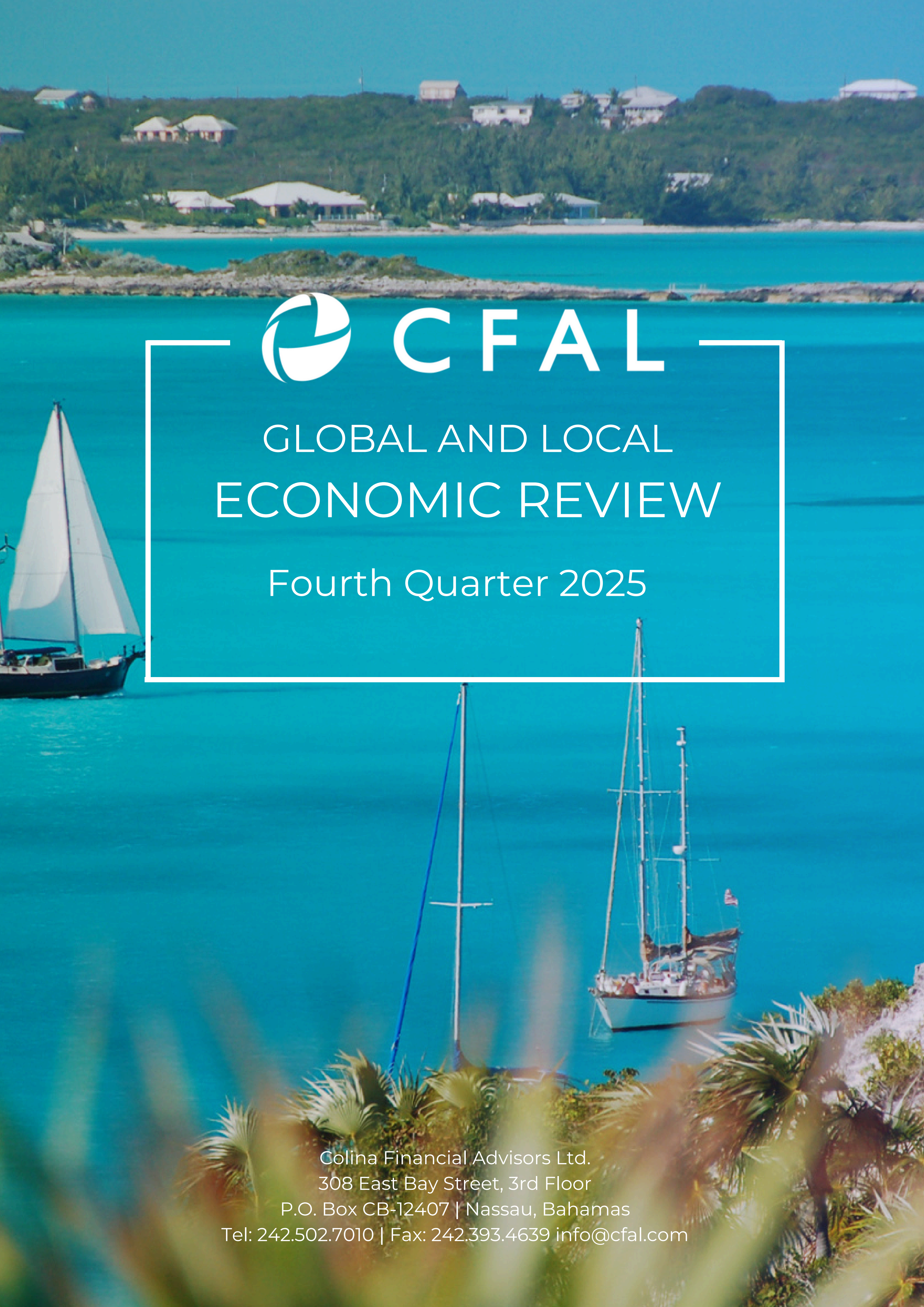

GLOBAL AND LOCAL ECONOMIC REVIEW

Fourth Quarter 2025

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EDITORIAL

Venezuela has re-emerged as a focal point of global geopolitics, with consequences that extend far beyond its borders. Although Venezuelan sovereign and PDVSA bonds remain in default and the country has minimal direct exposure to U.S. equity markets, the most significant ramifications for investors are concentrated in the commodities sector—most notably oil.

Impact on Oil Prices and Commodities Markets

In the short term, oil price volatility is expected as global markets react to shifting production and export expectations. Should international sanctions be lifted, increased Venezuelan oil production and exports could exert downward pressure on global oil prices over time. Lower oil prices would act as a disinflationary force, benefiting oil-importing economies and sectors sensitive to inflation and interest rates. Conversely, these conditions could challenge energy producers and oil-exporting countries. The reopening of Venezuela's economy could also create longer-term opportunities for foreign direct investment in energy, mining, and tourism; however, such prospects remain speculative at present.

Political Outlook and Investment Considerations

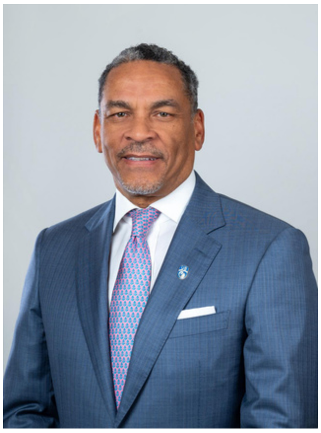
Venezuela's political outlook remains highly uncertain, which introduces significant execution risk for investment strategies tied directly to the country. U.S. involvement in the region points toward a policy-driven restructuring process rather than prolonged conflict, reducing tail risks such as civil war but increasing headline and regulatory risks. If a leadership transition occurs with broad domestic backing, it could eventually stabilize the macroeconomic landscape. Nevertheless, Venezuela's economy is severely weakened by hyperinflation, low GDP per capita, and population decline, signaling that recovery will likely be slow and uneven. As a result, investors may find more viable exposure through commodities and multinational corporations with interests in Venezuela, rather than direct investments in Venezuelan assets.

Strategic Importance and Global Supply Dynamics

Venezuela's strategic value is rooted in its vast, largely untapped reserves of oil, gas, and minerals, as well as its proximity to the United States. If these resources were brought back online at significant scale, they could materially shift global supply dynamics, potentially reducing the pricing power of OPEC and Middle Eastern producers over the medium to long term. Such a development would favor downstream industries, transportation, and consumer sectors, while presenting structural challenges for high-cost energy producers and nations reliant on oil revenues.

Geopolitical and Regional Market Implications

At the global level, increased U.S. control over Venezuelan oil flows could reshape geopolitical risk premiums in financial markets. This dynamic may place additional pressure on countries like Russia and Iran by driving down oil prices and weakening their export revenues, with subsequent impacts on their currencies, equities, and sovereign risk. While China could benefit from lower energy costs, it may also experience diminished strategic influence in Latin America. Regionally, greater U.S. involvement introduces both opportunities and risks, as policy changes, security measures, and upcoming elections all have the potential to heighten volatility in Latin American equities, currencies, and credit markets.



Anthony Ferguson
President, CFAL

LOCAL ECONOMIC HIGHLIGHTS

Fourth Quarter 2025

- Economic activity in The Bahamas maintained steady growth over the quarter, with key performance indicators approaching their anticipated medium-term levels. In its latest review, Moody's and Fitch predicted 2025 GDP growth for the Bahamas at 1.8%. The IMF retained its 2.2% estimate. As of October 2025, the Direct Charge on the government stood at $12.22B

- The tourism industry continues to see healthy levels of arrivals but at a slower pace than last year. Sea arrivals grew 12.64% while air arrivals slowed -1.9% year-over-year. The average occupancy rate for entire place listings and hotel comparable listings narrowed to 34.1% and 34.4% respectively.

- The local stock exchange, BISX, increased over the quarter, gaining +0.77%. Top performers included Bank of the Bahamas, Consolidated Water BDRs and FOCOL Holdings.

LOCAL ECONOMIC REVIEW

Fiscal Review

Economic activity in The Bahamas maintained steady growth over the quarter, with key performance indicators approaching their anticipated medium-term levels. The IMF retained its real GDP growth projection of 2.2% for 2025 and 2.1% in 2026. As at September 2025, Direct Charge stood at $12.07B representing an increase of 3.5% or $413.2M year over year. The National Debt was reported at $12.385B representing an increase of 3.3% or 393.8M. The debt to GDP numbers showed some improvement however, as Direct Charge to GDP stood at 73.4% (-1.5%) and National Debt to GDP stood at 75.3% (-1.7%). In its November 2025 MEFD, the Central Bank reported the October 2025 Direct charge on the government was $12.22B. Banking sector liquidity expanded through November 2025, despite an expansion in credit outpacing deposit growth. Excess reserves grew $44.6M to $1.95B, while excess liquid assets increased $53.3M (or 5.6%). Total external reserves contracted $62.4M to $2.87B at the end of November. According to the most recent CPI numbers released by CBOB for the twelve months to July 2025, showed a 1.6% decline, after an increase over the same period the previous year.

Tourism

The Bahamas' tourism industry remains strong albeit at a slower growth momentum that seen last year. As of December 2025, total visitor arrivals grew 11.4% YoY to 12.5M, a reduction from the 16.42% growth recorded for the year ending December 2024. Sea arrivals accounted for 84.69% of total visitor arrivals, expanding 1.31M or 13.8% from the same period last year. Air arrivals slowed by 28,021 visitors or /-1.6% to 1.69M. Tourist arrivals amongst the islands were mixed with Grand Bahama (+19.7%), Abaco (+5.2%) and Eleuthera (+2.7%) seeing the largest percentage increases YoY. In contrast, islands such as Berry Islands (-21.9%), Long Island (-18.3%) and San Salvador (-15.9%) saw the largest declines. According to the Central Bank of the Bahamas' Monthly Economic & Financials Developments report for November 2025, the average occupancy rate for entire place listings and hotel comparable listings fell to 34.1% and 34.4% respectively, from 36.9% and 37.5% in the previous year.

Capital Market Developments

Fixed Income

During the fourth quarter, the Central Bank had three BRS offerings, all re-openings of the previous offerings. Benchmark rates ranged from 4.10% for three years to 6.65% for 30 years. The bank also held six Treasury Bill offerings and the average Treasury Bill discount rate as of Dec 2025 was 3.62%. Rates remained relatively the same over the quarter.

Short Term

Tenor	Sept 2025	Dec 2025	Change
91 days	5.85	6.55	+0.49
182 days	44.64	44.64	+0.13
1 year	2.76	2.76	+0.00
3 years	2.20	2.25	+0.05

Medium to Long Term

Tenor	Sept 2025	Dec 2025	Change
5 years	4.35%	4.35%	+0.00
7 years	5.43%	5.45%	+0.02
10 years	5.40%	5.40%	+0.00
20 years	6.15%	5.50%	-0.65
30 years	6.65%	6.62%	-0.03

During the quarter, Island Power Producers successfully placed $100 million in 20-year bonds with an interest rate of 8%.

Equities

The local stock exchange, BISX, increased over the quarter, gaining +1.54% or 47.07 points from 3,062.52 to 3,109.59. The index ended the year up +3.37% for 2025. Top performers for Q4 2025 included Bahamas First Holdings (+20.00%), Arawak Port Development (+12.01%), and Colina Holdings Ltd. (+11.80%). Detractors to performance were Commonwealth Bank Ltd. (-4.48%) and Fidelity Bank Bahamas (-0.12%).

Company	Price Dec 2024	Price Sept 2025	Price Dec 2025	Q4 Change	YTD Change
Abaco Markets Limited	5.85	6.55	6.65	1.51%	13.68%
Arawak Port Development	44.64	44.64	50.00	12.01%	12.01%
Benchmark Bahamas Limited	2.76	2.76	2.76	0.00%	0.00%
Bahamas First Holdings	2.20	2.25	2.70	20.00%	22.73%
Bank of The Bahamas	4.30	5.45	6.06	11.19%	40.93%
Bahamas Property Fund	10.50	11.50	12.00	4.35%	14.29%
Bahamas Waste Limited	10.99	10.00	10.50	5.00%	-4.46%
Cable Bahamas	3.51	3.94	3.99	1.27%	13.68%
Commonwealth Brewery	10.89	10.25	10.59	3.32%	-2.75%
Commonwealth Bank	5.07	4.46	4.26	-4.48%	-15.98%
Colina Holdings Limited	11.97	13.14	14.69	11.80%	22.72%
CIBC FirstCaribbean	14.50	16.00	16.24	1.50%	12.00%
Consolidated Water	5.18	7.06	7.06	0.00%	36.29%
Doctors Hospital	5.25	5.15	5.19	0.78%	-1.05%
Emera Bahamas	9.16	11.73	12.05	2.73%	31.55%
Family Guardian	5.75	6.80	6.80	0.00%	18.26%
Fidelity Banks Bahamas	17.00	16.26	16.24	-0.12%	-4.47
Focol Holdings	6.40	6.85	6.85	0.00%	7.03%
Finco	15.00	15.20	15.71	3.36%	4.73%
J.S. Johnson	16.75	16.76	16.76	0.00%	0.06%
BISX INDEX	3,008.22	3,062.52	3,109.59	1.54%	3.37%

Conclusion

The Bahamian economy demonstrated resilience throughout the fourth quarter, although the pace of growth continued to moderate. The tourism industry experienced continued growth, particularly in the cruise segment but stopover growth momentum remains weak. Persistent fiscal deficits and elevated levels of national debt continue to pose significant challenges to economic growth, as the national debt has surpassed $12 billion. The release of data for the first half of the fiscal year will go a long way to assessing the government’s ability to achieve its targeted surplus. It is important that the Government move forward with a plan to reduce the deficit and slow the accumulation in debt while simultaneously promoting economic development.

GLOBAL ECONOMIC HIGHLIGHTS
Fourth Quarter 2025

- Major U.S. indices delivered positive returns in the final quarter of 2025 as the Dow Jones rose +3.59% outperforming the NASADAQ (+2.57%) and the S&P 500 (+2.35%). Fed rate cuts continued to support sentiment, and positive bond market returns reinforced confidence in the durability of underlying economic and corporate fundamentals.

- European equities advanced, with the Stoxx Europe 600 up +6.06% and the FTSE 100 gaining +6.21%.

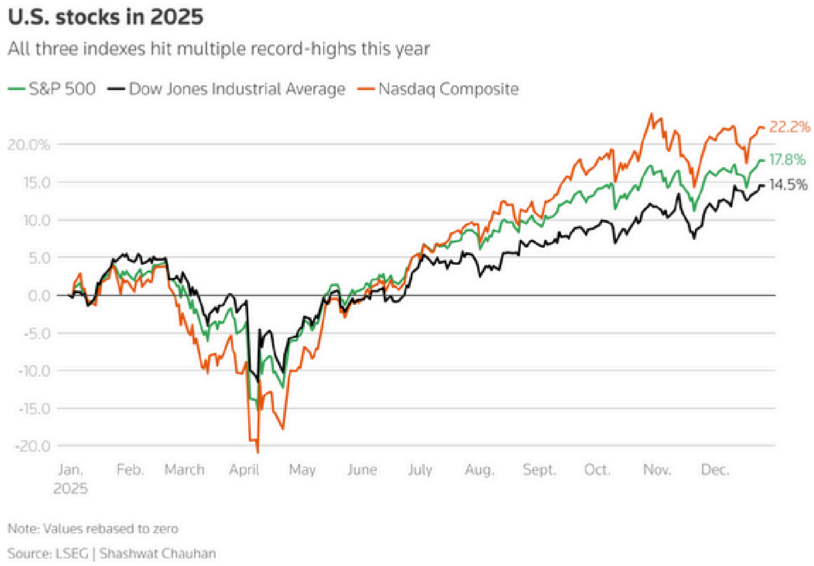
- Asian equities posted generally positive results, with technology and AI-driven gains across North Asia contributing significantly to performance.

- In the commodities market, performance was mixed with the S&P GSCI Index recording a slight decline of -0.27%. Gold (+13.03%) and silver (+51.38%) demonstrated notable gains driven by safe-haven demand, while copper rose +15.49%. Conversely, oil prices decreased, reflecting weaker global demand.

GLOBAL ECONOMIC REVIEW

United States

In Q4 2025, major US markets experienced modest gains. Amongst the three major indices, the Dow Jones Industrial Average led the way, gaining 3.59% while the NASDAQ and S&P 500 added 2.57% and 2.35% respectively. U.S. equities recorded gains during the fourth quarter of 2025 despite the longest government shutdown on record and increasing job cuts. This quarterly performance contributed to the market achieving double-digit returns for the third consecutive year. Notwithstanding a significant sell-off in April following tariff announcements by the Trump Administration, the S&P 500 Index ended the year with an increase of nearly 18%. Although the market did not experience a traditional Christmas rally and exhibited some volatility toward year-end, this movement was largely attributable to investor profit-taking rather than any material deterioration in underlying economic or corporate fundamentals. During the quarter, communication services and technology drove market growth. However, market leadership expanded as other sectors including industrials, financials, healthcare, and utilities also achieved robust double-digit returns over the year. Investor sentiment was further supported by the Federal Reserve's continued rate-cutting cycle and indications of potential additional cuts in 2026, along with positive market reactions to signs of flexibility in U.S. tariff policy. Bond market returns were also positive during the quarter. US high-yield issues (+1.35%) reported the highest gains, followed by US Treasuries 1 – 10 years (+1.09%) and US Corporates (+0.77%).



Europe

Eurozone equities experienced gains in the fourth quarter, with the Stoxx Europe 600 Index outperforming its U.S. counterparts, gaining +6.06%. Investor confidence improved as Fed rate cuts eased financial conditions, supporting European assets. Financials led gains on better lending conditions, while healthcare and utilities attracted cautious investors for their stability, as interest in growth and technology stocks softened due to valuation and risk concerns. Eurozone economic conditions were mixed, with ongoing manufacturing weakness, particularly in Germany, offset by strong services activity and stable employment. Easing inflation, steady ECB policy, and an upgraded 2025 GDP growth forecast to 1.4%, alongside resilient labor markets and improving bank lending, helped support investor confidence.

Over the quarter, the FTSE 100 saw positive returns, rising by +6.21%. UK equities delivered a strong finish to 2025, with large, globally exposed companies—particularly in financials, mining, defense, and commodity-linked sectors—leading gains. However, domestically focused stocks lagged amid weak consumer spending in Europe. Overall, UK markets posted one of their best years in over a decade, supported by attractive valuations, global earnings exposure, strong dividend demand, and investors rotating away from the US. The rotation from US focused stocks was evident this quarter as global investors grew concerned with the US foreign policy, particularly on trade.

Asia Pacific

China's Shanghai SE Composite gained 2.22% in the fourth quarter. Market performance continued to be driven by technology and AI themes, with North Asia experiencing the strongest growth due to ongoing demand for semiconductors, hardware and data-center infrastructure. South Korea stood out due to its concentration in globally competitive chipmakers, while technology stocks across China and the wider region delivered mixed results. China's macroeconomic backdrop remained uneven, with targeted stimulus benefiting select industrial and green sectors despite ongoing challenges in property and household demand. Elsewhere in Asia, Indonesia, Malaysia, and the Philippines posted gains on the back of resilient domestic demand and improving economic conditions. India also performed well, supported by strong domestic growth, policy continuity, and a more diversified market structure.

Meanwhile, Japanese equities posted strong gains with the Nikkei 225 climbing +12.03% in Q4 2025. Domestically, the election of Sanae Takaichi as Prime Minister and the formation of a stable coalition government were viewed positively, reinforcing expectations for political continuity and more proactive fiscal support. Investor confidence was further strengthened by the Bank of Japan's December rate hike and signals of potential additional tightening in 2026, which were interpreted as signs of improving domestic growth momentum. However, elevated valuations, particularly in AI and defense related stocks led to increased volatility across the market to conclude the quarter.

Emerging Markets

The MSCI Emerging Markets Index experienced a gain of +4.33% in Q4 2025, supported by a weakening dollar. This return outperformed the MSCI World Index which rose +2.87% driven by a more accommodative global backdrop as the US Federal Reserve cut interest rates three times between September and December. Performance was led by technology-oriented markets. Outside of technology, Chile advanced on the back of higher commodity prices, while South Africa posted strong US-dollar returns helped by rising precious metals prices, a November rate cut, and a well-received medium-term budget. Brazil and Mexico both finished ahead of the broader EM index despite mixed macro conditions and political uncertainty, while India performed broadly in line with the index as improving economic indicators and an interest rate cut supported sentiment. Saudi Arabia recorded the weakest returns among major EM markets during the quarter.

Commodities

In the commodities market, the S&P GSCI Index declined -0.27% in the fourth quarter. Precious metals were the standout performers across commodities in 2025, with gold and silver posting exceptional gains as investors turned to safe-haven assets amid geopolitical uncertainty, a weaker US dollar, easing but still elevated inflation, and concerns about slowing global growth. Gold futures rose +13.03%, and the yellow metal continued to outperform most major asset classes year to date. Silver and Copper saw a gain of +51.38% and +15.49% respectively. Silver's strong performance was further supported by tight supply conditions and rising industrial demand from solar energy, electric vehicles, and AI-related infrastructure such as data centres. Industrial metals also delivered strong returns. Copper reached record highs, driven by persistent supply constraints and increasing demand tied to electrification, grid investment, and data-centre expansion. Lithium finished the year higher as well, reflecting continued growth in battery storage and electric vehicle adoption. In contrast, energy markets underperformed, with oil prices falling steadily throughout the year and recording their sharpest annual decline since 2020.

Market Returns Q4 - 2025

As at December 31, 2025

	MTD	QTD	YTD	1 year
Equity Indices (% local currency)				
S & P 500	-0.05	2.35	16.39	16.39
Dow Jones Industrial Average	0.73	3.59	12.97	12.97
NASDAQ	-0.53	2.57	20.36	20.36
FTSE 100	2.17	6.21	21.51	21.51
Stoxx Europe 600	2.73	6.09	16.66	16.66
Shanghai SE Composite	2.06	2.22	18.41	18.41
Nikkei 225	0.17	12.03	26.18	26.18
MSCI Emerging Markets	2.74	4.33	30.58	30.58
MSCI World	0.73	2.87	19.49	19.49
ICE BofA Bond Indices (% local currency)				
US Treasuries 1-10 years	0.00	1.09	6.39	6.39
US Corporates	-0.29	0.77	7.78	7.78
US High Yield	0.69	1.35	8.50	8.50
UK Gilts 1-10 years	0.21	1.92	5.74	5.74
Euro Government	-0.62	0.22	0.63	0.63
Global High Yield & Emerging Markets	1.04	2.02	11.81	11.81
Global Broad Market Index	-0.01	-0.04	8.08	8.08
Currencies vs. USD				
British Pound	1.81	0.22	7.66	7.66
Euro	1.28	0.10	13.44	13.44
Japanese Yen	0.34	5.96	-0.31	-0.31
Swiss Franc	-1.42	-0.48	-12.65	-12.65
Commodities (% USD)				
Gold	2.91	13.03	64.37	64.37
Silver	25.08	51.38	141.44	141.44
Copper	7.78	15.49	36.46	36.46
WTI Crude Oil	-1.49	-6.60	-15.06	-15.06
S&P GSCI Index Spot	-1.20	-0.27	-0.20	-0.20