



October 2025

# QUARTERLY INSIGHT

Executive Summary

Reflection and Outlook

Family Office Feature – *Navigating Recent CRA Challenges*

Investment Management Feature – *Private Credit: A Strategic Alternative for Modern Portfolios*



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WEST OAK  
FAMILY OFFICE

WELLINGTON-ALTUS  
PRIVATE WEALTH

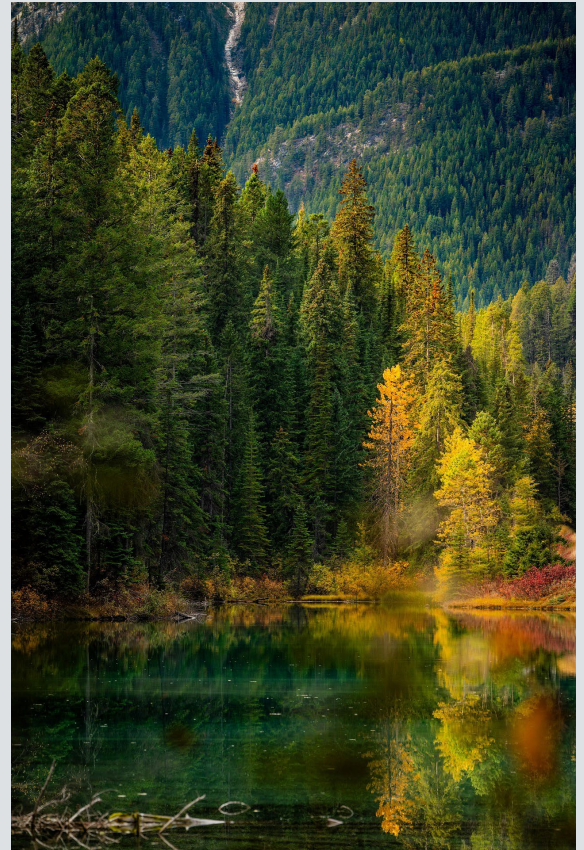
## EXECUTIVE SUMMARY

### Reflection and Outlook

- The U.S. economy shows signs of fatigue, yet equity markets are surging—highlighting a growing disconnect driven by expansive fiscal policy.
- Government stimulus, including the One Big Beautiful Bill Act, has supported markets in the short-term but may also contribute to a growing debt burden that could have negative long-term consequences for the U.S. economy.
- We see three plausible paths for the U.S. economy: a hard landing, reacceleration, or a Goldilocks outcome, each with distinct market implications.
- Our investment strategy prioritizes a balanced approach through diversified equity exposure, high-quality bonds, and vigilant monitoring of macroeconomic indicators.
- In response to inflation and rate volatility, private credit has become a key portfolio addition, offering stability, higher yields, and diversification beyond public bonds.

### Family Office

- Recent developments at the Canada Revenue Agency (CRA) have raised concerns among Canadian taxpayers, due to service delays, expanded audit powers, and privacy breaches, resulting in legal actions.
- The federal budget is scheduled to be tabled on November 4, 2025. Expected initiatives include a focus on military spending, the housing crisis and economic growth, in addition to the possibility of a 2% increase in GST and an increase to the top personal tax rate.



### Christmas Markets and Events in Calgary

**Spruce Meadows International Christmas Market** - Step into a festive wonderland filled with twinkling décor—perfect for finding unique gifts, enjoying cozy indoor charm, and savoring the magic of winter outdoors.

To learn more, visit [Spruce Meadows Christmas Market](#).

**Art Market Christmas Craft Sale** – Visit the Telus Convention Centre November 20-23 to discover extraordinary treasures you won't find anywhere else. With a curated showcase of over 200 of Canada's finest artisans and makers, you're sure to find one-of-a-kind gifts and special holiday items.

Visit [Art Market Craft Sale](#) for more information.

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## REFLECTION AND OUTLOOK

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### A Tale of Two Economies: Navigating Uncertainty with Discipline

2025 has unfolded as a paradox—an economic narrative that feels straight out of A Tale of Two Cities. On one hand, the U.S. economy continues to show signs of fatigue: consumer spending is softening, the labour market is losing momentum, and housing and manufacturing remain under pressure. On the other hand, equity markets have surged, defying economic fundamentals and leaving many investors wondering: What's driving this disconnect?

### The Role of Fiscal Policy

Much of this divergence stems from aggressive government spending. Following the Biden administration's deficit-heavy initiatives, the current administration introduced the One Big Beautiful Bill Act, a sweeping fiscal package aimed at stimulating growth. While these measures may support markets in the short term, they also contribute to a growing debt burden that could have long-term consequences for the U.S. economy, financial system, and investors. We believe this approach delays an essential economic reset—one that would allow for a more stable foundation for future growth rather than possibly creating excesses that may eventually need to be unwound.

### Three Potential Economic Scenarios

Looking ahead to the next 12 months, we see three plausible paths for the economy, each with distinct implications for markets and portfolios:

Hard Landing (50% probability\*) - A recession triggered by aggressive rate hikes or external shocks, leading to a bear market and broad asset repricing.

Reacceleration (30% probability\*) - Growth rebounds due to productivity gains from AI and continued fiscal stimulus. While equities may rally, this scenario risks a second wave of inflation and a more severe downturn later.

Goldilocks (20% probability\*) - Economic growth slows modestly, inflation remains contained, and central banks ease rates further, resulting in modest equity returns and a more balanced environment.

\*Source: BCA Research – Global Investment Strategy Newsletter – October 8, 2025

### Portfolio Positioning: Stability First

Considering these uncertainties, our investment strategy remains focused on capital preservation and risk management. Here's how we're positioning portfolios:

- U.S. equities remain our largest allocation, but we're diversifying into international markets where valuations are more attractive, and dividend yields are higher.
- We've added exposure to high-quality bonds offering yields in the 5% range, providing both income and downside protection.
- We continue to monitor inflation expectations, central bank policy, and key economic indicators to remain agile and responsive.

### Building for the Long Term

There is no clear path forward at this juncture. That's why we remain disciplined, diversified, and data-driven—ready to adapt to whichever scenario unfolds. Our hope is for a healthy economic reset that lays the groundwork for sustainable growth, rather than prolonging imbalances through excessive government intervention.

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## FAMILY OFFICE FEATURE:

### *Navigating Recent CRA Challenges*

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Recent developments at the Canada Revenue Agency (CRA) have raised concerns among Canadian taxpayers, due to service delays, expanded audit powers, and privacy breaches resulting in legal actions.

Service complaints remain high, with fewer than 5% of callers reaching CRA agents due to staffing cuts in excess of 3,000 people since May 2024. In addition, the Office of the Taxpayer Ombudsperson received nearly 2,800 complaints throughout 2024, citing inaccurate information from CRA employees (in approximately 30% of cases) and long wait times.

Many Canadians are experiencing significant delays in receiving tax refunds and benefits. While electronic filings are typically processed within 8–10 days, paper returns can take up to eight weeks or longer. Errors, missing documents, and manual reviews are common causes of these delays, often exacerbated by account lockouts and the aforementioned poor communication from CRA call centres.

Meanwhile, in response to concerns about tax compliance, the federal government introduced expanded audit powers in the 2024 Federal Budget. These include the ability for CRA to issue notices of non-compliance with penalties up to \$25,000 and impose a 10% penalty on tax payable if a Federal Court compliance order is issued. Taxpayers may also be compelled to provide information under oath or affirmation.

Adding to public scrutiny, is the fact that CRA is facing a certified class action lawsuit over a 2020 data breach that compromised thousands of accounts. The 2025 settlement includes financial compensation, two years of free credit monitoring, and emotional distress payments for those affected.

These developments underscore the importance of having a team behind you that understands the tax landscape, is proactive in managing changes to legislation and enforcement and is nimble enough to adjust our planning to reduce the risk of audits and enquiries. Dealing with the CRA can be stressful, especially amid growing delays and regulatory changes. We're committed to helping you navigate these challenges with confidence and clarity.

### **Other Noteworthy News**

The federal budget is scheduled to be tabled on November 4, 2025. This marks a shift from the traditional spring release, aligning with the new government's approach under Prime Minister Mark Carney to present budgets in the fall moving forward. Expected initiatives include a focus on military spending, the housing crisis and economic growth. While no explicit tax measures have been announced, there has been some discussion around the possibility of a 2% increase of GST, and an increase to the top tax rate, affecting the ultra-wealthy.

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## INVESTMENT MANAGEMENT FEATURE:

### *Private Credit: A Strategic Alternative for Modern Portfolios*

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In the wake of rising interest rates and persistent inflationary pressures since the pandemic, traditional public bonds have faced significant headwinds. For investors seeking stability, yield, and diversification beyond public markets, private credit has emerged as a compelling alternative that we have begun populating portfolios with over the last year.

Unlike public bonds, which are traded on open markets and subject to the whims of investor sentiment and rate volatility, private credit investments are negotiated directly with private companies. This structure allows for customized terms tailored to investor preferences, floating-rate mechanisms that help preserve yield in inflationary environments, and enhanced risk management through direct covenants and collateralization.

A useful analogy for illustrating the differences between public bonds and private credit is that public bonds are like riding a city bus—scheduled, standardized, and open to all. You'll reach your destination, but you have no control over the route or fellow passengers.

Private credit, by contrast, is akin to hiring a private car. You choose the destination, the route, and the level of comfort. This tailored approach enables investors to negotiate terms, structure protections, and often achieve higher yields in exchange for reduced liquidity.

Currently, private credit strategies are offering yields in the ~9% range, compared to ~5% for investment grade corporate bonds, and ~7% for public high-yield corporate bonds. With public equities trading at elevated valuations, private credit presents a quasi-equity return profile, but with significantly lower volatility and stronger capital preservation.

The private market is vast—there are nearly three times as many private companies as public ones. This broader universe offers access to niche sectors, bespoke structures, and differentiated risk-return profiles that are simply unavailable in public markets. Because there are a number of nuances related to structure, return and risk profile, and investment style, manager selection is paramount in this space. We have partnered with Apollo and Brookfield Oaktree, two of the world's most respected private credit managers, each with over four decades of experience navigating complex credit markets and delivering consistent performance.

To summarize, private credit can offer higher income than traditional corporate bonds, with a lower correlation to public market volatility, as well as access to a broader and more customizable investment universe. Incorporating private credit into our portfolios allows us to enhance portfolio resilience and unlock new sources of return.

As always, thank you for your continued trust. If you have questions about your portfolio or want to discuss strategy in more detail, we're here to help.

Sincerely,

Handwritten signatures of Andrew, Kelly, and Justin in black ink.

Andrew, Kelly, Justin & the West Oak Team



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