



ETERNA
FINANCIAL GROUP

QUARTERLY REVIEW

SEPTEMBER 2026

MARKET SUMMARY AND ASSET ALLOCATION

A QUARTER MARKED BY RESILIENCE AMID NEW SOURCES OF CONCERN

Financial markets navigated a particularly complex environment during the third quarter. Several factors captured investors' attention, including trade tensions between Canada and the United States, persistent geopolitical conflicts in the Middle East, rising energy prices and mounting questions surrounding artificial intelligence (AI).

One of the quarter's most significant developments was that talks between Canada and the United States aimed at preventing a new round of protectionist measures broke down. After negotiations reached an impasse, Washington and Ottawa announced new tariffs. This reignited concerns about North American trade and added uncertainty for several sectors of the Canadian economy that are heavily dependent on the U.S. market.

Meanwhile, the geopolitical situation in the Middle East continued to exert upward pressure on oil prices. This rise in energy costs helped fuel certain inflationary pressures while benefitting companies in the energy sector, whose financial results improved as a result of higher crude oil prices.

AI also remained a key market concern. After being viewed primarily as a powerful driver of economic growth, it is now drawing greater scrutiny over security, regulation, and the viability of investments in the sector. Several executives from major technology companies and policymakers have called for more regulated development of AI technologies in order to better manage the potential risks associated with their rapid development.

Diverging market paths

Global stock markets delivered contrasting results during the third quarter, reflecting differing economic outlooks and the many sources of uncertainty currently influencing investors.

In Canada, the S&P/TSX Composite Index gained 1.6 % during the quarter, driven in particular by the materials and technology sectors.

In the United States, the major indices followed different trajectories. The S&P 500 posted a gain of 2.3%, continuing to benefit from strong earnings growth among

U.S. technology companies. The Dow Jones, however, fell 2.7%, due to some sector rotation as well as greater caution among investors toward more traditional companies in an environment of rising interest rates.

International markets also posted widely varying results across regions. In the United Kingdom, the FTSE 100 advanced 1.0%. In Germany, the DAX rose 0.8%, while France's CAC 40 fell 5.2%. In Japan, the Nikkei index posted a 4.7% decline after seeing strong gains earlier this year.

Meanwhile, the bond market also faced challenges. The FTSE Canada Universe Bond Index returned -2.96% for the quarter. Rising bond yields and uncertainty surrounding inflation and economic growth continued to put pressure on this asset class.

Asset allocation: a balanced approach remains appropriate

Our outlook on financial markets remains constructive, although several risks continue to warrant a cautious and well-diversified approach.

MARKET SUMMARY AND ASSET ALLOCATION (CONTINUED)

The global economy remains remarkably resilient despite geopolitical tensions, trade conflicts, and inflation concerns. Leading indicators suggest that economic growth could continue over the next quarters. Significant investment in AI-related infrastructure, fiscal stimulus measures introduced in several regions, and productivity gains associated with new technologies are

factors supporting global growth. That said, some risks warrant close monitoring. Tensions in the Middle East, fluctuations in energy prices, and new trade barriers could slow economic activity in some regions. We believe, however, that these factors alone are not sufficient to trigger a global recession in the short term.

This environment remains favourable for a balanced exposure to equities and fixed-income securities, while maintaining adequate diversification across different regions and asset classes.

ECONOMY AND FIXED INCOME

RESILIENT GROWTH ON BOTH SIDES OF THE BORDER, BUT DIFFERENT CHALLENGES

After two quarters of disappointing growth, the Canadian economy regained some momentum in the second quarter of 2026. Gross domestic product grew at an annualized rate of 3.3%, while revisions to earlier data showed that the country did not experience a technical recession, as many had feared earlier in the year.

However, this improvement does not mean that the risks have disappeared. The economic environment continues to face a high degree of uncertainty, particularly due to the deterioration of trade relations between Canada and the United States. Although a large portion of Canadian exports continues to benefit from the protections provided under the Canada-United States-Mexico Agreement, several export industries remain vulnerable, which could have significant effects on economic activity in the coming quarters.

As for inflation, the picture in Canada appears relatively more favourable than that of its southern neighbour. Price pressures stem mainly from higher energy costs, while core inflation is running closer to the central bank's target. Housing costs are also showing signs of easing,

supported by slower population growth and a housing market that remains subdued.

The labour market is also showing signs of stabilizing. Companies are hiring less aggressively than in recent years, but layoffs remain limited. The slowdown in population growth is also reducing the number of jobs needed to maintain balance in the labour market. The unemployment rate thus appears to be stabilizing after rising in recent quarters.

In this context, the Bank of Canada faces a particularly delicate balancing act. On one hand, tariff-related risks would justify a more accommodative policy stance to support growth. On the other, higher oil prices and geopolitical tensions in the Middle East continue to fuel concerns regarding inflation. The future path of interest rates will depend largely on how these two factors evolve.

In the United States, the economy continues to impress with its resilience. Despite several headwinds, including high interest rates, trade tensions, recurring budget debates in Washington and geopolitical upheaval, economic activity remains solid.

A significant portion of this strength stems from consumer spending. The wealthiest households continue to benefit from the appreciation of their financial assets, which supports their spending habits. Households with more modest incomes, however, face greater constraints, particularly due to higher energy costs and a cost of living that remains particularly high.

AI-related investment also remains central to U.S. growth. Companies continue to spend heavily on technology infrastructure, data centres, and specialized equipment.

Growth is also being supported by the labour market, with the unemployment rate remaining near full employment. Job creation remains strong and layoffs are low by historical standards. However, this strength continues to put pressure on wages and prices.

Inflation remains the main challenge facing the U.S. Federal Reserve, as inflationary pressures remain higher than policy-makers would like. Against this backdrop, the Fed raised its benchmark interest rate for the first time in three years.

ECONOMY AND FIXED INCOME (CONTINUED)

This decision reflects the persistence of inflation as well as the unexpected strength of the U.S. economy. Several central banks around the world have also begun or resumed cycles of monetary tightening in recent months, illustrating the global nature of the current inflation challenges.

Higher yields, more attractive income

Bond markets had a difficult quarter, with yields rising across most major economies. Investors must navigate several factors that are simultaneously putting upward pressure on interest rates.

Persistent inflation remains one of the main contributing factors, in addition to the significant budget deficits observed in several countries, particularly the United States, which require large-scale issuance of government debt. At the same time, the financing needs of large technology companies engaged in the race for AI are intensifying competition for available capital. This abundance of new bonds on the

market is forcing governments to offer higher yields to attract investors.

In Canada, the yield on 10-year government bonds neared the 4% threshold, while the yield on 30-year bonds stood above 4.2%, levels rarely seen in almost two decades.

Over the longer term, current bond yields nevertheless offer more attractive levels of income than they have over the past decade. If inflation were to gradually slow and geopolitical pressures were to ease, bonds could once again become an attractive source of diversification and stability within portfolios.



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Senior Manager, Fixed Income
Portfolio Manager

KEY TAKEAWAYS

- The global economy is showing remarkable resilience despite a context marked by geopolitical tensions, trade conflicts, and inflation concerns.
- Leading indicators suggest the economic expansion could continue over the coming quarters.
- Significant investment in AI-related infrastructure, fiscal stimulus measures, and productivity gains associated with new technologies are favourable factors for global growth.
- Some risks warrant close monitoring: tensions in the Middle East, fluctuating energy prices, and new trade barriers could slow economic activity in some regions.
- This environment remains favourable to a balanced exposure between equities and fixed-income securities.

CANADIAN, U.S. AND INTERNATIONAL EQUITIES

EQUITY MARKETS MOVE IN DIFFERENT DIRECTIONS

Canadian equities: Major projects take shape as Canadian consumers remain under pressure

Volatility prevailed in Canada during the third quarter, against a backdrop of global geopolitical uncertainty. Canadian companies are already facing the surge in oil prices since the start of the war in Iran, and many are also managing uncertainty surrounding the impact of AI. This is compounded by a tariff war with our largest trading partner and renewed inflation, which is fuelling expectations of interest rate hikes.

In this context, with the federal government signalling that several major projects could move forward, the energy and materials sectors ranked among the strongest performers in the S&P/TSX Index. A number of major projects were also announced in September following the Canada Investment Summit, organized by the federal government and bringing together investors from around the world. The government also took the opportunity to unveil new tax measures aimed at stimulating capital expenditures.

The information technology sector also rebounded strongly. It was driven by excellent results from Shopify, whose revenue increased by more than 30% compared with the same period in 2025 despite investor concerns about the impact of AI on its business. The sector also benefitted from Celestica's performance, as the company continues to enjoy strong demand for its electronics manufacturing services, fuelled by the rise of AI.

CANADIAN, U.S. AND INTERNATIONAL EQUITIES (CONTINUED)

After reaching new highs in July, at multiples well above their historical range, bank stocks gave back their gains. Results published in August initially weighed on the sector, followed in September by concerns about the economic impact of the rapid rise in rates. National Bank and Royal Bank shares even ended the quarter lower, as did the S&P/TSX financial services sector as a whole.

The consumer and communications services sectors experienced another difficult quarter. Consumer product companies are operating in an inflationary environment that leaves the average consumer with little discretionary income. As for telecommunications companies, they are no longer benefitting from population growth fuelled by immigration and are facing fierce competition.

U.S. equities: the return of a concentrated market

Inflation and monetary policy returned to centre stage in the third quarter, creating uncertainty in the market. Against this backdrop, the S&P 500 rose just over 2%, a modest gain compared with the previous quarter's surge. Only 4 of the index's 11 sectors ended the period in positive territory.

The energy sector emerged as the big winner of the quarter, with a return of more than 17%, driven by soaring oil prices and, in particular, by refiners, which benefitted from record margins. After being the weakest sector in the second quarter, it thus staged a complete turnaround. With its significant weighting (about 39%) and the second-best performance of the quarter (+7.3%), the technology sector remained the main contributor to the index's performance, but its internal dynamics were completely reversed

compared to the previous quarter. Software stocks, which had been neglected at the start of the year, surged by nearly 31%, as investors focused more on companies likely to monetize AI than on those building its infrastructure. In contrast, semiconductors, the big performers in the second quarter, ended the quarter slightly lower. The healthcare and communications sectors were the other two sectors to post gains at the start of the second half of the year.

Interest-rate-sensitive sectors were the hardest hit during the quarter. Utilities posted the worst performance (-12.4%), followed by industrials (-9.7%), whose stocks related to electrical equipment, machinery, and aerospace were subject to significant profit taking after having been the top gainers in the first half of 2026. Real estate and consumer discretionary also declined, with the latter suffering from consumer caution in the current environment.

The Magnificent Seven made a strong comeback. Accounting for nearly 35% of the index, these stocks alone contributed nearly four percentage points to returns or almost double the total gain of the S&P 500. This momentum was particularly noticeable in September, when three quarters of the index's stocks declined during the month. This sharp contrast with the first half of the year, when the Magnificent Seven had made only a marginal contribution, highlights the market's high concentration.

International equities: taking profits, renewing our convictions

During the third quarter, the MSCI EAFE benchmark index rose 0.87% in Canadian dollars. International markets operated in a consolidation phase, marked by significant

performance disparities across sectors. The semiconductor, technology, energy, and resources sectors stood out, while utilities, luxury goods, and telecommunications posted more modest returns.

Following the sharp rally seen in the spring, investors thus favoured certain sectors and companies over the market as a whole. In this regard, ASML continued its upward trend, benefitting from sustained demand for its semiconductor manufacturing equipment. Furthermore, rising oil prices allowed TotalEnergies to step up its share buybacks, demonstrating a disciplined approach to capital allocation. In the materials sector, BHP and Rio Tinto are exploring a partnership in Australia's Pilbara region to mine up to 200 million metric tons of iron ore, an initiative that could generate significant operational efficiencies. Conversely, expectations of high interest rates weighed on the utilities, luxury goods, and telecommunications sectors. The consumer discretionary sector was notably held back by weakening demand for luxury goods, which particularly affected LVMH, as several brokers lowered their price targets during the quarter.

Although performance varied widely across sectors and individual stocks, the International Equity Fund posted a net return of 0.15% in Canadian dollars during the quarter, bringing its year-to-date return to 11.4%. During the quarter, a portion of the gains accumulated on Panasonic shares was realized. This company has been one of the Fund's top contributors to performance since its inception.

In addition, four new positions were added, each reflecting a well-defined sector-specific conviction.



CANADIAN, U.S. AND INTERNATIONAL EQUITIES (CONTINUED)

First, ENI, in the energy sector, for its business model that values its growth subsidiaries and its commitment to shareholders. Next, Mitsubishi Electric, in industrial products, for its favourable positioning in automation and electrification. Next, Kone, whose elevator maintenance operations provide stable, recurring revenue, and finally, Amadeus, a leader in travel reservation systems. Alongside these additions, positions in Novartis, SAP, HSBC, Hoya, and Tokyo Electron were increased, while the position in Hitachi was reduced following strong gains.



Philippe Côté

Vice President, Senior
Portfolio Manager,
Equities



Philippe Tardif

Vice President, Eterna
Financial Group

ALTERNATIVE INVESTMENTS

PREDICTABILITY OF REAL ASSETS PROVING ITS VALUE AS IPOS BECOME MORE SELECTIVE

Infrastructure: the steady strength of a core mandate

The third quarter served as a reminder that yields can still surprise. Long-term bond yields continue to rise around the world. For assets valued based on long-term cash flows, this represents a real test: a higher discount rate weighs on valuations.

This is where the quality of cash flows makes all the difference. We expect inflation to be structurally higher than previously anticipated. Assets capable of passing on this inflation, particularly infrastructure, are attracting investors. But performance varies greatly from one manager to another. Among the 2023-vintage infrastructure funds, the top quartile posted a net internal rate of return (IRR) of 20.6%, compared with 0.5% for the bottom quartile. That is why our Eterna Infrastructure Fund (net return of 8.34% over one year) adheres to a

core mandate that prioritizes stable and predictable cash flows. Its core assets are in the energy, transportation, and social infrastructure sectors. These assets are backed by long-term contracts with creditworthy counterparties or by regulated frameworks. We do not rely on the next hot trend or on assets whose income depends directly on economic conditions. Returns come from contractual cash flows, often indexed to inflation, that accumulate quarter after quarter.

Real estate: demographics as a driver

Private real estate appears to be entering a recovery phase. According to Brookfield, valuations have risen for eight consecutive quarters, but they remain about 14% below their 2022 peak. With higher rates, revenue growth will need to drive returns.

Few segments illustrate this trend

better than seniors' housing. According to the Institut de la statistique du Québec, people aged 65 and older will account for 26% of the population in 2041, up from 20% in 2021. Supply, meanwhile, is declining: the number of private senior living facilities in Québec has fallen from about 2,300 in 2008 to fewer than 1,400 in 2024. This imbalance is reflected in results. Chartwell, the country's largest operator, reported an occupancy rate of 94.3% in the second quarter, up more than three percentage points year-over-year.

Our Eterna-Cogir Real Estate Fund (10.13% net return over one year) draws on Cogir's expertise. This Québec-based company manages more than 270 private seniors' residences. In this segment, the building alone is not enough. Operational quality and control over labour costs are critical, and these are also the main risks to monitor.

ALTERNATIVE INVESTMENTS (CONTINUED)**Private investments: Anthropic leads the way**

The year 2026 will go down as the year of mega-IPOs. In the United States, capital raised has reached nearly US\$147 billion since January, nearly five times more than at the same time last year. The third quarter, however, was more subdued: excluding SK hynix, the 30 IPOs during the quarter raised only US\$6.2 billion, about half the historical average.

Leading companies continue to attract capital. Anthropic is one of the holdings in the Eterna Multi-Strategy Fund (10.69% net return over one year). According to Bloomberg, the company is aiming for a listing before the end of November, at a valuation of approximately US\$2,000 billion. That would be more than SpaceX during its own IPO. While the growth is spectacular, the scale of the commitments is just as impressive: according to Reuters, the prospectus calls for at least US\$518 billion in infrastructure spending over ten years. As for OpenAI, its CEO, Sam Altman, indicated in mid-September

that the company would not go public in 2026.

Our investment discipline remains the same. The position in SpaceX is being liquidated in an orderly manner, as selling restrictions are gradually lifted. If Anthropic's IPO goes ahead, it will mark a second realization event for the Fund this year.

When IPOs become scarcer, the secondary market takes over. According to Jefferies, transactions in this area reached a record US\$118 billion in the first half of the year, up 15% year-over-year. The scarcity of new distributions is the main driver: investors and managers are turning to the secondary market to obtain liquidity. For a disciplined buyer, this is an opportunity to acquire mature portfolios, often below their net asset value (at a discount).

Private credit: pressure on redemptions eases

According to Brookfield, private credit is undergoing a healthy reset rather than a breakdown. At Oaktree, one of our partners, redemption requests fell

from 8.5% in the first quarter to 3.8% in the third, and all were honoured. By comparison, one of the largest platforms received requests approaching 10%. The lull appears to be holding, but uncertainty remains.

Our Eterna Private Loans Fund remains outside these issues. It consists of Québec real estate debt in the form of senior loans backed by adequate collateral. The Diversified Fixed Income Fund (net one-year return of 4.06% versus 2.38% for the FTSE Canada Short-Term Bond Index) benefits in part from the same conservative approach.

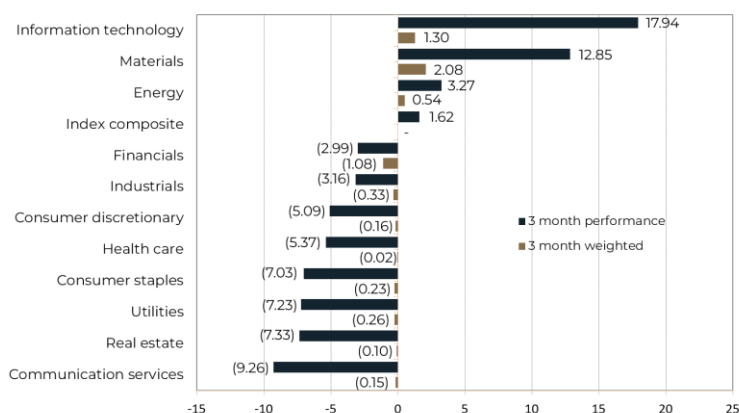


Philippe Tardif
Vice President, Eterna
Financial Group

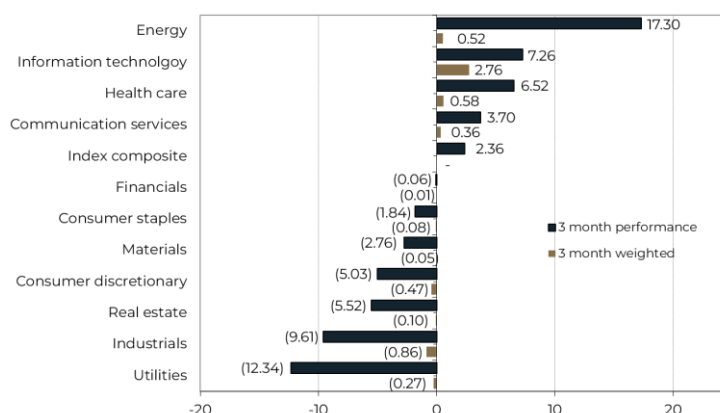


SECTOR PERFORMANCE

Canadian Equities (S&P/TSX)



U.S. Equities (S&P 500)



SOURCE: Bloomberg. Returns in Canadian dollars, including dividends as at September 30, 2026

ECONOMIC DATA AND CURRENCIES

STATISTICS AS AT SEPTEMBER 30, 2026								
CANADA			UNITED STATES			CURRENCIES		
Unemployment (August)	6.4 %	-	Unemployment (August)	4.1 %	-	USD / CAD	0.70	↑
IPC (August)	3.0 %	-	IPC (August)	3.4 %	-	USD / EUR	1.13	↑
3-month T-Bills	2.46 %	↑	3-month T-Bills	4.11 %	↑	JPY / USD	157.41	↑
5-year bonds	3.70 %	↑	5-year bonds	5.09 %	↑	The arrow indicates the trend since the publication of the last monthly data or end of the month.		
10-year bonds	3.99 %	↑	10-year bonds	5.28 %	↑			
S&P/TSX	35,236	↓	Dow Jones - Industrial	50,906	↓			
			S&P 500	7,652	↓			

SOURCE: Bloomberg.

MARKET RETURNS

TOTAL RETURNS IN CANADIAN DOLLARS AS OF SEPTEMBER 30, 2026

	YTD	3 months	1 year	3 years	5 years
FTSE Canada 91 Day TBill Index	1.69%	0.56%	2.33%	3.58%	3.20%
BONDS					
FTSE Canada Universe Bond Index	-0.78%	-2.96%	-1.10%	4.75%	0.30%
FTSE Canada Short Term Overall Bond Index	0.52%	-0.91%	0.85%	4.74%	2.05%
Eterna Adapted Private Wealth Index ¹	0.02%	-1.74%	0.08%	5.00%	1.50%
FTSE Canada Mid Term Overall Bond Index	-0.73%	-2.98%	-1.08%	5.37%	0.64%
FTSE Canada Long Term Overall Bond Index	-3.12%	-6.31%	-4.44%	3.82%	-2.64%
NORTH AMERICAN STOCK MARKETS					
Canada - S&P/TSX Composite	12.97%	1.62%	20.02%	25.06%	15.18%
United States - Standard & Poor's 500	16.81%	2.36%	18.18%	24.89%	16.41%
United States - Dow Jones Industrial Average	11.05%	-2.29%	13.86%	18.91%	13.12%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	11.92%	1.97%	17.81%	20.82%	14.59%
France - CAC-40	-2.17%	-5.80%	-0.66%	7.89%	6.05%
Germany - DAX	3.09%	0.21%	3.92%	22.59%	12.64%
Japan - Nikkei-225	36.93%	-1.41%	42.51%	27.84%	12.47%
Hong Kong - Hang Seng	-1.30%	7.58%	-7.20%	13.12%	2.17%
Australia - S&P/ASX 200	8.87%	0.74%	6.51%	12.20%	5.30%
CURRENCIES					
USD versus CAD	3.70%	0.25%	2.24%	1.58%	2.34%

SOURCE: Bloomberg. NOTES: Returns over 3-year and 5-year periods are annualized.

¹The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.

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