Investor Insights

Q2 2026 - Investor Insights

Market Overview

The second quarter was marked by a strong recovery in equity markets following the volatility experienced earlier in the year. The rebound began in April as investors looked beyond geopolitical uncertainty and refocused on corporate earnings, resilient economic growth, and continued investment in artificial intelligence infrastructure. In the United States, market leadership was concentrated in technology, communication services, and other growth-oriented sectors. In Canada, performance was supported by strength in banks, financial institutions, select industrials, and technology companies. Commodity markets also experienced a notable shift. Oil prices retreated from earlier highs as supply disruption concerns eased, while industrial metals such as copper continued to benefit from growing demand tied to infrastructure spending, electrification, and AI-related investment.

In the first half of the year, both Canadian and U.S. equity markets delivered strong returns. The S&P/TSX Composite was up nearly 10% year-to-date, with the second quarter contributing just over 6%. The top contributor by sector was Financials, particularly the banks, which delivered returns in the mid-twenties for the quarter. Canadian equities continued to benefit from a constructive backdrop for financial institutions and insurers, while select industrial and technology companies also contributed positively. Energy and materials were among the weaker areas of the market during the quarter as oil prices pulled back from earlier

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June 30, 2026
Vol.5,No.2

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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highs and precious metals consolidated following a strong run over the prior year.

In the United States, the S&P 500 also delivered strong year-to-date returns, with the second quarter representing a significant rebound from the negative performance experienced earlier in the year. Information Technology was the clear leader, posting gains in excess of 30% during the quarter and fully reversing much of the weakness experienced in the first quarter. The Nasdaq also advanced more than 20%, reflecting renewed investor enthusiasm for artificial intelligence, digital infrastructure, semiconductor demand, and other growth-oriented businesses. While technology and communication services led the market higher, energy and gold-related sectors were weaker contributors as commodity prices moderated through the quarter.

The quarter also highlighted the tension between resilient equity markets and a still-cautious central bank backdrop. While investors began the quarter expecting central banks to move closer to interest-rate cuts, persistent inflation caused policymakers to remain cautious. Despite this higher-for-longer interest-rate environment, economic growth remained resilient and corporate earnings generally exceeded expectations, allowing equity markets to advance. In Canada, financial stocks benefited from improving economic confidence and a constructive outlook for the banking sector. In the U.S., technology and AI-related companies continued to dominate market performance despite reduced expectations for near-term Federal Reserve rate cuts. The VIX volatility index declined significantly during the quarter, reflecting improved investor confidence and a greater willingness to allocate capital toward higher-growth areas of the market.

Our Portfolios

The Ternion Wealth portfolios delivered mixed but generally constructive results for the quarter. Portfolios with greater exposure to commodities, including energy and gold, experienced modest declines as those sectors pulled back. The Canadian Dividend portfolio generated positive returns for the quarter, approaching the mid-single-digit range, supported by strength in Canadian financials and broad market participation. The Infrastructure portfolio also produced positive performance, while the Global Growth portfolio benefited from renewed momentum in technology and growth-oriented equities. Canadian Fixed Income posted solid low-single-digit returns as fixed-income markets stabilized during the quarter.

During the quarter, we made several changes across the portfolios. In the Canadian equity portfolios, we removed Bank of Nova Scotia and added National Bank, while trimming CIBC and initiating a position in TD. These changes maintained our overall allocation to the banking sector while adjusting the composition of holdings. There were no changes to the Fixed Income portfolio. In the Global Growth portfolio, we exited positions in JD.com, CSL Ltd., and Coloplast. Proceeds were redeployed into existing positions such as Google, while new investments were initiated in HF Sinclair, Okta, and Marathon Petroleum. We also executed a small number of tactical trades, including positions in TD Synnex and Murphy, with TD Synnex contributing positively during the quarter. In addition, portfolio rebalancing was completed toward quarter-end to ensure allocations remained aligned with long-term objectives.

From an aggregate perspective, portfolio performance across investor profiles ended the quarter in positive territory. Growth portfolios were up 3.0% for the quarter and 7.2% year-to-date. Maximum Growth portfolios were up 2.4% for the quarter and 11.7% year-to-date. Balanced portfolios were up 3.8% for the quarter and 8.8% year-to-date. Individual client results will vary based on account structure, cash flows, and portfolio allocation, with details provided in the attached performance report.

Outlook

Looking ahead, the focus for markets is likely to shift from expectations for interest-rate cuts toward the sustainability of economic growth and corporate earnings. Inflation trends, central bank policy decisions, energy markets, and geopolitical developments will remain important drivers of investor sentiment. While inflation has moderated from recent highs, the path toward central bank targets remains uneven, suggesting interest-rate expectations are likely to remain an important source of market volatility. Geopolitical developments in the Middle East, evolving global trade relationships, and the resilience of the global economy will continue to shape market expectations through the second half of the year. While these factors may contribute to periods of uncertainty, the broader backdrop remains supported by healthy corporate balance sheets, resilient economic activity, and continued investment in transformative technologies. As always, we remain focused on identifying high-quality investment opportunities while maintaining diversification, discipline, and a long-term perspective through changing market environments.

Estate Planning Spotlight: Charitable Giving Through Donor-Advised Funds

Estate planning is about more than passing on wealth—it's also an opportunity to create a lasting legacy. For individuals and families who wish to support charitable causes, donor-advised funds can be an effective way to incorporate philanthropy into an overall estate plan. Through National Bank's Philantra Foundation, clients can establish a charitable fund, receive an immediate tax receipt, and recommend grants to charities over time.

Donor-advised funds may be particularly valuable for those experiencing a liquidity event, realizing significant capital gains, or looking to make charitable giving part of their estate strategy. Contributions of appreciated securities can also provide additional tax benefits while maximizing the amount directed to charitable causes.

For many families, Philantra offers a simple alternative to creating a private foundation, combining tax efficiency, professional administration, and the ability to involve future generations in family giving. It can be a meaningful way to align wealth transfer with personal values while creating a charitable legacy that extends beyond one's lifetime.

Whether your goals involve charitable giving, legacy planning, or other estate and tax strategies, please contact us if you would like to explore how these solutions may support your broader financial objectives.

Warm regards,

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