



Quarterly Market Commentary

March 2026

The first quarter of 2026 has been a good example of how markets don't always react the way headlines might suggest. While news of escalating conflict in the Middle East pushed oil and gas prices higher and raised concerns about inflation, financial markets have remained relatively steady. North American stocks have held up well, and even bond markets reacted differently than expected, with yields rising as investors focused more on inflation than on seeking safety.

One reason for this resilience is a major shift in global energy dynamics. Unlike in the past, countries like Canada and the United States are now net exporters of energy. This means higher oil prices, while still a concern for inflation, can actually support economic growth and corporate earnings here at home. Meanwhile, regions that rely heavily on imported energy, such as parts of Europe and Asia, have felt more pressure.

Another important trend this quarter has been a shift within the stock market itself. After several years where large technology companies led the way, we are now seeing strength broaden into other areas such as energy, industrials, and materials. This reflects a bigger change in the economy, where growth is increasingly tied to physical investments like infrastructure, power, and supply chains—especially as technologies like artificial intelligence continue to expand and require significant real-world support.

While artificial intelligence remains an exciting long-term opportunity, it is also creating some uncertainty, particularly for certain software companies. Investors are reassessing how these businesses will grow in the future. That said, this has been more of a shift within the market rather than a broad decline, and well-diversified portfolios have, generally speaking, benefited from exposure to a wider range of sectors.

Overall, despite ongoing geopolitical tensions and some renewed inflation concerns, the economic backdrop remains solid. Growth is continuing, interest rates are expected to gradually ease, and corporate earnings are holding up. The key takeaway for investors is that while short-term headlines can be unsettling, markets are being driven more by longer-term trends—and those trends continue to support a balanced and disciplined investment approach.



2026 is off to a solid start. Our mandates focus on high quality companies with a history of paying dividends because they can provide a steady and growing stream of income, help offset inflation, and signal financial strength and management confidence. This quarter, several of our core holdings delivered dividend increases, reinforcing resilience of their balance sheets and durability of their long-term earnings power.

- Brookfield Renewable Energy +5.1%
- Definity Financial +14.7%
- Gildan Activewear +10.2%
- Intact Financial +10.5%
- Maple Leaf Foods +10.53%
- PanAmerican Silver +28.6%
- Restaurant Brands International +4.8%
- TD Bank +2.9%

During the quarter, we added Suncor Energy Inc. and Intact Financial Corporation to the portfolio. In addition, we trimmed up our weightings in Cogeco Inc., Microsoft, Gildan Activewear and OpenText. In addition, we trimmed down our weightings in PanAmerican Silver, Headwater Exploration, Suncor, Whitecap Energy and Gildan Activewear due to strong performance.

Intact Financial Corporation

Intact Financial Corporation is the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America, with over \$23 billion in total annual operating premiums. The company serves more than 5 million personal, business, and public sector clients through offices in Canada and the U.S.

The company excels at disciplined underwriting, delivering consistent mid-teens return on equity, resilient results through economic and weather cycles, and steady book value growth via smart pricing, conservative reserving, and strong capital management for dividends, buybacks, or acquisitions. Its defensive business model—essential insurance with reliable demand—provides stability and long-term compounding for shareholders. Recent Q4 results reinforced this strength with earnings beats, solid underlying metrics, and an 11% dividend increase.

Suncor Energy Inc.

Suncor Energy is an integrated energy company, strategically focused on developing Canada's Athabasca oil sands. The company also has operations in East Coast Canada.

The company executes well – with record fourth quarter production, reliable earnings beats, and returning significant capital and maintaining net debt well below target.

Apple Inc.

Apple remains the world's leading consumer technology company, with an unmatched ecosystem (iPhone, Mac, iPad, Services like App Store/Apple Music/iCloud) driving loyal customers, high margins, and recurring revenue growth. The company benefits from strong iPhone cycles (e.g., upcoming AI-enhanced Siri features and iPhone 17 expectations), robust Services expansion (higher-margin, less cyclical), and massive free cash flow for dividends, buybacks, and innovation.

Brookfield Renewable Partners

Brookfield Renewable Partners is a leading global renewable energy producer with a diversified, high-quality portfolio of hydro, wind, solar, and storage assets across multiple continents, benefiting from long-term contracted cash flows, inflation-linked escalators, and strong organic development pipeline. The company accelerates capital recycling through programmatic asset, crystallizing high returns, boosting liquidity, and funding faster growth in early-stage opportunities. This strategy reduces quarter-to-quarter volatility while supporting attractive distributions and compounding.

Bank of Montreal

BMO is a leading Canadian bank with a strong U.S. presence, delivering solid progress on return on equity improvement through lower provisions for credit losses, active share buybacks, U.S. net interest margin expansion, and building loan growth momentum. Recent Q1 2026 results showed adjusted earnings per share up 15% year over year, return on equity reaching 13.1%, and constructive guidance toward a 15% return on equity target by mid-2027. Management remains committed to capital returns, while U.S. operations improved and domestic consumer credit held steady.

Cogeco Inc.

We own Cogeco Inc. because it is a holding company with a controlling interest in Cogeco Communications, a leading Canadian cable and broadband provider, offering asymmetric upside through strong free cash flow generation at the subsidiary level, potential for increased share buybacks, and deleveraging. Recent Q1 2026 results beat expectations with media revenue up 8.1% year over year, and full-year guidance was maintained, supporting robust fiscal cash flow outlook for FY26–27.

Definity Financial

Definity Financial delivered a strong finish to 2025, with solid revenue growth and improved profitability driven by higher premiums, disciplined underwriting, and stronger investment income. Results came in ahead of expectations, supported by growth across personal, commercial, and property insurance lines, as well as lower-than-expected claims. The company also increased its dividend by 14.7%, reflecting confidence in its financial position. Looking ahead, management's 2026 outlook appears conservative, with expectations for continued growth, stable profitability, and benefits from the recent Travelers Canada acquisition. While competition may increase and catastrophe losses could normalize higher, overall fundamentals remain healthy, with steady earnings growth and returns expected to stay in the low double-digit range.

First Capital REIT

First Capital REIT delivered strong operating performance, supported by very high occupancy levels and continued leasing momentum, particularly in its grocery-anchored retail portfolio. Rental growth remains robust, driven by strong demand for well-located urban retail space, while recent tenant turnover is expected to be positive as spaces are re-leased at higher rents. Looking ahead, growth is expected to moderate slightly in 2026 due to temporary vacancies and development timing, but fundamentals remain solid with stable cash flow growth and improving balance sheet strength. Overall, the outlook remains positive, supported by resilient demand for necessity-based retail and long-term rent growth potential.

Gildan Activewear

We favour Gildan Activewear because of its industry-leading low-cost structure and vertical integration, which drive consistent market share gains in the competitive, commodity-like activewear market. The company excels at efficient manufacturing and operational discipline, supporting strong margins, attractive free cash flow, and reliable shareholder returns through dividends and buybacks. The strategic acquisition of HanesBrands' innerwear business creates powerful synergies by combining Gildan's wholesale/Printwear leadership with retail strength, accelerating earnings per share growth and value creation as integration progresses toward 2026–2028 targets.

Headwater Exploration

We own Headwater Exploration because it is a high-quality, focused heavy oil producer in Canada's Clearwater and Grand Rapids plays, delivering consistent operational outperformance, record production, and strong free cash flow generation to support a reliable dividend and potential share repurchases. The company benefits from successful secondary recovery (supporting ~60% of oil production by end-2026), exploration success in new zones, and a low-decline, scalable asset base that drives per-share growth with disciplined capital allocation and positive netbacks even at moderate oil prices. Recent year-end 2025 results and operations updates reinforced execution strength, including robust Q4 volumes and ongoing momentum into 2026.

Maple Leaf Foods

The company has transformed into a high-quality, focused consumer protein company with leading positions in value-added meats, plant-based proteins, and sustainable offerings after years of strategic investments in automation and the recent spin-off of its fresh pork business. This shift enables stronger earnings power with narrower margin volatility, sector-leading mid-single-digit revenue growth (supported by mix improvement, new products like Mighty Protein, and disciplined pricing), and meaningful EBITDA margin expansion toward 15% by 2030 through operating leverage, efficiency programs (Fuel for Growth), and network optimization. The company generates robust free cash flow with minimal major capex ahead, positioning it for significant shareholder returns via regular/special dividends and share buybacks starting meaningfully in 2027+.

Microsoft Inc.

Microsoft is a dominant force in key secular growth areas, led by Azure's position as a top public cloud platform and the massive scale of its Commercial Cloud (including Office 365, Dynamics, and LinkedIn), which drives durable mid-teens revenue growth and strong operating leverage. The company benefits from AI tailwinds through Copilot adoption (now ~15M paid seats), accelerating tools like GitHub Copilot and Fabric, and a unified enterprise AI platform (integrating OpenAI, Anthropic models, Foundry, and data layers) that positions it to capture expanding enterprise demand. Despite near-term capacity constraints limiting Azure's upside, management is aggressively adding infrastructure—unlocking faster growth expected in mid-2026 onward—while massive OpenAI-related bookings boost remaining performance obligations. This supports consistent free cash flow generation, margin expansion potential, and shareholder-friendly capital allocation.

National Bank of Canada

National Bank delivers consistent profitability and efficient operations among Canadian banks, with a strong Quebec base, national expansion (via the Canadian Western Bank acquisition), and resilient credit quality. It benefits from disciplined expense control, solid capital levels, and attractive shareholder returns through reliable dividends and active buybacks. Please note that they recently upsized their Normal Course Issuer Bid. Recent Q1 2026 results showed strong adjusted earnings per share up 11% year over year and 16.6% return on equity, and synergy progress from Canadian Western Bank, supporting raised guidance and long-term compounding in a defensive financial sector.

OpenText

OpenText is a leading enterprise information management software provider with a strong cloud transition underway, delivering solid recurring revenue from subscriptions and support, high-margin cloud growth, and strategic non-core asset sales to reduce debt and fund aggressive share buybacks. The company generates reliable free cash flow, supports a high dividend yield, and maintains buyer interest for divestitures at attractive multiples, positioning it for deleveraging and enhanced shareholder returns. Recent quarterly results beat expectations with revenue ahead (helped by pulled-forward license deals) and reaffirmed full-year guidance implying accelerating growth in the second half, driven by strong Content and Business Network performance plus enterprise cloud bookings (+18–20% year over year).

PanAmerican Silver

The company is one of the world's leading primary silver producers (with meaningful gold output), offering leveraged exposure to rising precious metals prices through a diversified, high-quality portfolio of mines across the Americas. The company generates robust free cash flow from efficient operations, enabling strong balance sheet improvement (exiting 2025 with ~\$1.3B cash and reduced debt), increased shareholder returns (third consecutive quarterly dividend hike to \$0.18/share plus ongoing buybacks), and funding for growth projects like the phased Skarn development. Recent quarterly results beat expectations with solid adjusted earnings per share (\$1.11 vs. consensus ~\$0.89), strong fiscal cash flow, and lower-than-expected costs in silver (All-In Sustaining Cost \$9.51/oz), reinforcing operational discipline and cost containment focus.

Restaurant Brands

We own Restaurant Brands International because it owns iconic global quick-service restaurant brands (Tim Hortons, Burger King, Popeyes, and Firehouse Subs), delivering consistent system-wide sales growth, strong comparable sales, and attractive unit expansion potential in a resilient consumer discretionary category. The company benefits from high margins and predictable cash flows, enabling robust capital returns via growing dividends (recently targeting \$2.60 annual for 2026) and share repurchases (plans to return over \$1.6B in 2026). Recent updates reaffirm a long-term growth in core operating profits of 8 and 5%+ net restaurant growth by 2028, supported by brand investments, digital/innovation initiatives, and path to investment-grade credit.

Rogers Communication

Rogers Communications is a leading Canadian telecommunications provider with a strong wireless growth story, delivering consistent subscriber additions, average revenue per unit improvements, and over 9% expected growth in wireless service revenue and EBITDA in 2026. The company benefits from industry-leading margins in cable, solid balance sheet strength, active share buybacks, and a growing dividend, providing defensive stability and reliable returns in the essential services sector. Recent updates highlight positive sentiment around sports assets valuation (e.g., narrowing discount on Madison Square Garden to 26% vs. Forbes estimates, implying significant unrecognized value in Rogers' portfolio like MLSE and Blue Jays, potentially worth ~\$19-\$27 per share).

Toronto-Dominion Bank

TD Bank is the sixth largest bank in North America by branches and serves more than 27 million customers in three key businesses operating in a number of key financial centres around the globe. TD reported a strong first quarter on better-than-expected earnings supported by solid capital markets activity and stable credit conditions.

The bank's outlook is improving with faster cost reductions, continued strength in fee-based businesses, and a target to strengthen its capital position by 2027. These factors should support stronger earnings growth and improved profitability.

Whitecap Resources

Whitecap is a diversified, oil-weighted Canadian energy producer with a multi-asset portfolio that provides operational consistency, deep inventory, and defensive growth diversification. The company delivers reliable production and cash flow beats, low net debt, and strong free cash flow generation supporting a high dividend yield plus excess free cash flow for share repurchases (incremental ~4% of market cap annually).



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