A PERSONALIZED, INDEPENDENT, PRO-ACTIVE WEALTH MANAGEMENT FIRM

RealGrowth Investment Counsel

SINCE 1981 DECEMBER 2025

Our Current Stance

EQUITIES: Your portfolios have remained very strong as we finish the year, with performance numbers that have, to date, been impressive, and well in excess of the general markets. This is primarily due to strength in precious metals, utilities and energy. Despite continued uncertainty surrounding the fallout from Trump's expanding tariff policy, expected higher inflation and recession fears (stagflation), we remain optimistic for the rest of the year as further interest rate cuts are expected. We believe our current asset allocation should continue to benefit from the current scenario, and an expected increasingly volatile global landscape. One that will ultimately affect inflation and economic growth. As such, we will continue to maintain our asset allocation with a focus on targeted diversification and a long-term, disciplined approach that we believe will protect your portfolios and provide growth.

As for the general markets, the Japanese "carry trade" that has been going on for decades may finally be coming to an end. The carry trade happens when speculators borrow money in cheap Yen (and their low interest rates) and buy U.S. dollars to load up on high growth hi-tech companies and, for example bitcoin. Valuations in those hi-tech firm names, that we all know, (and bitcoin) have been very high for a long time. If the big hedge funds, and the like, that have been borrowing in "cheap" Yen and buying U.S. dollars to buy internet stocks, bonds and other risky bets have to reverse their trades because of a stronger Yen (and higher Japanese interest rates), then all bets are off on the possibility of the general markets continuing to rise.

INFLATION: With the multi trillions in debt world-wide, and the potential for a recession, there are only two possible outcomes. One is war and the other, more benign, is to inflate away the debts.

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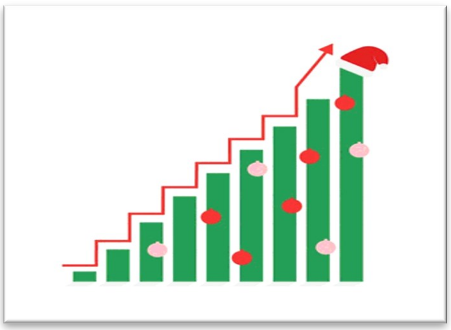
Month In Review

Your portfolios have experienced significant growth so far this year, and the momentum increased during November. This is due to a long-standing strategic plan that was put in motion some time ago in developing our Core Model Portfolio.



DEBT AND THE ECONOMY: There is a major disconnect forming between the market and what seems to be economic reality. While the S&P 500 is trading near all-time highs, key underlying economic data seems to be indicating a looming recession.

The U.S. economy, Canada and Europe appear to be entering a stagflationary slowdown, as can be seen by weakening production and persistent inflation at the same time.

We've been expecting this for some time, and as we approach the end of 2025, data shows that, even as demand is weakening, manufacturers are having to pay more for production inputs. This points directly to a potential recession combined with a persistent inflationary environment. While some of this can be attributed to headwinds from tariffs and uncertainties over trade policies there are other factors at play. Retailers are seeing reduced demand, which helps to explain why new orders are weakening so much. Businesses are citing increased costs for insurance, utilities, and healthcare, on top of rising input costs for manufacturers. However, the main cause of stagflation is the massive amounts of money printing and unconscionable ongoing deficits and debts.

So what does this mean for the market?

By virtually every major market valuation metric, the S&P 500, and many other

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CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	11/30/2025	10/30/2024	Change (1 Month)	Change (Dec 31/24)
Dow Jones Industrial Average (DJ)(DJ)	47,716.42	47,562.87	0.32%	12.16%
Standard & Poor's 500	6,849.09	6,840.20	0.13%	16.45%
NASDAQ	23,365.69	23,724.96	-1.51%	21.00%
Toronto Stock Exchange	31,382.80	30,260.70	3.71%	26.91%
London (FT100)	9,299.80	9,187.30	1.22%	13.79%
U.S. $/CDN $	0.7130	0.7153	-0.32%	2.31%
Euro/CDN $	0.6147	0.6182	-0.57%	-8.22%
Gas	4.85	4.12	17.60%	33.50%
Oil (West Texas Inter)	58.55	60.98	-3.98%	-18.36%
Gold	4,218.30	3,982.20	5.93%	60.44%

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The general equity markets can handle inflation because many companies, especially the large ones, can increase prices to offset their rising costs, thus maintaining their profit margins. That would be a grey area, however, as the level of interest rates would have a bearing. A likely scenario would be lower short-term interest rates but rising longer-term rates. But inflation would become an ingrained economic outcome.

FIAT CURRENCIES: Fiat currencies will likely continue to be devalued. As long as Western governments are free to print money to pay their obligations and debts, their relative values against hard assets will continue to fall.

INTEREST RATES: Since June 2024, the ECB has cut its deposit rate by 200 bps to 2%. The German 30 yr bund yield is trading today at its highest level since July 2011 at 3.46%, up since the beginning of June 2024. This ocurrs because the governments can partially control short-term rates but long duration bonds are mostly controlled by market forces.

The BoE started cutting rates in July 2024 and its 30 yr yield, while off its multi decade high seen in early September, is up about 60 bps since early July 2024. The U.S. 30 yr yield at 4.81% today is up almost 1 per cent since September 2024 when the U.S. Federal Reserve cut 50 bps, to start their cutting cycle, and at 4.81% is back to the highest yield since 2024.

So, we've seen all these rate cuts, with another Fed one this week (December 10th), and totaling 175 bps since last year, and most likely one from the BoE next week. The rest of some important yield curves (longer dated ones) have clearly gone their own separate way.

Bottom line, we continue to believe the Western world is in a much different long-bond market space than the one we have experienced over the past 40 yrs of falling rates. Whether it's debts and deficits that

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general market indexes, are materially overvalued. This means that the general markets may be due for a major pullback or, at the very least, years of very weak performance.

That being said, there is a small potential for the economy to experience a deflationary boom. If AI can come to the rescue and, in a relatively short time frame, deliver productivity gains that fight off inflation and drive robust growth, the market should provide reasonably good returns moving forward.

Tax Free Savings Account (TFSA)

2025 TFSA Contribution: $7,000

Cumulative Contribution 2009 - 2025:

$102,000

However, and more likely, absent some major leaps in AI and robotics capabilities, we think most Western economies are more likely headed for stagflation. The market models, that we have designed, are likely to weather a stagflationary environment just fine. In particular, we like infrastructure businesses that have long-term cash flows with inflation-linked sales. As long as those cash flows and investment-grade balance sheets hold up well during periods of economic weakness, the inflation-linked components of those businesses should allow cash flows to grow at rates that keep up with inflation. In some cases, such as perishable retail, margins can even improve. Meanwhile, these infrastructure businesses, by being linked to the AI boom, may also do fine in a deflationary environment in which AI fuels the growth and deflation.

We are steering clear of the relatively poor risk-reward profile offered by major indexes. Instead, we are maintaining core positions in stagflation-resistant industries that are able to benefit from AI infrastructure and at the same time continue generating attractive income and total returns in our portfolios from currency destruction.

How America may have changed its own geographic zone of control: **The Monroe doctrine**. President James Monroe first articulated the Monroe doctrine on December 2, 1823. The doctrine is a United States foreign policy position that opposed European colonialism in the Western Hemisphere. It held that any intervention in the political affairs of the Americas by foreign powers is a potentially hostile act against the United States. The doctrine was central to American grand strategy in the 20th century.

When Russian naval vessels appeared in the Caribbean some years back, they did more than challenge American influence in the region. They effectively dismantled the principle that has shaped politics throughout the Western Hemisphere for 200 years. Until a few weeks ago, most people remained unaware of this development. This transgression went beyond a mere naval maneuver. It was a fundamental change to the global structure created by America, the only super power since WWII.

The Trump administration may be attempting to fix this, with their naval maneuvering tactics in Venezuela. However, with China and Russia entrenched and much of S. America supporting the prevention of America from forcing change in Venezuela, we don't think their present naval threats will prevail.

How to mitigate worldwide fiat currency destruction: India's central bank now holds more than 65% of its gold re-

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now matter or inflation concerns, central bankers no longer have influence over the long end of their respective yield curves.

OIL AND GAS: Last week, Saudi Arabia slashed the prices for its crude bound for Asia in January to the lowest premium to benchmarks in five years, as the world's largest crude exporter looked to preserve market share amid ample supply and falling spot Middle East benchmarks.

China increased purchases of Saudi crude oil for January to the highest volumes in five months. This is after the Saudis slashed their official selling prices for Asia to the lowest premium over brent crude benchmarks in five years.

Apparently, Chinese refiners are expecting about 50 million barrels in total of Saudi crude volumes for January. The submissions for January are about 10 million barrels higher compared to the December volumes and the highest-level Chinese refiners have booked for one month since August this year. The high volumes are partly due to the lower Saudi official selling prices (OSPs) for Asia for January and partly because of increased nominations from China's private refiners expecting 2026 imports.
The Saudi price cut was widely expected by the market and refiners due to plentiful supply as OPEC+ raised output through December, with Saudi Arabia raising production by the most as its share of the quotas is the biggest.

Saudi and other Middle Eastern crude has also become more popular in Asia now than it was just a month ago after the U.S. sanctions on Russian producers Rosneft and Lukoil sent Indian and some Chinese buyers scrambling for alternative supplies until the sanctions situation and implications become clearer.

Unless the economy falls into a recession, it is unlikely that the oil prices will stay at these relatively low prices for an extended time.

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serves at home, nearly double the share from four years ago. This accelerates the repatriation of the precious metal after Western nations froze Russia's reserves following the invasion of Ukraine.

The Reserve Bank of India brought back nearly 64 tons of gold in the first six months of the financial year that began in April, it said in a half-yearly report on foreign exchange reserves. In value terms, gold accounted for 13.92% of total reserves at the end of September, up from 11.70% at the end of March. The RBI generally keeps part of its gold overseas, at the Bank of England and the Bank for International Settlements.

As of the end of September, the RBI held 880 tons of gold, of which 576 tons were stored domestically — an all time-high. Gold held locally accounted for about 38% of the total in September 2022.

The RBI didn't give a reason for the shift, but some economists have suggested the move may be aimed at enhancing control over the nation's bullion assets in coordination with the BRICS, and in response to the Group of Seven nations, including US, and the European Union that seized Russia's reserves in 2022 following its invasion of Ukraine. Over the past four years, India's central bank has repatriated nearly 280 tons of gold. Finance Minister Nirmala Sitharaman said last month the RBI was taking a "very considered decision" to diversify its reserves.

"Since we have the capacity to store it, why not bring it back?," said Gaurav Kapur, chief economist at IndusInd Bank Ltd. "Many central banks are doing it," he said, adding that it made sense "to have your gold in your own hands in these uncertain times."

The RBI is also among the top buyers of gold globally, in an effort to reduce reliance on U.S. dollars and related assets. It has steadily trimmed its holdings of U.S. Treasuries, a process that began even before President Donald Trump imposed 50% tariffs on India for buying Russian oil. Other BRICS countries are doing the same.

First Home Savings Account FHSA

1) Annual contributions to an FHSA up to $8,000, with a lifetime max. contribution of $40,000.

2) Contributions can be claimed as a deduction against taxable income. Investments grow in the account without being subject to tax.

3) Income and withdrawals aren't taxable, if they are used for a home purchase. No repayment is required on withdrawals.

4) Withdrawals not made to purchase a qualifying home are taxable income. HOWEVER, if the clients decide to use the funds for something else, they can transfer the money to an RRSP or RRIF without affecting their contribution room.

By taking advantage of both the FHSA and the Home Buyers Plan (which allows to withdraw up to $60,000 from an RRSP tax-free) ***the Client could save up to $100,000 to use toward a first home, plus any growth in the FHSA.***

India's total foreign-exchange reserves stood at $702.3 billion as of Oct. 17, the world's fourth-largest.

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PRECIOUS METALS: **Gold is money — everything else is credit!!!**

Gold bullion has gone up substantially this year and the gold equities have followed suit but still extremely undervalued. When you adjust for today's gold bullion prices, aggregate capital expenditures are currently at one of the lowest levels in history.

If you're looking for a classic sign of a mining-cycle top, it's typically when companies start spending on new and previously idled mines, and buying other miners, like drunken sailors. That couldn't be farther from the truth.

Nonetheless, despite the Hi-Technology boom, both gold bullion and the gold equities have performed significantly better than the general equity markets this year.

With the very overvalued Hi-Tech boom in focus, most investors seem concerned that the general equity markets are ripe for a major correction.

One might ask: If the overall stock market collapses by say over 20% as many believe, what happens to the gold mining shares? Do they also crash? Should one try to get out before the crash or just hold on?

There may be an upcoming stock market decline, but we believe it may be a slow-motion train crash, much like what happened during the inflation collapse in 1973-1974. During that stock market decline, gold and silver skyrocketed, as well as the mining stocks. Homestake mining was a huge performer back in the day.

Also, while many Gold Mining shares, relative to gold bullion, remains completely out of sync, one does not want to sell any high-quality mining stocks, because they are way too undervalued, and the risk/reward is heavily weighted on the upside.

These stocks are a relatively large portion of our Core Model Portfolio and we are holding those positions.

POLITICAL SHORTS

Canada Transformed

We have felt for many years that Canada should encourage more trade with what it is good at producing, to a wider audience, not only one client. Until recently we have relied heavily on the United States for our livelihood. After all, it is only natural, geographically, for North South trading between countries. North South trading routes were, until recently, easier and more profitable than trading goods between, say, Ontario and British Columbia. Even getting any kind of new pipeline built was very difficult, nigh impossible. We wonder, has that kept Canada from forming closer relationships between our own provinces all these years?

There was a good article in the Globe and Mail on Wednesday November 26th (page A10) that showed "Fifteen ways Trump has changed Canada….

Prime Minister Mark Carney likes to call U.S. President Donald Trump 'transformative'. One year after Mr. Trump first unleashed his threats of tariffs and territorial expansion, Canada has indeed been transformed.

It was a year ago this week when Mr. Trump threatened to hit Canada, Mexico and China with 25-per-cent tariffs unless they stopped migrants and drugs from entering the United States, and a year since he first floated his notion of Canada as the 51st state in a meeting with then-prime-minister Justin Trudeau.

To some degree, Mr. Trump has followed through on his tariff threats. While most Canadian exports are crossing the border duty free, a bevy of products and industries are getting slammed by tariffs that run as high as 50 per cent.

Today, Canada is a country changed – politically, culturally and economically. Mr. Trump reshaped last spring's federal election, sparked a backlash against U.S. consumer goods and travel destinations, forced a wholesale change in trade flows and left Canadians feeling more unified, but also more precarious."

A number of examples were given and a couple really caught our attention.

With the help of the LCBO, Canadian imports of U.S. wines plummeted, from a healthy number, to almost zero. Our guess, and my own experience in the grocery stores, is that many other products also had the same fate. A year ago, it would never have crossed my mind to vet my fruit. But now I can't but help vetting the labels to see if those oranges are from Florida or Costa Rica. Yes, I do opt for those South American products. Often, they seem to be more flavorful and juicier.

The changing spending patters also popped off the page. Many Canadians seem to be less optimistic about the economy in general and have pulled back on their general spending patterns in response.

We believe, if Carney can open up our economy (a relatively eco friendly resource powerhouse) to other nations, that Canada will be better off than we were before being threatened (not a good thing to most Canadian's psyche) to be the 51st state.

If this happens, that we can make productive trade deals with Europe, South American and the Far East, Canada will become a much stronger nation and back to being respected around the world.

These are observations; however, we are seeing somewhat more positive developments (most recently the potentially new cross province pipelines) such as interprovincial like-minded agreements taking shape.

We hope for, and believe our portfolios are well positioned to take advantage of, a more unified Canada.

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December 10, 2025

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