



Q2
2026



Quarterly Market Commentary

July 2026

The past quarter had a defining characteristic, it was resilience. Despite a steady stream of geopolitical headlines, shifting interest rate expectations, and pockets of short-term volatility, global equity markets continued to advance in an orderly way. The TSX, S&P 500, NASDAQ, and Dow Jones all contributed to a broadly positive tone, with leadership rotating in a healthy fashion rather than narrowing in a concerning way. In practical terms, that meant periods where technology and AI-related names carried momentum, followed by stretches where financials, industrials, and energy helped balance performance. For investors, the experience was less about smooth consistency and more about constructive progress through noise and importantly, that progress held.

Interest rates remained an important backdrop but increasingly felt like a transition story rather than a destabilizing force. Central banks continued to signal a data-dependent path forward, and markets responded with a gradual shift toward the expectation that the most aggressive phase of tightening is likely behind us. That shift matters. It has begun to restore confidence in longer-duration assets and has helped re-anchor valuation discussions that were heavily compressed during the peak rate environment. While short-term volatility in bond yields persisted as inflation data evolved, the broader direction of travel has been toward greater stability in rate expectations.

Geopolitical tensions, particularly in the Middle East, did surface at various points and briefly unsettled markets. Oil prices reacted quickly to escalation headlines, with WTI and Brent both experiencing sharp intramonth swings as traders priced in potential supply disruptions before easing as conditions stabilized. Gold also saw supportive flows during these periods, reaffirming its role as a traditional hedge in uncertain environments. However, what stood out was not sustained disruption, but rather the market's ability to absorb shocks and refocus on fundamentals relatively quickly.

The quarter also featured several high-profile market narratives that captured investor attention and reflected the evolving nature of today's financial landscape. For example, renewed excitement around artificial intelligence (AI) continued to support leading NASDAQ constituents such as NVIDIA and Microsoft, reinforcing how dominant technology platforms remain central to index performance. In parallel, broader enthusiasm around private innovation and aerospace themes

culminated in SpaceX completing a historic public listing, raising approximately \$75 billion^[i] and becoming one of the largest IPOs in market history, with strong initial trading performance following its debut. This milestone further highlighted the scale of investor demand for next-generation technologies and frontier industries. At the same time, extensive media attention surrounding the impact of the listing on Elon Musk's net worth underscored just how large and influential the innovation economy has become in shaping investor psychology.

What is increasingly clear is that markets are being shaped by more than just traditional macroeconomic inputs. Cultural and event-driven headlines - from high-visibility entertainment and sporting spectacles, including widely discussed events such as UFC Freedom 250 at the White House - highlight how quickly attention flows can influence short-term sentiment. While these stories may not directly drive long-term intrinsic value, they reflect a broader truth: markets today are deeply interconnected with narrative, technology, and real-time information cycles.

Looking ahead, the foundation for the balance of the year remains constructive. Corporate earnings across the S&P 500 have continued to demonstrate resilience, particularly in technology, financials, and select industrial names. In Canada, the TSX continues to benefit from a balanced mix of financial strength and commodity exposure, particularly gold and energy, which have provided meaningful diversification benefits. If interest rates continue to gradually stabilize or trend lower into year-end, it would provide an additional tailwind for both equity valuations and investor confidence. Importantly, the market environment today is not defined by fragility, but by adaptation - companies are adjusting, consumers remain engaged, and innovation continues to lead. While volatility will undoubtedly remain part of the journey, the broader trajectory still points toward opportunity rather than caution.

During the second quarter, we experienced a number of dividend increases from our holdings:

- Apple increased their dividend by 3.8%
- Bank of Montreal increased their dividend by 2.4%
- Cogeco Inc. increased their dividend by 7.0%
- Headwater Exploration increased their dividend by 9.1%
- National Bank increased their dividend by 6.5%
- TD Bank increased their dividend by 3.7%

As mentioned earlier in the quarter, First Capital REIT received a takeover announcement. We made the decision to monetize the gain and moved these proceeds to Barrick Gold. We began building our position with First Capital in the second quarter of 2020 at approximately \$12.12 per unit, identifying a compelling disconnect between market price and underlying asset value during a period of heightened uncertainty. As the investment thesis played out, we not only benefited from price appreciation - ultimately exiting at \$23.50 - but also collected a consistent and attractive dividend stream along the way.

Importantly, throughout the holding period, we actively applied our trim discipline -selectively reducing exposure as the position approached our valuation targets. This allowed us to progressively lock in gains, manage risk, and optimize overall portfolio positioning rather than relying on a single exit point.

Our approach is grounded in rigorous fundamental research, disciplined valuation frameworks, and ongoing monitoring of both company-specific developments and broader market conditions. Equally important is our sell discipline - when an investment reaches fair value or the risk/reward balance shifts, we act decisively. In this case, the takeover crystallized value and reinforced our decision to fully exit and redeploy capital.

This consistent, and in theory, repeatable process - identifying mispriced opportunities, maintaining conviction, harvesting income, and systematically realizing gains - is central to how we manage your portfolio.

Barrick Gold

The company delivered a strong start to 2026, with production, costs, and earnings all exceeding expectations – driven by better than anticipated output from key mines and disciplined cost control – resulting in strong cash flow and a growing net cash position. The company remains on track to meet or exceed full-year guidance, with production expected to improve further as this year progresses. Importantly, Barrick returned significant capital to shareholders through dividends and a newly authorized \$3 billion share buyback, while also advancing strategic initiatives such as a potential North American asset initial public offering to unlock value. Barrick provides exposure to gold with strong operational execution, growing cash generation, a solid balance sheet, and a clear commitment to shareholder returns.

Apple

Apple continued to benefit from a strong product cycle, particularly within its iPhone franchise, where demand remained resilient despite broader macro uncertainty. Growth is increasingly being supported by its high-margin services segment, which includes subscriptions, payments, and digital content, providing a more recurring and stable revenue base. The company is also positioning itself for the next phase of innovation through artificial intelligence, with new AI-driven features expected to enhance its ecosystem and drive future device upgrades. While cost pressures such as memory inflation may weigh on margins in the near term, Apple's pricing power, brand loyalty, and scale provide flexibility to manage these headwinds so that they can continue to deliver steady earnings growth.

Bank of Montreal

Bank of Montreal has shown improving earnings momentum, supported by stronger performance in its U.S. operations and capital markets business. Lower credit losses and ongoing share buybacks have contributed to earnings growth, while efforts to optimize the balance sheet are beginning to show results. Net interest margin trends have stabilized, and loan growth is gradually improving, although consumer credit risk remains an area to monitor. The bank's diversified business mix across retail banking, wealth management, and capital markets provides multiple potential avenues for earnings growth over time.

Brookfield Renewable

We believe that Brookfield Renewable remains well positioned to benefit from increasing global demand for clean and reliable energy. Its diversified asset base, including hydroelectric, wind, solar, and energy storage, provides both stability and growth potential across multiple regions. The company is seeing strong interest from corporate customers seeking long-term power

agreements, particularly as data consumption and electrification trends accelerate. In addition to organic growth, Brookfield continues to deploy capital through asset recycling and development initiatives, supporting a long runway for expansion. We feel that its scale and access to capital differentiate it within the renewable energy sector.

Cogeco Inc.

Cogeco's valuation continues to reflect a significant discount relative to the underlying value of its primary asset, its ownership stake in Cogeco Communications. Market sentiment has been influenced by concerns surrounding broadband competition and capital spending requirements, particularly in the U.S., despite the company's resilient free cash flow profile. The stability of its cable and telecom operations supports the ability to provide ongoing dividend payments and provides flexibility in capital allocation. Over time, clearer visibility around industry conditions and capital deployment may help narrow the valuation gap as the market reassesses the durability of its earnings and cash generation.

Definity Financial

Definity demonstrated solid growth following its recent acquisition activity, with improvements in underwriting profitability and premium expansion across both personal and commercial insurance lines. Increased scale provided operational benefits, although integration efforts and competitive dynamics continue to influence results in certain segments. Pricing actions and improved claims experience have supported earnings growth, while investment income has also contributed positively. We believe that continued realization of synergies from acquisitions will be an important factor in driving further margin expansion and strengthening its competitive position.

Gildan Activewear

Gildan continues to execute on its strategy as a low-cost manufacturer in the apparel industry, leveraging scale and operational efficiency to maintain strong margins. Recent acquisition integration efforts are progressing, with early synergy realization expected to contribute to improved profitability. Although there are near-term headwinds related to integration and production capacity adjustments, the company's outlook remains supported by market share gains and an expected return to stronger growth in the second half of the year. We believe that its vertically integrated model and disciplined cost structure position it well to be able to navigate industry cyclicity while attempting to generate consistent free cash flow.

Headwater Exploration

Headwater continues to stand out as one of the highest-quality pure-play Clearwater producers in Canada, supported by strong economics, no debt, and a large land base that provides years of development upside. In its most recent quarter, the company delivered record production and cash flow in line with expectations, while ongoing drilling and waterflood projects are showing encouraging early results—particularly in West Marten Hills where secondary recovery is already boosting output and is expected to double production in that area by year-end.

Additional exploration success in both the Wabiskaw and Clearwater E zones further supports the company's long-term growth profile. With guidance unchanged and continued operational momentum across multiple areas, we believe that Headwater remains well positioned for disciplined, repeatable growth.

Intact Financial

Intact Financial continued to deliver consistent operating performance, supported by disciplined underwriting and pricing across its insurance segments. While some earnings variability can arise from factors such as reserve development and catastrophe events, the underlying fundamentals of the business remain strong. Premium growth is being driven by firm market conditions and rate increases, while investment income contributed additional stability. The company's capital position allows for flexibility in pursuing acquisitions, organic growth, and shareholder returns, reinforcing its position as a leading insurance provider in Canada and beyond.

Maple Leaf Foods

Maple Leaf Foods is navigating a mixed consumer backdrop with relative stability, supported by demand for affordable protein products. The company's portfolio is well aligned with consumer preferences shifting toward lower-cost protein options such as poultry, which continues to gain market share. Investments made in recent years in automation, supply chain efficiency, and product mix are now contributing to improved margins and earnings visibility.

While input cost volatility remains a factor in the near term, management has demonstrated the ability to manage pricing and cost controls effectively, helping support steady operational performance across cycles.

Microsoft

Microsoft remains at the center of enterprise technology transformation, particularly as artificial intelligence becomes more integrated into business operations. The company is advancing its own AI models and embedding them across its software stack, including productivity tools, developer platforms, and cloud services. Azure continues to serve as a major growth driver, benefiting from strong demand for cloud infrastructure and data services, while the broader software ecosystem supports consistent revenue expansion. The strategy of controlling more of its AI capabilities internally reflects a shift toward reducing reliance on third-party technologies, further strengthening its competitive positioning as enterprises increasingly look for integrated, end-to-end solutions.

National Bank

National Bank continued to generate solid returns, although with greater variability in earnings driven by its exposure to trading and capital markets revenue. Recent performance highlights both strong capital markets activity and pressure within net interest margins, reflecting broader banking industry dynamics. The company is integrating recent acquisitions, which are expected to provide cost and funding synergies over time, supporting future earnings growth.

While near-term earnings may be less predictable, management expects improved operating leverage and profitability as integration benefits are realized in the coming periods.

Open Text

Open Text is experiencing a transition period, with steady performance in its cloud and content segments partially offset by broader growth challenges. The company continues to focus on improving margins and generating strong free cash flow, while managing a relatively elevated leverage profile. Adoption of its enterprise information management and cloud-based solutions remains a positive driver, particularly as businesses increase digital transformation efforts.

However, the pace of overall revenue growth has been more modest, and progress on asset sales and we believe that deleveraging will be key factors in improving investor sentiment and valuation over time.

Pan American Silver

Pan American Silver has benefited from a combination of strong cash flow generation and a growing pipeline of development projects. Recent updates to its asset base, including the advancement of key growth projects, have enhanced long-term production visibility. The company continued to balance reinvestment in growth with returning capital to shareholders, supported by improved free cash flow. Precious metals exposure provides a degree of diversification within the portfolio, particularly during periods of market volatility, while operational execution remains critical to delivering on future production targets.

Quebecor

Quebecor has been demonstrating strong operational momentum, driven primarily by continued growth in its wireless segment. The company has benefited from disciplined pricing strategies and improving average revenue per user, supporting margin expansion across its telecommunications business. Recent results also suggest stabilization within its wireline operations, which had previously faced pressure. With industry-leading growth and relatively low leverage compared to peers, Quebecor has been actively returning capital through share buybacks while maintaining the ability to invest in future expansion opportunities. Its combination of growth and capital efficiency continues to differentiate it within the Canadian telecom landscape.

Restaurant Brands International

Restaurant Brands International continues to show mixed performance across its portfolio of global brands. Burger King has demonstrated improving momentum, supported by marketing initiatives and operational enhancements, while other segments have faced more pressure due to softness in the lower-income consumer environment. Inflation in key input costs, particularly food, continues to weigh on franchisee profitability, although management is responding with targeted pricing and value offerings. The company's franchise-based model has the ability to provide stable royalty income, but overall performance remains sensitive to consumer spending trends and execution across its various brands.

Rogers Communications

Rogers continued to generate stable cash flow from its core wireless and broadband operations, supported by disciplined pricing and consistent demand for connectivity services. In addition to its traditional telecom business, the company owns a portfolio of high-quality sports assets that have seen meaningful appreciation in value, reflecting strong global demand for premium teams and leagues. Management has indicated growing interest from potential investors in monetizing a portion of these holdings, which could unlock significant value over time. While regulatory and competitive dynamics remain important factors within the telecom landscape, Rogers maintains a well-established position with long-duration cash flow characteristics.

Suncor Energy

Suncor continues to generate significant free cash flow at current oil prices, allowing for increased shareholder returns through dividends and share buybacks. With major growth investments largely behind it, the company is now focused on optimizing capital allocation and strengthening its balance sheet. The integrated nature of its business, spanning upstream production and downstream refining, provides a degree of stability across commodity cycles. Management has also demonstrated a commitment to disciplined capital returns, positioning the company to be able to continue to deliver strong cash flow even under more conservative price assumptions.

Toronto Dominion Bank

TD Bank is viewed as an attractive long-term holding due to its accelerating earnings trajectory, improving return profile, and multiple identifiable growth levers. The quarter highlighted stronger-than-expected results driven by capital markets strength, resilient credit quality, and improving personal & commercial banking trends, alongside management confidence in reaching approximately 16% ROE ahead of its 2029 target. Growth is supported by expanding loan activity (especially in the U.S.), a rapidly growing credit card franchise on both sides of the border, and continued momentum in wholesale banking. At the same time, cost efficiencies, capital optimization, and moderating Anti Money Laundering (AML)-related expenses provide near-term upside.

Whitecap Resources

Whitecap has benefited from a diversified portfolio of conventional oil assets, providing both stable production and long-term development opportunities. The company has a strong track record of operational execution and maintains a relatively conservative balance sheet, supporting potential capital returns to shareholders. Its asset base offers multiple avenues for growth, reducing reliance on any single project or region. As development progresses across its portfolio, free cash flow is expected to increase, providing additional flexibility for reinvestment and shareholder distributions^[iii].



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Sources:

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CGO – Apr 13, 2026

(CGO-T) Upgrading to BUY: Flow Through from CCA Target Price and Rating Changes

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(PAAS) Upgrade to Buy: Charting a New Flight Path

QBR – May 15, 2026

(QBR.B-T) Forecasts and TP Up After Strong Q1 Results

QSR – May 06, 2026

(QSR) BK Strength Overshadowed By Other Parts of Portfolio

RCI – May 22, 2026

(RCI.B-T) Recent Data Continues to Suggest Strong Sports Valuations

WCP – Apr 30, 2026

(WCP-T) What Could Long-Term FCF From WCP's Diversified Growth Portfolio Look Like

IFC – May 06, 2026

(IFC-T) Beat on Higher PYD; GWP In Line; Pers. Lines Good, But Comm. & Specialty Softer

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