



Andrew Lu, CFA

Chief Investment Officer,
Portfolio Manager

Mathew Harrison, CFA

SVP, Head of Private
Client Group

2025 IN REVIEW

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Mathew Harrison, Head of Burgundy's Private Client Group, sat down with Burgundy's CIO Andrew Lu to reflect on a year shaped by tariff tensions, AI enthusiasm, surging gold prices, and ongoing debate over an AI bubble. Andrew discussed how volatility tested investor conviction, when Burgundy's approach held up best in 2025, and what the year revealed about discipline and risk. In short: resist the urge to gamble with the market, turn off the TV when fear takes over, and stay disciplined.

KEY POINTS

- **A case study in volatility:** Andrew reflects on how a sharp market drawdown in early 2025 tested investor conviction, created opportunity, and highlighted the discipline behind Burgundy's investment approach.
- **Bubble talk:** Andrew addresses the ongoing bubble debate, exploring the complexities of the AI ecosystem and investing in healthy profits over speculative plays.
- **All that glitters is not gold:** Andrew discusses why we avoid gold, exploring the inherent risks that make this unpredictable sector so difficult to value.
- **Buffett's still got it:** Andrew shares Warren Buffett's recent observation that the market is exhibiting casino-like behaviour, reminding us why the Oracle of Omaha continues to inspire and why Burgundy continues to stick to the pillars of quality and value looking ahead to 2026.

Mathew Harrison (MH): In 2025, markets experienced pronounced volatility divided into two clear phases: pre-tariff and post-tariff. Early in the year, escalating U.S. tariff rhetoric drove headline risk, heightened market volatility, and prompted many investors to shorten their time horizons and sell.

Following the market bottom on April 8, 2025, equities rebounded as the global economy proved more resilient than expected. The sharp reversal underscored the challenges of market timing. Within six days of “Liberation Day,” markets began a strong rally that would take them to many new all-time highs through the latter half of the year. Despite solid overall returns, leadership was unexpected. The U.S. market lagged most major global markets, while lower-quality and already expensive sectors, including precious metals and areas of artificial intelligence, led the rebound.

To help interpret these dynamics, I spoke with Burgundy’s Chief Investment Officer Andrew Iu. Andrew stepped into the CIO role this year. He has been with Burgundy for more than a decade and is widely respected within the firm for his thoughtful approach, clear communication, and leadership across the Investment Team. His background includes investment banking at Goldman Sachs as well as senior roles at Burgundy, including seven years as Director of Research and Portfolio Manager of the Canadian Small-Cap strategy. He also serves as Vice Chair of the North York General Hospital Foundation’s Investment Committee.

Our conversation explored the key developments of 2025, the lessons learned, and what they mean for clients as we look ahead to 2026.

02:01: REVISITING THE TARIFF MELTDOWN

MH: *Thanks for joining us today, Andrew.*

Andrew Iu (AI): Thanks for having me.

MH: *Let’s start with early 2025. Donald Trump, tariff announcements, tariff rhetoric. What did we see?*

AI: Well, Mat, as you know, President Trump is uniquely talented at dominating the headlines, and 2025 was no exception to that. His trade war, and the rhetoric around it, was quickly lapped up by the media. And what we saw was the media convert this into a doomsday narrative, that this trade war was going to deal a severe blow to the world economy. The market reaction was intense.

We saw investors take the “sell first, ask questions later” approach.

What’s proven remarkable is that the world economy has been resilient. Today, the United States has an 18% average tariff rate on its imports. And yet the economy continues to move forward, and the global economy is proving that resilience. And that’s what set the stage for the very powerful recovery we saw in the second of 2025. I think the lesson for us is that when the media creates a doomsday narrative, what a thoughtful investor should do is nothing. Turn the TV off, and try to think long term.

MH: *It was a pretty significant retraction in markets. The U.S. market was down around 16% for that very short period—from the start of the year through early April. How did we do?*

AI: We were very happy with our performance during that time period. If you look across Burgundy funds, almost every fund outperformed its benchmark, its market, during the intense selling period. So, we were very pleased.

If you look at our Partners' Global Fund, which is our model portfolio for private clients, during that "Liberation Day" sell-off week, which was the most intense in the early part of April, the portfolio was down 5% and the market was down 9%. So, we were down by a little over half what the market was. We were very happy with that. Our credit team did a great job as well. Our bond portfolios preserved their value during that downturn.

MH: What do you attribute that to?

AI: I think what it shows is quality. That we're underwriting quality and valuation well, that our process is working, that we're finding great companies that have resilient earnings. And when you have a market sell-off, you have a flight to quality. And that's exactly what we saw as investors were buying our companies and selling lower-quality companies.

04:26: FROM TARIFFS TO BUBBLE TALK

MH: *So, the year started talking about tariffs and all the fear around tariffs. And then by the end of the year, sentiment was dominated by bubbles and if we're in one.*

AI: It's remarkable. I mean within the course of one year for the narrative to flip from a global recession to a bubble is really remarkable. I think the questions I'm sure a lot of clients are asking are: (1) Do we feel that there is a bubble? And (2) How do we feel about our companies and how they're valued? You get into a bubble situation when stock prices move up more quickly than earnings. If stock prices are going up much faster than companies are growing their profits. You have the conditions for a bubble. And, conversely, if earnings are going up and stock prices are going up in lockstep, the market is just repricing higher earnings.

What we saw in 2025 was the latter. Partners' Global delivered an 11% return in 2025 (10.1% net of

fees for an average private client). And all of that return came from earnings growth and dividends. In the jargon of our business, the price-to-earnings ratio, or the valuation of our portfolio, did not change during 2025. So, when we look at our companies, we don't feel that they're in bubble-like conditions.

We don't feel like there's excessive optimism. There are always expensive pockets of our portfolio, and we try our best to trim those and redeploy them where there's more value. But as a general average, we don't feel that there are bubble conditions in our portfolio.

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MH: *And most of the talk about bubbles, of course, is dominated by: Is there a bubble in artificial intelligence (AI) stocks?*

AI: Absolutely, and I think that it's important to understand that we can have two different thoughts at the same time. We believe artificial intelligence is a transformational technology. It's going to have real economic benefits. But we also believe that parts of the AI ecosystem are expensive. So, our problem is not with the technology, and it's not even with the entire AI universe. But there are areas of it where investor optimism seems to be running very hot.

In particular, the area around AI data centre construction. There is an enormous amount of capital being spent building AI data centres, and the companies that are the suppliers into that activity have "hot earnings" and stocks are comparably "hot". The challenge for us in that part of the

ecosystem is that we don't know where activity will settle. We've seen capital cycles many times, whether in oil, or autos, or trucking - a huge amount of capital gets spent and then there's a bust. And what we're concerned about is that the market is pricing some of those data centre suppliers, those data centre plays, as though those earnings are going to be permanent.

We are invested in AI. We have investments in companies where we feel there's recurring revenue. But even if that construction spending stops, they're going to make very healthy profits. For example, we're invested in Microsoft, Amazon, and Google, and all of these companies have recurring revenues. They're not plays on data centre construction activity.

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07:26: A REGION BY REGION OVERVIEW

MH: *In 2025, we had really solid absolute returns for the year. But in some areas, we lagged markets. Talk a little about that.*

AI: I'll start with the United States. The United States is around half of the average private client's portfolio, and we were very happy with how we did in the U.S. equity market in 2025. We're not heavily invested in the AI data centre suppliers. They drove a big portion of the U.S. market return last year. There's a lot of enthusiasm in those companies. In spite of that, we kept pace in the U.S. We didn't beat the U.S. market, but we kept pace with it. I

think that that's a tremendous achievement having not invested in one of the big winners, and that's a big credit to [Doug Winslow](#) and his U.S. equity team. And it came down to great stock picking.

I'll give you one example. They had an investment in Dollar Tree, which is a dollar-store concept in the United States. Dollar Tree was introducing multi-tiered pricing. So, instead of having just one-dollar items there are one-dollar, two-dollar, and three-dollar items. It's a simple thesis. And we've seen it play out here with Dollarama. But Doug and his team identified it many years ago, and it was a huge homerun for the team. So, we had great stock-picking in the U.S. that allowed us to keep up. We didn't beat it, but we're very happy because we took much less risk.

Outside of the U.S., it was more challenging. I'll just focus on Europe and Canada, which are the two big components outside of the U.S. in the average private client's portfolio.

In Europe, the biggest winner and the biggest component of the market is banks. And banks had a very good year in 2025. Interest rates have gone back up, and it has increased the profit margins of banks. However, when we look at the enthusiasm around those banks, we remain skeptical. And the reason is because we know from history that there are lots of risks hidden inside these banks. They're opaque. They're highly leveraged. There are lots of risks under the hood in these institutions, and we think what the market is doing now is ignoring some of those risks.

MH: *We're unwilling or less willing to own European banks. We do own Canadian banks in the portfolio.*

AI: Yes, these are very, very different industries. The European banking market is a fragmented banking market. There are many, many banks and there's lots of competition between them. Canada has a consolidated banking market. It's an oligopolistic market. There's only a handful of big players. And

the big difference is that in Canada, it is extremely difficult to get a bank license, which creates a moat. It makes it hard for new banks to start up and compete. It's totally different in other markets where banking licenses are easier to come by.

Now, let's stay in Canada but look at a completely different industry: gold mining companies. In 2025, gold and silver had their best years since the 1970s. It was a phenomenal year for the commodities. There's a lot of enthusiasm for mining, and we're skeptical about the quality of these businesses. You mentioned some of my background in the introduction. My job at Goldman Sachs was covering the mining industry, and I covered it during the boom and into the bust. It is a low-quality sector.

MH: Why is it a low-quality sector?

AI: For a host of reasons. It's a capital-intensive sector. So, it's very expensive to build a mine—often billions of dollars. It's very hard to find an economic gold deposit. One in 10,000 deposits becomes a producing gold mine. So, think about how many zeros you have to take before you get an economic mine. And then there are esoteric risks. Many of the mines are in jurisdictions where there are poor property rights.

MH: And we don't own any gold in the portfolio.

AI: We don't own gold in the portfolio.

MH: Gold's always been something difficult to measure.

AI: There is no way to estimate the intrinsic value of gold. Gold does not produce cash flows. You can't discount anything to come to a price. Gold is worth what people are willing to pay for it. No one can predict with any degree of accuracy where the principle will be in three or five years. Anybody who tells you otherwise is trying to sell you a gold product.

MH: And is that just because it's based on human belief?

AI: It's based on what other people are willing to pay for. You cannot predict what someone else will pay you for the price of gold. There's no way to estimate the intrinsic value—unlike companies or bonds or things like that. So, it's having its moment in the sun, but for all the reasons we just discussed, it's a tough sector.

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11:48: BURGUNDY'S CORE PRINCIPLES

MH: So, in keeping with Burgundy's core principles, it's about quality, it's about value, it's about sticking through with those ideas because it's important for investors.

AI: Our investment idol is Warren Buffett, as you know. He's the biggest proponent of both quality and value. This past year, he had his 95th birthday, and he gave an interview where he said something that stuck with me. He said that he's seen more gambling-like behaviour today than he has seen throughout his entire career. That's a long career.

And to say he's seeing more casino-like behaviour, I think, is really telling. And, as we've just discussed, there are tremendous risks in investing in any of these things we've talked about, whether it's a mining company, whether it's a data centre play, or whether it's a European Bank. The reason that Buffett says there's more casino-like behaviour going on is because people are ignoring those risks.

And we're not. Our ultimate two pillars are quality and value. We continue to practice them, and we think that at some point there will be a pendulum swing again. Quality will be popular again when something goes wrong and we think we're very well positioned for that. It will happen. It's only a matter of time.

We saw it earlier 2025. Nobody thought that there was going to be a trade war, and there was a big rotation back into quality. We don't know what the next crisis will be. We think we're well positioned for it because of that discipline

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13:17: LOOKING AHEAD TO 2026

MH: Predicting the future is very hard, but what words might you leave us with for what to look forward to in 2026.

AI: We can't predict the future in any short-term basis. But what we can say is that we're really excited about what we're seeing. Our team is finding quality in all kinds of places. There are companies that were really expensive a year or two ago- quality companies. Our team is excited about all the companies we're finding and buying in that space. Do I know that they're going to generate great returns in the next 12 months? No. But over the long run, if we can buy quality at a good price, it's going to deliver good returns for clients.

MH: Quality rarely goes on sale, by the nature of it being quality. Are we at a point in time where it feels like quality is on sale?

AI: Quality is the cheapest it has been in a long time. The number of great companies we're finding today is far greater than it has been in the past. If you look at 2025 and you look at the number of new positions added to our portfolio, it's much higher than it's been in years past, which tells me our Portfolio Managers are excited.

MH: It's an exciting time and thank you for doing this today, Andrew. It was good to have this chat with you.

*AI: Thank you for having me. **B***

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BURGUNDY

ASSET MANAGEMENT LTD.

TORONTO

Bay Wellington Tower, Brookfield Place
181 Bay Street, Suite 4510
PO Box 778, Toronto ON M5J 2T3

Main: (416) 869-3222
Toll Free: 1 (888) 480-1790
Fax: (416) 869-1700

MONTREAL

1501 McGill College Avenue
Suite 2090, Montreal QC H3A 3M8

Main: (514) 844-8091
Toll Free: 1 (877) 844-8091
Fax: (514) 844-7797

VANCOUVER

999 West Hastings Street,
Suite 1810, PO Box 33
Vancouver, BC V6C 2W2

Main: (604) 638 0897
Toll Free: 1 (833) 646 6807

CONTACT

info@burgundyasset.com
burgundyasset.com