Q4, 2025 Investment Commentary: Pots on the Stove

Ryan Bushell

Chief Executive Officer and Portfolio Manager at Newhaven Asset Management Inc.

January 13, 2026

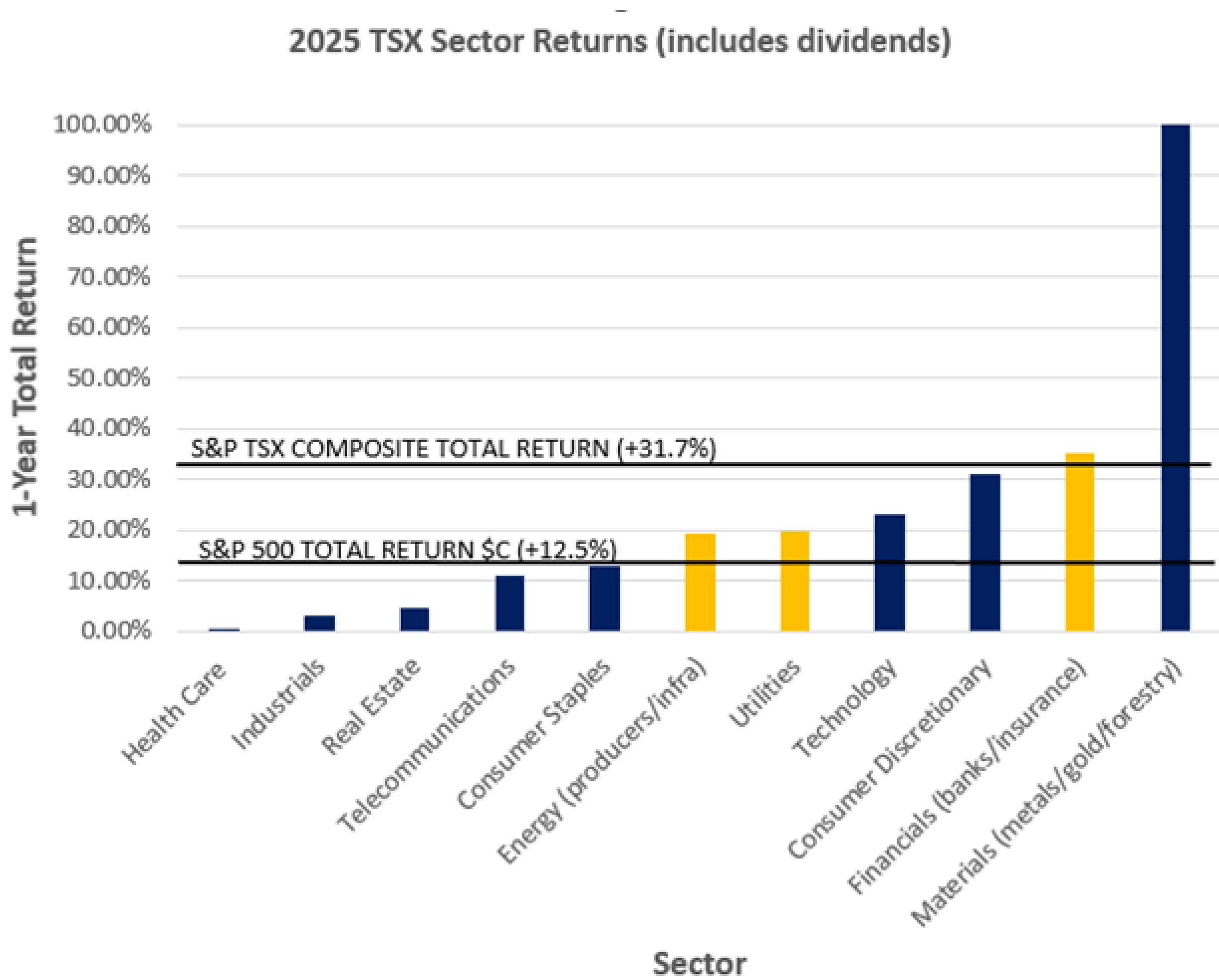
2025 turned out to be another spectacular year for investment returns, marking the third year in a row of positive portfolio performance and the second consecutive year with returns near 20%. Our composite of fully invested portfolios is up more than 50% in the last three years alone and up 90% in the last five, a rare feat for our conservative strategy.

While it's tempting to celebrate our success, it is important to take a critical look at how we generated these returns and whether we remain on track. In hindsight, the global pandemic response may have been more stimulative than necessary. Initially, monetary and fiscal measures were crucial, but as time passed, these policies continued unchecked. The combination of zero interest rates and deficit-driven government spending by a majority of western governments led to a breakdown in government bond markets beginning in 2022, pushing capital into equities. As such, a significant portion of the equity returns over the last five years were driven by inflation, which erodes the value of the dollar. Five-year average inflation from 2021-25 was more than double the average for the previous decade, causing nominal returns for equities to look better than reality. Inflation remains high, running well above target, yet central banks are once again cutting interest rates anyway. The reality is that the balance sheets of western governments simply cannot withstand higher interest rates and the choice to abandon the historical 2% inflation target, at least temporarily, has already been made. The rising gold price signals this shift.

Fortunately, our clients were well positioned over the last five years as we avoided substantial fixed income (bond) allocations. Although equities endure daily priced fluctuations and are subject to occasional market panics, they are the best long-term hedge against inflation. Simply put equities can pass through inflation, while fixed income investments (Bonds, GIC's) cannot. The Canadian Bond Universe Index returned just 0.2% annually over the last 5 years meaning that bond investors lost purchasing power at roughly 4% per year. In contrast, our portfolios experienced purchasing power gains of more than 9% annually above inflation for the same period and dividends grew in line with inflation as well. The stark performance differential between Newhaven portfolio returns and comparable conservative (balanced) portfolios with heavy bond allocations represents the value we have added for clients during a very uncertain time. Ultimately, what we care most about is maintaining and growing the purchasing power of clients' savings, without the prospect of permanent loss. For investors with heavy bond allocations entering 2021, recouping that lost purchasing power will be impossible without taking significant additional risk.

The Canadian market had an outstanding 2025, up 31.7% while the US market returned 17.9% (12.5% in CAD). Interestingly, the TSX Total Return Index is now outperforming the S&P 500 Total Return index on a 5-year basis and the two markets are dead even since the turn of the millennium, even with the stellar run of the Magnificent 7 over the past decade. This is a helpful context for those questioning a portfolio focused on lower risk Canadian dividend payers. Though both markets currently appear to be above trend, the TSX looks less risky due to its composition and valuation. *All figures are reported in local currency unless otherwise indicated and include dividends.*

Gold and related equites were standout performers in 2025, distorting Canadian index performance. Led by the outsized performance of Canadian banks, the Canadian Financial sector was the only other outperformer amongst the 11 industry groups as shown in the chart below:



Gold vs. Everything

The yellow bars above denote our largest portfolio weights and all three displayed solid performance in 2025. Although we have exposure to gold and financials in our portfolios, we are below market weight for both areas, which explains our underperformance relative to the index in 2025. These underweight positions will benefit relative performance if/when current trends reverse.

The past year's events underscore Vladimir Lenin's words: "There are decades where nothing happens and there are weeks where decades happen." The global landscape shifted dramatically in 2025, and early indications are that 2026 will continue this trend. The US is redefining the global order it's built for nearly a century, with profound implications for all.

Looking back just a year ago, few anticipated the scope of these changes, even fewer would have predicted the strong equity returns they would bring. Years like 2025 show why it is crucial to remain invested, even when uncomfortable, as you cannot go back in time and reinvest the funds once performance has already occurred. This is why we pursue a conservative portfolio of companies that can withstand a tough or uncertain period allowing us to remain invested and earn a return even when we would not have expected it. Conversely, maintaining a careful posture also keeps one from becoming overconfident and over-risked when everything seems easy, but things are about to change. This even keeled approach has brought success over the past few years and should continue to serve us well. We appreciate the steadfast commitment of our clients as we attempt to carefully navigate the complex road ahead.

The destabilizing actions taken by the current US administration over the past 12 months are unlike anything we have seen in decades. It fundamentally changes how investors must look at everything related to investment portfolios, and it reinforces our conviction to hold companies that provide essential needs rather than frivolous wants. Supply chains are being re-imagined, alliances are shifting, and risks are mounting, all while we stand on the cusp of major technological advancement. Gold, defence, and nuclear investments, all represented in our portfolios, were among the top performers last year, underscoring this shift. It would seem the era of globalization is receding, replaced by protectionism and uneasy regional alliances are forming. The free flow of capital and goods we became accustomed to over the past few decades is changing rapidly. With each passing day we see confirmation that the future is less and less likely to resemble the recent past and thus a critical look at investment positioning is an absolute necessity.

Our focus on needs rather than wants is deliberate and informed by lessons from the Great Depression and World War II, when governments deliberately devalued their currencies overnight, controlled bond yields, and nationalized private assets -- things that would have seemed unthinkable until recently. It is our sincere hope that a global conflict can be avoided, however this worst-case scenario cannot be ruled out, and seems closer at hand than any time in the past 90 years. Our portfolio is positioned around assets essential to reindustrialization of our continent as industry demands energy in all forms (natural gas, electricity, nuclear, renewables, oil) and the infrastructure to deliver it. Regardless of how the next decade unfolds, we believe domestic energy demand will rise to support additional critical manufacturing capacity and mineral refining. The geopolitical issues we face today present problems that artificial intelligence cannot solve, and thus today's richly valued investments could be rapidly reprioritized. Recent events, including the January 2, 2026 operation in Venezuela, highlight how quickly paradigms can shift and while we do not wish to see a catalyst to spark a wider conflict, we are wary of the numerous pots simmering on the global stove at present. In short, when we look at the landscape of investments today there are very few places that feel safe, especially when valuations are considered. We do not favour bonds, technology, or anything that relies exclusively on

Southeast Asian supply chains, owing to inflation concerns and geopolitical risks. We continue to trust essential energy infrastructure and utility assets complemented by defendable businesses with a defined scope and supply chain to protect our purchasing power. At present our priority is safeguarding the tangible progress we have made for clients in the past few years, versus taking on additional risk in an attempt to generate paper wealth. Our portfolios can survive and may even thrive during a period of market weakness owing to the composition we favour, which is very different from what has been driving market indexes recently. We have no choice but to move forward, but in the words we have adopted from Howard Marks, “we will do it with caution”.