MIDDLEFIELD
INVESTMENTS THAT WORK FOR YOU

MARKET COMMENTARY

JULY 2025

The purpose of these monthly commentaries is to provide investment advisors and their clients with insights into the current thinking of Middlefield's investment professionals regarding the overall market and the major sectors underpinning Middlefield's various fund strategies.

Macro Update

Dean Orrico

President & CEO

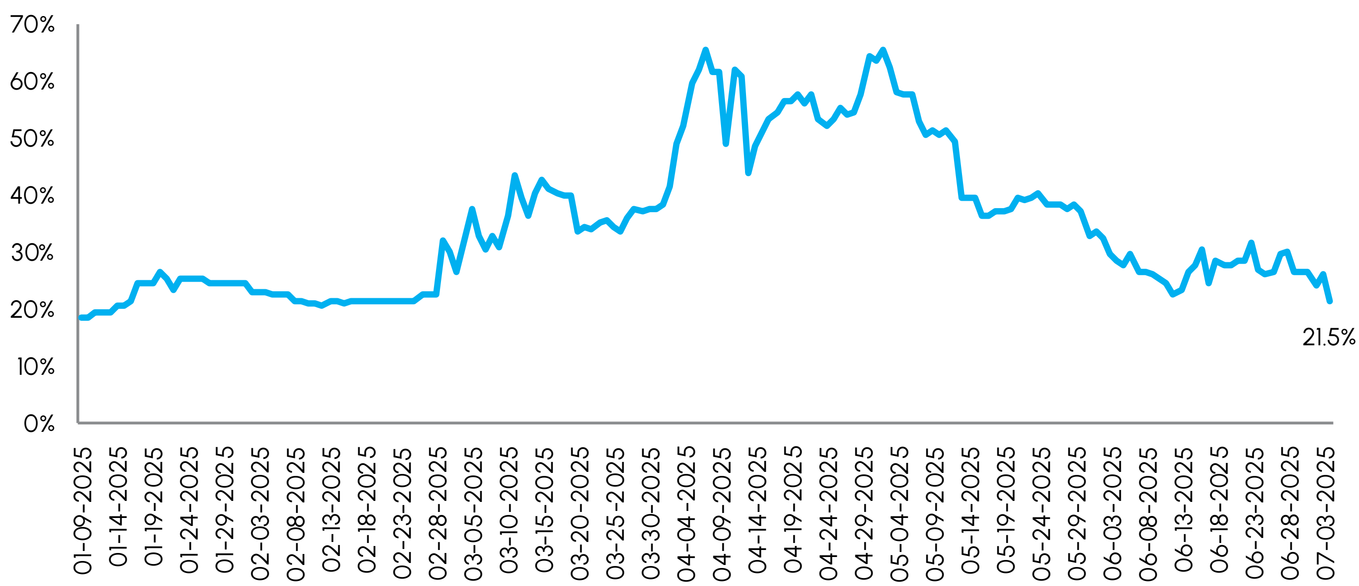
Robert Lauzon

Managing Director & CIO

Equity markets have fully recovered from April's tariff turmoil. The S&P 500, TSX Composite and MSCI World Index all finished the first half of 2025 at all-time highs. Growth stocks had a particularly strong month in June with the NASDAQ Composite returning 6.6% and the S&P 500 Information Technology sector returning 9.8%. Year-to-date, the TSX Composite still leads the pack with a total return of 10.2% which compares to the S&P 500 and MSCI World returns of 6.2% and 9.8%, respectively.

The outlook for the U.S. economy has improved dramatically in recent weeks. According to Polymarket, the odds of a U.S. recession this year have fallen from 65% in May to just 22% in July. Solid labour data, stable growth forecasts and rebounding consumer sentiment form a constructive backdrop. The June Nonfarm Payrolls report underscores this dynamic, with 147,000 jobs added—well above consensus expectations of 106,000—and the unemployment rate declining to 4.1%, ahead of forecasts calling for 4.3%.

Polymarket Odds of a U.S. Recession in 2025



Source: Polymarket. As of July 3, 2025.

The one drawback of such strong data is that it likely extends the timeline for rate cuts from the Federal Reserve and puts upward pressure on the long-end of the curve. Despite President Trump's recent criticism of Fed policy, the U.S. economy likely does not require monetary stimulus with full employment and inflation risks, at least on a transitory basis during the summer, remaining elevated. The recent passage of One Big Beautiful Bill, which delivers fiscal stimulus in the form of tax cuts and increased spending, further strengthens the Fed's argument to remain on pause. We do not expect rate cuts until September and remain vigilant of rising bond yields in response to fiscal imbalances of the U.S. Treasury.

Surging capital markets activity offers another sign that market conditions are healthy. Global M&A saw a strong rebound in the first half of 2025, with aggregate deal value climbing nearly 20% year-over-year to $1.8 trillion. Three notable IPO's have also taken place this year with Circle, CoreWeave and Chime entering the public markets and now accounting for $130 billion in market capitalization. In Canada, net issuances of equity securities in aggregate by both private and public Canadian corporations totalled $85 billion in the first quarter, snapping a streak of twelve consecutive quarters in which retirements exceeded new issuances. We expect the rebound in capital markets activity to continue through the remainder of the year. Financials are one of our preferred sectors as their capital markets and trading divisions are direct beneficiaries of this trend.

Although equities have been on a remarkable run since their April 8 lows, we continue to see a clear path higher for stocks, supported by the ongoing expansion in market leadership. While the Magnificent Seven drove returns for much of the last two years, their earnings growth is expected to moderate. On the other hand, profits are expected to accelerate in other areas through 2025 and into 2026. This broadening of earnings growth across multiple sectors and companies provides a much healthier and more durable foundation for the market to build upon, suggesting the current bull market has further to run. We believe active management is crucial in this environment and remain focused on companies with clear catalysts, reasonable valuations, and strong underlying business fundamentals to drive earnings growth.

Real Estate

Middlefield Fund Tickers & Codes: MREL / MID 600 / RS

Dean Orrico
President & CEO

Canadian REITs have had a strong first half of the year with the TSX Capped REIT Index generating a total return of 7.6%. U.S. REITs have lagged their Canadian counterparts with a total return of 3.5% over the same period. Our global real estate strategies have been overweight Canadian REITs throughout the year given their more attractive valuations and earnings growth. Despite starting to close the valuation gap in recent months, we believe Canadian REITs offer more upside potential and expect to maintain our geographic mix in the second half of the year.

Seniors housing continues to outperform with the group returning nearly 4% in June. We recently met with the CEOs of Chartwell Retirement Residences and Extendicare, Canada's two leading players in the retirement and long-term care sectors, respectively. Both were extremely constructive on their business outlooks, claiming that fundamentals "have never been better". As a result, we have a healthy weighting to seniors housing of approximately 18% in our dedicated real estate strategies.

The acquisition market in this sector remains active, highlighted by Sienna Senior Living's (SIA) recent $60 million acquisition of the Credit River Retirement Residence in the GTA. We view the transaction as attractive, with a purchase price of approximately $450,000 per suite and an implied cap rate of 5.75%—well below replacement cost. Over the past year, SIA has announced more than $400 million of acquisitions and is concurrently executing on $300 million of development projects. With supply/demand fundamentals in seniors housing expected to remain favourable for at least the next five years, we view these growth investments as well-timed and accretive. The Credit River acquisition is being funded through existing credit facilities and we believe SIA retains meaningful balance sheet capacity to pursue further external growth without the need for equity issuance.

SIA was not the only Canadian REIT making opportunistic acquisitions this month. Primaris REIT (PMZ), another core holding, announced a $416 million acquisition of Lime Ridge Mall in Hamilton from Cadillac Fairview. The 793 thousand square foot property is the leading regional mall in Hamilton with annual sales topping $250 million. The purchase brings PMZ's total 2025 acquisitions above $1 billion, surpassing its three-year target. We are optimistic the deal will drive NOI upside given PMZ's track record of conservative underwriting, proven leasing capabilities and effective cost management. Despite consistently executing on its defined strategy of improving the quality of its portfolio, PMZ continues to trade at a ~25% discount to NAV, largely due to macro uncertainty. We believe the upside in PMZ's share price is among the highest in Canada with an attractive mix of growth and value while boasting a peer-leading balance sheet and premiere management team.

Healthcare

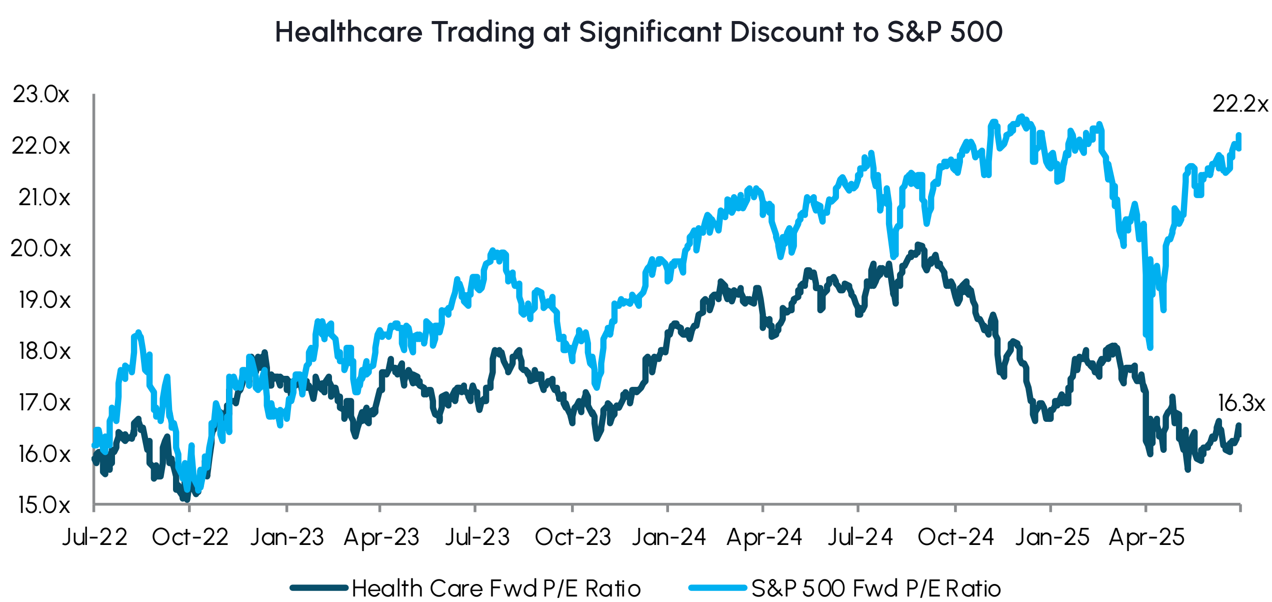
Middlefield Fund Tickers & Codes: MHCD / MID 625

Robert Moffat

Portfolio Manager

It was a tale of two quarters for the healthcare sector in the first half of 2025. Healthcare outperformed the S&P 500 by more than 10% in Q1, only to underperform by 18% in Q2 amidst policy uncertainty and a sharp reversal in risk behaviour. Year-to-date, the sector has returned -1.1% and is trading at a 5.9x forward P/E multiple discount relative to the S&P 500. The current discount is among the widest in the past 30 years, making healthcare one of the few pockets of the market offering attractive relative valuations.

Eli Lilly (LLY) has established itself as the clear market leader in diabetes and obesity medications. The annual American Diabetes Association conference held in June underscored the depth and breadth of LLY's cardio-metabolic pipeline which we expect to strengthen the moats around this franchise. LLY provided incremental details on its oral GLP-1 pill, orforglipron, which demonstrated high tolerability and efficacy among patients with diabetes. The company is expected to release phase 3 data in patients with obesity over the next



Source: Bloomberg. As of June 30, 2025 several months which we believe represents a multi-billion dollar market expansion opportunity. Orforglipron is expected to hit the market early next year and can address patient populations with needle aversion, those seeking maintenance dosing and will support geographic expansion into areas where injectables face logistical challenges. LLY also provided data from several other pipeline programs targeting alternative pathways to weight-loss (e.g., elorinitide and bimagrumab) which have the potential to expand treatment options and improve patient outcomes in the vast diabetes / obesity market.

In a noteworthy milestone for robotic surgery, surgeons at Baylor St. Luke's Medical Center recently completed the first fully robotic heart transplant in U.S. history. The procedure used Intuitive Surgical's (ISRG) Da Vinci system, allowing for the transplant to be conducted entirely through minimally invasive incisions. The patient, a 45-year-old male with advanced heart failure, was discharged without complications after a month-long observation period. While ISRG's historical focus has skewed toward urology and general surgery, we view this development, alongside the recent appointment of a new head of cardiac and ISRG Ventures' investment in a competitor, as a signal that the company is re-engaging with the cardiac space. This is an area we believe investors have largely overlooked in recent years, and we see the confluence of these developments as an encouraging step toward renewed growth in one of the most complex and underpenetrated robotic surgery verticals.

Infrastructure

Middlefield Fund Tickers & Codes: MINF / MID 265 / MID 510 / ENS / IS / MID 800

Robert Lauzon
Managing Director & CIO

Canada's push toward fast-tracking nation-building infrastructure continues to gain momentum. The federal government's Bill C-5 ("One Canadian Economy Act"), which passed the Senate in late June, aims to streamline approval processes for major energy and trade-enabling projects by removing interprovincial barriers and expediting permitting. For Canadian energy and midstream players, this marks a pivotal shift, especially for shovel-ready projects or those awaiting regulatory clearance. The table below outlines key energy infrastructure developments expected to come online before the end of the decade, many of which stand to benefit from this accelerated framework.

During a recent meeting with Gibson Energy (GEI) management, the company reaffirmed its disciplined approach to organic growth. GEI emphasized the company's stable base of contracted infrastructure revenues that are ~75% take-or-pay and outlined a $1B capital deployment plan across key growth initiatives, targeting 5-7% annual EBITDA/share growth over the next 5 years. Projects include new storage tanks to support increased TMX volumes in Alberta and expanded tankage and dockage infrastructure at its Gateway export facility in the U.S., where utilization is expected to rise. With a 7% dividend yield and 6 consecutive years of dividend growth, GEI offers a compelling total return profile. Additional clarity on strategy and long-term targets is expected at its upcoming Investor Day in December.

Enbridge (ENB) and TC Energy (TRP) stand out as key beneficiaries of the deregulatory push. With expansive North American networks, long-term take-or-pay contracts, and robust earnings growth visibility, both are well-positioned to capitalize on an accelerated permitting environment. With Coastal GasLink now completed, TRP is pivoting toward lower-risk brownfield expansions and LNG-aligned infrastructure, areas that could advance more swiftly under the new legislation. Keyera (KEY) also strengthened its competitive position with the $1.4B acquisition of Plains' Alberta-based midstream assets. The deal enhances KEY's scale, operating leverage, and exposure to natural gas and NGLs, positioning it as a higher-quality player in the Canadian midstream landscape. This coincides with LNG Canada's first export shipment to South Korea in late June, a milestone that signals Canada's growing role as a global LNG supplier and underscores the critical need for expanded gas infrastructure.

Major Upcoming Energy Projects in Canada

Project Name	Cost (C$ Billion)	Location	Ownership	Estimated Completion
LNG Canada Phase 1 + Coastal GasLink	$47.9	Kitimat, BC	Shell Canada, Korea Gas, TC Energy	2025
Bruce Power Refurbishment	$13.0	Tiverton, ON	Bruce Power	2030+
Darlington Refurbishment Project	$12.8	Clarington, ON	Ontario Power Generation	2026
Cedar LNG	$4.6	Kitimat, BC	Pembina Pipeline & Hailsa Nation	2028

Source: Natural Resources Canada, Scotiabank. As of June 30, 2025.

Technology & Communications

Middlefield Fund Tickers & Codes: MINN / MID 925 / MDIV

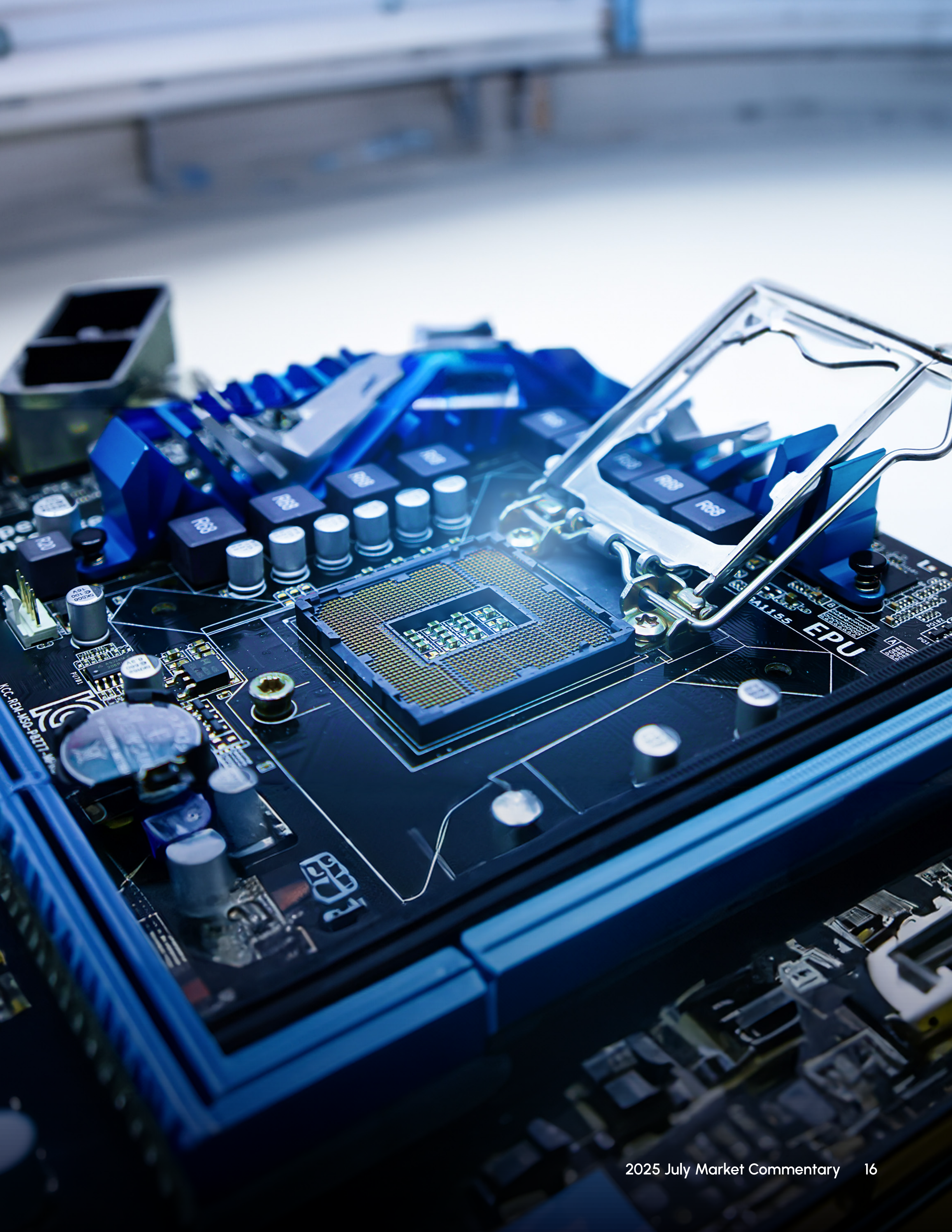
Shane Obata

Portfolio Manager

After a sharp rally that saw technology stocks recover and surge past their pre-Liberation-day highs, the sector's focus now squarely shifts from valuation recovery to fundamental execution. With the Nasdaq 100 having posted strong gains and forward P/E ratios now above their 5 and 10-year averages, the path to future returns will be paved by earnings growth. Here, technology remains well positioned. For Q2 2025, the Information Technology sector is projected to lead the S&P 500 with the highest year-over-year revenue growth, and it is expected to demonstrate the highest earnings growth among all sectors for the full year. This superior growth profile keeps the sector attractive even as valuations are no longer considered cheap.

The biggest driver of this earnings power is the immense capital flowing into AI infrastructure, epitomized by initiatives like OpenAI's "Stargate" project. This ambitious, multi-hundred-billion-dollar venture to build out AI data centers is a massive undertaking that sends demand signals throughout the entire supply chain. The direct beneficiaries are clear, including semiconductor leaders like Nvidia, but the impact extends to custom chip designers, memory providers, data center REITs, and even industrial companies supplying power and construction equipment for these massive builds. This tangible, long-term spending cycle provides a durable tailwind for a wide array of companies enabling the AI revolution.

This dynamic explains why semiconductor stocks are again outpacing software, as the hardware layer is where most of AI profits are currently being captured. However, we believe the next phase of value creation lies in software monetization. This will be a disruptive period, creating a clear divergence between winners and losers. Companies with vast distribution channels and proprietary data are best positioned to integrate and charge for new AI capabilities. In contrast, many smaller software players may struggle to compete. AI has also become much bigger than just the technology sector; we are seeing its transformative power ripple across the entire economy. What once seemed a far-fetched pitch has become reality: banks and other financial institutions are now viewed as key AI beneficiaries. By leveraging AI for fraud detection, risk management, and automating back-office tasks, the financial services industry is set to unlock significant cost savings and efficiency gains, proving that the AI theme is a broad-based, productivity-led transformation.


EPU

Resources

Middlefield Fund Tickers & Codes: MID 800 / MID 161 / MID 265 / MRF FT LP / Discovery FT LP

Dennis da Silva

Senior Portfolio Manager

On June 30th, the first LNG cargo onboard the GasLog Glasgow tanker left the LNG Canada facility delivering fuel to Asian buyers signaling a paradigm shift in energy exports at a time when Canada pursues alternative markets away from the United States. Canada is poised to see the largest increase in natural gas export volumes in its history as LNG Canada marks the first of several projects expected to drive significant demand growth for Canadian natural gas over the coming decade. The start of exports should help strengthen AECO pricing, providing a meaningful boost to cash flows for leading low-cost producers like Canadian Natural Resources and Tourmaline. Additionally, the recent change in leadership improves the likelihood of approval for the Pathways Alliance carbon capture network, one of the most ambitious initiatives tied to oilsands decarbonization, which could unlock further production upside for Canadian producers. Canada looks to be increasingly well-positioned to supply global markets with safe, clean and reliable energy amidst an uncertain geopolitical backdrop.

Oil prices were volatile in June as markets contended with geopolitical crises. Prices surged early in the month following Israeli strikes on Iranian nuclear infrastructure and key military personnel, raising fears of broader regional escalation. The market closely monitored the risk of Iranian retaliation, including potential threats to the Strait of Hormuz or Gulf oil facilities, as well as the implications of U.S. involvement following B-2 airstrikes on Iranian sites. At the same time, markets were focused on future OPEC+ output increases as producers signaled plans to gradually taper voluntary cuts. As tensions began to ease with both sides agreeing to a ceasefire, oil prices retraced much of their earlier gains. With Middle East risks now subsiding, oil markets appear to have stabilized in the mid-$60 range.

Gold stocks outperformed the commodity in June with the S&P/TSX Gold Index returning 3.3% versus gold up only 0.4%. Gold traded within a narrow US$160/oz range, a sharp contrast to recent volatility. Although a resilient U.S. economy may delay rate cuts, haven demand driven by tensions in the Middle East and renewed concerns around Trump's trade policy, will likely continue to support prices. Major strategists at Goldman Sachs, Morgan Stanley, and Bank of America increasingly view a move to US$4,000/oz as a matter of "when," not "if," citing de-dollarization and central bank accumulation. China, for instance, has increased gold holdings for seven consecutive months but still holds just ~7% of reserves in gold versus the ~20% global average, leaving room for further buying. Both U.S. adversaries and allies are participating in this trend, with BRICS+ countries controlling 42% of global reserves and driving the shift away from the U.S. dollar.

Exchange-Traded Funds (ETFs)

Fund Name	Ticker	Strategy
Middlefield Healthcare Dividend ETF	MHCD	Healthcare
Middlefield Innovation Dividend ETF	MINN	Innovation
Middlefield Real Estate Dividend ETF	MREL	Real Estate
Middlefield Global Dividend Growers ETF	MDIV	Global Dividend
Middlefield Global Infrastructure Dividend ETF	MINF	Infrastructure
Middlefield U.S. Equity Dividend ETF	MUSA	U.S. Dividend

Mutual Funds (FE | F Series)

Fund Name	Fund Codes	Strategy
Canadian Dividend Growers Class	MID 148 | 149	Canadian Dividend
Global Agriculture Class	MID 161 | 162	Global Agriculture
Global Dividend Growers Class	MID 181 | 182	Global Dividend
ActivEnergy Dividend Class	MID 265 | 266	Energy
Healthcare Dividend Fund	MID 325 | 326	Healthcare
Global Infrastructure Fund	MID 510 | 501	Global Infrastructure
Real Estate Dividend Class	MID 600 | 601	Real Estate
Income Plus Class	MID 800 | 801	Equity Balanced
INDEXPLUS Income Fund	MID 435 | 436	Canadian Dividend
Innovation Dividend Class	MID 925 | 926	Innovation
U.S. Equity Dividend Class	MID 710 | 701	U.S. Dividend

TSX-Listed Closed End Funds

Fund Name	Ticker	Strategy
MINT Income Fund	MID.UN	Equity Income
Sustainable Innovation & Health Dividend Fund	SIH.UN	Innovation & Healthcare

TSX-Listed Split Share Corps. (Class A | Preferred)

Fund Name	Ticker	Strategy
E Split Corp. (Class A Shares)	ENS	Energy Infrastructure
E Split Corp. (Preferred Shares)	ENS.PR.A	Energy Infrastructure
Real Estate Split Corp. (Class A Shares)	RS	Real Estate
Real Estate Split Corp. (Preferred Shares)	RS.PR.A	Real Estate
Infrastructure Dividend Split Corp. (Class A Shares)	IS	Infrastructure
Infrastructure Dividend Split Corp. (Preferred Shares)	IS.PR.A	Infrastructure

LSE-Listed Investment Fund

Fund Name	Ticker	Strategy
Middlefield Canadian Income Trust	MCT	Canadian Equity Income

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