, talks were suspended and Trump said tariffs on Canadian goods would rise by 10% at the time of writing.

Legal risk adds another layer. On Nov 5, the Supreme Court will hear challenges to presidential tariff powers under IEEPA and the Trade Act of 1974. A strike down could trigger one-time refunds to importers, though tariffs may be reimposed under other authorities.

Our view: Tariffs are likely to stay elevated; if they do, they could pressure margins and capex, disrupt supply chains, and add to inflation. We'll continue to assess tariff sensitivity company by company rather than anchor on a macro bet.

Figure 15: Impact of surprise China Tariffs on S&P 500

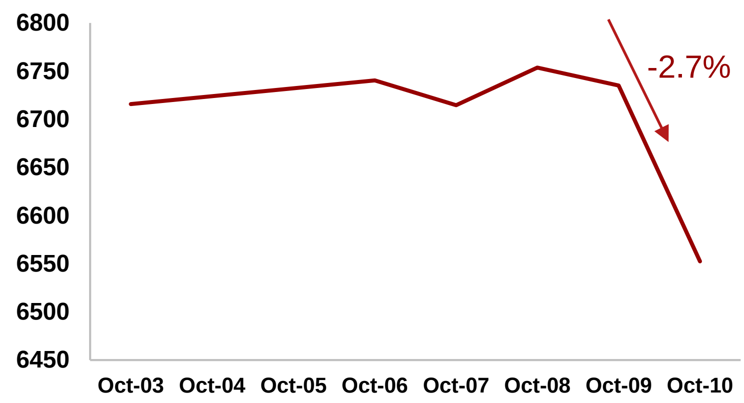
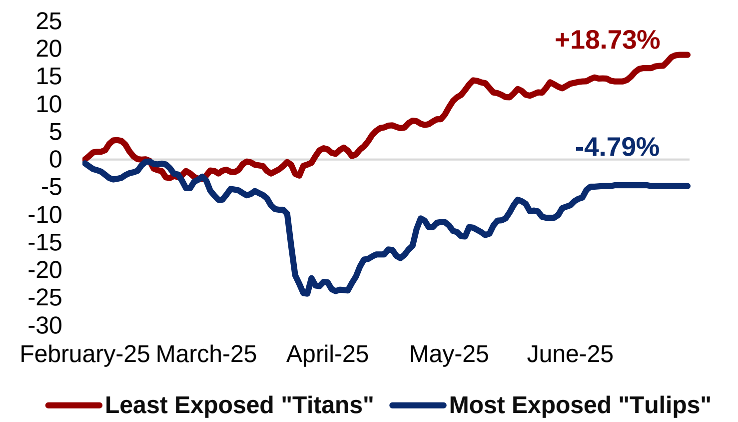


Figure 16: "Titans" vs "Tulips" Performance for H1 2025

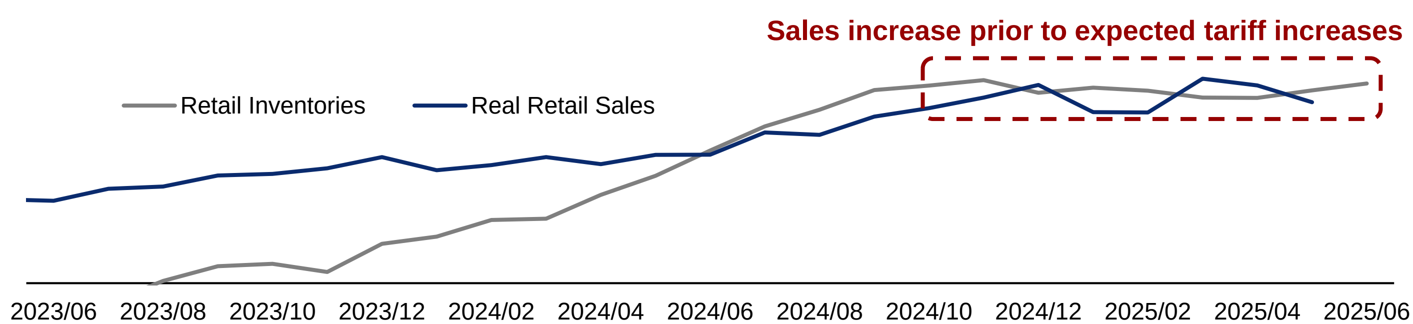


Tariff Impact on US Equities

Tariff impact on companies tends to fall into two types: "Titans," which are more insulated because operations and inputs are largely domestic; and "Tulips," more exposed because they depend on imported inputs and global supply chains. YTD, Titans outperformed, returning +18.73% in H1 2025 vs. –4.79% for Tulips. This spread is a useful indicator of tariff sensitivity and will help guide how we allocate exposure between Tulips and Titans.

Our thesis is that the full inflation effect hasn't surfaced yet because many firms pre-bought inventory ahead of anticipated tariff increases. As those inventories deplete, we expect more exposed 'Tulip' businesses to raise prices, which will eventually show up in higher inflation.

Figure 17: Retail Supply and Demand showing why Impact on inflation has been minimal due to Front-Buying



Strategist Review

Thematic Special Topic – AI

A Theme Reaching a Turning Point

Artificial intelligence has become the defining investment theme of this cycle. Every major technology company has repositioned around its promise, driving record levels of capital spending from semiconductors to hyperscale data centers. Yet the gap between enthusiasm and realization is widening. Enterprise adoption remains concentrated in pilot programs, and few applications have translated into sustained profitability.

Most corporate AI projects have not scaled or generated measurable returns. Software and services continue to trade at premium valuations, while infrastructure players capture more tangible economic gains. The current phase mirrors earlier technology buildouts, where investors first favored those providing the foundations before shifting to end-use applications. Today, the strongest fundamentals lie in the **physical layers** of the AI economy: advanced chips, cloud infrastructure, and the systems that enable large-scale computation.

Infrastructure: The Quiet Core of the AI Economy

Expansion of Compute Infrastructure:

- Data centers are expanding rapidly as computational intensity and model sizes soar.
- Hyperscalers (AWS, Azure, Google Cloud) continue to invest heavily in AI-enabling capacity.
- The bottleneck is no longer chip speed, but power and heat management.

Rise of Liquid Cooling:

- Air-cooled systems are reaching efficiency limits; liquid cooling reduces energy losses and sustains chip performance at higher densities.
- The global cooling market (~$8B in 2024) is expected to grow to $30B+ within three years as penetration rises from 15% to ~30%.
- Key players: Vertiv, Schneider Electric, Stulz, and Airedale — evolving from component suppliers to strategic enablers of AI infrastructure.

As AI workloads grow denser and more power-intensive, traditional air-cooled systems are hitting their thermal limits. Liquid cooling has emerged as a superior alternative, reducing energy losses while sustaining chip performance at higher densities. The global data-center cooling market, valued at roughly $8 billion in 2024, is projected to exceed $30 billion within three years as adoption rises from 15 to 30 percent. Companies such as Vertiv, Schneider Electric, Stulz, and Airedale are evolving from industrial component suppliers into strategic enablers of the AI infrastructure layer.

Interdependence, concentration, and path to maturity

The AI value chain has become deeply interconnected. Partnerships among firms such as OpenAI, Oracle, Nvidia, CoreWeave, and AMD have created a feedback loop where customers, suppliers, and financiers increasingly overlap. Vendor financing and long-term procurement agreements sustain demand but can also amplify downside risk if utilization rates fall.

Market power remains concentrated among a few hyperscalers and semiconductor leaders. This consolidation enhances efficiency yet heightens systemic exposure to supply constraints, regulatory shifts, and energy costs.

Despite these vulnerabilities, infrastructure remains the most durable growth driver. Enabling technologies such as liquid cooling have moved from operational afterthoughts to strategic levers for cost control and environmental performance. The next phase of AI will depend less on grand narratives and more on disciplined execution—those strengthening the foundation will ultimately capture enduring value

Outlook

As the AI ecosystem matures, the focus is shifting from experimentation to execution. The companies that master operational efficiency and energy discipline will define the industry's long-term trajectory. Building the digital world's foundation has become one of the most strategic opportunities of this decade.

SOCIALLY RESPONSIBLE INVESTING FUND

2025 Q3 Review

Xavier Fu
SRI Strategist

Karim Chaitani
SRI Strategist

SRI FUND

2025 Q3 Review & Outlook

Fund Performance and Outlook

Dear Investors,

We are happy to report that the SRI Fund returned 21.5% year-to-date, gross of fees, vs. 13.6% for our blended benchmark (20% S&P/TSX Fossil Fuel Free and 80% S&P 500 Fossil Fuel Free). Although H1 saw high volatility tied to tariff headlines, equity markets hit record highs in Q3 on the back of improving growth expectations, supportive monetary policy and AI optimism. Green stocks did surprisingly well as renewable tax-credit cuts in the “Big Beautiful Bill” proved softer than expected.

Our outperformance can be explained through the Brinson Model. Stock selection was the primary driver (+8.0%), with Western Digital, Nextracker, and AMD among the notable contributors. Interaction effects added a further +2.8%, reflecting the benefit of having stocks perform well in our overweight sectors, which are Communications Services, Energy, and Consumer Discretionary. These gains more than offset a –3.0% allocation effect, driven primarily by our ~6% underweight to Information Technology during a period when benchmark returns were concentrated in a small group of Tech leaders.

Following a comprehensive review of all our positions this summer, we decided to exit some positions. We sold Royal Bank of Canada as upside was realized and the stock now trades at a premium despite softer CET1/ROE and macro headwinds with only moderate U.S. upside potential; we sold PepsiCo given ongoing margin pressure in core snacks, softening volumes, rising GLP-1 headwinds, tariff-driven input costs, and execution risk around the $800M savings plan; and we sold Enphase Energy after a ~75% drawdown and repeated earnings misses.

In Q3, the SRI Fund generated a return of +14.1% compared to +10.8% for our blended benchmark, as stock selection drove results: semiconductors (AMD, Western Digital), clean-energy infrastructure (Nextracker), and select consumer names (Tapestry, Callaway) advanced as growth expectations improved.

Figure 1: Performance Breakdown (Brinson Model)

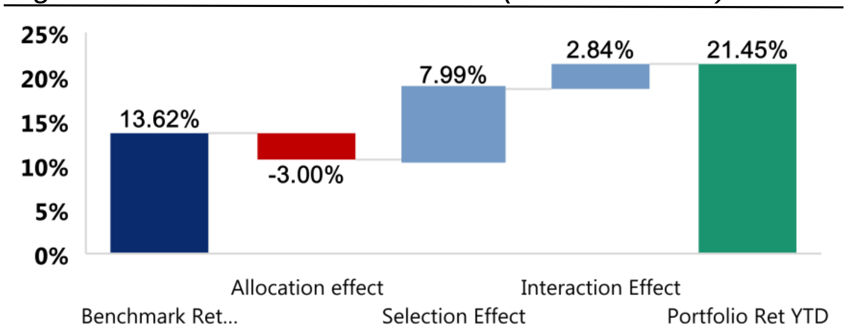
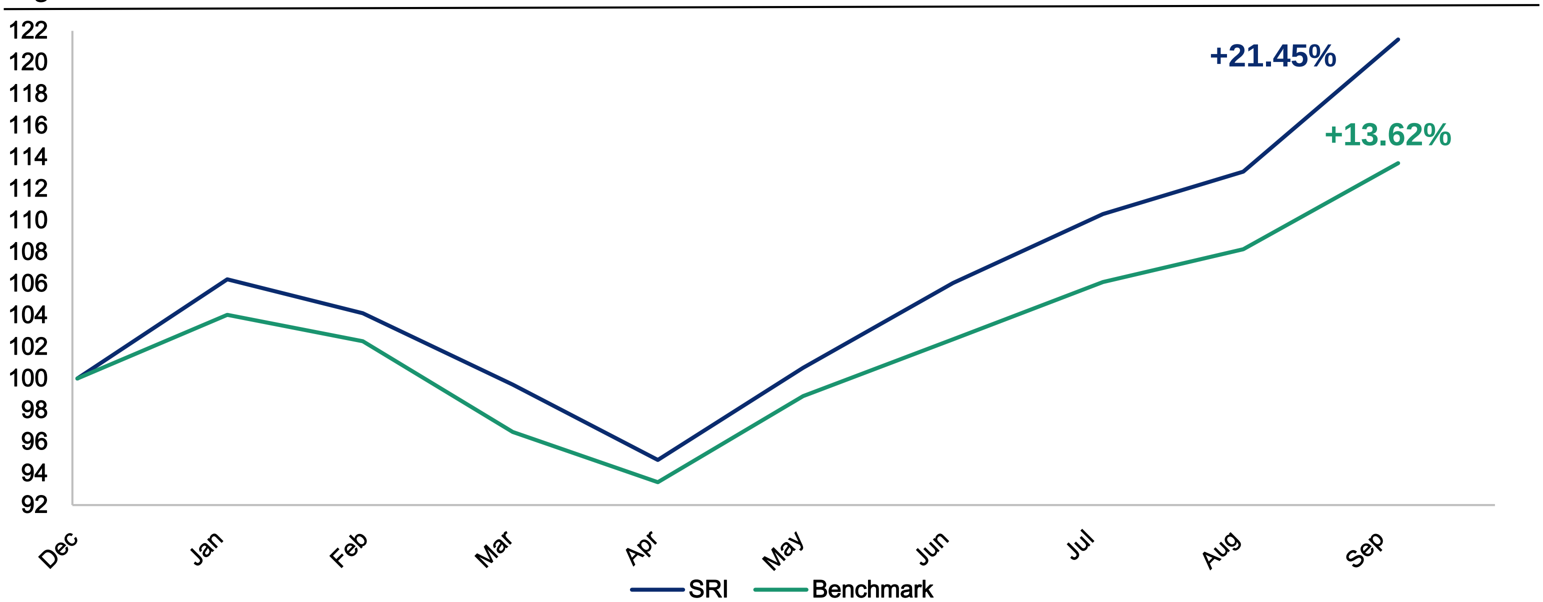


Figure 2: SRI Fund Performance YTD



SRI FUND

2025 Q3 Review & Outlook

Best and Worst Performers

This year, our bottom-up stock selection process yielded a handful of great wins and some losses. Table 1 highlights our best and worst holding period returns (HPR) for 2025.

Table 1: Best and Worst Performing Holdings of 2025 (Q3)

Sector	Company	2025 Q3 HPR
Information Technology	Western Digital	162%
Industrials	nextracker	150%
Information Technology	AMD	83%
Information Technology	epam	(58%)

Western Digital (WDC) – Surged 162% as AI-driven storage demand and enterprise SSD adoption accelerated. Our thesis on margin recovery and supply discipline played out ahead of expectations. We continue to see upside as data growth and on-device AI fuel long-term storage needs

Nextracker (NXT) – Gained 150% as policy support and global solar installations drove record demand. Our thesis on grid-scale tracker adoption was validated by expanding backlogs and margin resilience. We maintain a constructive view as decarbonization and infrastructure spending remain strong tailwinds.

AMD (AMD) – Advanced 83% with accelerating AI compute adoption and strong MI300 traction. Our thesis on data-center expansion materialized, and we see further potential as AMD deepens partnerships with hyperscalers and scales its accelerator roadmap.

EPAM Systems (EPAM) – Fell 58% amid delayed enterprise projects and weak European demand. We maintain the position for its engineering depth and exposure to digital transformation. Analyst consultations point to potential catalysts in rebounding tech budgets and renewed client investment into 2026.

Overall, Q3 performance underscored the divide between AI hardware leaders and cyclical IT laggards, reinforcing our preference for secular growth and durable balance sheets

Fund Thematic Exposure: AI and Tariff Sensitivities

AI Trade Exposure

Our portfolio remains positioned for **long-term AI adoption** with valuation discipline. Using three years of simulated daily returns against the **iShares Future AI & Tech ETF (ARTY)**, we estimate an **AI beta of 0.45**, above the **benchmark's 0.33**, reflecting stronger sensitivity to AI-driven trends..

- Most AI providers continue to trade at elevated multiples.
- The economic benefits of large-scale AI adoption are still unfolding and may take longer to fully materialize.
- Current enthusiasm favors enablers and infrastructure rather than direct application developers.

We integrate AI exposure through bottom-up stock selection, maintaining measured positioning as productivity gains materialize

Tariff Exposure

Tariff exposure reflects evolving trade policy and supply-chain realignment. Our **SRI exposure of 44.8%**, versus the **47.0% benchmark**, indicates **balanced positioning** across sectors.

Tariffs are likely to remain elevated. Consumer and tech sectors face the greatest risk due to reliance on imported inputs, while industrials and materials may benefit from onshoring trends. Utilities and healthcare remain largely insulated.

We account for tariff effects through a bottom-up approach, emphasizing firms with pricing power, diversified supply chains, and resilience to policy uncertainty.

SRI FUND

2025 Q3 Review & Outlook

Other Charts

Figure 3: SRI Performance Metrics

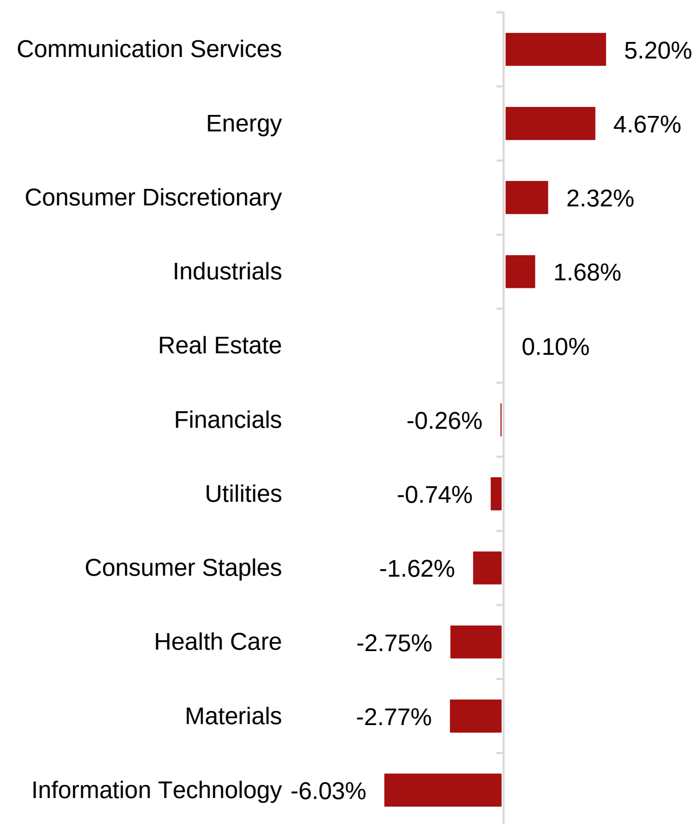
Performance Metrics in 2025		**As of Sep.30, 2025**
Performance Metrics	Since Inception	YTD
Return	+8.66%	+21.45%
Over/Underperformance	-5.02%	+7.83%
Standard Deviation	16.87%	4.77%
Sharpe Ratio	0.36	0.42
Beta (to Benchmark)	1.01	1.13
Alpha	-4.08%	7.37%
Tracking Error	2.59%	1.26%

**Note: Performance metrics are calculated gross of fees. Since inception figures are annualized.*

Figure 4: Current Sector Allocation

Sector	DCM	Benchmark
Communication Services	14.02%	8.82%
Consumer Discretionary	11.58%	9.26%
Consumer Staples	3.21%	4.83%
Energy	4.67%	0.00%
Financials	18.11%	18.36%
Health Care	4.84%	7.59%
Industrials	11.10%	9.43%
Information Technology	25.65%	31.68%
Materials	2.42%	5.20%
Real Estate	2.08%	1.98%
Utilities	2.12%	2.86%
Cash	0.21%	-
Total	**100.0%**	**100.0%**

Figure 5: Sector Exposure vs Benchmark



SRI FUND

2025 Q3 Review & Outlook

Other Charts

Figure 6: Current Currency Exposure

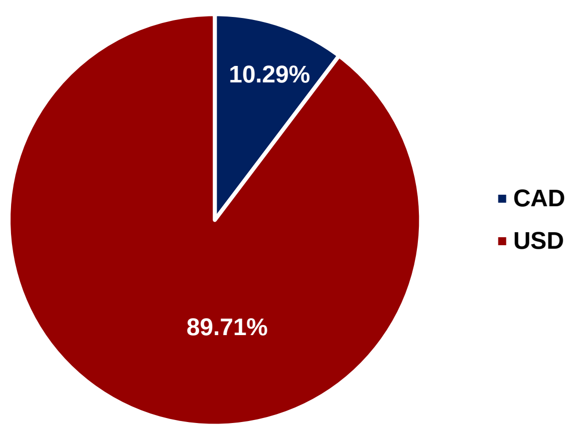


Figure 7: Market Cap Exposure

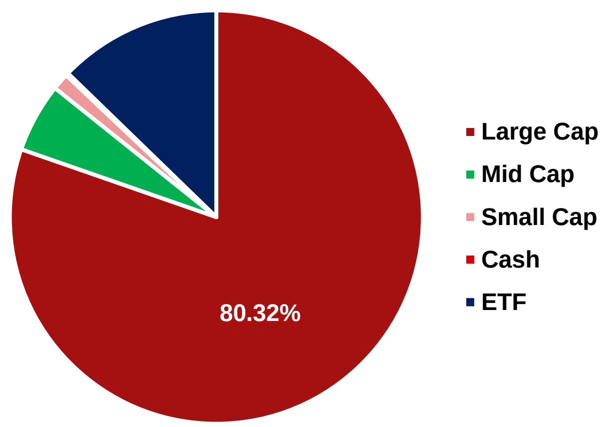
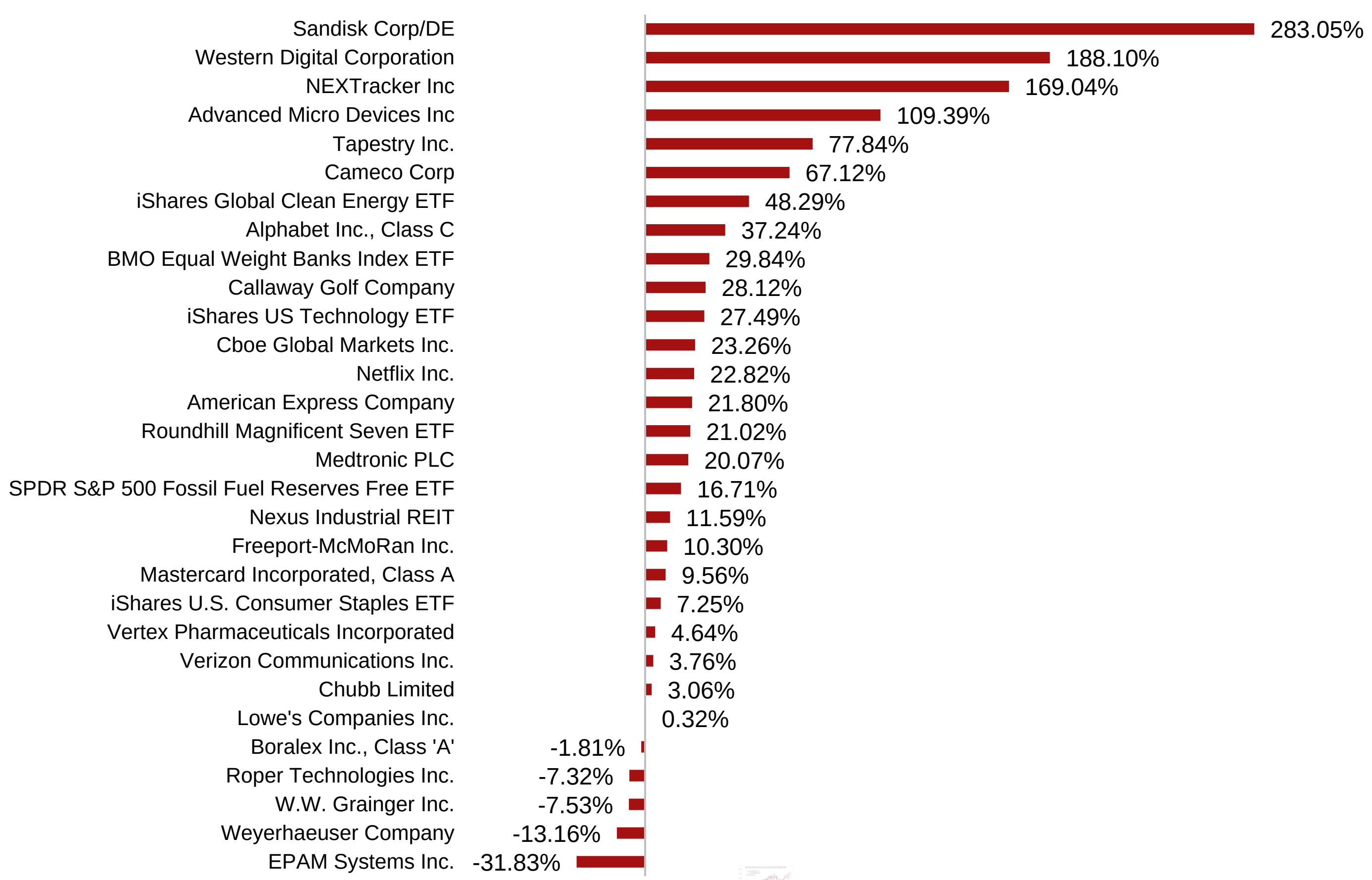


Figure 8: Holding Period Returns in 2025



ALPHA SQUARED FUND

2025 Q3 REVIEW

Thomas Di Stefano
Alpha Squared Strategist

Zhaoxin (Jo) Li
Alpha Squared Strategist

Alpha Squared Fund

2025 Q3 Review & Outlook

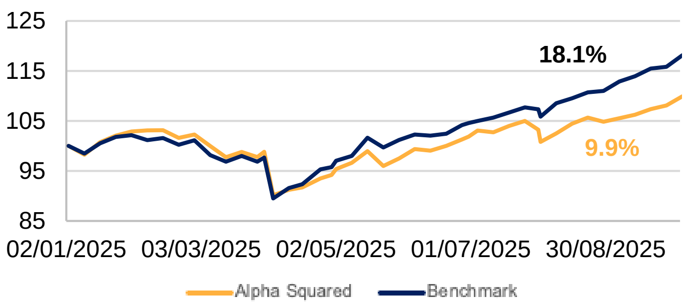
Fund Performance and Outlook

Dear Investors,

The Alpha Squared Fund generated a gross return of 6.9% in Q3, compared to 12.9% for our blended benchmark (60% S&P/TSX Composite and 40% S&P 500, measured in CAD). YTD our fund is up 9.9%, vs. 18.1% for the benchmark.

From a sector perspective, our overweight exposure to Health Care detracted from performance as the sector underperformed. Meanwhile, our underweight in Materials and Information Technology limited participation in two of the best-performing areas of the year.

Figure 1: YTD Performance (as of Sep 30, 2025)

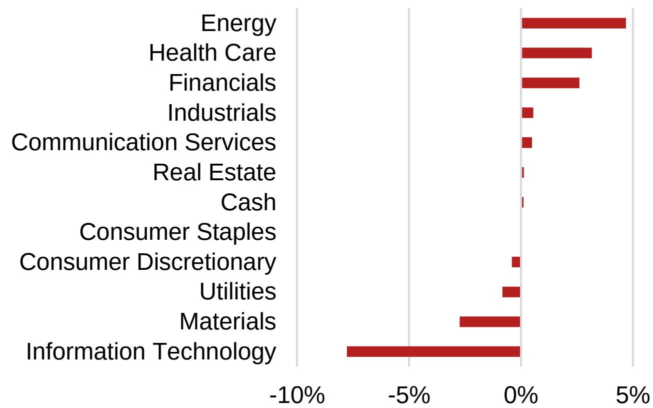


The table below summarizes the fund's key performance metrics since inception and for the year-to-date period through Q3 2025.

Figure 2: Since Inception and YTD Performance Metrics

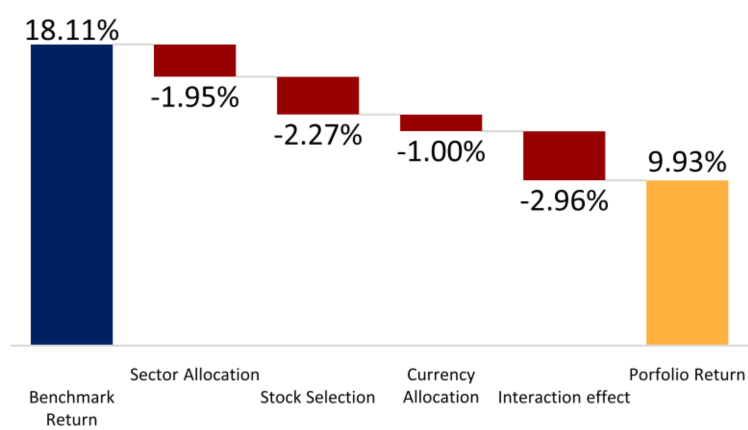
Performance Metrics	Since Inception	Year to Q3
Gross Return	8.20%	9.93%
Over/Underperformance	-4.44%	-8.18%
Standard Deviation	14.9%	14.2%
Sharpe Ratio	0.42	0.76
Beta (to Benchmark)	0.99	0.96
Alpha	-3.43%	-7.99%
Tracking Error	6.23%	4.77%

Figure 3: Relative Sector Weights



The figure below shows a detailed breakdown of our relative performance YTD based on an expanded Brinson-Fachler attribution model. Underperformance was mainly due to a combination of unfavorable sector allocation (-1.95%) and stock selection (-2.27%), as well as from the interaction effect (-2.96%) (selecting good stocks in underweight sectors and vice-versa).

Figure 4: Detailed Performance Attribution YTD



Alpha Squared Fund

2025 Q3 Review & Outlook

Best and Worst Performers

Robinhood:

Strong Q2 EPS beat from 10% YoY user growth and new product adoption led to a 35% rally. HOOD also had explosive revenue and profit growth and was included in the S&P 500. We are seeing our thesis of a crypto trading and full financial services company playing out.

Cameco:

Strong Q1 and Q2 earnings results beat EPS (103% surprise for Q2) and revenue (50% surprise in Q2) estimates. These results were driven by the resurgence in nuclear power interest and the associated increase in uranium demand. The investment theses are being realized as the AI and data center boom drives energy needs and has strong tailwinds in the nuclear sector.

Major Drilling International:

MDI benefited from the rally in commodities, notably gold and copper. Despite missing Q4 EPS forecasts, the commodity rally dominated for MDI up to Q3. This aligns with our thesis that commodity prices will drive demand for MDI's services.

Epam Systems:

EPAM systems, which has many operations in Eastern Europe and Ukraine, has suffered from low demand for its IT and AI products in the first half of the year. This, combined with compressed margins from high talent retention costs, given its risky location, led to EPAM revising its guidance in Q4 2024 lower and catalyzed the selloff. We maintain our position in EPAM due to our continued confidence in the demand for their AI expertise and a credible return to peace in Ukraine within the next year, which would benefit EPAM. Our thesis that the market underestimates EPAM's talent retention could very well be realized if the conflict subsides.

Spin Master:

TOY, the Canadian toy manufacturer behind brands like PAW Patrol and Toca Day, was hit hard by tariffs and impairments on its IPs. This led to underwhelming earnings and a year of poor performance. However, the current valuation of TOY in comparison to its peers, Mattel and Hasbro, makes it an attractive investment to hold. Both our theses on the growth of digital games and the entertainment segment have been undermined by tariff policy.

Fiserv:

FI's Q4 2024 earnings call revealed lower revenue in its merchant payment solution (Clover) and revised downward expectations, which are the primary reasons for the underperformance. Q3 2025 earnings were also a major miss due to a decline in revenue and revised guidance, leading to an additional 31% selloff (not shown below). Our thesis that Clover will be a driver of growth for Fiserv has been the opposite for this year. We are currently reconsidering our hold position and exploring the option of divestment.

Figure 5: Best and Worst Performing Holdings

Sector	Company	2025 Year to Q3 HPR
Financials	robinhood	119%
Industrials	Cameco	67%
Industrials	Major Drilling	59%
Information Technology	epam	(32%)
Consumer Discretionary	Spin Master	(38%)
Financials	fiserv.	(39%)

Fund Thematic Exposure: AI and Tariff Sensitivities

AI Trade Exposure

We used the same regression methodology as the SRI fund to identify our AI exposure. With an **AI beta of 0.44**, against the **benchmark's 0.30**, we are comfortable with this exposure, given our view on AI that will be expanded upon in the next section of the letter. This overweight on the AI Beta comes from our higher weight on the US market relative to our benchmark. The TSX market has a lower AI beta than the S&P 500.

Tariff Exposure

Tariff exposure remains shaped by shifting trade policy and supply-chain realignment. Our **Alpha Squared exposure stands at 41%**, slightly above the **43% benchmark**, suggesting balanced positioning across sensitive sectors. Given the unpredictability of tariffs and the exogenous Trump factor, we are comfortable in maintaining an exposure in line with our benchmark.

ALPHA SQUARED FUND

2025 Q3 Review & Outlook

Other Charts

Figure 6: Portfolio Currency Allocation

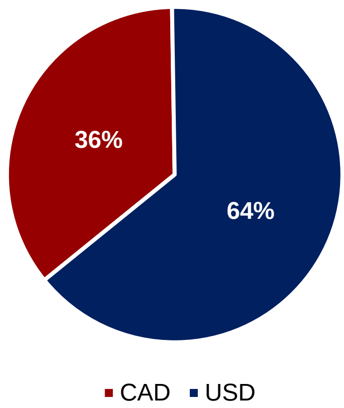


Figure 7: Benchmark Currency Allocation

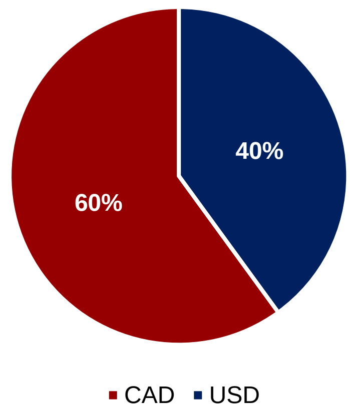
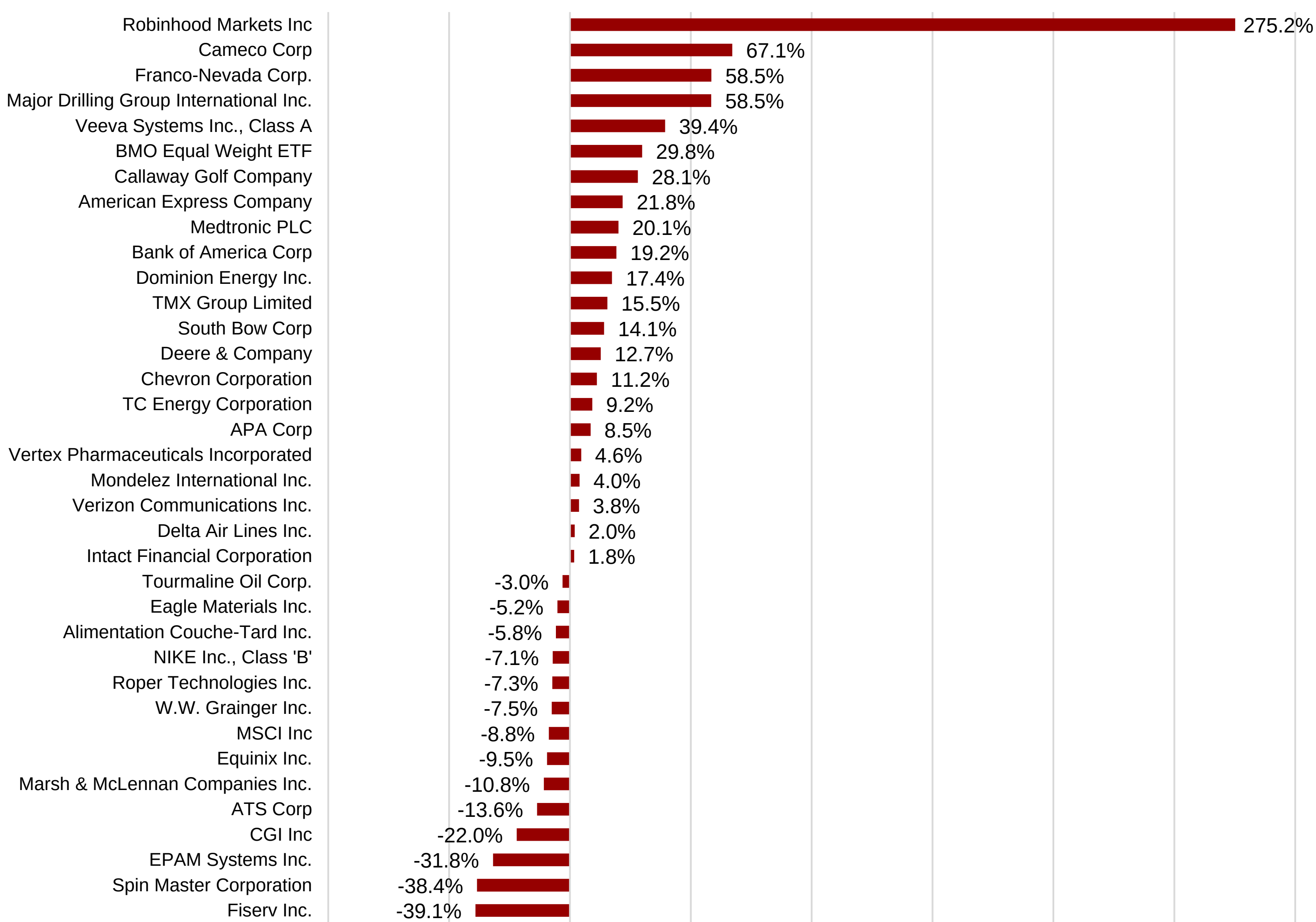


Figure 8: YTD Return Per Stock (Oct 27th, 2025)



Looking Ahead

Xavier Keating
Market Strategist

Looking Ahead

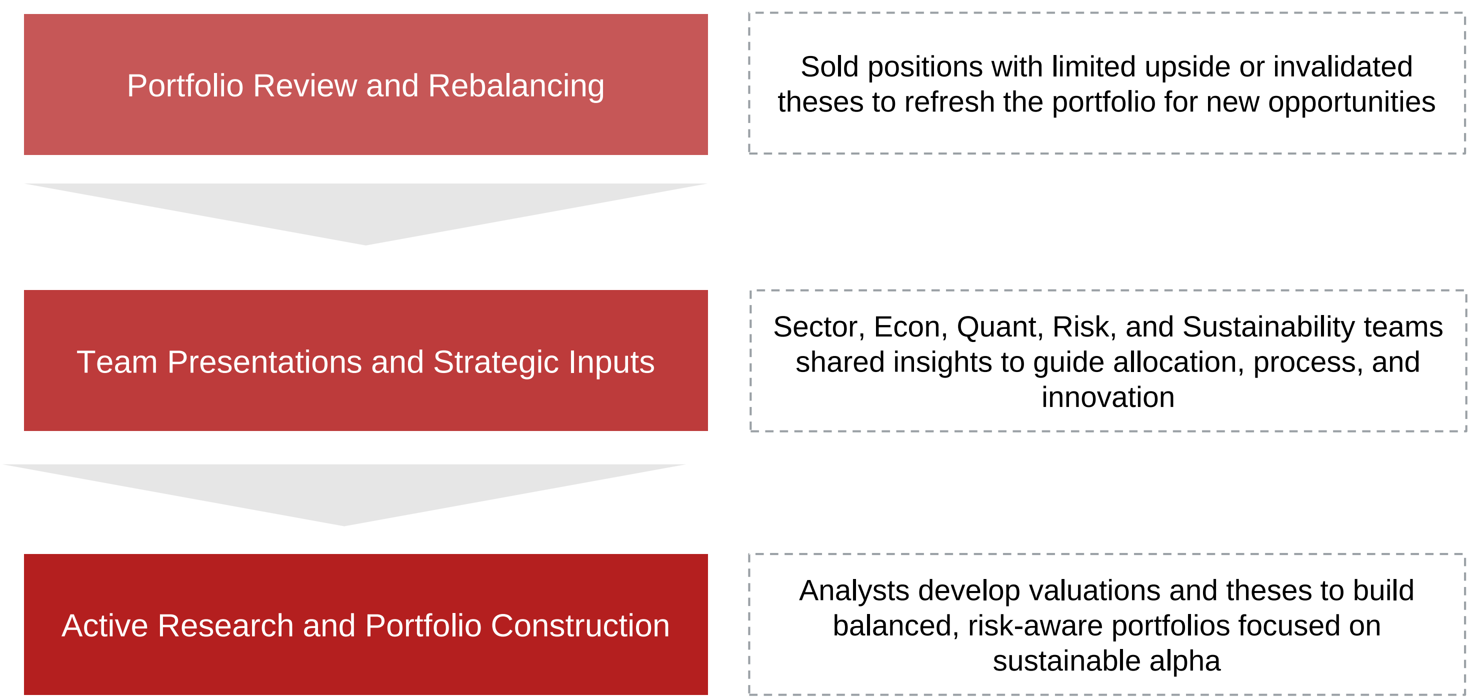
Our plan for the rest of our mandate

How we aim to fulfill our mandate

As the new cohort of MMF students joined the program in June, we formally reviewed all our fund holdings. We sold positions where we felt there was only limited upside potential left, either because our valuation targets had been met and investment theses had been realized, or because our investment theses were no longer valid due to changing market or company conditions. Sell details are provided in the Alpha Squared and SRI Fund performance sections.

Following the formal holdings review, analysts presented their sector outlooks, including recommendations on which sector and subsectors to consider over and underweighting (details on next page). Next, the class heard presentations from our cohort’s special teams: the Econ team provided a recap and their outlook on monetary and fiscal policy, as well as economic activity, inflation and the labor market; the Quant team explained how they will be developing a new machine-learning based strategy to be used as a screen for the Alpha Squared Fund; the Risk Management team highlighted our funds’ absolute and relative-to-benchmark risk exposures; finally the Sustainability team presented the process that will be used to screen stocks for the Socially Responsible Investing Fund.

Currently our analysts are hard at work, researching companies, developing investment theses, and building valuation models to identify undervalued companies. Our goal is to build a portfolio that is balanced, research-driven, and risk-aware, one that seeks to capture opportunities through high-quality stock selection rather than broad thematic calls. By trusting our analysts' sector expertise, reinforcing process discipline, and integrating risk controls, we aim to deliver sustainable alpha while staying true to DCM's mission: active management rooted in fundamentals, guided by collaboration and data-driven decision making.



LOOKING AHEAD

Our plan for the rest of our mandate

Forward Sector Allocation Strategy

Overweight - Quality Growth and Structural Themes

We recommend overweighting Communication Services, Consumer Staples, Health Care, and Industrials for their resilient earnings and structural catalysts. Focus is on subsectors with durable pricing power: telecoms, food producers, pharmaceuticals, and construction engineering.

Market Weight - Selective Participation

We recommend market-weight positions in Information Technology, Materials, and Renewables, recognizing long-term potential while maintaining valuation discipline.

Underweight - Macro and Credit Sensitivity

We recommend underweighting Energy, Financials, and Consumer Discretionary due to uncertain earnings visibility and high sensitivity to rates, credit, and tariffs.

Note: our sector views may change as valuations and market conditions change

Overweight	*Strategic Outlook*	*Sub-sectors of interest*
Communication Services	A2: Increase to OW SRI: Maintain MW	▪ Diversified Telecom ▪ Interactive Media
Consumer Staples	A2 and SRI: Increase to OW	▪ Food, Beverage, and Tobacco
Health Care	A2: Maintain OW SRI: Increase to OW	▪ Pharmaceuticals ▪ Biotechnology
Industrials	A2 and SRI: Increase to OW	▪ Construction & Engineering ▪ Machinery
Market Weight		
Information Technology	A2 and SRI: Increase to MW	▪ Hardware and Electronics
Materials	A2 and SRI: Increase to MW	▪ Containers and Packaging
Renewables	SRI: Decrease to MW	▪ Wind
Underweight		
Energy	A2: Decrease to UW	▪ Midstream
Financials	A2 and SRI: Decrease to UW	▪ US Large Banks ▪ Financial Exchanges & Data
Consumer Discretionary	A2 and SRI: Decrease to UW	▪ Bearish Automobiles and components

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