

Investor Insights

Q3 2026 - Investor Insights

Market Overview

Equity markets managed to move modestly higher during the third quarter despite a challenging backdrop that included rising interest rates, geopolitical tensions and renewed inflation concerns. Performance was mixed across regions and sectors, with the Canadian and U.S. markets benefiting from very different areas of strength.

In Canada, the S&P/TSX Composite recorded a low single-digit return, marking its ninth consecutive quarterly gain. The headline return, however, does not tell the full story. Energy was the strongest-performing Canadian sector, with returns in the high-teens, followed by Materials slightly shy of the mid-teens range. Information Technology was also among the stronger areas of the market. Energy and Materials therefore provided substantial support to the overall index, while performance across the rest of the Canadian market was considerably more mixed. In fact, fewer than half of the 221 stocks that were part of the S&P/TSX Composite at some point during the quarter recorded a gain.

Commodity prices were an important part of Canada's performance. WTI crude oil rose approximately 30% during the quarter as geopolitical tensions in the Middle East disrupted energy supplies. The increase in oil prices provided a significant tailwind for Canadian energy companies and helps explain why Energy was the strongest-performing TSX sector. Gold also strengthened, rising approximately 3% during the quarter, supported by safe-haven demand amid geopolitical uncertainty. The improvement in



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gold, combined with stronger copper prices, contributed to the rebound in Canadian Materials.

The U.S. market also finished the quarter higher, although gains were concentrated. The S&P 500 increased approximately 2%, while the Nasdaq gained approximately 2.5%. By comparison, the Dow Jones Industrial Average declined approximately 3%. The continued strength of the largest technology and artificial-intelligence-related companies remained an important contributor to the S&P 500. The ten largest companies represented approximately 41% of the index's market capitalization, highlighting how much influence a relatively small group of companies now has on the headline U.S. market return.

That concentration is also important when comparing portfolio returns with the major indices. A diversified portfolio will not necessarily move in line with an index when performance is being driven by a narrower group of companies or sectors. Higher interest rates were particularly challenging for some of the more defensive and dividend-oriented areas of the market. Global bond markets experienced a significant selloff during the quarter, with the U.S. 10-year Treasury yield rising above 5%. This created a more difficult environment for investments whose appeal is partly based on income and dividends.

Our Portfolios

Our model portfolios reflected these differences in market leadership. Growth-oriented portfolios generally fared better, while some of our more defensive strategies, particularly those with greater exposure to strong dividend-paying and interest-sensitive companies, were more challenged by the rise in bond yields. Infrastructure was particularly affected by the interest-rate environment. We continue to view these holdings as an important part of portfolio diversification and income generation, even though they may lag during periods when technology, energy or other more cyclical areas are leading markets.

We also continued to make selective changes within the portfolios during the quarter, taking profits where appropriate and reallocating capital as opportunities changed. Our Momentum Breakout strategy remained more active, consistent with its mandate, while changes within our core portfolios continued to be more selective.

Looking the aggregate result across investor profiles, Growth portfolios, which represent the majority of the accounts, returned-0.64%, Maximum Growth returned -1.59%, and Balanced returned-2.80%. Although results were modestly negative for the quarter, the overall results remained positive over longer periods, at +2.09% over six months and +9.50% over one year. Individual client results will vary depending on portfolio composition, account structure and cash flows.

Outlook

Looking ahead, we expect corporate earnings, inflation and interest rates to remain the main drivers of

markets over the next three to six months. The U.S. midterm elections may contribute to short-term volatility, but we would not make portfolio decisions based on the election alone. With valuations elevated in parts of the U.S. market and market leadership relatively concentrated, diversification and security selection remain important. In Canada, the strength in energy and materials has been supportive, although commodity prices can change quickly and we remain mindful of maintaining diversification rather than relying on any one sector.

Our approach remains focused on owning quality investments, maintaining appropriate diversification and making changes when we believe the underlying fundamentals and risk/reward justify them.

Helping the Next Generation Get a Head Start

For many Canadian families, helping children purchase their first home has become part of the broader wealth-planning conversation. The question is no longer simply whether to help, but how to help. Parents may choose to make an outright gift toward a down payment, provide a documented family loan, or start earlier by helping their children build savings through accounts such as a First Home Savings Account (FHSA) or Tax-Free Savings Account (TFSA). For an eligible first-time buyer, the FHSA is particularly attractive, allowing contributions of up to $8,000 annually to a lifetime maximum of $40,000, with deductible contributions, tax-free growth and tax-free qualifying withdrawals toward a first home. Parents can also gift money to an adult child to make their own FHSA contribution

A TFSA can complement this strategy by giving young adults another place to build savings and investments over time, while maintaining greater flexibility in how the funds are eventually used. Rather than waiting until a child is ready to purchase a home, families with the financial means can consider helping earlier, allowing time and investment growth to do some of the work. When the time comes to purchase, parents can then decide whether additional support should take the form of a gift or a properly documented family loan. The important consideration is that helping the next generation should not come at the expense of the parents' own retirement or long-term financial security.

Whether the goal is a first home or simply giving children a stronger financial start, there are a number of ways families can help. Starting earlier can create more options, but the right strategy should consider the parents' financial plan, the child's circumstances and the family's broader estate and wealth-transfer objectives.

Warm regards,

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