

## Market Analysis

### Applicable to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

The 2025 economic landscape in Canada was characterized by a gradual shift toward lower interest rates alongside elevated trade-related uncertainty. The Bank of Canada reduced its overnight policy rate early in the year, paused through the mid-year as it assessed inflation dynamics, and then eased again in the fall, ending 2025 at 2.25%.

Inflation remained close to target overall, while measures of core inflation were modestly above target, and the Bank assessed underlying inflation around the mid-2% range. Economic growth in 2025 was impacted by volatility in trade, and ongoing tariff and trade-policy uncertainty remained a key risk to the outlook.

Table 1 below presents key economic indicator rates as of December 31, 2023-2025.

**Table 1: Indicative Market Rates 2023 to 2025**

Rate	2023	2024	2025
Bank of Canada - Overnight Rate	4.25% - 5.00%	3.25% - 5.00%	2.25% - 3.25%
High Interest Savings Account (HISA)	4.80% - 5.75%	3.75% - 5.50%	2.55% - 4.00%
RBC - Bank Rate	4.70% - 5.55%	3.80% - 5.55%	2.80% - 3.80%
Fixed Guaranteed Investment Certificate (GIC) - 180 Day / 1 Year (Indicative quotes received)	5.30% - 5.60%	5.40% - 5.50%	3.30% - 3.60%

*Note: Fixed GIC rates reflect the range of rates observed from CRD's internal GIC rate database (quotes received and/or executed investments) during the year and are provided for context only.*

### Investment Marketplace

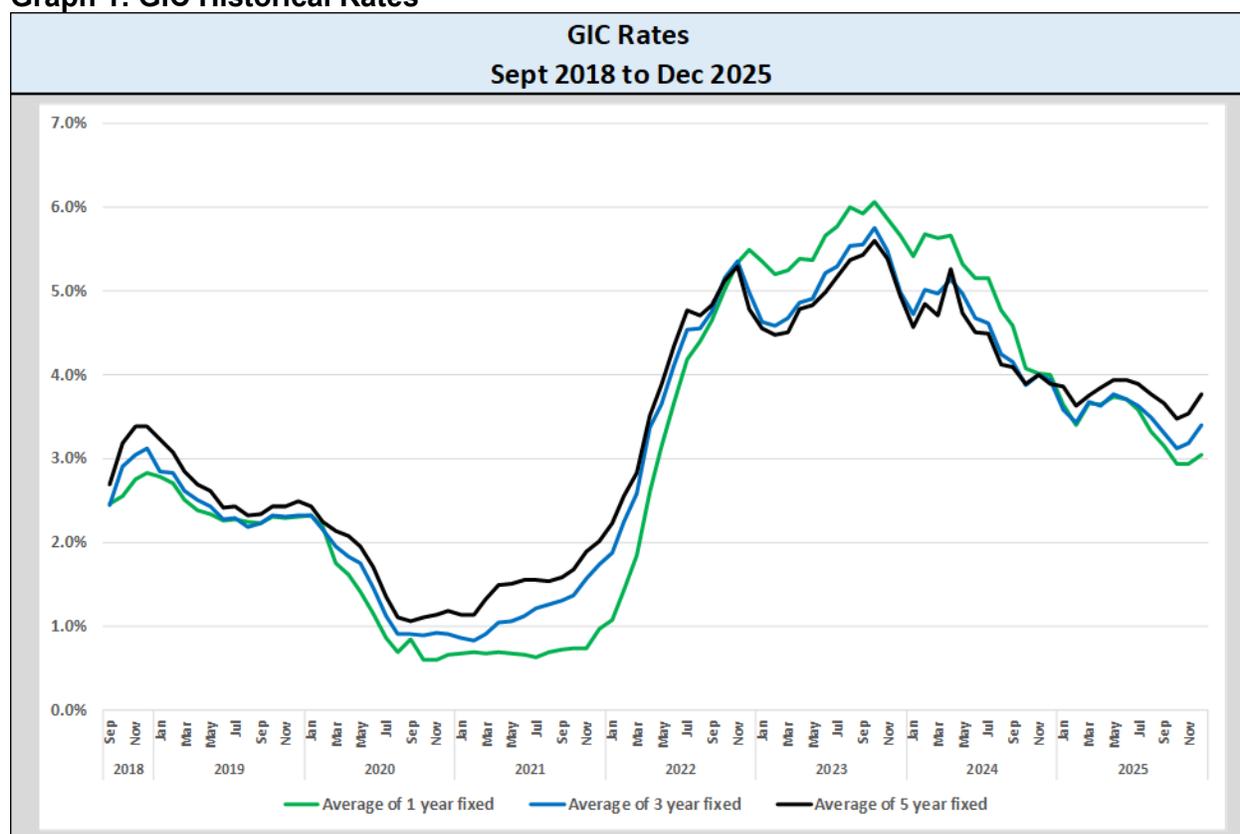
Fixed deposit rates moderated through 2025 as the Bank of Canada continued to ease monetary policy, with market yields adjusting lower across short- and mid-term maturities. Consistent with this environment, observed one- to five-year GIC rates declined versus 2024.

Despite lower yields, MFA pooled fund returns remained positive in 2025. Fixed income funds generated steady income-driven results. The Diversified Multi-Asset Class (DMAC) fund also delivered strong results, with the MFA DMAC Fund returning 13.60%, reflecting positive contributions from growth assets alongside the ongoing benefit of higher-than-pre-2022 starting yields in fixed income markets.

In 2025, HISA rates also decreased but remained competitive relative to GIC rates across most terms. As a result, year-end allocations to HISAs were increased where appropriate to optimize interest earnings while preserving liquidity and operational flexibility.

As shown in Graph 1, GIC rates were at their highest late in 2023, and have been moving lower ever since.

**Graph 1: GIC Historical Rates**



The CRD continues to hold units in the MFA Bond Fund, MFA Fossil Fuel-Free (FFF) Bond Fund, the MFA DMAC Fund and the MFA Mortgage Fund. The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund.

In the calendar 2025 year, the FFF Bond Fund return closely matched the MFA Bond Fund (3.89% versus 3.90% respectively). While the FFF Fund typically allocates less to the energy sector and more to the real estate and financial sectors, these sector allocation differences had a limited

impact on performance over the year. Other MFA pooled funds delivered higher returns: the MFA Mortgage Fund returned 4.75% and the MFA DMAC returned 13.60% in 2025.

Staff will assess investment placements in existing and new MFA pooled funds in the future, for the CRD, the CRHD and the CRHC, as the need to place long-term funds arises.