Quarterly Update

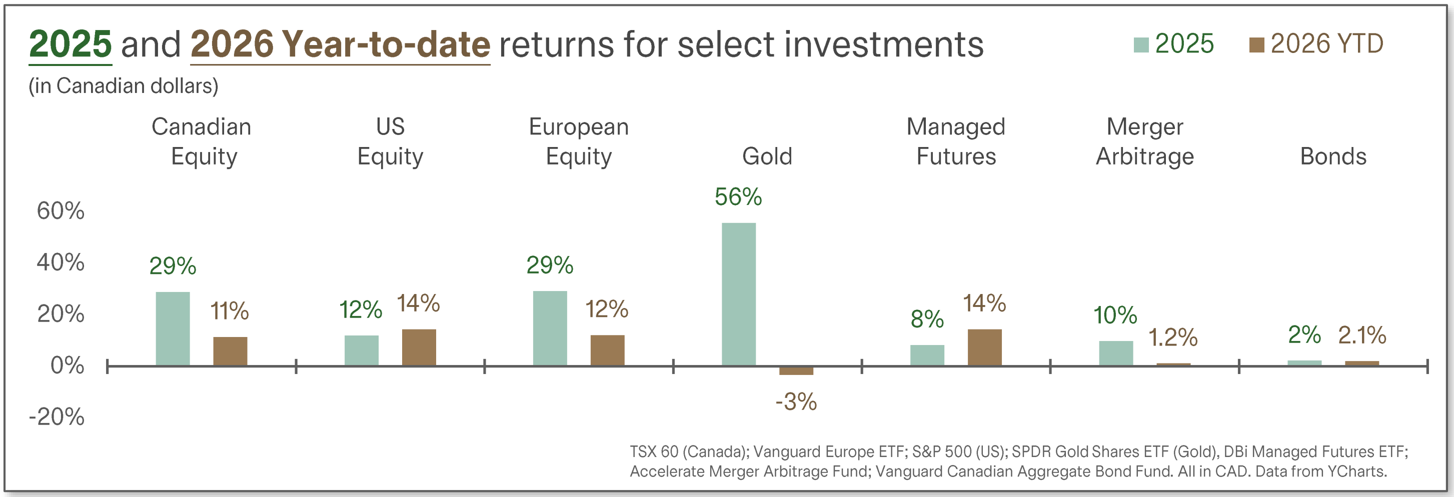
Second Quarter of 2026

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

CURRENT Wealth Advisors

What's *Current*?

If you have wondered why investment returns have been excellent while the world seems chaotic, you aren't alone. First, let's review the facts:



Despite most of these asset classes providing positive returns so far in 2026, the path has not been smooth. There have been noticeable drawdowns already in 2026, particularly towards the end of March – Canadian equity was down more than 7%, European equity down 12%, and US equity down almost 9%. Since then, each market has recovered to make fresh all-time highs.

This shouldn't be entirely surprising. We talked last quarter about the relationship between governments borrowing money and corporate profits. We summed up that letter by saying, "if your neighbour borrows 3 trillion dollars, then of course the stores they shop at will make money." That pattern continues – the US has added around $400 billion to the national debt this quarter.

In short, the first half of 2026 was choppy but mostly positive. We expect that story to continue for the rest of the year. These are the times when diversification matters. Rather than relying on one market, one country, or one investment thesis, we choose to put your eggs in multiple baskets.

By deploying your money into a combination of markets, we are setting up your portfolio to avoid being hit hard if one market runs into trouble. It also allows us to take advantage of opportunities that might arise. This is a powerful approach to portfolio management, especially when we are seeing many opportunities on the horizon – check out our letter from 2025 Q3 for some examples.

For access to previous quarterly letters, check out the News & Wisdom section of our website at currentwealth.ca.

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What a puppy can teach us about stocks

At the end of April, I adopted a 3-month-old rescued German Shepherd / Husky mix named Robin. To say she is easily excitable is an understatement.

It is not really her fault. A puppy's frontal cortex — the part of the brain that helps with decision-making and impulse control — is still developing. When an older dog, or a human, gets tired, we generally understand that we should rest. Puppies have not quite figured that out. They often interpret tiredness as a signal that something is wrong, which makes them more alert, more reactive, and harder to settle.

That creates a feedback loop. The puppy gets tired, which makes her frantic, which makes her more tired, which makes her even more frantic. Eventually, this becomes what people call the "zoomies": frantic sprinting, biting, jumping, and general chaos.

From the outside, it looks like the puppy has too much energy. In reality, the opposite is true. The zoomies are not a sign of excess energy. They are a sign that the puppy is overtired and does not know it yet.

Financial markets can behave the same way.

Over the past year, enthusiasm around artificial intelligence has created its own feedback loop. Strong returns in AI-related stocks have reinforced the belief that the companies behind the technology will continue to earn more and more money. As more investors buy into that story, prices rise further. Rising prices then become part of the evidence that the story must be right.

That is how markets get the zoomies.

The concern is not that AI is unimportant. It almost certainly is important. The concern is that the market may be treating excitement, spending, and price momentum as if they are the same thing as durable profits.

Behind the scenes, many companies tied to the AI boom are spending enormous amounts of money to build the infrastructure required to support the technology. In some cases, revenue is growing quickly, but the cost of delivering that revenue is also growing quickly. That matters. A business can be growing and still be consuming more capital than it produces.

In other words, the market may be looking at a tired puppy sprinting around the room and concluding that it has endless energy.

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As portfolio managers, our job is to know the difference between genuine strength and frantic motion. We cannot know exactly when a speculative trend will slow down. There is no biological law that forces an expensive stock to take a nap. Market enthusiasm can last longer than expected, and investors who are ultimately right can still be early.

So our conclusion is not that a crash is imminent. It is more measured than that.

When optimism is abundant, valuations are elevated, and risk feels easy to ignore, expected future returns tend to be lower. That does not tell us what will happen next month or next year, but it does affect how we think about risk today.

Our job is not to predict the future. It is to recognize the range of possible outcomes and invest accordingly. That means avoiding the temptation to chase fashionable stories, while also avoiding the mistake of assuming a correction must happen simply because valuations appear stretched.

In practical terms, we have been actively reassessing positions in your portfolio and, where appropriate, shifting away from investments that rely heavily on continued market excitement. We continue to favour a more balanced mix, including short-term bonds, commodities, alternative strategies, and other investments that do not depend solely on the stock market continuing to rise.

In short, we would rather put the puppy to bed early than risk getting bitten.

We aren’t alone in our assessment. In fact, we are in very good company. Other experienced investors have expressed similar caution.

“We’ve never had people in a more gambling mood than now.” – Warren Buffett, aka the Oracle of Omaha, former chairman of Berkshire Hathaway

“The end is nigh. Dancing with the devil in the pale moon light.” – Michael Burry, who famously predicted the collapse of the subprime mortgage market which led to the Great Financial Crisis in 2009 – as depicted in the movie “The Big Short”, where he was played by Christian Bale. He has also recently written that “the AI narrative is nothing more than mass addiction,” seemingly in agreement with Mr. Buffett. He sent this message – a quote from a Batman movie – on social media as a caution against going all-in on AI.

“Every bubble ends with the same words: ‘This time is different.’” – Jeremy Grantham, GMO co-founder and one of the few investors who correctly identified both the technology bubble and the housing bubble.

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Deepfakes – When the scam sounds like someone you know

I've been meaning to write about this topic for a while now, but the world is moving so fast that even I, a self-proclaimed AI enthusiast and amateur writer, have a hard time succinctly describing what's going on in the world. Before we get into the details, there are three things I want you to remember:

1. Financial scammers are accelerating their efforts. They are able to move more quickly and more convincingly by leveraging publicly-available AI tools.
2. We – your team at Current Wealth Advisors – want you to reach out to us if you are ever unsure about anything related to finance. If you ever read something online and want to know if it's real or fake, call us and we will tell you. If you have a brush with a financial scam, call us and we will triage the situation. If you are ever convinced that you need to take urgent action, call us and we will help you figure out if it's best to proceed or turn back. This goes for you, your family, and anybody you care about. Even if it relates to accounts at other financial institutions, we will stop what we are doing and help.
3. One major benefit of keeping investments in accounts with National Bank Financial Wealth Management is that funds investments held with National Bank Financial Wealth Management cannot simply be withdrawn online with a few clicks. Money movement requires manual processing and verification by our team. That means that a scammer would need to convince us that they are you. We are skeptical millennials who thrive on layers of tedious verification, which dramatically reduces the risk of unauthorized money movement.

Astonishingly, much of the internet is no longer human. Many people still imagine the internet as a place where most activity comes from other people. Increasingly, that's not true. According to Imperva's 2025 Bad Bot Report, automated programs ("bots") accounted for 51% of all internet traffic in 2024, while malicious bots alone represented 37% of all traffic. Healthy skepticism has become a valuable life skill.

Deep fakes use AI-generated synthetic audio and video designed to bypass your natural skepticism. Artificial intelligence is used by criminals to clone voices and manipulate video. Scammers use these tools to impersonate public figures, trusted financial experts, or even family members.

The goal is to fabricate authority and manufacture urgency, pushing victims toward fraudulent investments or investment platforms before they have time to think critically.

The data is alarming. In 2025, Canadians reported a record $704 million in fraud losses to the Canadian Anti-Fraud Centre (CAFC). Half of that damage – $351 million – was lost strictly to investment fraud. Because the CAFC estimates that only 5% to 10% of frauds are ever reported, the true financial destruction across the country is likely in the billions of dollars.

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These tools are effective because they are startlingly authentic. Recently, an 86-year-old widow in Sault Ste. Marie lost nearly $1 million – cashing in her $650,000 RRIF and mortgaging her condo – after being deceived by a realistic deepfake video on Facebook of Prime Minister Mark Carney promoting a fake cryptocurrency platform.

For some excellent news coverage on the topic, head to YouTube and search “Canadian AI deepfake scams” and focus on videos from known Canadian news sources (CBC, CTV, Global, etc).

The good news is that most fraud attempts can be defeated with a simple habit: **slow down**.

Scams succeed when they create urgency and fraudsters win when they can isolate a victim. Most scams become much less effective the moment a second person gets involved. They want you to act before you think, verify, or ask for help. We cannot stop every scammer from knocking on your door, but we can help make sure you don’t answer it alone.

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