FUND REPORT: Q3 2025

EQUATE ASSET MANAGEMENT

Equate Total Return Fund ("TRF")

PUBLIC EQUITIES

- The fund had a small increase in the allocation to public equities but remains cautious due to higher than normal valuations, especially in North America.
- CANADA: The Canadian equity market had very strong performance over the last 3 months despite weaker economic data and fall out from trade wars. However, GDP growth is slowing and unemployment rates are rising, which means the fund will be holding steady or slightly decreasing the weight of Canadian stocks.
- USA: The US equity market also generated outsized gains in the latest quarter. The fund slightly increased the allocation to US stocks which helped boost the quarterly performance. There is a lot of momentum of positive investor sentiment related to owning US equities at this time, and that support is expected to continue toward the end of the year.
- EUROPE & ASIA: The benefit of non-North American stocks is that the regional and country Indices are not experiencing as much headline-led volatility and generally, the valuations are not as stretched. This steadier investment climate helps diversify overall equity market risk.
- OTHER: The fund's other non-core public market securities (gold, energy, Indian equities) all contributed positively to a very successful quarter in the fund's public market holdings.

ASSET MIX TARGET RANGE	**24% to 40%**
CURRENT ASSET ALLOCATION	**28%**

Notable portfolio changes this quarter:
- ✓ Slight increase to U.S. equity allocations
- ✓ Increased the use of options to protect downside

PRIVATE EQUITY

- Our investment team's position on private equity has not changed meaningfully over the last 3 months. The fund has been very cautious about increasing the allocation to the private equity asset class .
- GROWTH & BUYOUT: There has finally been a small ray of light in this area of private equity, as IPOs and M&A activity has shown signs of life. There seems to be a strong investor appetite for new offerings and strategic takeovers, which will hopefully mean more deal flow and exit opportunities for existing holdings.
- SECONDARIES: The fund has kept active in maintaining the allocation to the private equity secondaries market as it offers more liquidity than other options in the asset class. We expect that secondary offerings will continue to play a meaningful role over the next 6-12 months.
- SPECIALTY: The fund has been using sector specific private equity portfolios as a means to add extra sources of performance. One example of a sector that will benefit from demographic trends and remain protected from economic cycles is seniors long-term care, an industry in which there are a limited number of operators in this business and significant barriers to entry.

ASSET MIX TARGET RANGE	**12% to 18%**
CURRENT ASSET ALLOCATION	**13%**

Notable portfolio changes this quarter:
- ✓ Increased allocation to fund that invests in long-term & seniors care facilities

REAL ASSETS

- The overall trend in real assets has diverged somewhat in 2025. On the real estate side, the dynamics in most segments have softened considerably in Canada but remained strong in the U.S. In terms of infrastructure, this continues to attract interest for the long-term nature of the assets and consistency of cash flow.
- REIT: The fund has lowered its weight in the multi-family real estate segment. Despite falling interest rates, some geographic areas in Canada have seen a drop in rental rates and a slower period of transaction. If anything, we have shifted to slightly increasing the fund's exposure to U.S. multi-family assets. The fund has no exposure to office real estate, and has been very cautious with investments in industrial due to the uncertainty caused by cross-border trade.
- INFRASTRUCTURE: The fund has continued to increase allocations to infrastructure for a number of reasons: (a) Lower interest rates have helped with financing costs; (b) These essential assets are very stable during periods of economic upheaval; (c) The predictable cash flow characteristics are very attractive. Key infrastructure sectors in the fund: renewable energy, data centres, logistics, and waste management.

ASSET MIX TARGET RANGE	**14% to 28%**
CURRENT ASSET ALLOCATION	**20%**

Notable portfolio changes this quarter:
- ✓ Increased allocation infrastructure assets

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EQUATE
ASSET MANAGEMENT

Equate Total Return Fund ("TRF")

FIXED INCOME

- While global stock markets seem relatively content to continue to climb despite ay underlying weakness in consumer sentiment or corporate earnings, the bond market tells perhaps paints a clearer picture of the creditworthiness of corporate issuers and to a lesser degree, government issuances. Investors have moved toward both the safety of shorter-term bonds (which has lowered yields) and also participated in the high yield market with previously-investment grade securities trading in unknown territory. This 'both ends of the risk spectrum' approach indicates a high degree of uncertainty in the credit markets.
- CANADA: Canada's interest rate cuts have continued through 2025, which has muted the return expectations in this segment of the bond market. The fund has been lowering its exposure to Canadian fixed income while ensuring the portfolio only holds high quality credit.
- USA & EUROPE: The opportunity for higher running yields in the U.S. and more opportunistic trading at both ends of the risk spectrum continues to be very attractive in that market. Although there are some cuts to the Central Bank rate on the horizon, it is a favourable investment climate relative to other geographies. The fund's exposure to European bonds increased slightly.

ASSET MIX TARGET RANGE	**8% to 24%**
CURRENT ASSET ALLOCATION	**14%**

Notable portfolio changes this quarter:

- ✓ Continued to shifted exposure from Canada to USA and Europe.

ALTERNATIVE INCOME

- The fund has always stayed true to two core concepts within the alternative income asset class: (a) diversify by strategy; (b) maintain maximum limits on how much can be allocated to any individual holding. The alternative income allocation in the fund is at the high end of its target asset mix range because it has produced very steady returns and high levels of cash flow.
- In addition, the consistent income generated from these alternative strategies, which is 3-6% about the yield from short-term bonds, helps lower the overall volatility risk level of the fund's monthly returns. This continues to be so important as bond yields fall to levels that are not significantly above inflation.
- PRIVATE CREDIT: The most significant shift in the private credit allocation in the fund is the diversification by geography. Our investment team continues to work with some of the best global investment firms to originate senior secured loans to high quality borrowers with strong collateral and full due diligence on underwriting. Actively monitoring these loans for continued credit worthiness is crucial.
- ROYALTIES: The concept of generating royalty income from equity-like positions lines up perfectly with the fund's overall target of consistent returns. The fund limits its exposure to the value of the assets, while securing income that easily tops current bond yields. The fund has increased its position over the last several quarters to both music and energy royalties.

ASSET MIX TARGET RANGE	**8% to 18%**
CURRENT ASSET ALLOCATION	**17%**

Notable portfolio changes this quarter:

- ✓ Increased allocation to royalty strategies.

ABSOLUTE RETURN STRATEGIES

- Absolute return strategies play an important role in helping the fund achieve its objective to deliver a stronger return than a traditional 'balanced fund' with a dramatic reduction in volatility. Within this component of the portfolio, the goal is to utilize hedged strategies that protect from downside risk in equity and fixed income markets.
- EQUITY: The hedged strategies within the equity market have benefited from a more active mergers & acquisitions environment, when event-driven trades can create unique sources of positive returns. The decision to limit downside risk in the equity market is also related to the high valuations of most global markets.
- FIXED INCOME: The allocations to fixed income hedge strategies align with the current position of the fund's bond strategy – to capture good credit without increasing the effect of volatile interest rate movements.

ASSET MIX TARGET RANGE	**4% to 12%**
CURRENT ASSET ALLOCATION	**5%**