A PERSONALIZED, INDEPENDENT, PRO-ACTIVE WEALTH MANAGEMENT FIRM

RealGrowth Investment Counsel

SINCE 1981 OCTOBER 2025

Our Current Stance

EQUITIES: Valuations don't matter, until they do. And right now the price to earnings ratios of the major equity indexes are at all-time highs. There will be a revision to normal P/E ratios, but when and to which industries, is unknown.

We believe the general U.S. markets are now in rarefied air. The 2025 average P/E ratios for the S&P 500 index are 25x the overly optimistic 2026 calendar year estimates. On a GAAP basis, the markets are now trading at about 30x 2025 earnings estimates. The average dividend yield is at just 1.2% currently and reminds us of similar numbers that were prevalent before the real estate crash in the late 1980's.

Again, those high stock prices divided by their respective per share earnings, don't matter until they do!

Tax Free Savings Account (TFSA)

2025 TFSA Contribution: $7,000

Cumulative Contribution 2009 - 2025:

$102,000

We do want to argue, however, that there are still undervalued stocks out there. Within the S&P, the consumer food/product, telecom and pipeline companies are attractive to us. They have been forgotten investments and now have bond-like dividend yields with the potential for equity-like upside. The gold stocks may be in the midst, or the beginning, of a historically large move higher after being in a bear market for decades. We have good core positions in all of the above and believe sticking with our current Asset Allocation Model is prudent.

(Continued on page 2)

Month In Review

TO OUR CLIENTS: Your portfolios showed significant growth throughout the summer, primarily due to your positions 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 year. We believe our current Asset Allocation Model should continue to benefit from that scenario, and perform better under this 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.

DEBT AND THE ECONOMY: Market participants tend to view interest rate changes very simplistically. Higher rates bad, lower rates good. But, there is so much more to the possible effects on the economy, individual and public behaviours, and a more complex nuance. There is apparently about $7 trillion of un-invested money sitting in money market types of funds that are going to produce less interest income for savers. Add an additional $7 trillion of other fixed income type cash equivalents that will have the same effect, and you're talking about 14 trillion dollars that will reduce income to those safe investments. That could lead to less disposable spending by upper income earners, who have been a main driver of consumer spending, and this group is about to make less money. The lower income earners are already spending all of their income and more and lower interest rates may not make any difference to their spending habits. On the other hand, anyone borrowing for their purchases may get relief. We'll soon see how long term Treasuries trade after the possible rate cuts going forward, and to see the extent to which bigger purchases, such as for home buyers, get relief too. In the U.S., mortgage borrowers can re-finance their loans if interest rates fall. Although that would help them, the lenders, such as the banks and insurance companies, may earn less.

Regardless of the change in interest rates, which will have some possible effects on the economy for some but reduce income for others, the outperformance of hard assets over financial

(Continued on page 2)

CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	09/30/2025	08/30/2024	Change (1 Month)	Change (Dec 31/24)
Dow Jones Industrial Average (DJ)(DJ)	46,397.89	45,544.88	1.87%	9.06%
Standard & Poor's 500	6,688.46	6,460.26	3.53%	13.72%
NASDAQ	22,660.01	21,455.55	5.61%	17.34%
Toronto Stock Exchange	30,022.80	28,564.50	5.11%	21.41%
London (FT100)	9,299.80	9,187.30	1.22%	13.79%
U.S. $/CDN $	0.7179	0.7273	-1.29%	3.02%
Euro/CDN $	0.6151	0.6227	-1.22%	-8.16%
Gas	3.30	3.00	10.21%	-9.08%
Oil (West Texas Inter)	67.02	68.12	-1.61%	-6.55%
Gold	3,840.80	3,473.70	10.57%	46.08%

Our Current Stance

(Continued from page 1)

INFLATION: Inflation is an issue all over the world. One industry and region, in particular, is the European steel industry that is currently facing a perplexing environment, marked by low inventories and rising costs. This situation has led to a noteworthy price jump in steel prices. The industry is grappling with high costs due, in part, to the transitioning to low-carbon production, which is essential for sustainability (as many governments espouse) but poses a financial burden to all. In addition, the industry is competing with heavily subsidized imports, particularly from China. The European Central Bank's rate cuts, in unison with the U.S., are expected to stabilize steel-intensive industries, but structural challenges continue. The industry is advocating for trade protection measures to safeguard its market position but that will put them in line with multiple other industries that are in similar positions.

FIAT CURRENCIES: Fiat currencies are doing what they've always done throughout history - they are being defaced. From before the Romans to modern day, the only way that over spending governments fix their inability to repay debts is by devaluing their currencies. In today's world, it is of course, with the push of a few buttons, very easy to print whatever they want to. Hard assets are the only way to protect capital and that can come in many forms. The stock market, if chosen carefully, is one way to do this.

INTEREST RATES: The laws of economics are a funny thing, in that no matter how hard governments try to manipulate the narrative, the free hand of the economy will prevail.

The U.S. Federal Reserve can espouse how non-political they are, how much they are in control of the money supply "to balance the threats of inflation with the risks of declining employment (recessions)" and how they vote as a collective. At the end of the day they are printing money to buy U.S. govern-

(Continued on page 3)

Month In Review

(Continued from page 1)

assets is, in our view, of greater significance on macro trends unfolding today.

As Mark Twain famously said: "History doesn't repeat itself, but it often rhymes."

By the end of this decade, we believe traditional portfolios will likely hold a meaningfully larger allocation of hard assets than they do today.

The Dollar's Fate = the world's Fate. The "greenback" is much more than the subject of what often feels like overly theoretical debates on its direction in both absolute terms (i.e., inherent purchasing power - inflation) or in terms of its relative strength to other currencies (i.e., as measured by the DXY and especially gold).

As the world's reserve currency, in which: 1) 58% of global foreign exchange reserves are held, 2) 80% of global trade finance is conducted, 3) \$13T in global debt is denominated, 4) Over \$90T in FX swaps are traded, 5) How the vast majority of U.S. income-earners measure their wealth.

The strength, direction and fate of this currency is of massive relevance to all of us – both in Canada and inside and outside of the United States.

A rising or falling dollar, for example, has a direct and immediate impact on stock market direction, bond market volatility, global trade shifts, local currency behaviors, tariff efficiency, central bank policies, alternative currency momentum, war motives and, of course, precious metal price action in the backdrop of gold's rising reserve asset status.

Or stated even more simply: The fate of the U.S. currency matters because a large portion of the world's economy – and not just the gold price – is tied to it.

When asking whether this U.S. dollar will strengthen or weaken, there are many more variables that could affect the economy than just "winning this debate." What is of greater significance is understanding the moving parts of this admittedly complex issue, before making any conclusions.

To help gain this understanding, we are compelled to respect both arguments – i.e. those who see a dollar's "last stand" and those who think the dollar's hegemony has already come to a historical turning point downwards. However, never in a perfectly straight line.

The dollar, like history, can be full of short-term surprises/movements, however, as Voltaire wrote, fiat money inevitably reverts to the zero-value of the paper it's printed on…

But imagining a dying dollar (which has already lost 99% of its purchasing power against a milligram of gold since 1971) is almost impossible to do, especially a dollar that until recently was critical to global trade and finance as the world's reserve currency.

ECONOMOMY AND WORLD DEBT: In the statement from the Bank of Canada on September 17th, with their expected 25 bps rate cut, they said, "With a weaker economy and less upside risk to inflation, governing council judged that a reduction in the policy rate was appropriate to better balance the risks going forward." From here, though, it wasn't as clear as "the disruptive effects of shifts in trade will continue to add to costs even as they weigh on economic activity." They will be "proceeding carefully" from here they said. Over the past two days the Canadian dollar is basically flat as is the 2 yr yield (down 3 bps yesterday, up 3 bps today).

Like a number of countries around the world that have been too dependent on trade with the United States, our Prime Minister, Mark Carney, has begun five projects he says will generate more than \$60 billion for the Canadian economy and, apparently, will create tens

(Continued on page 3)

Our Current Stance

(Continued from page 2)

ment bonds that are sold to pay for their overspending…not matter what that may be.

There are always folks with money that can lend it out to borrowers, like most western governments, but they won't do so unless they are compensated for risk and loss of purchasing power. So, the more western governments borrow, the less money is worth, the more risk there is that the lenders won't be paid back and the more those lenders will want to be compensated. That compensation is in the form of interest rates.

The Federal reserves of the world can lower short-term interest rates all they want, but the medium and longer ends of the time yield curve will go up and the yield curve will steepen.

OIL AND GAS: The best cure for low oil prices is low oil prices.

You probably wouldn't expect me to write about the following, in the oil and gas section, because at first glance Artificial Intelligence data centres are all about high flying technology. However, it has everything to do with oil and gas.

Recently, Nvidia announced plans to invest up to 100 BILLION dollars in Open AI in return for a meaningful stake in the ChatGPT maker. This is part of a joint venture to build data centres for artificial intelligence.

The amount of energy to run these centres is enormous. The deal is OpenAI buys millions of Nvidia's IA processors to deploy up to 10 gigawatts of capacity. That would be the equivalent of 10 nuclear reactors. Nvidia apparently estimated that the total cost of the 10 GW of AI infrastructure would be up to $400 billion…a small drop in the market value bucket of Nvidia (about 4.37 TRILLION U.S. dollars).

The point of the above, is that our modern high technology and electrification requires massive amounts of energy to build and run.

(Continued on page 4)

Month In Review

(Continued from page 2)

of thousands of high-paying careers for Canadian workers. He said: "These five projects are just the beginning."

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.***

The first five projects include:

1) Phase two of LNG Canada in Kitimat, B.C., doubling its production of liquefied natural gas. 2) The Darlington New Nuclear Project in Clarington, Ont., which will make small modular reactors. 3) Contrecoeur Terminal Container Project to expand the Port of Montreal. 4) The McIlvenna Bay Foran Copper Mine Project in Saskatchewan. 5) The expansion of the Red Chris Mine in northwestern B.C.

Elsewhere, the tariffs imposed by the U.S. on its trading partners, in our opinion, were intended levers to force them into accepting a lower U.S. dollar while at the same time continuing to purchase their industrial products.

We believe they are getting their wish for a lower dollar, however, the disruptions have caused many countries around the world to re-think their own industrial production practices.

In Canada's case, it has been critical for us to diversify what we produce and to whom we sell our products. In the short-term, ours and many other countries' economies may be hurt but it is a necessity to open up trade. If that happens, the global economy will benefit. However, if free trade suffers more, then the world economy may be in a longer term possibility of recession.

At the conclusion of the U.S. Federal Reserve meeting on September 17, the Fed announced that the Committee had lowered the Fed Funds Rate by 25 basis points to a range of 4.00% - 4.25%.

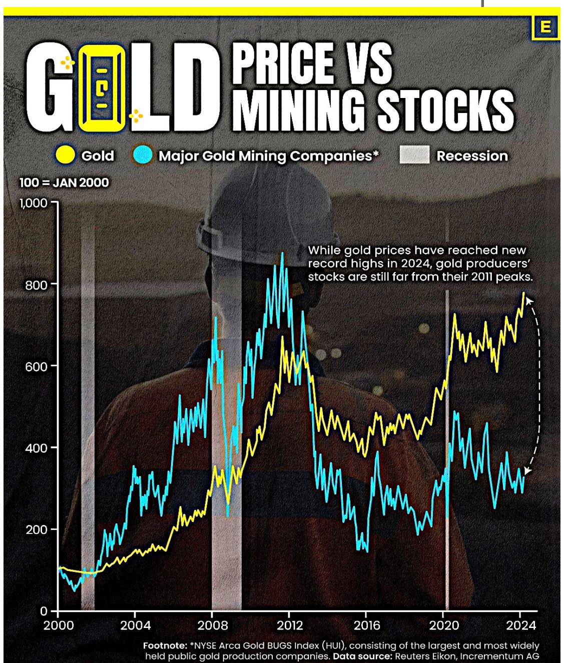
This was the first rate cut since December 2024. The Fed wanted to show the world unity in its decision to demonstrate a stable and independent central bank. While cohesion was the first impression, a look beneath the surface showed something less stable.
The Fed was concerned that the potential for a further increase in inflation and unemployment might lead to what we've been writing about for many years now - stagflation. Stagflation is an upsurge in inflation and sluggish economic growth (possibly a recession) characterized by a rise in unemployment. The conundrum for the Fed., with regard to stagflation, is that the tools to alleviate one problem only exacerbate the other. It is a difficult condition to fix, made all the more difficult with the world-wide historically high level of debt combined with a not so independent Federal Reserve and efforts, by the Trump administration, to lower the value of the U.S. dollar.

Our Current Stance

(Continued from page 3)

For those who think that the world doesn't need oil and gas going forward may miss out on a tremendous investment opportunity in the years ahead.

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



When a bull resumes, as gold bullion is now in the process of doing so, it is vital to change one's mindset. One cannot play a bull with a bearish mindset. If you doubt the bull, you will not be able to change your mindset. You have to believe in the bull or you may end up being a victim of the "wall of worry" (your own emotions) and not buy during corrections and sell too early. In a bull market, stocks can rise on bad to mediocre news and jump higher on good news. That's also why most missed the 2022 lows. Many called for an early top or ridiculously low numbers, and sold out. Only some "got in again at lower prices" during the huge up-move during the last 18 months.

In addition to the ongoing new high levels in gold bullion, the gold stock are extremely undervalued relative to their historical correction. Your can see this divergence in the above chart. We believe the gold stocks will continue to rise to close the gap.

POLITICAL SHORTS

Nothing New....

I would like to write about something new but the major geopolitical narrative hasn't changed. In fact, what was true before has only been compounded over the past year.

Power continues to shift east and western governments, especially the U.S., are upping the game to fight those changes with economic and military influence.

We had hoped that the U.S. would opt for sharing a piece of the pie, but they are digging in their heels and don't want to let go of even a crumb.

China's history is marred in foreign influences that have forsaken its people, using them for western gains. Specifically, and to the most degree, that would include Great Britain and Japan. There have been many others over the years such as Russia and Germany (the Boxer Rebellion), but the overwhelming theme has been to covertly and militarily undermine the then existing governments in China.

They are acutely aware of their history and do not want to acquiesce to those bullying tactics anymore.

Was China ever a superpower? If you asked many Chinese people, they would likely reference the Yuan dynasty (1271–1368). Founded by Kublai Khan, its rulers were not ethnic Chinese exactly, but Mongol. His empire's control over the states to the west of China was somewhat nominal, but did show how far Beijing's influence could extend. Even though Kublai Khan was not Chinese, he drew on China's traditions of Confucian thinking to shape his central and surrounding regional governments – a sign of the power of that culture.

Could China ever be a superpower again? The answer is an easy yes, in part, because it remains the most populous nation on earth with the greatest military and "we think" the most gold.

Their economy and military might has grown by leaps and bounds in a very short time and if that continues, they will get stronger.

Again the big question is, will the West stand by and let that happen?

So far, under the Trump administration (make America great again) and subservient and weak European governments, we think not.

What will that mean to the stock markets?

We think that the markets may hold up for the next couple of years (with bouts of volatility) but with a great pressure on lowering the value of the U.S. dollar whilst keeping it as the world's reserve currency. We also think the proxy wars will continue and, all in all, holding gold stocks and companies with the ability to maintain profit margins is essential.

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