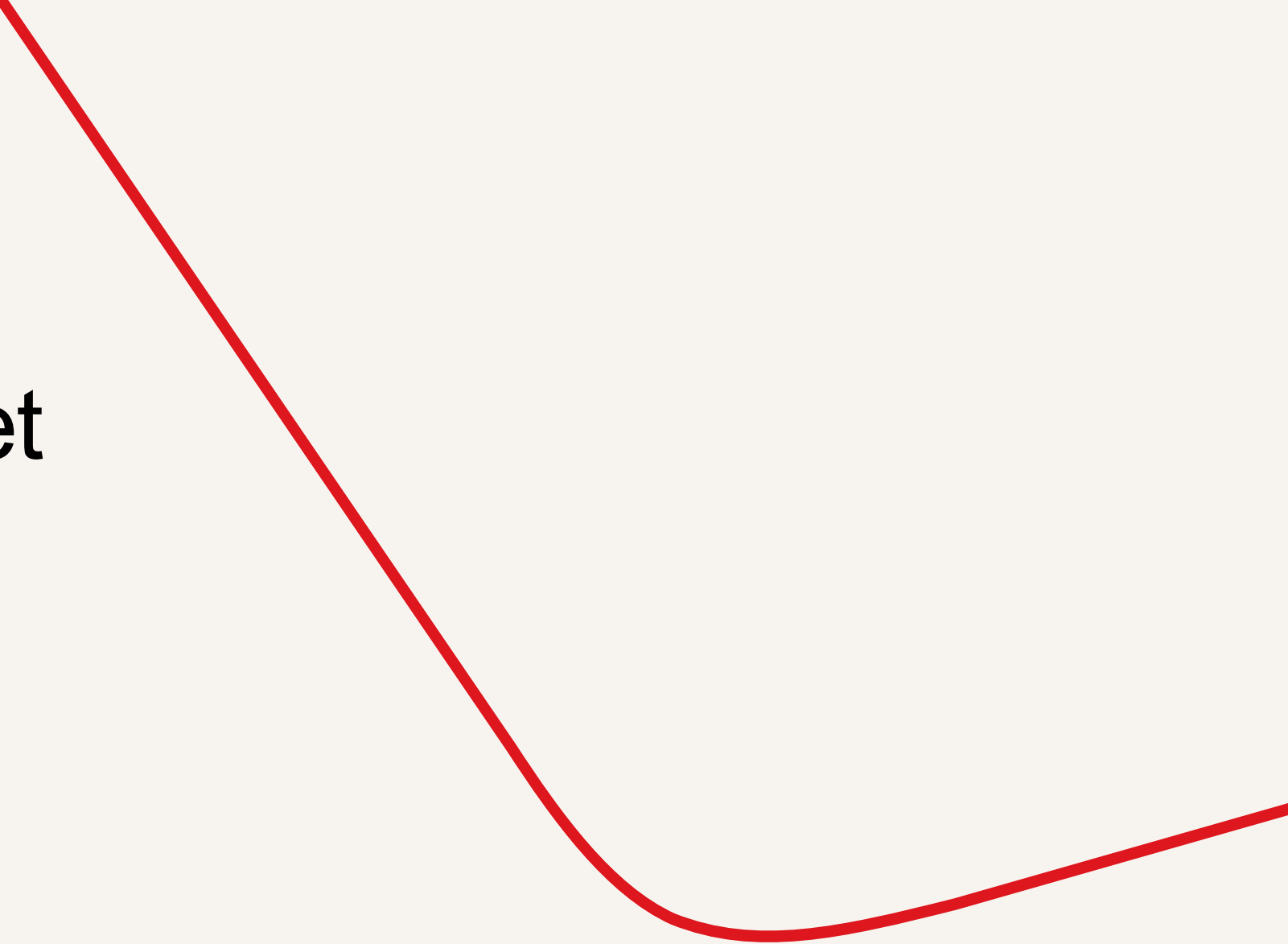


Long-Term Market Expectations

CIO Office

As of September 30, 2025



Long-Term Market Expectations – Overview

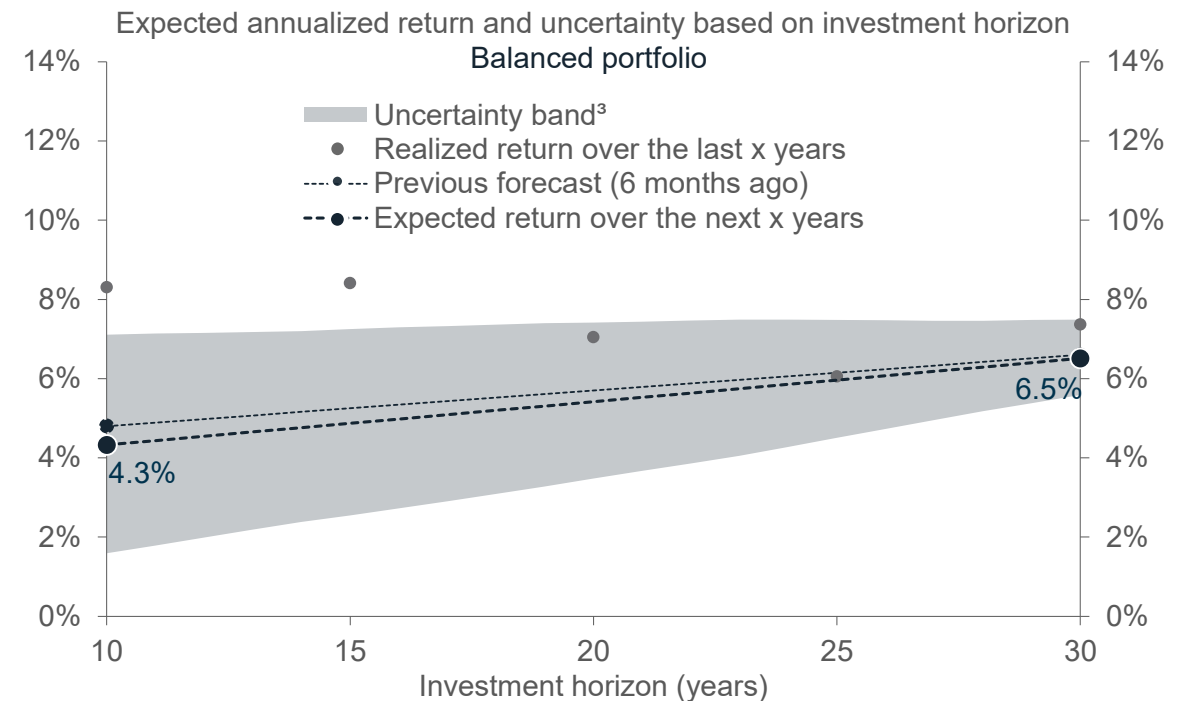
Long-Term Market Expectations: Fall 2025 Update

Twice a year, we update our Long-Term Market Expectations (LTMEs) for major asset classes over a 10-year and 30-year investment horizon. Based on our building-block methodology (10-year) and risk premia methodology (30-year), these projections are the foundation of National Bank Investments' strategic asset allocation (SAA) and portfolio construction.

For the current edition, this results in an anticipated annual return of 4.3% for a benchmark balanced portfolio¹ over a 10-year investment horizon, which is lower than the realized return of 8.3% over the past 10 years. This forecast is also slightly lower than the 4.8% we anticipated in the Spring 2025 update, with a less favorable outlook for equities reflecting elevated valuations on a historical basis.

Our model still projects an annual return of 3.5% for the Canadian fixed-income universe over the next 10 years, about the same as the current yield-to-maturity. On the equity side, while the anticipated annual return of 4.3% for our benchmark index² is well below the historical average, the outlook remains more favorable for Canada and Emerging Markets.

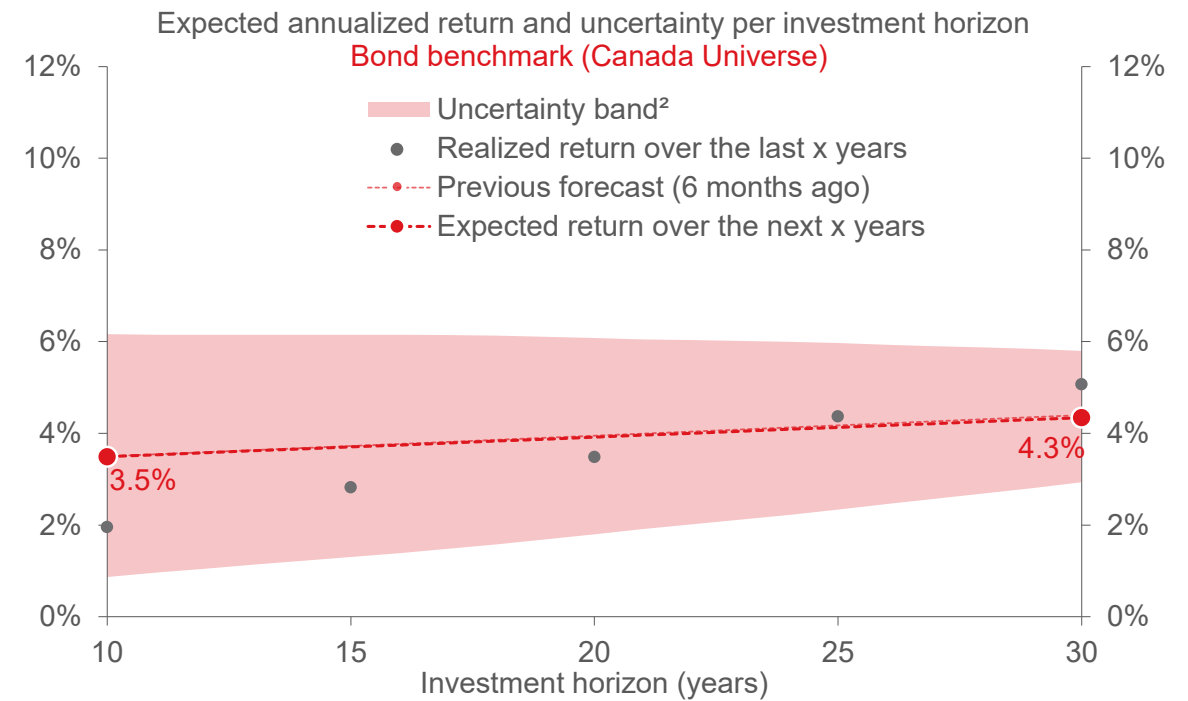
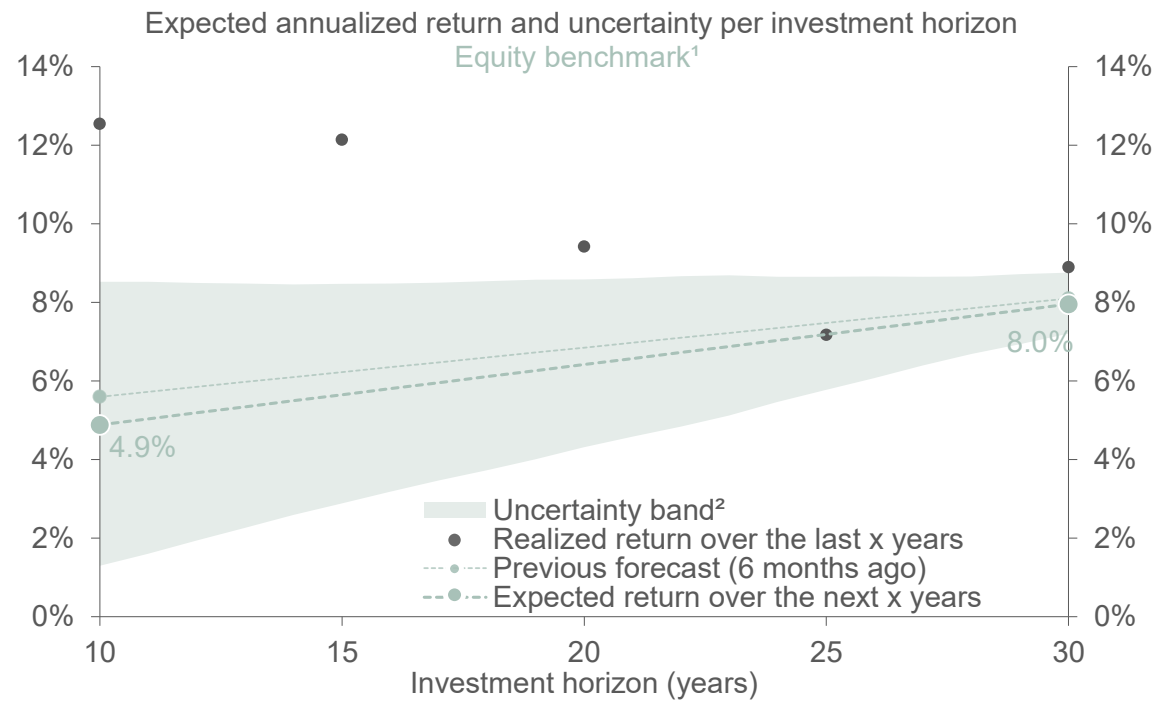
Ultimately, beyond the inevitable short-term fluctuations, expectations for a balanced portfolio remain largely positive for long-term investors, albeit lower than the above-average returns achieved in recent years.



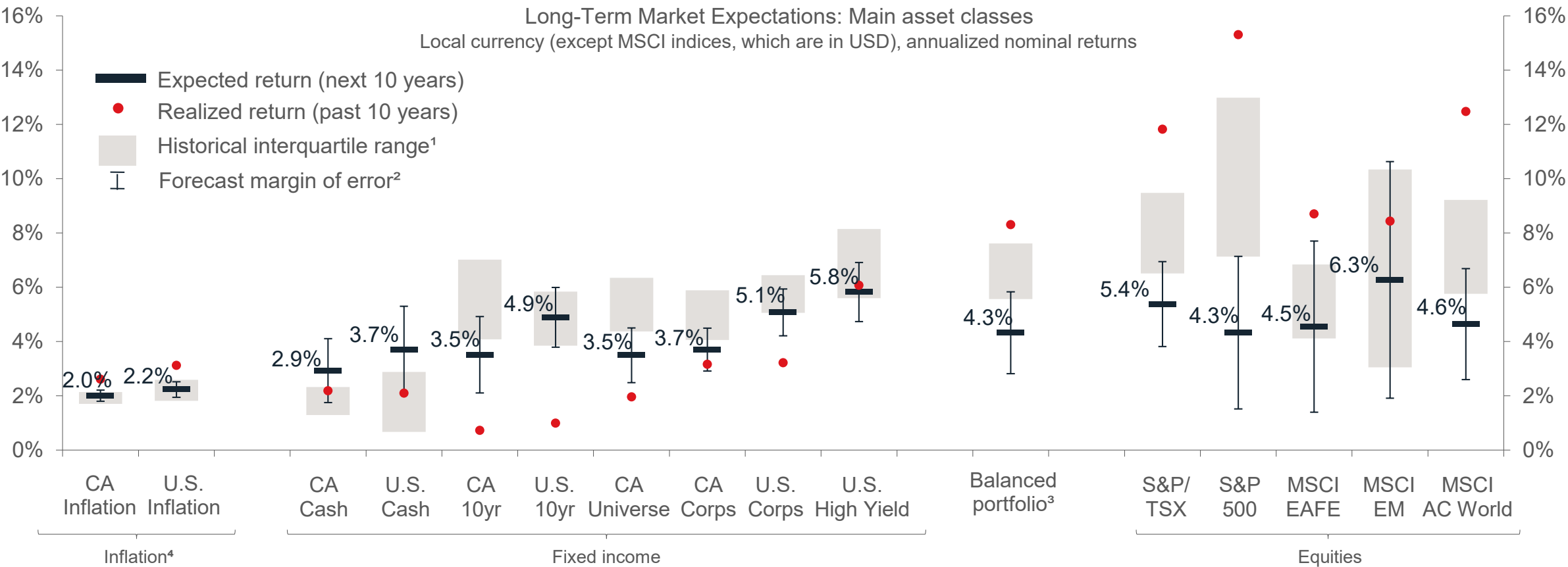
CIO Office (data via Refinitiv). 1. Balanced portfolio: 18% S&P/TSX, 24% S&P 500, 12% MSCI EAFE, 6% MSCI Emerging Markets and 40% Canada Bond Universe, all in CAD.

2. Equity benchmark: 30% S&P TSX, 40% S&P 500, 20% MSCI EAFE, 10% MSCI EM, all in CAD. 3. Based on the historical interquartile range of realized returns since 1950.

Long-Term Market Expectations – Overview (stocks & bonds)

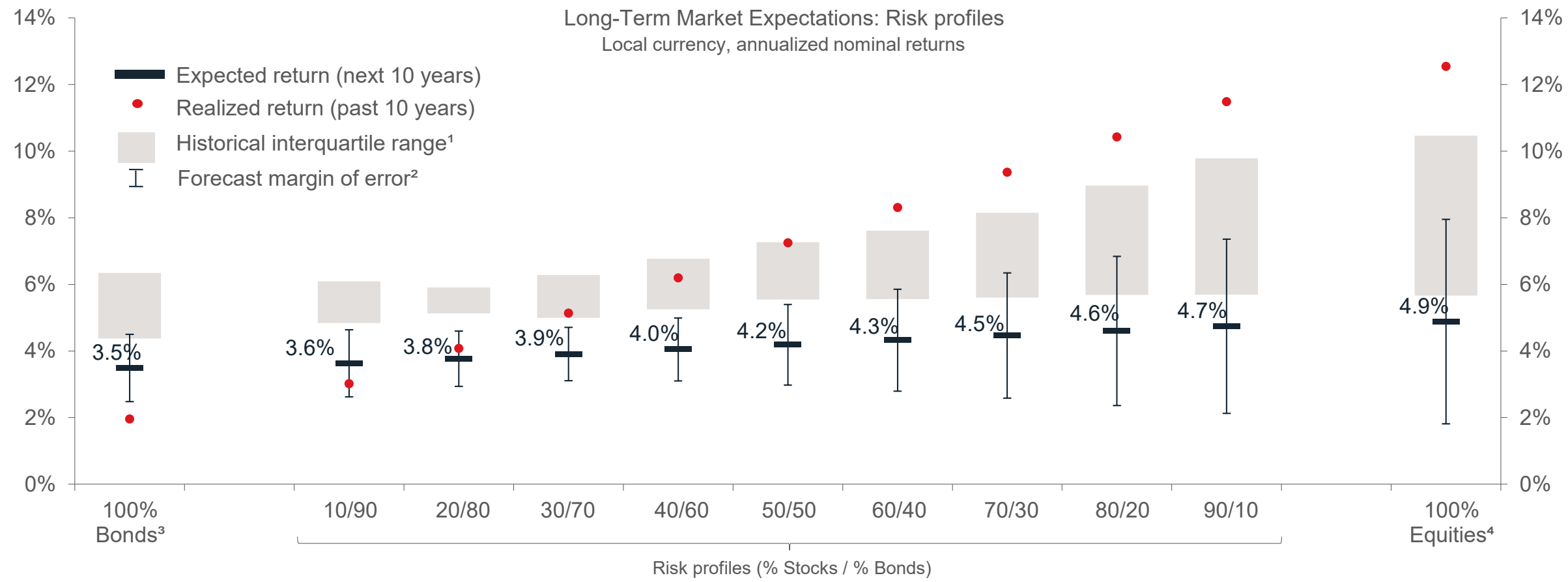


10-year market expectations – Main asset classes overview



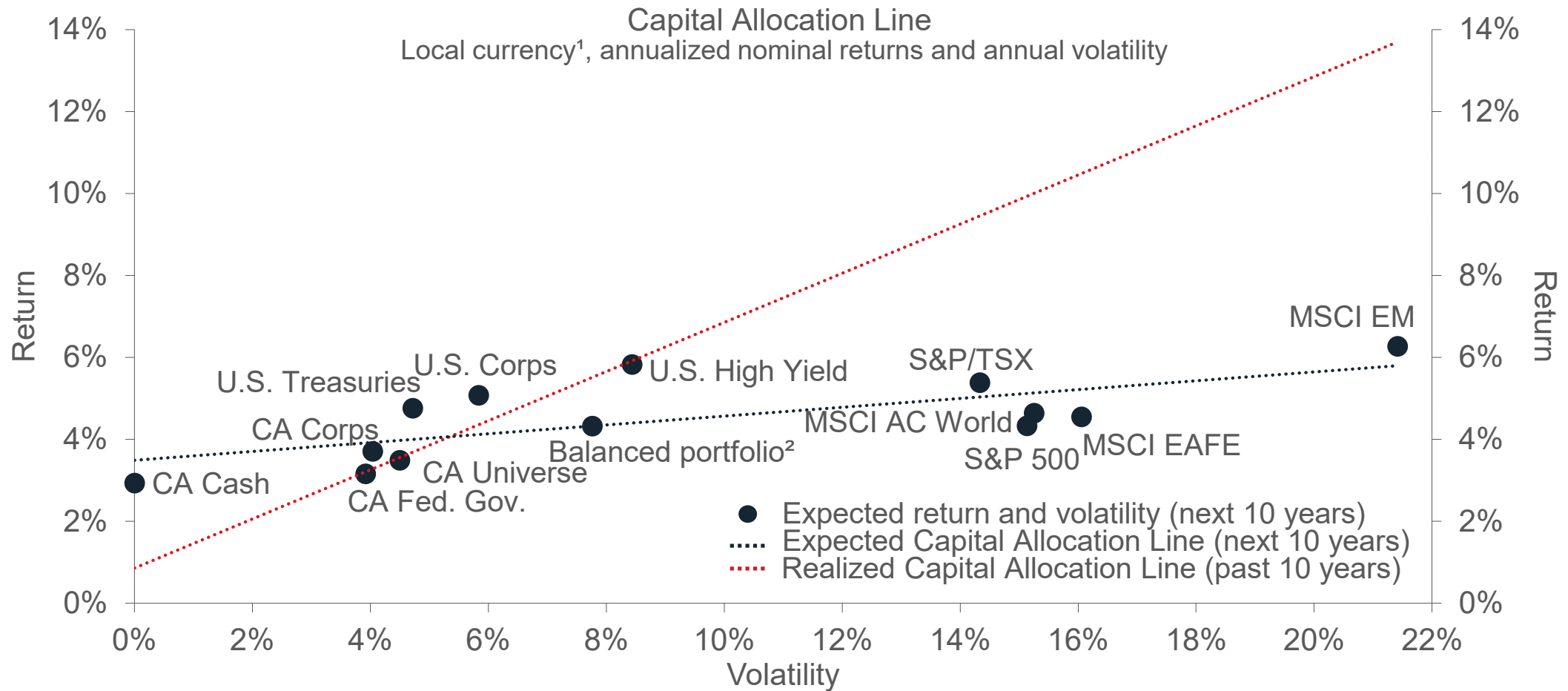
CIO Office (data via Refinitiv). 1. The area between the 25th and 75th percentile of realized return outcomes since 1995. In other words, 50% of all observations fall within this range.
2. The forecast margin of error is based on the back-tested predictive power of our forecast model and the historical volatility of the asset.
3. Balanced portfolio: 18% S&P/TSX, 24% S&P 500, 12% MSCI EAFE, 6% MSCI Emerging Markets and 40% Canada Bond Universe, all in CAD. 4. Inflation forecast from the IMF's latest World Economic Outlook.

10-year market expectations – Risk profiles overview

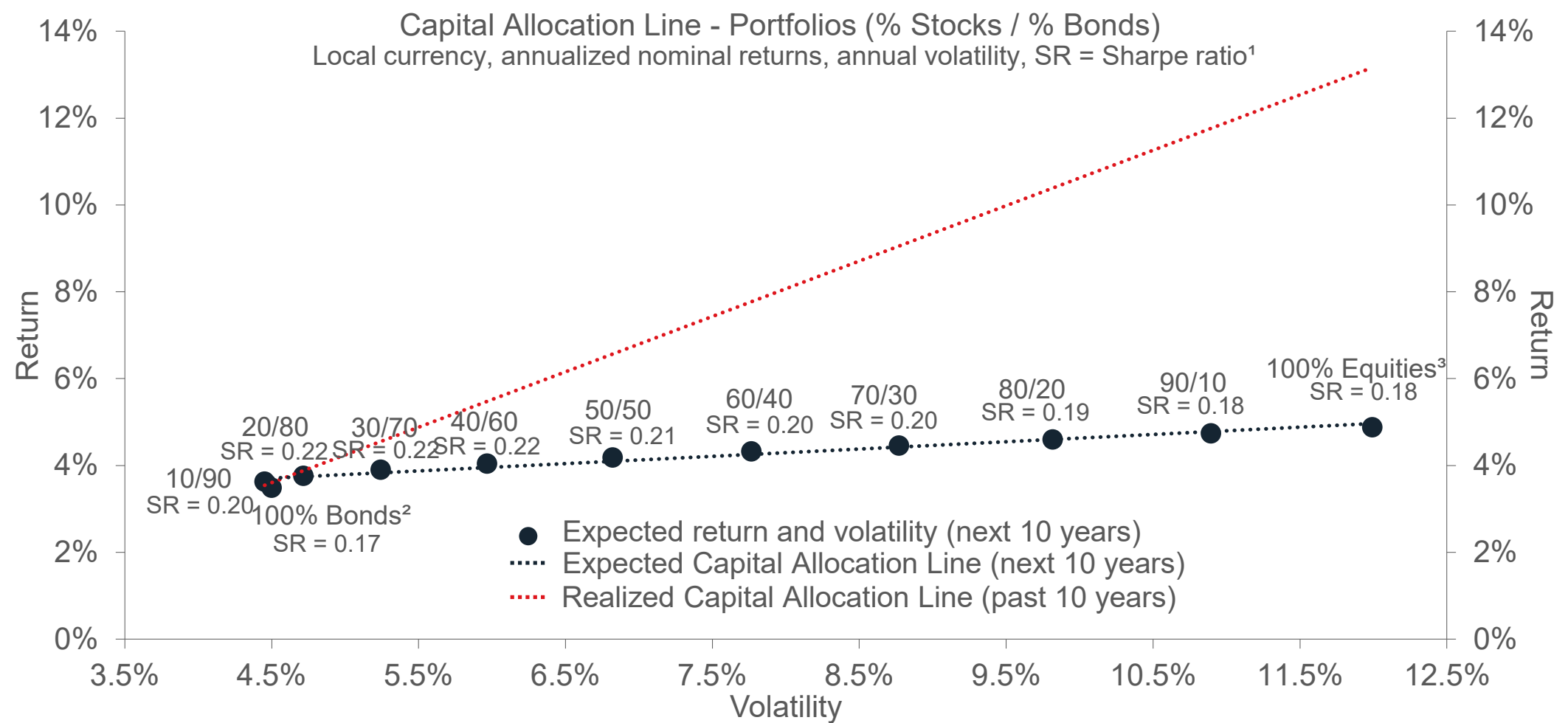


CIO Office (data via Refinitiv). 1. The area between the 25th and 75th percentile of realized return outcomes since 1995. In other words, 50% of all observations fall within this range.
2. The forecast margin of error is based on the back-tested predictive power of our return model and the historical volatility of the asset. 3. Bonds: ICE BofA Canada Broad Market Index (Canada Bond Universe).
4. Equity benchmark: 30% S&P TSX, 40% S&P 500, 20% MSCI EAFE, 10% MSCI EM, all in CAD.

10-year market expectations – Capital Allocation Line (asset classes)

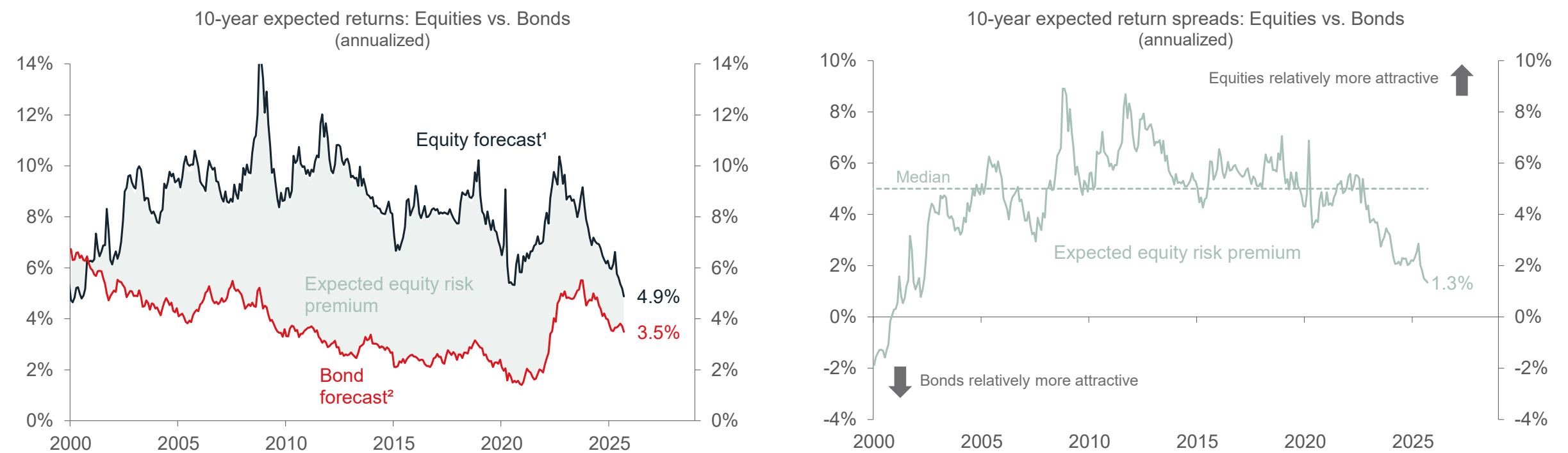


10-year market expectations – Capital Allocation Line (risk profiles)



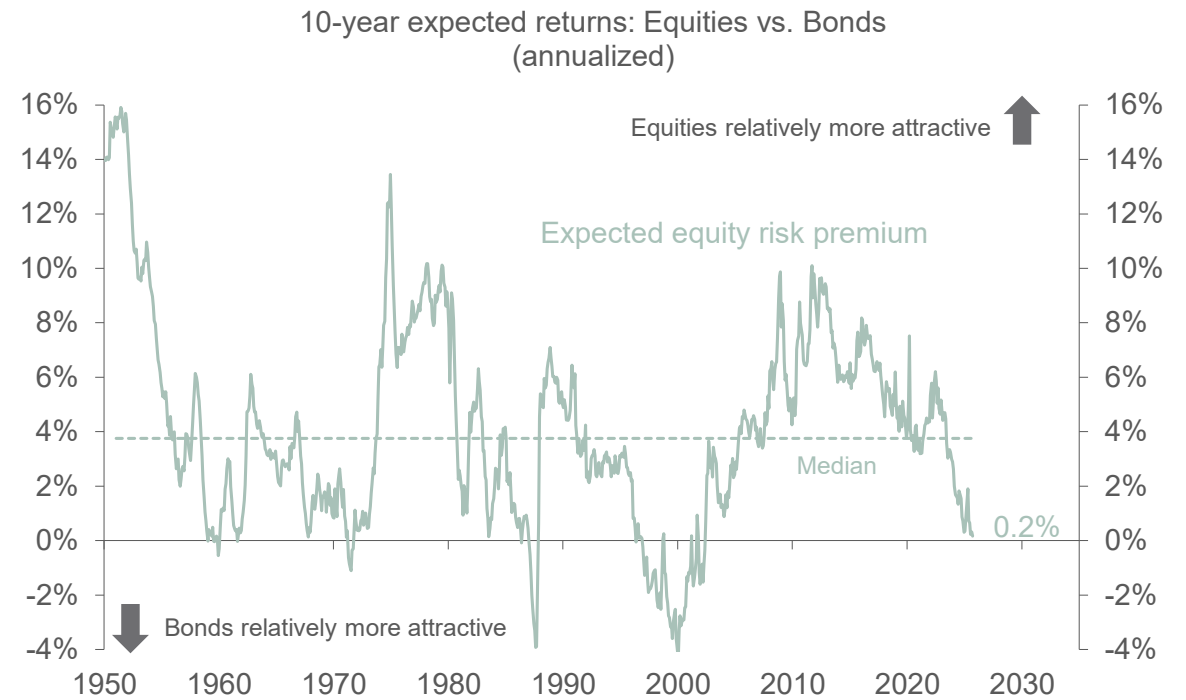
CIO Office (data via Refinitiv). 1. Risk-adjusted return measure: expected excess return / expected volatility. 2. Bonds: ICE BofA Canada Broad Market Index (Canada Bond Universe). 3. Equity benchmark: 30% S&P TSX, 40% S&P 500, 20% MSCI EAFE, 10% MSCI EM, all in CAD.

10-year market expectations – Global equity risk premium

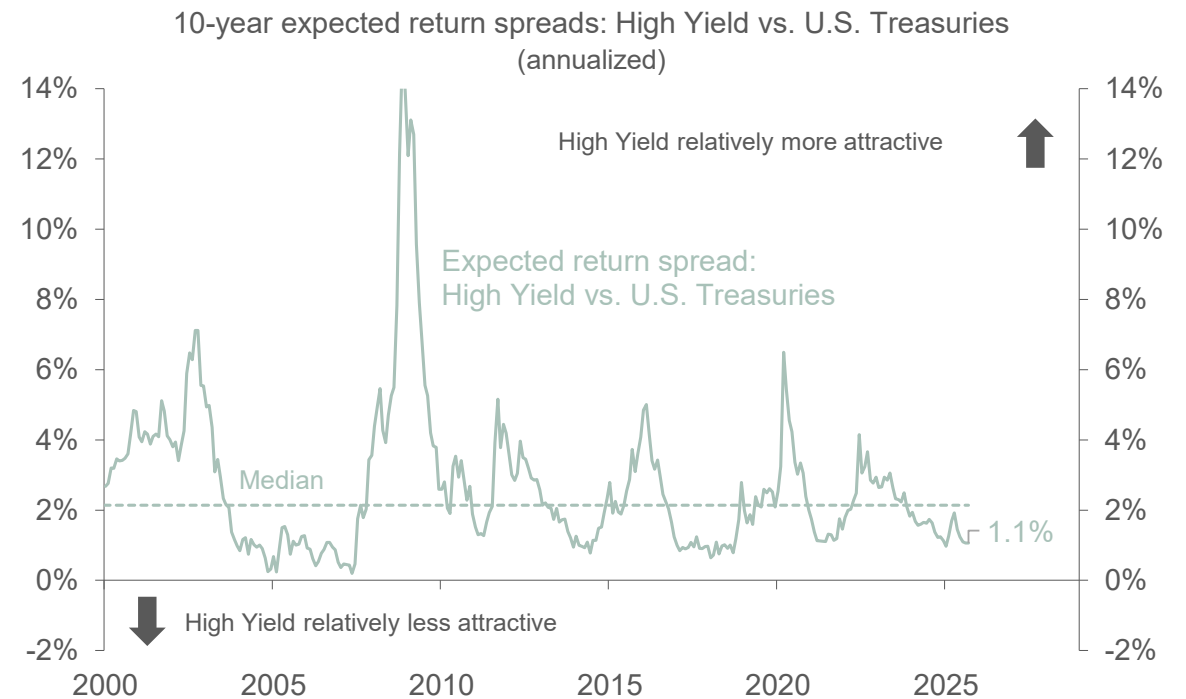


CIO Office (data via Refinitiv). 1. Equity benchmark: 30% S&P TSX, 40% S&P 500, 20% MSCI EAFE, 10% MSCI EM, all in CAD. 2. ICE BofA Canada Universe.

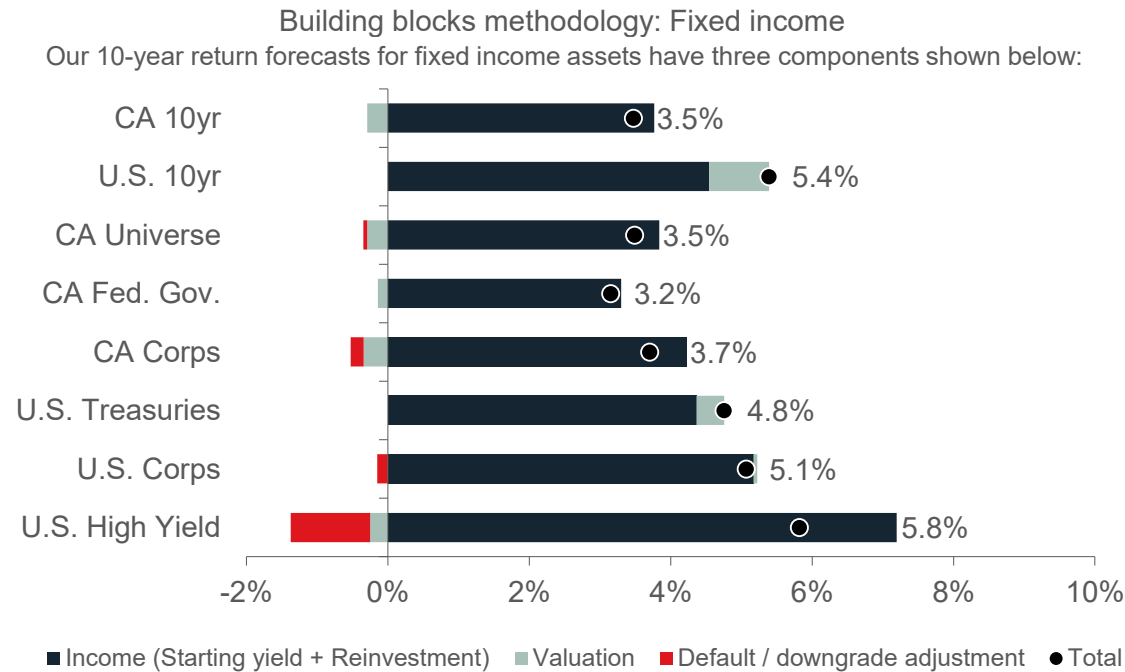
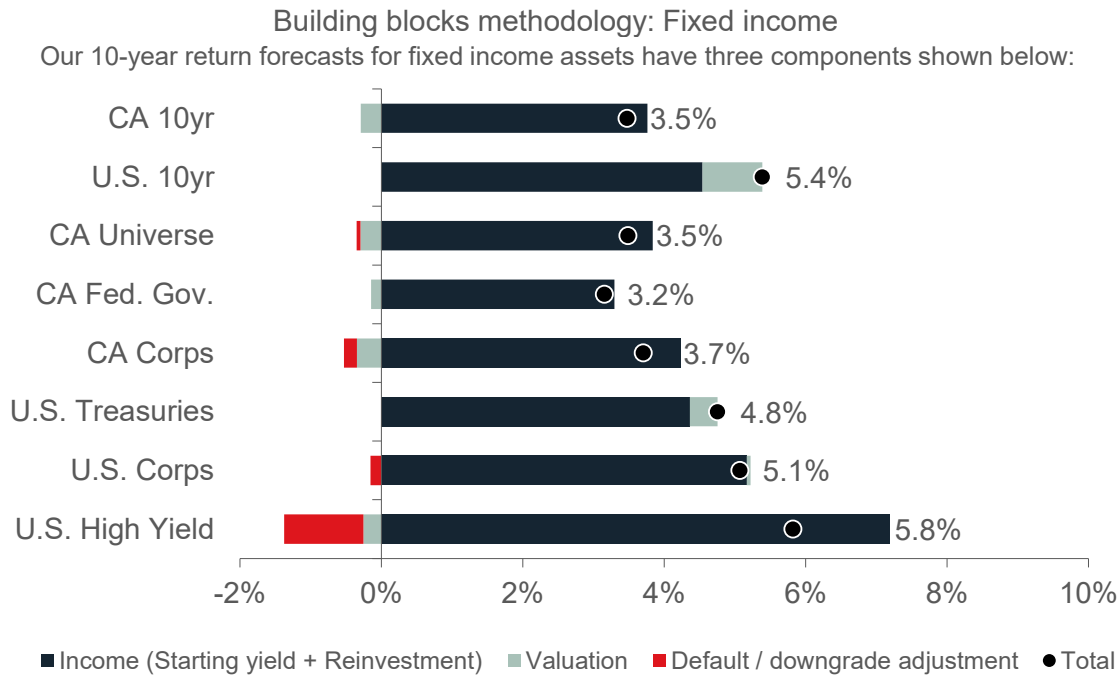
10-year market expectations – U.S. equity risk premium



10-year market expectations – High yield risk premium



10-year market expectations – Methodology



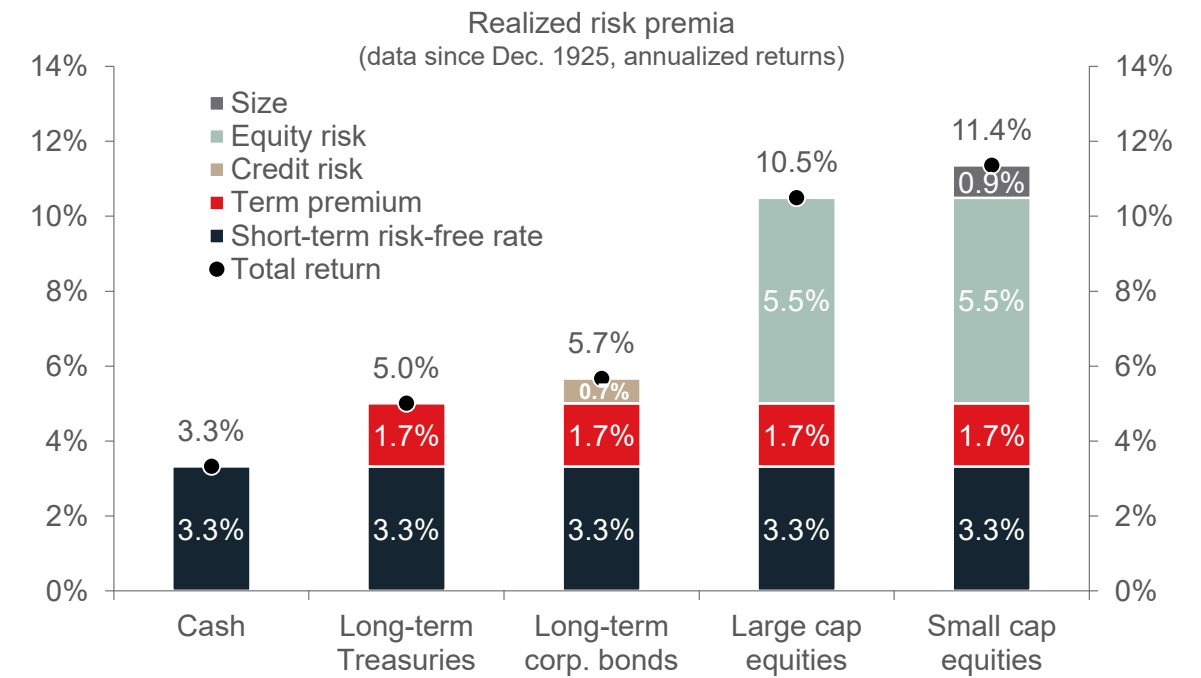
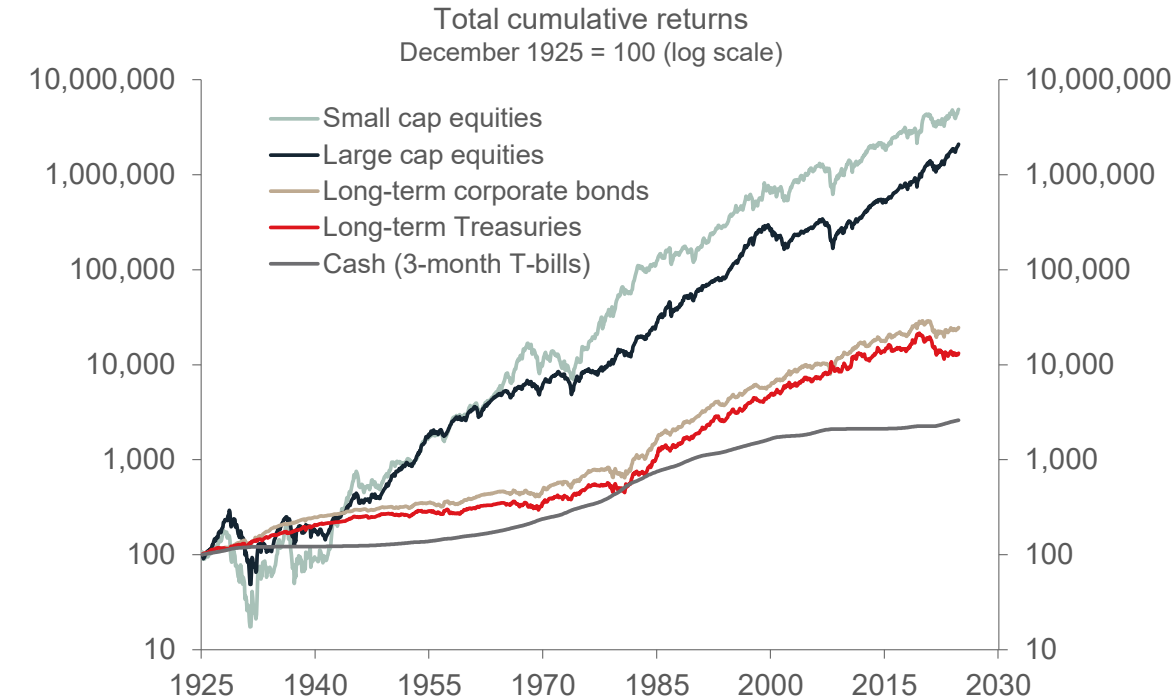
Historical correlation matrix

Asset ¹	Volatility	USDCAD	CA Cash	U.S. Cash	CA Fed. Gov.	CA Corps	CA Universe	U.S. Treasuries	U.S. Corps	Balanced	U.S. High Yield	S&P/TSX	S&P 500	MSCI EAFE	Russell 2000	MSCI EM
USDCAD	8.1%		0.11	0.02	-0.25	-0.25	-0.27	-0.44	-0.53	-0.40	-0.56	-0.53	-0.57	-0.74	-0.55	-0.56
CA Cash	0.0%	0.11		0.94	0.29	0.34	0.28	0.23	0.24	0.18	0.19	0.02	0.08	0.08	0.01	0.12
U.S. Cash	0.0%	0.00	0.87		0.33	0.37	0.32	0.30	0.29	0.20	0.22	0.05	0.09	0.13	0.01	0.18
CA Fed. Gov.	3.9%	0.24	0.18	0.13		0.95	0.99	0.87	0.83	0.73	0.69	0.50	0.53	0.54	0.42	0.45
CA Corps	4.0%	-0.06	0.07	0.00	0.74		0.98	0.85	0.87	0.79	0.74	0.55	0.59	0.60	0.51	0.53
CA Universe	4.5%	0.10	0.11	0.06	0.94	0.91		0.87	0.86	0.79	0.73	0.55	0.59	0.59	0.48	0.48
U.S. Treasuries	4.7%	0.09	0.15	0.18	0.85	0.54	0.76		0.95	0.67	0.65	0.49	0.54	0.61	0.42	0.54
U.S. Corps	5.8%	-0.37	0.00	0.00	0.56	0.80	0.72	0.59		0.80	0.80	0.64	0.69	0.76	0.58	0.68
Balanced portfolio ²	7.8%	-0.27	-0.01	-0.02	0.34	0.61	0.52	0.16	0.63		0.87	0.89	0.91	0.83	0.78	0.67
U.S. High Yield	8.4%	-0.62	-0.12	-0.09	0.06	0.47	0.27	-0.03	0.68	0.70		0.78	0.84	0.82	0.78	0.63
S&P/TSX	14.3%	-0.57	-0.05	-0.04	0.01	0.39	0.22	-0.07	0.52	0.83	0.73		0.86	0.83	0.83	0.59
S&P 500	15.1%	-0.61	-0.09	-0.05	0.00	0.32	0.18	-0.06	0.48	0.85	0.75	0.82		0.82	0.82	0.61
MSCI EAFE	16.1%	-0.69	-0.06	0.00	0.00	0.32	0.17	-0.03	0.54	0.79	0.78	0.80	0.86		0.73	0.74
Russell 2000	20.0%	-0.57	-0.12	-0.08	-0.06	0.27	0.12	-0.13	0.40	0.76	0.72	0.79	0.89	0.77		0.57
MSCI EM	21.4%	-0.72	-0.04	0.01	-0.03	0.30	0.14	-0.03	0.53	0.67	0.73	0.74	0.73	0.85	0.67	

Correlation of monthly returns over the last 20 years

Correlation of monthly returns over the last 5 years

Historical risk premia



Probability of exceeding return threshold after 10 years

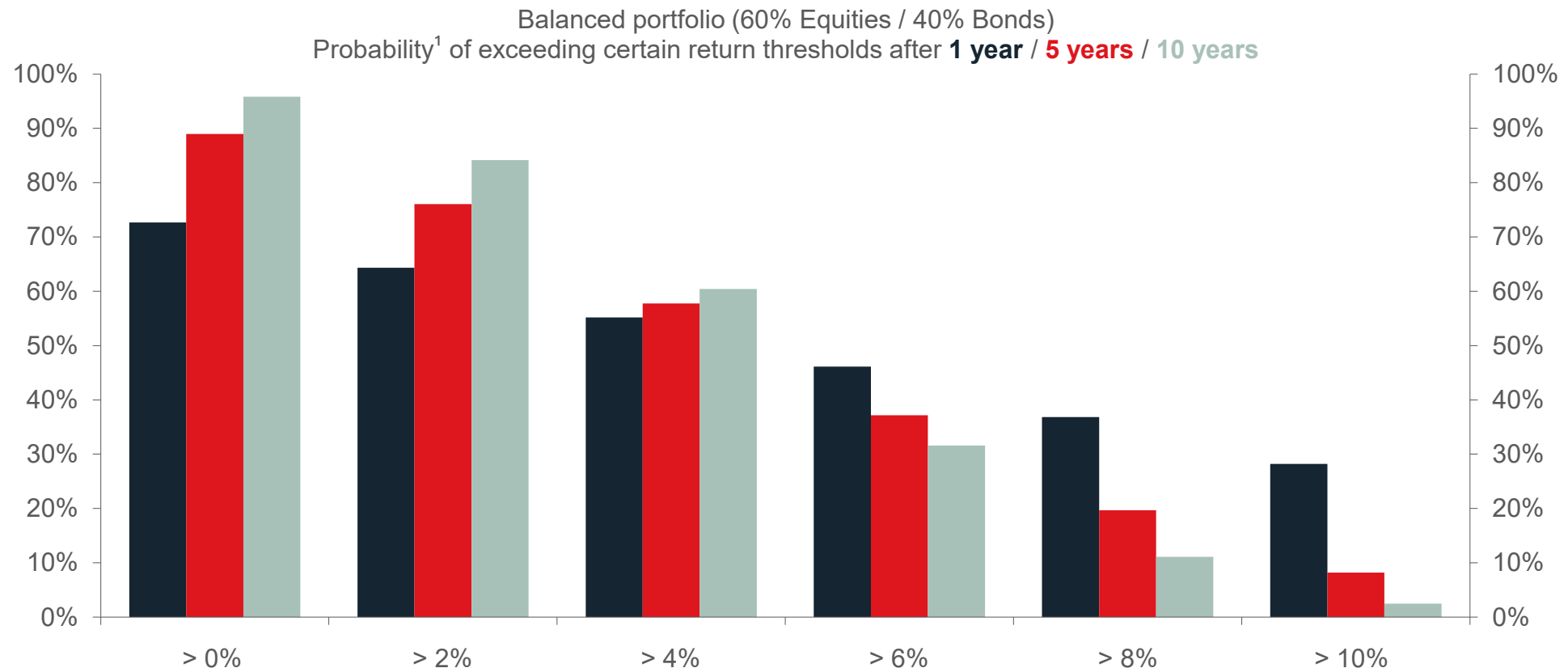
Illustrates the probability of achieving certain return thresholds over a 10-year investment horizon based on portfolio composition. Portfolios with a higher allocation to bonds protect against losses but limit upside potential.

Probability¹ of exceeding return threshold after 10 years

Return threshold (annualized)	Portfolio composition (Stocks ² and bonds ³)										
	0% Stocks 100% Bonds	10% Stocks 90% Bonds	20% Stocks 80% Bonds	30% Stocks 70% Bonds	40% Stocks 60% Bonds	50% Stocks 50% Bonds	60% Stocks 40% Bonds	70% Stocks 30% Bonds	80% Stocks 20% Bonds	90% Stocks 10% Bonds	100% Stocks 0% Bonds
> 0%	98.7%	99.3%	99.3%	99.0%	98.3%	97.3%	95.8%	94.2%	92.5%	90.5%	88.6%
> 1%	94.4%	96.4%	96.7%	96.1%	95.0%	93.4%	91.6%	89.5%	87.4%	85.3%	83.4%
> 2%	83.1%	87.4%	89.3%	89.1%	88.1%	86.2%	84.1%	82.2%	80.3%	78.5%	76.8%
> 3%	63.2%	69.4%	73.3%	75.1%	75.3%	74.6%	73.6%	72.6%	71.5%	70.2%	69.0%
> 4%	37.9%	43.4%	49.3%	54.2%	57.5%	59.4%	60.4%	60.9%	60.9%	60.6%	60.3%
> 5%	17.3%	20.4%	26.0%	32.3%	38.0%	42.4%	45.8%	48.1%	49.7%	50.7%	51.4%
> 6%	5.5%	6.9%	9.9%	15.0%	21.2%	26.6%	31.6%	35.5%	38.5%	40.8%	42.2%
> 7%	1.2%	1.6%	2.8%	5.5%	9.8%	14.8%	20.0%	24.3%	28.0%	31.1%	33.6%
> 8%	0.2%	0.3%	0.5%	1.5%	3.6%	7.1%	11.1%	15.5%	19.5%	22.8%	25.7%
> 9%	0.0%	0.0%	0.1%	0.3%	1.0%	2.8%	5.6%	9.1%	12.4%	15.8%	18.9%
> 10%	0.0%	0.0%	0.0%	0.1%	0.3%	1.0%	2.5%	4.6%	7.5%	10.4%	13.4%

Probability of exceeding return threshold after 10 years: Balanced 60/40

Illustrates the probability that a balanced portfolio (60/40) will achieve certain return thresholds over a 1-year / 5-year / 10-year investment horizon. In the short term, the range of possibilities is wider, both upward and downward. In contrast, in the longer term, positive returns are the norm, but home runs are less likely.



Detailed forecasts

Long-Term Market Expectations - Detailed assumptions (local currency¹, annualized)

	Asset	Expected nominal return		Annual volatility	Economic forecasts ⁴	
		10-year	30-year		Inflation	Nominal GDP
Fixed income	Balanced portfolio ²	4.3%	6.5%	7.8%	-	-
	Equity benchmark ³	4.9%	8.0%	12.0%	-	-
	Bond benchmark (Canada Universe)	3.5%	4.3%	4.5%	-	-
	Canada Cash	2.9%	2.8%	0.0%	-	-
	U.S. Cash	3.7%	3.0%	0.0%	-	-
	Canada 10yr gov. bond	3.5%	4.1%	6.2%	-	-
	U.S. 10yr gov. bond	4.9%	4.8%	7.4%	-	-
	Canada Universe	3.5%	4.3%	4.5%	-	-
	Canada Federal Government	3.2%	4.0%	3.9%	-	-
	Canada Corporate (IG)	3.7%	4.6%	4.0%	-	-
	U.S. Treasuries	4.8%	4.7%	4.7%	-	-
	U.S. Corporate (IG)	5.1%	5.3%	5.8%	-	-
	U.S. High Yield	5.8%	6.5%	8.4%	-	-
	S&P/TSX	5.4%	8.2%	14.3%	2.0%	3.9%
	S&P 500	4.3%	8.3%	15.1%	2.2%	4.0%
Equities	Russell 2000	6.1%	9.4%	20.0%	2.2%	4.0%
	MSCI EAFE	4.5%	7.8%	16.1%	1.9%	3.2%
	MSCI Emerging Markets	6.3%	6.4%	21.4%	2.2%	5.8%
	MSCI Europe	5.2%	8.1%	17.4%	1.8%	3.2%
	DAX 30 (Germany)	4.8%	7.6%	20.2%	2.1%	3.2%
	FTSE 100 (United Kingdom)	8.1%	9.7%	13.2%	2.0%	3.7%
	TOPIX (Japan)	4.1%	6.6%	16.8%	2.0%	2.5%
	S&P/ASX 200 (Australia)	5.6%	9.0%	13.0%	2.7%	4.7%
	MSCI World	4.4%	7.9%	15.1%	1.7%	3.8%
	MSCI AC World	4.6%	7.9%	15.3%	2.1%	4.0%

CIO Office (data via Refinitiv). 1. Except for MSCI indices, which are in USD.

2. Balanced portfolio: 18% S&P/TSX, 24% S&P 500, 12% MSCI EAFE, 6% MSCI Emerging Markets and 40% Canada Bond Universe, all in CAD.

3. Equity benchmark: 30% S&P TSX, 40% S&P 500, 20% MSCI EAFE, 10% MSCI EM, all in CAD.

4. All economic forecasts are from the IMF's latest World Economic Outlook. Forecasts for equity indices with multiple regions are constructed using each region's equity weight within the index.

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