Encasa Market Minute – Q3 2025

Market Performance

- **All major asset classes posted gains in Q3**, extending strong 2025 results.
- **Bonds**:
  - Short-term bonds outperformed longer-term bonds due to falling short-term rates.
  - Longer bonds were hurt by higher interest rates.
- **Equities**:
  - Stocks rose as investors focused on AI growth potential and possible further rate cuts.
  - Canadian equities outperformed, supported by higher gold and base metals prices and strength in tech stocks.

Economic Overview

- **Canadian economy continues to face challenges** – Growth has been slow since the pandemic, and new U.S. tariffs have slowed exports, particularly in automotive, steel, and aluminum.
- **Unemployment rose** to 7%, above pre-pandemic levels (~6%), as manufacturing and goods-producing jobs declined.
- **The Bank of Canada cut rates by 0.25%** in September to 2.50%, its first rate cut since March.
- **Short-term rates fell but long-term rates rose**, reflecting investor concerns about higher government borrowing and global fiscal pressures.
- **Interest rates moved higher in Q3 in most major bond markets globally** as governments faced rising spending needs and slower growth.

Encasa Fund Results (as of Sept 30, 2025)

Encasa Canadian Short-Term Bond Fund

- **Q3 return: +1.3% | 1-year: +3.6%**
  - *Benchmark (excludes fees): Q3 return: 1.3% | 1-year: 4.2%*
- **Yield to maturity: 3.0%**
  - *Benchmark (excludes fees): 2.8%*
- **29% invested in Sustainable Labelled bonds**
  - *Benchmark: 4.7%*

Encasa Canadian Bond Fund

- **Q3 return: +1.5% | 1-year: +2.6%**
  - *Benchmark (excludes fees): Q3 return: 1.5% | 1-year: 2.9%*
- **Yield to maturity: 3.8%**
  - *Benchmark (excludes fees): 3.5%*
- **~35% in Sustainable Labelled bonds**
  - *Benchmark: 4.3%*

Encasa Equity Fund

- **Q3 return: +11.4% | 1-year: +28.4%**
  - *Benchmark (excludes fees): Q3 return: +10.5% | 1-year: +23.9%*
- **Outperformance driven by**:
  - Stock selection in Technology, Industrials, and Materials, and gains in gold stocks.
  - Slightly more focus on markets outside Canada than benchmark
- Continues to avoid companies with controversial practices.

Looking Ahead

- Despite slower growth and trade headwinds, 2025 has been a strong year for investors.
- Lower interest rates and innovation themes (like AI) continue to support markets.

🔍 **Looking for a more in-depth view of recent market changes?**

Check out the full Q3 2025 Economic and Market update on the Encasa website.

💬 **Need Help With Your Investments?**

Contact your Encasa advisor to review your portfolio or ask questions. We're here to help you stay informed and on track.