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INVESTMENT COUNSEL INC.

CHARTBOOK
MARKET COMMENT.

Prepared by OceanFront Investment Counsel Inc.

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Chartbook Market Comment: November 2025

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Market Comment

The Bank of Canada lowered its overnight rate by 25 basis points to 2.25%, citing a visibly slowing Canadian economy, trade-related headwinds (especially weak exports and business investment), and inflation that was moderating. Governor Tiff Macklem noted that the economy is facing "modest growth" ahead which "is not going to feel very good," and while a severe recession is unlikely, the bank sees a wider range of potential outcomes given uncertain trade-policy pathways. The BoC emphasized that inflation risks have receded somewhat, but because much of the weakness is trade- and investment-driven, it will proceed "carefully" and is ready to cut again if conditions deteriorate, though it did not commit to a preset path of further easing.

At the U.S. Fed, Chair Jerome Powell presided over a 25 basis-point rate cut, but his tone was cautious. He stressed that the policy stance remains "modestly restrictive" despite the cut. Powell said there is "no risk-free path" for the central bank's next move as inflation remains elevated and the labour market shows signs of softening. Importantly, he signaled that another rate cut at the December meeting is "far from a foregone conclusion," pointing to divergent views within the Fed. On the subject of artificial intelligence and market bubbles, Powell dismissed concerns that the current AI investment boom is comparable to the dot-com bubble. He argued that many of today's high-value AI-driven companies have earnings and viable business models, and that the surge in AI infrastructure spending reflects "investment in equipment and all those things… it's clearly one of the big sources of growth in the economy."

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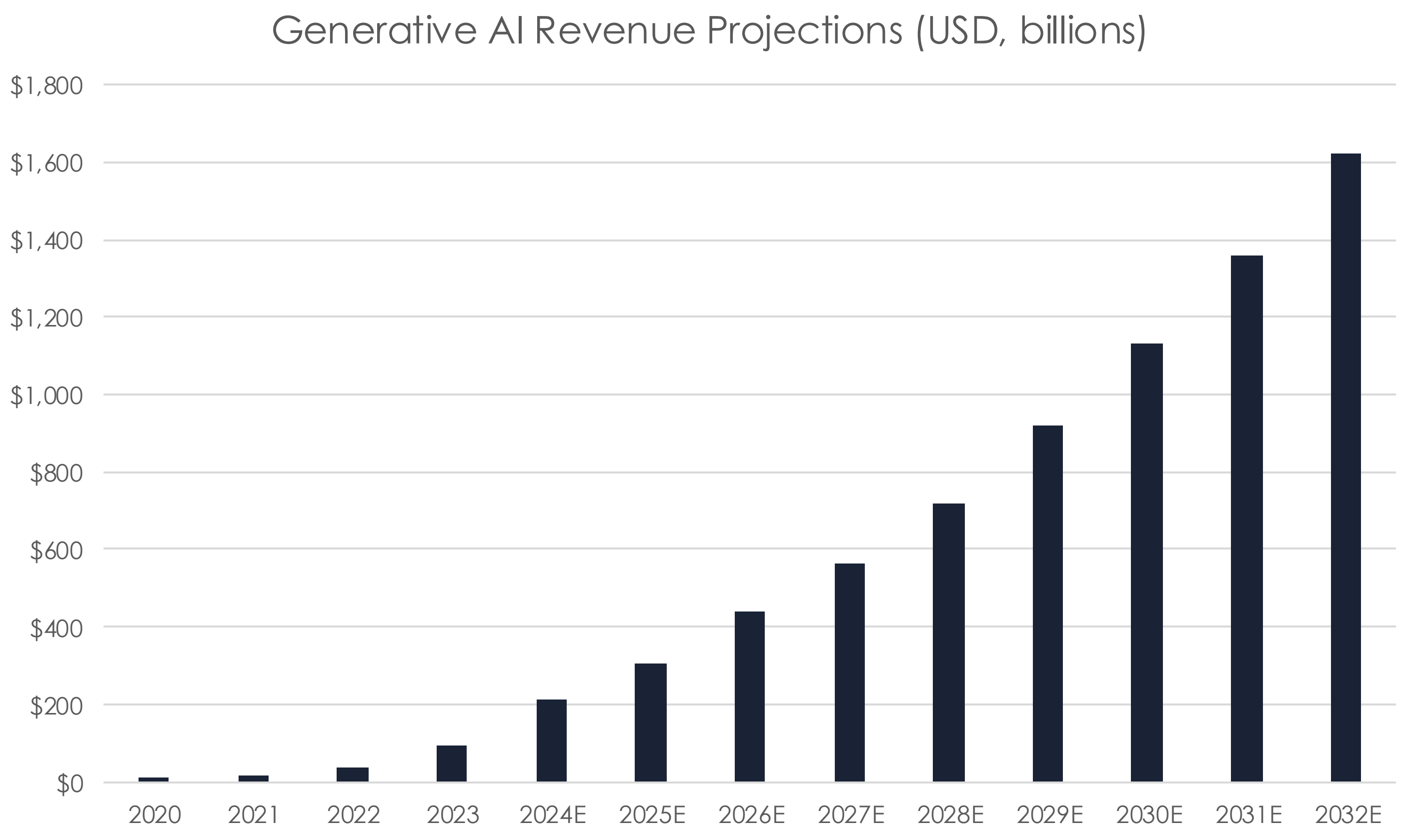
Projected AI Revenues

Current revenues from AI are relatively modest compared to future expectations, according to analysis from Bloomberg. The rally in AI stocks has been largely fueled by expectations and projections. In this analysis, AI is expected to generate US$1.6 trillion by 2032, a substantial rate of growth from today.

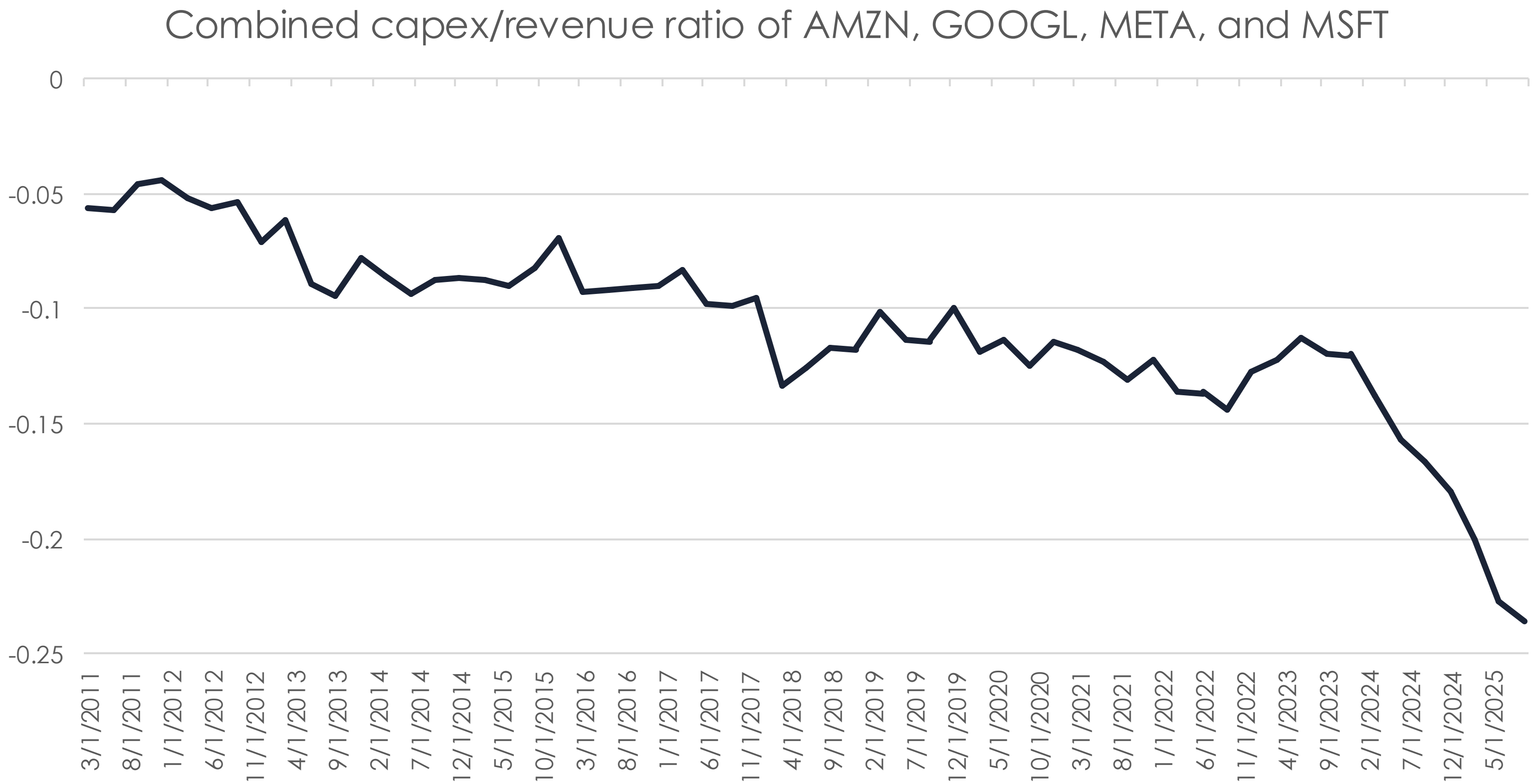


Data source: Bloomberg Intelligence 2025 Outlook

Hyperscaler CapEx

Big tech companies are spending massive amounts on AI-related infrastructure. This is clear from their capex-to-revenue ratio, which has accelerated to the downside in 2024/2025 as these businesses compete to gain market share and build the best products. Capex now represents almost 25% of revenues for these businesses.

There is a tremendous amount of investment being made in AI, and thus a significant amount of risk if these investments don't pay off as planned.



Past performance is not indicative of future results. You cannot invest directly into an index.

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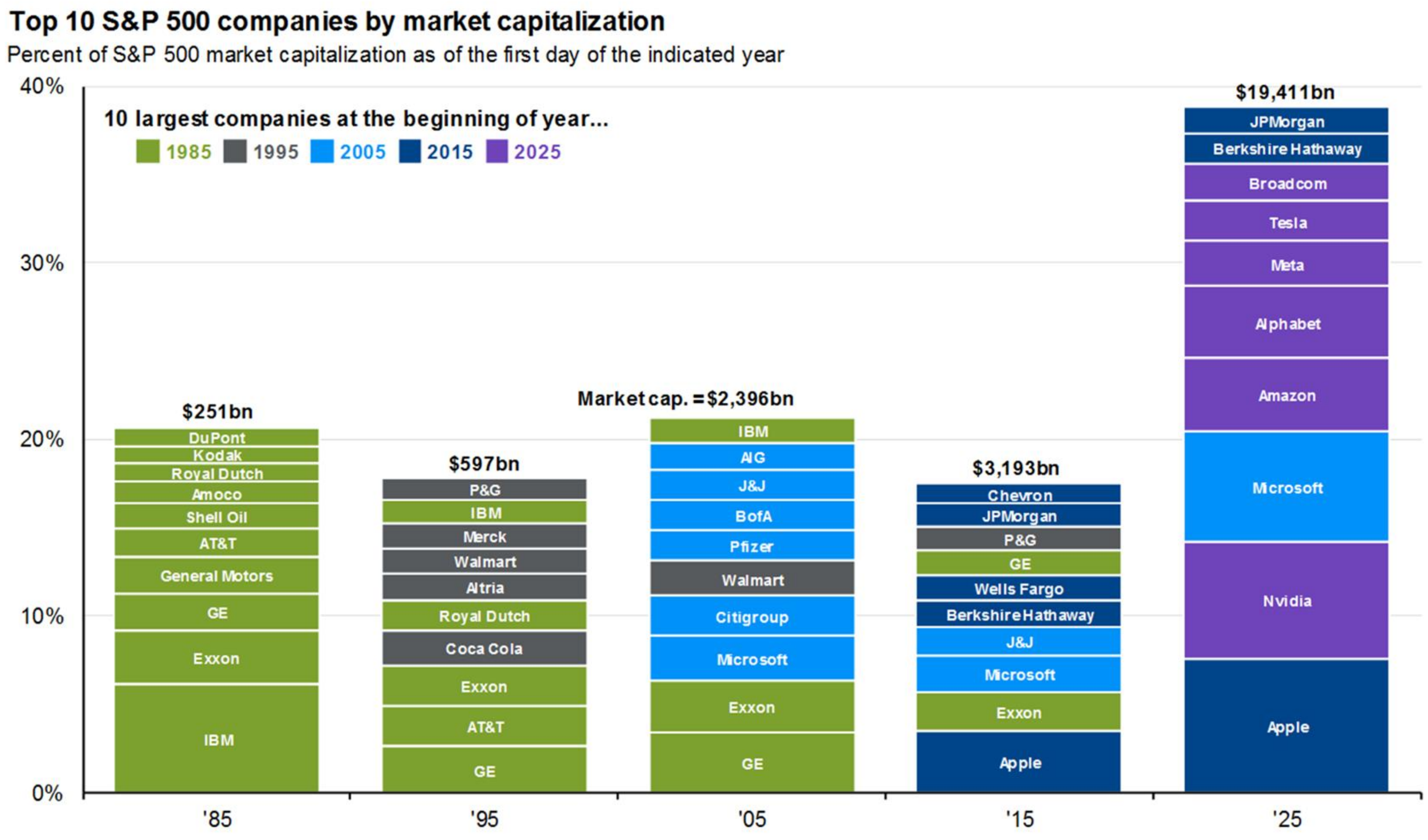
S&P500 Concentration

The S&P500 is more concentrated in a small number of stocks than it has been at any time dating back to the 1980s. The top 10 stocks make up almost 40% of the entire index.

The top 10 includes the 4 major hyperscalers mentioned in the previous slide as well as several other stocks that have benefitted from the AI boom.

With the index as concentrated as it is now, it may be wise for investors to seek diversification by allocating to other regions and asset classes.



Data as of October 31, 2025

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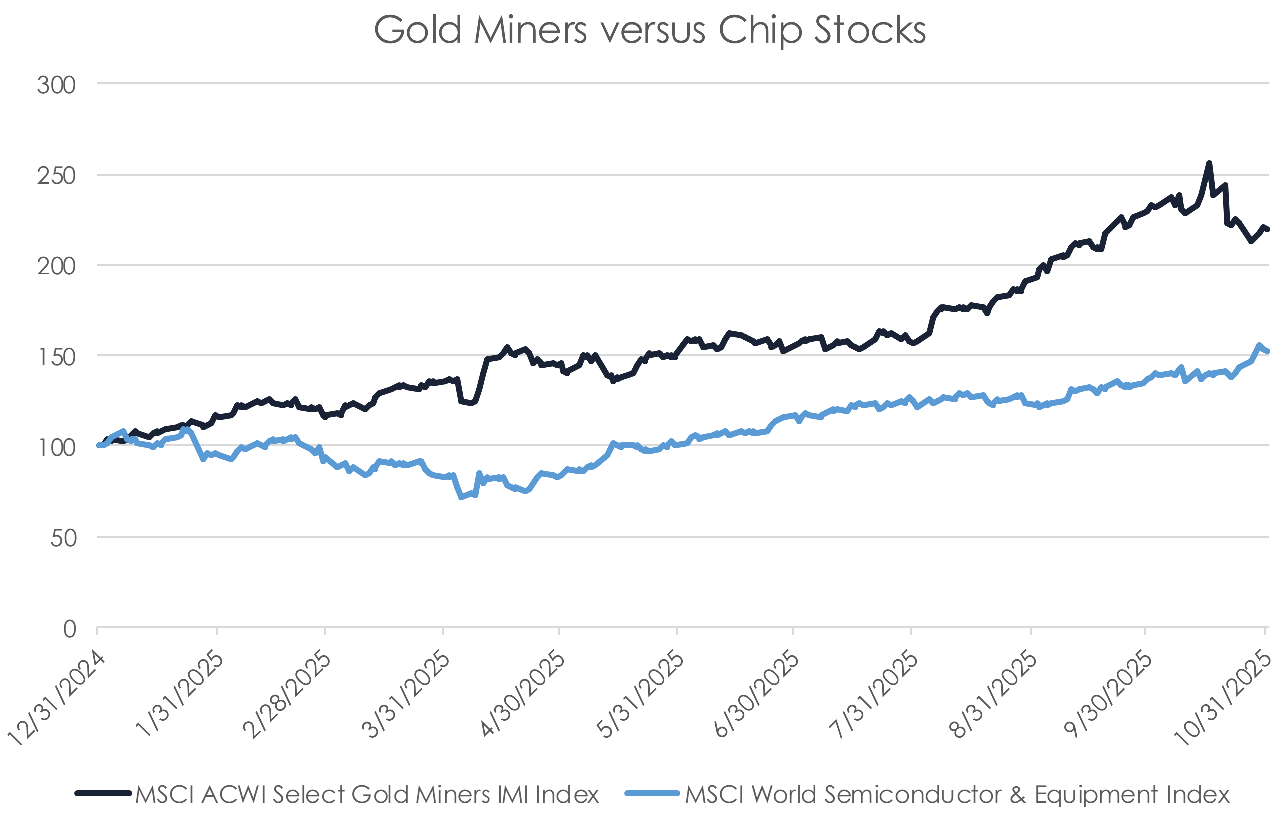
Gold Miner Performance

The performance of AI stocks has probably garnered the most attention this year, but AI has not been the best performing area of the market in 2025.

Gold miners have outshone just about all other groups to year-to-date. Using chip stocks as a proxy for AI with the MSCI World Semiconductor & Equipment Index, gold miners have outperformed by almost 70%!

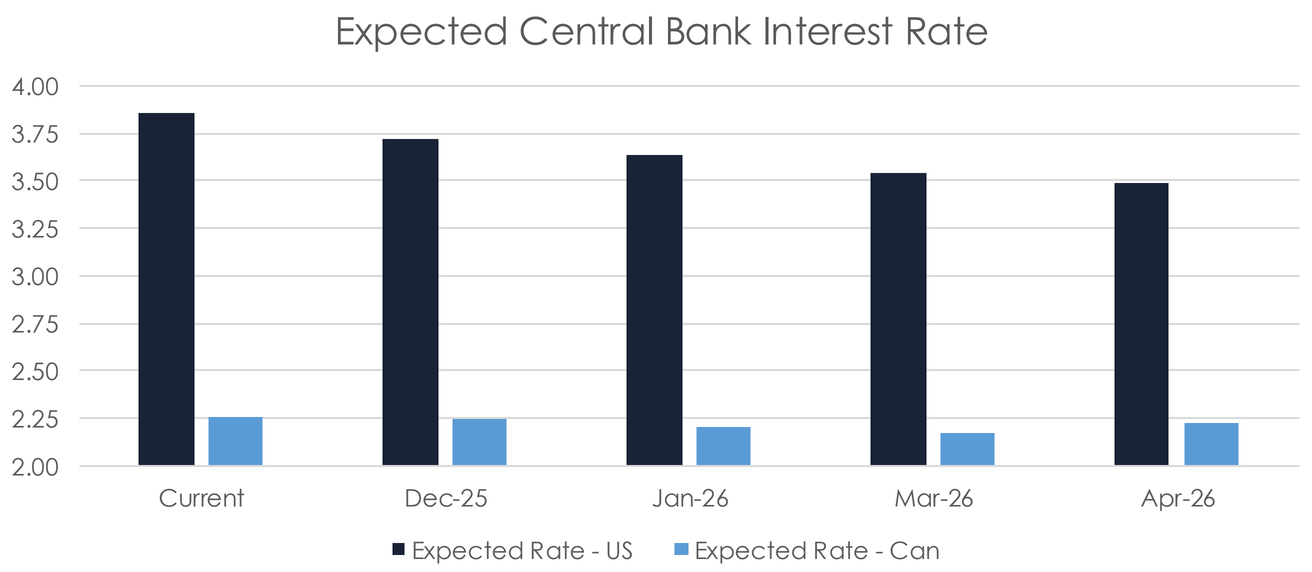
This is a good reminder that there are good opportunities to be found beyond the popular trends of the day.



Data as of October 31, 2025

Interest Rate Expectations

Following last week's cuts from the Fed and Bank of Canada, rates are expected to remain unchanged in Canada for the near future, with one more cut expected from the Fed.



Data: Overnight Index Swap markets as of November 3, 2025

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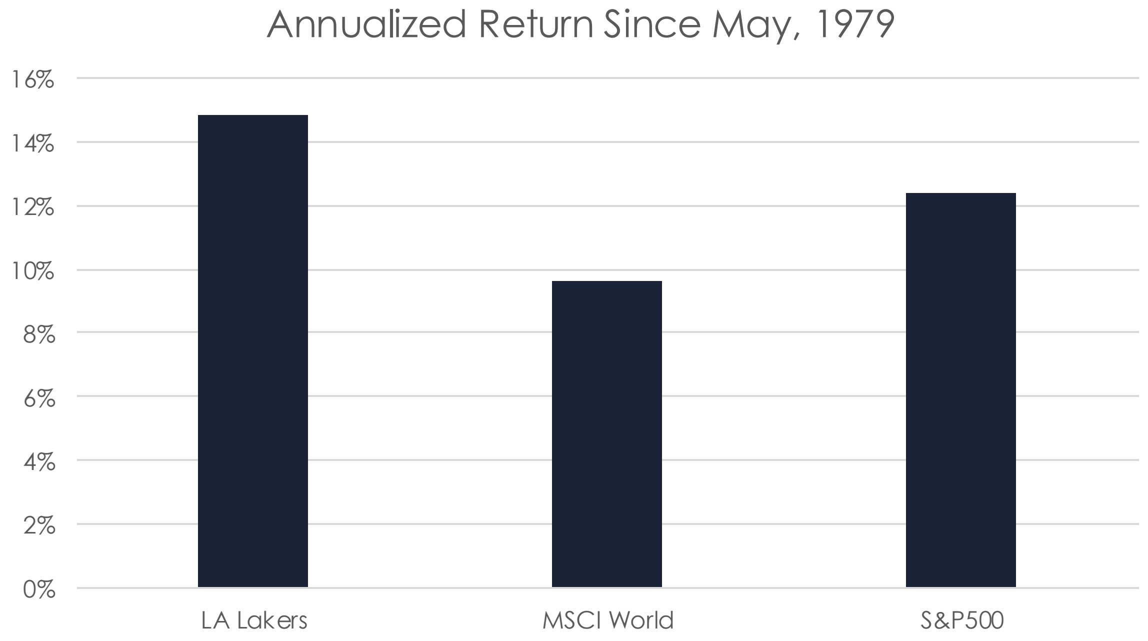
LA Lakers Franchise Sale

A majority stake in the Los Angeles Lakers recently sold, valuing the NBA franchise at US$10 billion. The franchise was purchased by Jerry Buss in 1979, at that time valuing the Lakers at just US$16 million as part of a larger deal.

That's an impressive return on investment, turning $16 million into $10 billion over about 46 years. Based on those numbers, that's an annualized return of ~15%.

Interestingly, 15% is a comparable return to what can be achieved on stocks over the long run. Compare that to 12% on the S&P500 or about 10% on the MSCI World Index over the same period.

Note that this is a rough comparison based on publicly available information on the Lakers franchise. It may not include all the sources of return to the franchise owners.



Note: Local Currency Terms, Total Return (Gross Dividends)

Data as of October 29, 2025

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