



DECEMBER 2025 NEWSLETTER

MARKET REVIEW

2025 has been another excellent year for diversified equity investors. Markets outperformed our own expectations, but fortunately we recommended clients keep 90 - 95% of their normal equity allocation rather than aggressively timing the market. The year was unusual in that the U.S. market underperformed Canada and most other major markets. At this time, we are unsure if this is an anomaly or if the current U.S. policies of protectionism and the enhanced government role in the economy will become a drag on their economic growth. In order to monitor this, we will start to track the world stock market ex-U.S. The best proxy we know for this is the Vanguard All-World ex U.S. Index Fund ETF (VEU-US).

	<u>Dec. 31,</u> <u>2024 Close</u>	<u>Sept. 30,</u> <u>2025 Close</u>	<u>Dec. 31,</u> <u>2025 Close</u>	<u>90-Day</u> <u>Change</u>	<u>1-Year</u> <u>Change</u>
S&P 500*	5,882	6,688	6,846	2.4%	16.4%
S&P/TSX Composite	24,728	30,023	31,713	5.6%	28.2%
Vanguard FTSE All World ex U.S. ETF*	\$57.41	\$71.37	\$73.56	3.1%	28.1%

*USD currency

Source: FactSet

Published for the friends and clients of

Douglas Duncan Wealth Management

Raymond James Ltd. | #1-5767 Turner Road
Nanaimo, BC V9T-6L8 | Toll free: 1-866-729-2830
www.douglasduncanwm.com

FIXED INCOME

The Canadian bond curve steepened this year, with yields on shorter-term bonds falling but yields on ten-year and longer-term bonds rising. This is a positive sign for the economy. This is also good for Canadian banks, as they can pay out lower rates on short-term customer deposits while earning a higher return on longer-term bonds.

Canadian T-Bills and Bond Yields

<u>T-Bills & Bonds</u>	<u>Dec. 31, 2024</u>	<u>Sept. 30, 2025</u>	<u>Dec. 31, 2025</u>
3-Month	3.14%	2.44%	2.20%
6-Month	3.11%	2.42%	2.28%
1-Year	3.06%	2.43%	2.42%
2-Year	2.94%	2.48%	2.58%
5-Year	2.96%	2.69%	2.91%
10-Year	3.23%	3.14%	3.43%
30-Year	3.33%	3.62%	3.86%

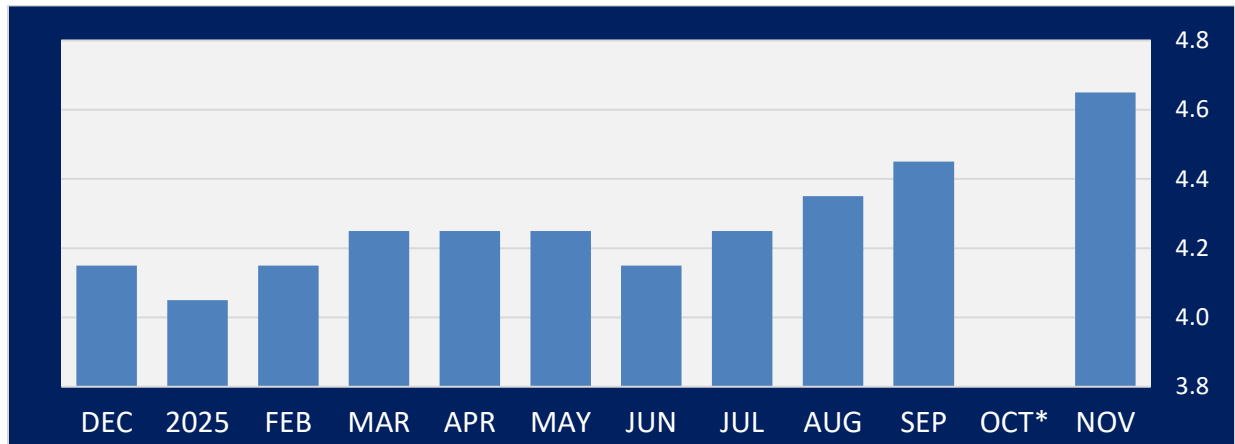
Source: FactSet

Ten-year international bond yields were relatively stable with the exception of Japan, where rates increased from 1.09% to 2.07% over the year. The increase in Japanese bond yields will complicate the "carry trade" where aggressive investors borrowed Japanese yen at insignificant interest rates to invest in foreign assets. As the cost of borrowing in Japan increases, some of these market participants may have to sell assets to repay the Japanese loans. At this time the unwinding process has been relatively muted, and we haven't seen panic selling of assets to repay these loans.

International 10-Year Bond Yields

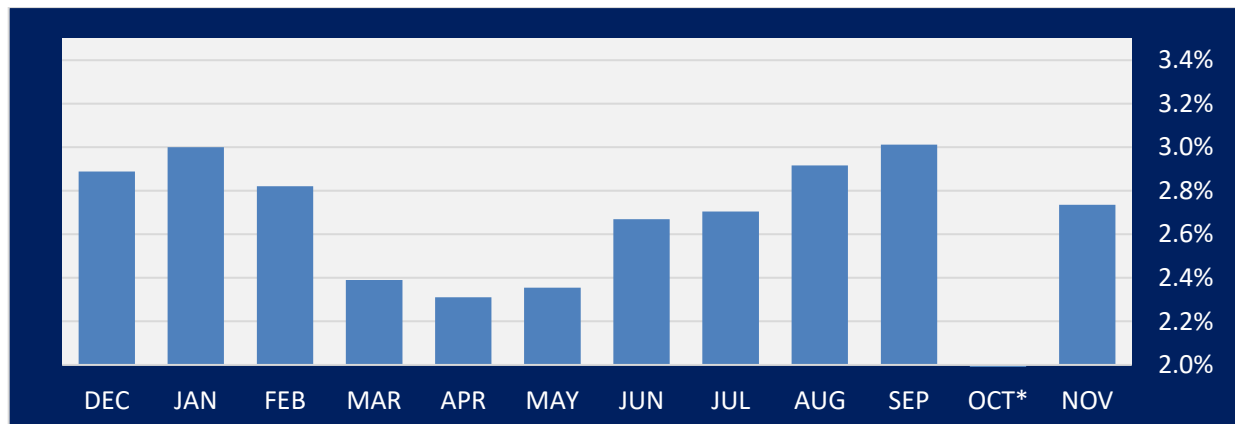
<u>Country</u>	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2025</u>
India	6.79%	6.57%
U.S.	4.58%	4.17%
U.K.	4.57%	4.47%
Italy	3.53%	3.55%
Canada	3.23%	3.43%
Greece	3.21%	3.42%
France	3.19%	3.55%
Germany	2.37%	2.86%
China	1.70%	1.85%
Japan	1.09%	2.07%

Source: FactSet

ECONOMIC OUTLOOK**12-Month U.S. Unemployment Rate**

**No October data due to U.S. government shutdown*

Source: U.S. Bureau of Labor Statistics

12-Month U.S. Inflation Rate

**No October data due to U.S. government shutdown*

Source: U.S. Bureau of Labor Statistics

Whether we like it or not, the U.S. economy has a huge influence on world equity markets and interest rates. During 2025 U.S. unemployment increased gradually, while inflation remains at levels above the 2% target. The November inflation figure of 2.7% was lower than many market analysts expected so the "jury is still out" whether inflation is moderating or picking up.

FIRST HOME SAVINGS ACCOUNT (FHSA): A CASE STUDY

While residential real estate prices have softened in Canada in the last few years, most first time home buyers continue to find it extremely financially challenging to purchase a home. Many children can only purchase a home with assistance from their parents. It is your personal decision whether you can and want to assist your children with a house purchase, but if you do it is important to investigate every tax benefit possible.

On April 1, 2023 the Federal Government announced a new savings plan for first time homeowners, with \$8,000 per year tax deductible contributions (to the owner of the plan) and tax free growth if used for a first home purchase. We mentioned this in our March 31, 2023 newsletter and a number of our clients assisted their children with FHSA contributions. One of these cases is below.

<u>Contribution Date</u>	<u>Contribution Amount</u>	<u>Value as of Dec. 31</u>
August 2023 (account opened)	\$8,000	\$8,215
January 2024	\$8,000	\$20,549
January 2025	\$8,000	\$31,618 (home purchased and funds withdrawn)

The FHSA owner (the adult child) invested in Canadian and U.S. index ETFs, and with the benefit of a good market enjoyed a \$7,618 tax free return. In addition, the child received \$6,768 of tax refunds ($\$24,000 \times 28.2\%$ tax bracket), almost doubling the return.

While markets will not always be as accommodating as the last three years, we continue to believe that FHSA's are excellent plans to assist with first time home purchases. Meghan and Mark can give you the details of these plans to ensure that they are right for your family.

TAX CHANGES FOR 2026

Tax changes for 2026 have been modestly beneficial for Canadian and B.C. taxpayers. Income below \$58,523 has lower tax rates than 2025, and tax brackets have been increased by 2.2% for income below \$140,430 and increased by 2.0% for income above that level. Of interest to most taxpayers is the marginal tax rate on dividends for taxable income below \$58,523 is negative, and the tax rate on dividend income for taxpayers with taxable income between \$58,523 and \$100,728 is only 1.63%. The 2026 TFSA contribution limit remains unchanged at \$7,000.

The OAS clawback starts at \$93,454 and for taxable income above \$152,062 the clawback is 100% of OAS. For taxpayers aged 75 and older the clawback becomes 100% at \$157,923. Income from pensions and RRIF withdrawals is mostly predictable, but retired investors have some control over their income levels through investing in lower dividend stocks.

Combined Federal & B.C. Tax Brackets and Tax Rates

<u>2026 Taxable Income</u>	<u>2026 Marginal Tax Rates</u>			<u>2025 Taxable Income</u>	<u>2025 Marginal Tax Rates</u>		
	Other Income	Capital Gains	Eligible Canadian Dividends		Other Income	Capital Gains	Eligible Canadian Dividends
first \$50,363	19.1%	9.5%	-11.0%	first \$49,279	19.6%	9.8%	-10.3%
\$50,363 up to \$58,523	21.7%	10.9%	-7.3%	\$49,279 up to \$57,375	22.2%	11.1%	-6.7%
\$58,523 up to \$100,728	28.2%	14.1%	1.6%	\$57,375 up to \$98,560	28.2%	14.1%	1.6%
\$100,728 up to \$115,648	31.0%	15.5%	5.5%	\$98,560 up to \$113,158	31.0%	15.5%	5.5%
\$115,648 up to \$117,045	32.8%	16.4%	8.0%	\$113,158 up to \$114,750	32.8%	16.4%	8.0%
\$117,045 up to \$140,430	38.3%	19.2%	15.6%	\$114,750 up to \$137,407	38.3%	19.2%	15.6%
\$140,430 up to \$181,440	40.7%	20.4%	18.9%	\$137,407 up to \$177,882	40.7%	20.4%	18.9%
\$181,440 up to \$190,405	44.0%	22.0%	23.4%	\$177,882 up to \$186,306	44.0%	22.0%	23.5%
\$190,405 up to \$258,482	46.1%	23.1%	26.3%	\$186,306 up to \$253,414	46.1%	23.1%	26.4%
\$258,482 up to \$265,545	49.8%	24.9%	31.4%	\$253,414 up to \$259,829	49.8%	24.9%	31.4%
\$265,545	53.5%	26.8%	36.5%	\$259,829	53.5%	26.8%	36.5%

2025 TOP HOLDINGS

There was plenty of market rotation this year as some of 2024's winners such as WSP Global, Costco, and Amazon had modest or negative returns, and some of 2024's more challenged companies such as Johnson and Johnson, Brookfield Renewable Partners, and TD Bank enjoyed strong comebacks. Reset preferred shares had a good year, as did Canadian banks, and pipelines and utilities such as TC Energy and Fortis.

Our Top 30 Positions: Total Performance

<u>Position</u>	<u>Symbol</u>	<u>Name</u>	<u>Dec 31, 2024 Close</u>	<u>Dec 31, 2025 Close</u>	<u>2025 Income</u>	<u>Total Performance (CAD)</u>
3	TD	Toronto Dominion Bk	\$76.53	\$129.36	\$4.20	74.5%
15	GOOGL	Alphabet Inc Cl A*	\$272.59	\$428.81	\$1.14	57.7%
11	JNJ	Johnson & Johnson*	\$208.25	\$283.52	\$7.04	39.5%
1	RY	Royal Bank of Cda	\$173.32	\$233.99	\$6.04	38.5%
22	BEPC	Brookfield Renew Holding Corp.	\$39.78	\$52.65	\$2.08	37.6%
10	BNS	Bk Of Nova Scotia	\$77.19	\$101.23	\$4.32	36.7%
23	NA	Ntl Bk Of Cda	\$131.04	\$172.61	\$4.74	35.3%
30	BMO	Bk Of Montreal	\$139.55	\$178.25	\$6.44	32.4%
-	TSX	Toronto Stock Exchange	24,727.94	31,712.76	467.36	30.1%
6	JPM	JPMorgan Chase & Co*	\$345.18	\$441.44	\$7.60	30.1%
-	VEU	Vngd FTSE All-World ex-US ETF*	\$82.67	\$100.78	\$3.07	25.6%
9	FTS	Fortis Inc.	\$59.73	\$71.36	\$2.49	23.6%
14	BEP.UN	Brookfield Renew Partners LP	\$32.74	\$37.09	\$2.08	19.6%
28	FTS.PR.G	Fortis Inc. Cum Re 1st Pfd Sr G	\$22.28	\$24.94	\$1.53	18.8%
13	TRP	TC Energy Corporation	\$66.99	\$75.58	\$3.40	17.9%
5	MFC	Manulife Finl Corp.	\$44.16	\$49.84	\$1.76	16.9%
4	BN	Brookfield Corp Vtg Cl A	\$54.89	\$63.02	\$0.33	15.4%
18	VFV	Vanguard S&P 500 Index ETF	\$149.99	\$166.62	\$1.53	12.1%
-	S&P500	Standard and Poor's 500*	8469.547	9378.335	102.22	11.9%
27	SPY	S&P 500 Trust ETF*	\$843.96	\$934.23	\$9.97	11.9%
19	IFC	Intact Finl Corp.	\$261.73	\$285.73	\$5.32	11.2%
26	CNQ	Canadian Natural Resources Ltd	\$44.38	\$46.49	\$2.35	10.1%
16	MSFT	Microsoft Corp.*	\$606.96	\$662.56	\$4.66	9.9%
17	BIP.UN	Brookfield Infrastructure LP	\$45.68	\$47.71	\$2.40	9.7%
25	VHT	Vanguard Hlth Care ETF*	\$365.31	\$394.35	\$6.36	9.7%
29	AAPL	Apple Inc*	\$360.60	\$372.45	\$1.41	3.7%
-	VAB	Vanguard Cdn Agg Bond Indx ETF	\$23.21	\$22.97	\$0.76	2.2%
12	T	TELUS Corp.	\$19.49	\$18.09	\$1.65	1.3%
24	AMZN	Amazon.com Inc*	\$315.92	\$316.22	\$0.00	0.1%
8	RJF	Raymond James Financial Inc*	\$223.68	\$220.01	\$2.74	-0.4%
2	WSP	WSP Global Inc	\$252.96	\$248.52	\$1.50	-1.2%
7	CNR	Cdn Ntl Railway Co	\$145.97	\$135.75	\$3.55	-4.6%
21	BAM	Brookfield Asset Mgmt Ltd	\$77.96	\$71.90	\$2.44	-4.6%
20	COST	Costco Wholesale Corp*	\$1,319.43	\$1,181.41	\$6.93	-9.94%

Source: FactSet

*Converted from USD to CAD @ 1.37 as of Dec 31, 2025

*Converted from USD to CAD @ 1.44 as of Dec 31, 2024

Our Top 30 Positions: Dividend Increases

Position	Name	Symbol	2024 Dividend	2025 Dividend	% Change
6	JPMorgan Chase & Co*	JPM	\$1.250	\$1.500	20.0%
21	Brookfield Asset Mgmt Ltd*	BAM	\$0.380	\$0.438	15.3%
4	Brookfield Corp. Vtg Cl A*,***	BN	\$0.053	\$0.060	13.2%
20	Costco Wholesale Corp*	COST	\$1.160	\$1.300	12.1%
1	Royal Bank of Canada	RY	\$1.480	\$1.640	10.8%
5	Manulife Financial Corp.	MFC	\$0.400	\$0.440	10.0%
19	Intact Finl Corp.	IFC	\$1.210	\$1.330	9.9%
16	Microsoft Corp.*	MSFT	\$0.830	\$0.910	9.6%
23	Ntl Bk Of Cda	NA	\$1.140	\$1.240	8.8%
8	Raymond James Financial Inc*	RJF	\$0.500	\$0.540	8.0%
17	Brookfield Infrastructure LP*	BIP.UN	\$0.405	\$0.430	6.2%
18	Vanguard S&P 500 Index ETF**	VFV	\$0.365	\$0.384	5.2%
7	Cdn National Railway Co	CNR	\$0.845	\$0.888	5.1%
22	Brookfield Renew Holding Corp.*	BEPC	\$0.355	\$0.373	5.1%
14	Brookfield Renew Partners LP*	BEP.UN	\$0.355	\$0.373	5.1%
30	Bank Of Montreal	BMO	\$1.590	\$1.670	5.0%
15	Alphabet Inc Cl A*	GOOGL	\$0.200	\$0.210	5.0%
11	Johnson & Johnson*	JNJ	\$1.240	\$1.300	4.8%
26	Canadian Natural Resources Ltd	CNQ	\$0.563	\$0.588	4.4%
9	Fortis Inc	FTS	\$0.615	\$0.640	4.1%
29	Apple Inc*	AAPL	\$0.250	\$0.260	4.0%
12	TELUS Corp.	T	\$0.402	\$0.418	4.0%
10	Bank Of Nova Scotia	BNS	\$1.060	\$1.100	3.8%
27	S&P 500 Trust ETF**,*	SPY	\$1.750	\$1.810	3.4%
13	TC Energy Corporation	TRP	\$0.823	\$0.850	3.3%
3	Toronto Dominion Bank	TD	\$1.050	\$1.080	2.9%
25	Vanguard Hlth Care ETF**,*	VHT	\$0.960	\$0.970	1.0%
24	Amazon.com Inc.*	AMZN	\$0.000	\$0.000	0.0%
28	Fortis Inc. cumulative Res Pfd Ser G	FTS.PR.G	\$0.383	\$0.383	0.0%
2	WSP Global Inc.	WSP	\$0.375	\$0.375	0.0%

Source: FactSet

*Dividend reported in USD

**Average of annual distributions

***Adjusted for spinoff/split

We are pleased to have enjoyed dividend increases from 27 of our top 30 equity positions, with no decreases. Looking forward we would expect a good increase from TD Bank next year, and a pause of increases from TELUS.

We should never get too complacent about dividend income. This year BCE and a large number of real estate trusts reduced their payouts to match reduced income from their underlying businesses.

AVOIDING THE GAP!

In 2025 the price of gold increased from \$2,641.00 to \$4,326.40, a 63.8% gain. Along with banks, the gold sector was a very strong contributor to the TSX performance for the year. In light of this excellent return, the question arises: Why didn't we own a significant gold position? The answer is to avoid the dreaded "Gap!"

If you purchased gold on January 21, 1980, you could have paid \$850 per ounce, only to see it fall to \$256.60 on April 2, 2001, close to a 70% drop. You would have waited until 2008 to see \$850 again, a 28-year wait. If you purchased gold at the 2011 high you would have paid \$1,917.90, only to see it fall to below \$1,100 in 2015, a 42.6% pullback. You would have broken even in 2020, a 9-year wait. During the downturn many gold producers would find that they had mines operating at costs above what they could sell the gold for, leading to poor returns and a number of bankruptcies.

As tempting as it is to "jump on the bandwagon," we try to find companies that can thrive or at least survive during difficult economic times. While technological advances, changing consumer preferences, and management missteps can leave some of these companies behind, our aim is not only providing our clients with good returns but offering a relatively stress-free investment experience.

Gold (NYM \$/ozt)

Source: FactSet

PAST PICKS

In our December 31, 2024 newsletter we recommended two companies for purchase, TD Bank and Brookfield Renewable Partners.

TD was a "home run," increasing from \$76.53 at 2024 year-end to \$129.36 at 2025 year-end. Including the dividends yield of 5.49% (based on a Dec 31, 2024 purchase) gave investors a 74.5% total return.

Brookfield Renewable Partners LP had a respectable return, increasing from \$32.74 on December 31, 2024 to \$37.09 at the 2025 year-end. Including the annual distribution of \$2.08, investors earned a total return of 19.6%

Toronto-Dominion: 1-Year Return



Brookfield Renewable Partners: 1-Year Return



Source: FactSet

With the benefit of hindsight, it usually seems obvious why a company did well or poorly, so we remain fans of diversification and don't recommend that any clients get too overweight in any one security, even if we like the risk/reward characteristics.

SUMMARY AND STRATEGY 2026

We have had positive momentum in the markets since the spring of 2025, and the path of least resistance is to go with the trend. We also believe that cash and bond returns will struggle to keep up with inflation. That being said, we remain cautious and recommend that investors keep some "dry powder" and keep equity allocations between 90 - 95% of their usual comfort zone.

Due to the terrific market performance of the last few years, we have a tough time finding "table pounding buys" as out of favour companies have issues that they are struggling with. The challenge is to determine whether these are temporary challenges or permanent disadvantages. For clients looking for TFSA investment opportunities, TELUS and CN Rail are out of favour and are trading at multi-year lows. TELUS is down due to regulatory and competitive concerns, and CN Rail is down due to U.S./Canada trade frictions. The Vanguard FTSE all-world ex U.S. ETF is also an option for investors seeking more international exposure. More conservative investors can consider keeping their funds on the sidelines in the **FirstOntario Credit Union** high-interest savings account, currently paying 2.5%.

If you have any life changes that will lead to a change in your financial situation, please contact Meaghan and Mark.

All the best for 2026!



**Mark
Duncan**

Senior
Financial
Advisor



**Meaghan
Douglas**

Senior
Financial
Advisor



**Ian
Douglas**

Consultant



**Lisa
Cajolet**

Administrative
Assistant



**Heath
Dean**

Investment
Associate



**Michelle
Dieterich**

Administrative
Assistant

If you have friends or family who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!

This newsletter has been prepared by Douglas Duncan Wealth Management. It expresses the opinions of the writer(s), and not necessarily those of Raymond James Ltd. ("RJL"). Statistics, factual data and other information are from sources believed to be reliable, but accuracy cannot be guaranteed. It is furnished on the basis and understanding that RJL is to be under no liability whatsoever in respect thereof. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. RJL, its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter. It is intended for distribution only in those jurisdictions where RJL is registered as a dealer in securities. Distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. This newsletter is not intended for, nor should it be distributed to any person residing in the USA. Securities-related products and services are offered through Raymond James Ltd., member-Canadian Investor Protection Fund. Insurance products and services are offered through Raymond James Financial Planning Ltd., which is not a member-Canadian Investor Protection Fund