

Investor Insights



Q1 2026 - Investor Insights

Market Review

The first quarter of 2026 was marked by heightened volatility, with headline-driven events driving sharp and often rapid market swings. Canadian equities posted low single-digit gains during the quarter, while U.S. markets declined by mid single digits, resulting in a clear divergence in regional performance.

Markets navigated the quarter amid ongoing uncertainty and adjustment. While headlines shifted from week to week, the underlying theme remained consistent: investors continued to recalibrate expectations around interest rates, economic growth, and global developments. In the United States, the Federal Reserve held interest rates steady, remaining cautious despite easing inflation, which kept markets sensitive to shifting expectations around future rate cuts. In Canada, softer economic growth and inflation closer to target pushed policy in a more supportive direction, with Canadian rates moving more independently from those in the U.S.

Energy prices remained volatile throughout the quarter as geopolitical tensions supported oil markets, benefiting Canadian energy stocks. Gold began the quarter strongly but pulled back later as higher real yields and shifting rate-cut expectations reduced safe-haven demand. Even so, both sectors continued to provide meaningful support to Canadian markets.

Canadian sector performance reflected a clear shift toward more defensive



Rana Lee, CIM[®]

Wealth Advisor & Portfolio
Manager

Tel: 604.623.6791
Cell: 778.986.8210
rana.lee@nbc.ca
www.ternionwealth.com

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areas, led by outsized gains in energy, materials advancing by roughly ten percent—supported by gold stocks, which delivered low-double-digit gains—and utilities also rising by about ten percent. Financials finished modestly lower, while information technology experienced sharper declines with limited impact on the broader Canadian market.

In the United States, the largest detractors to S&P 500 performance came from the technology, financials, and communication services sectors, each declining by high single digits. As in Canada, energy and materials were among the strongest-performing sectors; however, their relatively smaller index weights limited their influence on overall U.S. market results.

Growth stocks were meaningfully outpaced by value during the quarter, with the S&P Growth Index declining sharply while the Value Index finished roughly flat. Market uncertainty, often measured by the volatility index (VIX), increased significantly compared to the previous quarter. Gold bullion reached new historical highs early in the year before retracing and ending the quarter near the \$4,500 per-ounce range. WTI crude oil rose to levels not seen since 2022, increasing sharply from the prior quarter and closing above \$100 per barrel.

Our Portfolios

Across the Ternion Wealth portfolios, Canadian equity strategies delivered strong results during Q1. The High Income, Dividend Growth, and Canadian Dividend portfolios—each benefiting from meaningful exposure to energy and materials—ended the quarter with returns ranging from high single digits to low-to-mid double digits. In contrast, the U.S.-denominated Global Growth portfolio lagged, posting negative returns in the low double-digit range. The Infrastructure portfolio, which is more sensitive to interest-rate conditions, delivered a mid-single-digit gain, while the Canadian Fixed Income portfolio finished the quarter roughly flat.

At an aggregate level, portfolio performance by investor profile reflected positive results across most categories. Growth portfolios returned approximately 4.0%, balanced portfolios returned 4.8%, and maximum growth portfolios returned approximately 9.0% for the quarter. Individual client results may vary and are detailed in the attached performance report based on specific portfolio allocations.

No changes were made to Canadian Equity or Canadian Fixed Income portfolios during the quarter. We did, however, add a position in NVIDIA within the Global Growth portfolio.

Outlook

Looking toward the next three to six months, markets are likely to remain focused on geopolitical developments, particularly in the Middle East. Consensus expectations continue to assume that tensions

involving Iran and the Strait Strait of Hormuz are managed rather than fully escalated, with intermittent disruptions stopping short of a prolonged closure. Our base-case outlook reflects this view, suggesting continued volatility in energy markets but no sustained global supply shock.

An extended blockade of the Strait would pose a meaningful global risk, given its importance to energy, fertilizer, and food supply chains, with potential implications for global growth. For Canada, however, energy-related disruptions could have a more differentiated impact, as the country's status as a net energy exporter may provide a degree of insulation and, in certain scenarios, act as a relative tailwind for Canadian markets. Historically, periods surrounding U.S. mid-term elections also tend to see more muted policy action and fewer major legislative surprises, which can help temper headline risk.

As we move into the latter part of the year, we remain focused on diversification, quality, and flexibility as key tools for navigating an uncertain—but manageable—market environment.

A Note on Property Tax Deferment Changes in B.C.

This quarter also brought an important policy change that may be relevant for homeowners who have chosen to defer their property taxes in recent years. While the Property Tax Deferment Program remains in place, the financial dynamics of the program have shifted, and it's worth pausing to understand what this means going forward.

What's changed – and what hasn't

For property taxes that were deferred in 2025 or earlier, the original terms remain unchanged. These balances continue to accrue interest at the lower, grandfathered rate, calculated on a simple (non-compounding) basis.

Starting with property taxes deferred for 2026 and beyond, however, the Province has revised the program. New deferrals are now charged interest at prime plus 2%, and interest is compounded monthly. While the program still serves an important purpose, it no longer offers the same low-cost borrowing benefit it once did.

Who this affects

These changes are relevant for homeowners who are currently participating in the deferment program – including older homeowners, surviving spouses, individuals with disabilities, and families with dependent children. Importantly, the new terms only apply if you continue to defer taxes beginning in 2026. Previously deferred amounts are not retroactively affected.

A thoughtful approach going forward

For homeowners who already have deferred balances from prior years and who have sufficient cash flow today, a measured approach may be to:

- Leave existing deferred balances in place, preserving the more favourable historical terms, and
- Begin paying property taxes as they come due starting in 2026, rather than continuing to defer them.

This approach avoids adding new deferrals under less favourable terms while maintaining flexibility around older balances. Choosing not to defer future taxes does not require immediate repayment of existing deferred amounts.

Timing matters

Homeowners who are enrolled in automatic deferment renewal may wish to review their status ahead of the 2026 property tax due date. Those who do not intend to defer under the new terms will need to ensure taxes are paid directly to their municipality on time to avoid penalties.

Why this is worth reviewing now

For many years, property tax deferment functioned as a low-cost financing tool. With higher interest rates and compounding now part of the picture, it is better viewed as a cash-flow support mechanism, rather than a broadly attractive financial strategy.

As with any planning decision, the right approach will depend on cash reserves, investment return expectations, and longer-term plans for the property. If you've deferred property taxes – or are unsure how these changes may apply to you – this is a good opportunity to reassess and ensure your strategy remains aligned with your overall financial picture.

Sincerely,

Rana Lee, CIM

Wealth Advisor & Portfolio Manager

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