



NCM Core Global/Core International

Equity Strategies

NCM Monthly Commentary for October 2025



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Q3 2025 Review

Global stock markets generated strong gains during the third quarter of 2025. The key drivers for global equities included expectations of interest rate cuts, strong corporate earnings, economic resilience across major global economic regions, strong liquidity, and risk-on sentiment. Increased confidence was also a key contributor as it appears that investors have become less fearful of the impact from President Trump's tariff policies. The Magnificent Seven contributed to the market gains in the U.S. with an average return of 17.8% during the third quarter. Having said that, there was a wide divergence in performance among the Magnificent 7. For example, Meta and Amazon were relatively flat during the quarter while Alphabet and Tesla were up 38% and 40% respectively. All major developed market regions generated positive gains during the quarter. As seen in Chart 1 below, market returns were strongest in Canada and Japan, while Europe was a laggard.

CHART 1

Index	Geog. Region	Currency	Price change	Total return with dividends
MSCI World	Global	US\$	+7.0%	+7.4%
S&P 500	US	US\$	+7.8%	+8.1%
Stoxx Europe 600	Europe	Euro	+3.1%	+3.5%
Tokyo Stock Exchange	Japan	Yen	+10.0%	+11.0%
TSX	Canada	CAD\$	+11.8%	+12.5%

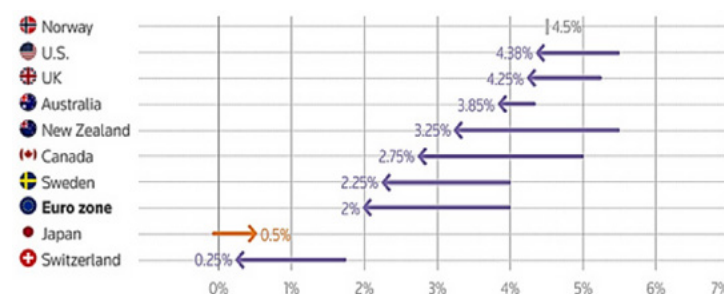
Source: Bloomberg

An economic environment where central banks are cutting interest rates and a recession is avoided has historically been favourable for stocks. And so far, this is the backdrop that we find ourselves in and from our perspective it is one of the factors that drove equities higher in the most recent quarter. As seen in Chart 2 below, most of the world's largest central banks have been cutting interest rates since the beginning of 2024 with Japan's central bank being the lone exception.

CHART 2

How interest rates have changed among G10 central banks

Policy rate changes by 10 major developed central banks since the start of 2024



Source: Reuter, LSEG

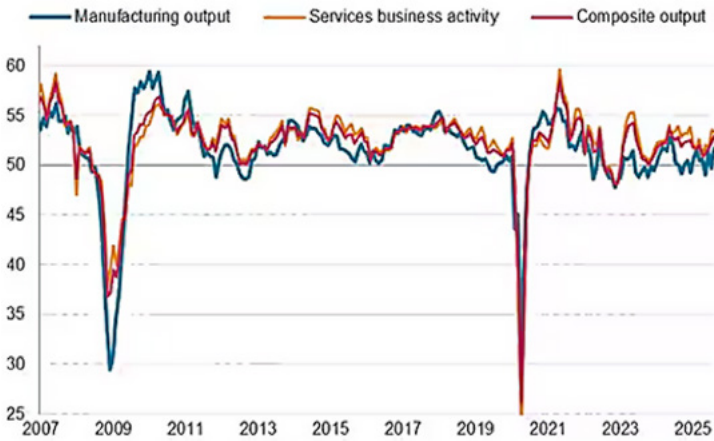
Strong corporate earnings during the second quarter also provided a tailwind to global stock markets. This was especially the case in the United States where the Magnificent 7 companies generated earnings that were well above consensus estimates. On June 30, the estimated earnings growth rate for the Magnificent 7 companies for Q2 2025 was 13.9%. By the time they reported results in August, the Magnificent 7 reported actual earnings growth of 26.6% for Q2 2025. The earnings strength seen during the second quarter looks as though it will continue in the third quarter based on the trend of earnings estimates. Despite concerns in the market

about inflation and tariffs, analysts increased their Q3 earnings per share (EPS) estimates for the S&P 500 during the third quarter. This is highly unusual, because analysts typically reduce their EPS estimates during any given quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 1.4%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during quarter has been 3.2%. And during the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 4.3%. Upward revisions to EPS estimates during any given quarter is something that has happened less than 20% of the time since 1994, so we are encouraged by what we see on the earnings front.

The global economy is also proving to be more resilient than initially feared in the face of the tariffs announced by President Trump. In the United States, gross domestic product for Q2 2025 was recently revised upwards to 3.8% from an estimate of 3.3% previously. This represents the fastest pace of GDP growth since Q3 2023 according to the Commerce Department's Bureau of Economic Analysis. Leading indicators are also flashing positive signals as seen in the recent data from the Purchasing Managers Index (PMI). The recently published S&P Global Market Intelligence PMI survey indicated that worldwide business activity growth accelerated for a fourth successive month in August. The past two months have seen the strongest back-to-back expansions of global services output seen so far this year. Furthermore, the August increase in factory output was the largest recorded for 14 months, and one of the best performances seen since the pandemic. The improvement in the Global PMI data can be seen in Chart 3 below.

CHART 3

Global PMI output



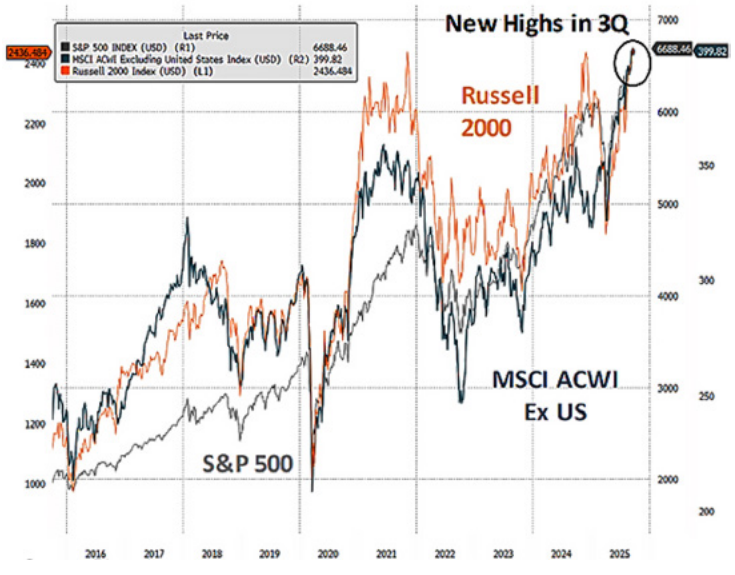
Data compiled September 2025 including PMI data to August 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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Strong liquidity and risk-on sentiment have also provided tailwinds for global stock markets on the back of interest rate cuts, strong corporate earnings, and tight credit spreads. Tight credit spreads are generally conducive to strong liquidity because they signal high investor confidence and low perceived risk of corporate defaults. The de-escalation in tariffs has also contributed to the risk-on backdrop that has been in place since stock market lows were made back in early April.

We are encouraged to see that strong performance has broadened out to other areas of the stock market beyond Technology and the Magnificent 7. This broadening out includes U.S. small cap stocks as reflected by the Russell 2000, which is a U.S. small-cap index consisting of the smallest 2,000 stocks in the Russell Index. U.S. small cap stocks have lagged significantly for the last several years, but during Q3 2025 the Russell 2000 reached a new all-time high for the first time since 2021. Outside of the U.S., the MSCI All Country World Index (MSCI ACWI) ex USA also reached a new all-time high. This represents a significant broadening of global stock markets given that the MSCI ACWI ex USA Index captures large and mid cap stocks across 22 of 23 Developed Markets and 24 Emerging Markets countries. This index covers approximately 85% of global stocks outside of the United States. This broadening out of global equity markets is illustrated in Chart 4 below.

CHART 4

Many Indices Made New Highs In 3Q



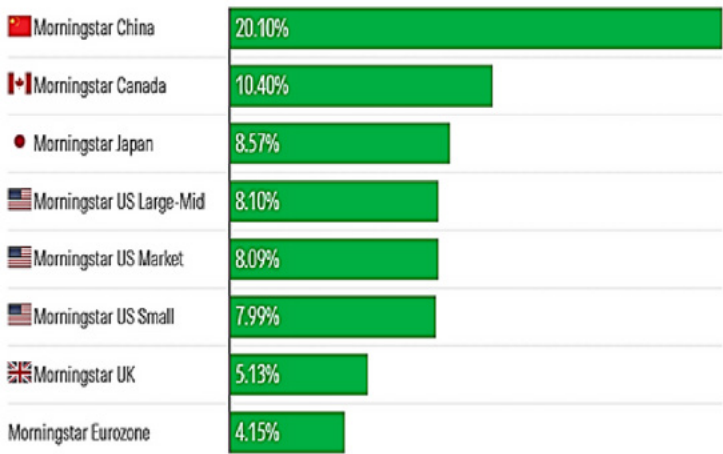
Source: Bloomberg

Another way to illustrate the broadening out of equities on a global basis is to look at the outperformance of several countries relative to the U.S. during the third quarter. As seen in

Chart 5 below, stock markets in China, Japan, and Canada all outperformed U.S. equities.

CHART 5

Q3 Global Markets Performance



Source: Morningstar. Data as of September 30, 2025. Performance Shown in USD.

In terms of the key risks, we are thinking about geopolitics, U.S. equity valuations, and the potential for inflation to reaccelerate. Geopolitical risk remains given ongoing tensions in certain regions around the world. U.S. stock market valuations are elevated relative to historical levels although a justification can be made for higher valuations given that

U.S. corporates are generating significantly higher returns on invested capital relative to history. In terms of the potential for inflation to reaccelerate, there are several factors to consider. The implementation of higher tariffs by the Trump administration and various conflicts around the world have driven a rerouting of global trade. This could lead to higher prices as shipping companies may demand a higher premium for increased freight costs. In addition, power and energy costs could remain structurally higher given increased grid investments from electrification and rising data center usage.

Portfolio Review:

During the third quarter, we established a new position in each of our Global and International strategies. In our Global strategy, we established a new holding in KKR. In the International strategy, we initiated a new position Euronext. A brief description of each new holding can be found in the **Appendix**.

Outlook for end of 2025

Bringing it all together, we have a cautiously optimistic outlook for global equities. Most of the largest global central banks have been cutting interest rates while many governments around the world are maintaining or expanding their deficits. In addition, we have low energy prices, a capex supercycle led by investments in artificial intelligence, and de-regulation in the United States. We believe this type of backdrop is favourable for global equities.

APPENDIX A
Company descriptions for new positions added to the Global Strategy

KKR is an alternative asset manager that operates across various asset classes including private equity, real estate, infrastructure, and credit. KKR has differentiated itself from most of its peers within the alternative asset manager industry given the full ownership of its insurance division. KKR acquired a majority interest in Global Atlantic, a leading U.S. retirement and life insurance company, on February 1, 2021, and purchased the remaining minority interest on January 2, 2024. Global Atlantic offers a range of savings products, such as fixed-rate and fixed-indexed annuities, as well as reinsurance solutions to individual and institutional clients. Global Atlantic benefits KKR's asset management business by providing a large and stable source of capital for deployment

into KKR's various investment strategies. Another point of differentiation is KKR's global footprint, particularly its deep roots in Japan and Asia. This Asian footprint provides a significant competitive advantage given the growth opportunities in the region. KKR has had a presence in Asia for close to two decades and is currently the leading alternative investment platform in the region, with nearly \$70 billion of assets under management (AUM). Given its exclusive partnership with Capital Group, KKR is well positioned to benefit from the recent executive order that calls for expanded access to private equity and other alternative investments for 401(k) plans and their participants. This represents a significant growth opportunity for KKR given that Capital Group ranks among the world's largest investment management organizations with over \$3.0 trillion in assets under management.

APPENDIX B

Company descriptions for new positions added to the International Strategy

Euronext is a leading European capital markets infrastructure company, covering the entire capital markets value chain, from listing, trading, clearing, settlement and custody, as well as solutions for issuers and investors. Euronext also operates MTS, one of Europe's leading electronic fixed income trading markets. Euronext provides clearing services through its multi-asset clearing house, Euronext Clearing, and settlement services through its network of Central Securities Depositories. They also act as a central entity for holding and administering securities, facilitating the transfer of ownership, and providing essential services to financial intermediaries and issuers. The company has a strong track record of efficient capital allocation including its expertise in making acquisitions. The €4.4 billion acquisition of Borsa Italiana Group completed in April 2021 is a good example of this. The acquisition greatly expanded Euronext's footprint and capabilities. It also transformed Euronext into a diversified pan-European market infrastructure company across the complete trading value chain well and provided diversification away from its strong foothold in equity trading. As a pure play on Europe, we believe that Euronext is well positioned to benefit from Europe's resurgence that should unfold in the years ahead on the back of large stimulus announcements that were recently made in Germany.

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