

Portfolio Solutions Research Forum Commentary

November 2025



Key takeaways

- Canadian equities outperformed globally, with the S&P/TSX Composite Index delivering a 25% return over the first 10 months of 2025 and showing the strongest first 10-month performance since 1993. Despite global market uncertainty and volatile US tariff policies, Canadian equities demonstrated resilience, especially in the materials and technology sectors.
- Active managers faced challenges due to concentrated market leadership and momentum-driven gains, but CIBC Canadian Equity Fund, Imperial Canadian Equity Pool, and CIBC Canadian Equity Private Pool outperformed the median peer group. Targeted exposure to resource-linked equities, particularly gold producers, and a disciplined research approach contributed to this outperformance.
- Gold was a standout asset, benefiting from macroeconomic trends such as expected interest rate changes, geopolitical tensions, and central bank de-dollarization.
- Looking ahead, disciplined and selective positioning, as well as dynamic asset allocation, remain crucial as market risks persist.

Year-to-date performance shows broadening of global market returns, with US equities lagging other major markets. Notably, Canadian equities have delivered the strongest first 10-month performance since 1993. What's been driving the performance of the S&P/TSX Composite Index?

The S&P/TSX Composite Index (TSX) delivered a 25% return over the first 10 months of 2025, reflecting the resilience of Canadian equities amid global uncertainty and volatile US tariff policies. The TSX delivered gains across most sectors, though leadership remained concentrated in a handful of large-cap Technology and Materials names. The Materials sector was a standout performer, buoyed by gold's remarkable 46% rise in the past year, which now represents roughly 12.5% of the TSX. Technology also contributed meaningfully, up 29% year-to-date, while Financials—making up nearly one-third of the index—rose 25%, led by a 32% advance in the banks. Throughout the year, resilient corporate earnings helped offset mixed signals from employment and trade. Market strength was further supported by four Bank of Canada rate cuts, which provided monetary stimulus and reduced uncertainty around trade policy and central bank direction.

Valuations in certain growth sectors have become extended, reinforcing the need for selectivity and disciplined positioning as the cycle matures.

Concentrated market leadership can create a challenging backdrop for active managers to beat the benchmark. How was performance across the peer group?

While the TSX delivered strong overall returns year-to-date, many active managers struggled to keep pace with the benchmark. Several factors contributed to this challenge:

- **Market concentration:** A small number of large companies drove most of the gains, making it harder for managers to stand out with unique portfolio choices.
- **Momentum-driven leadership:** Stocks that were already performing well and that became relatively more expensive continued to lead, leaving limited margin of safety in those stocks.
- **Sector performance:** Defensive and value-oriented sectors lagged amid the year's risk-on rally.

Despite these headwinds, our CIBC Canadian Equity Fund, Imperial Canadian Equity Pool, and CIBC Canadian Equity Private Pool have all outperformed the median manager in the eVestment Canada Large Cap Equity universe. Our in-house active management approach, anchored in disciplined research and selective positioning, led to targeted exposure to resource-linked equities, with a particular emphasis on gold producers and a focus on quality balance sheets and prudent valuation discipline. This supported performance through this concentrated market phase.

Our differentiated positioning in gold set many of our Canadian equity strategies apart from most peers. What drove the team's conviction?

Many Canadian active managers have traditionally avoided gold and gold stocks, primarily because gold doesn't produce cash flows like stocks or bonds. Investors seeking growth or yield tend to prefer assets with earnings or income, while gold's price is highly volatile and driven more by sentiment and macroeconomic fears than by company fundamentals. It also does not create value through innovation or expansion; it simply acts as a store of value. Over the long term, productive assets such as equities generally outperform gold. Therefore, during periods of market and economic growth, holding gold can mean missing out on equity gains. Gold tends to perform best during episodes of currency debasement or fiscal instability, which are not constant conditions.

Despite traditional reservations about gold, we saw record inflows into the asset over the past three months, reversing prior outflows. While most Canadian equity managers remain underweight, many of our Canadian equity strategies have benefited from an overweight position, guided by Dan Greenspan, Senior Analyst and Portfolio Manager for the Resource Funds.

Entering 2025, Dan's conviction reflected several drivers:

- Interest rates appeared to have peaked and an expected rate-cutting cycle by the US Federal Reserve would support gold prices by lowering the opportunity cost of holding the metal.
- Persistent geopolitical tensions — such as conflicts in Ukraine and Gaza — sustained the demand for safe-haven assets.
- An accelerating trend of de-dollarization as central banks shifted reserves from US Treasuries into gold.
- Ongoing uncertainty surrounding the US administration's trade and fiscal policy.

Looking ahead, Dan and the team continue to see a compelling case for gold, given these supportive macro and geopolitical factors. We manage gold exposure within our Canadian equity platform with discipline and selectivity, emphasizing quality balance sheets and strong capital discipline. Although individual manager positions and performance may differ across various strategies, this consistent approach underpins our long-term active advantage. We remain constructive on gold, viewing the recent price pullback following a strong year-to-date rally as healthy consolidation. Nonetheless, we recognize that risks persist, including higher-than-expected US interest rates, minimal effects from tariffs or trade wars, and the potential resolution of key geopolitical conflicts — all of which could diminish gold's risk premium.

Turning to managed solutions, what's the strategic view on gold as an asset class?

While gold has enjoyed a strong run this year, its history of deep drawdowns and volatility underscores the importance of disciplined research and careful entry points. We believe it's prudent not to make short-term commodity calls on gold but rather invest when fundamentals and valuation present attractive risk-adjusted returns, as our Canadian Equity team recently identified. For now, a tactical approach led by our fundamental equity teams, prioritizing rigorous bottom-up research and disciplined entry points, remains prudent.

That said, we remain balanced and flexible in our managed solutions and continue to assess gold's long-term diversification benefits through a risk-adjusted framework. Our asset allocation philosophy remains dynamic, and we stand ready to add gold exposure to capture diversification benefits and manage volatility if we see such catalysts as:

- Persistent or re-accelerating inflation,
- Structural US-dollar weakening,
- Erosion of confidence in fiscal discipline, monetary policy credibility, or geopolitical stability, or
- A more attractive entry point.

This disciplined approach ensures we maintain the flexibility to adapt while protecting capital through changing market environments.

How are we positioned to navigate the current market environment?

Calm markets mask persistent structural risks — tight liquidity, policy divergence, and elevated market concentration — that continue to challenge investors beneath the surface.

Our philosophy remains anchored in balance, quality, and patience.

- **Balance:** Participate in upside while recognizing that late in the cycle, potential gains are narrower, and downside risks grow.
- **Quality:** Prioritize durable earnings, strong balance sheets, and disciplined capital allocators.
- **Patience:** Avoid market timing; focus on strategic resilience.

The global cycle continues to evolve — signaling a transition to a slower, more selective phase of growth. Active discipline and cross-asset diversification remain the most durable edge.

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Portfolio Solutions Research Forum (PSRF)

The views of our Portfolio Solutions Research Forum help guide CIBC Asset Management and our partners by providing strategic asset allocation recommendations, as well as strategic and tactical investment oversight for CIBC managed solutions

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