



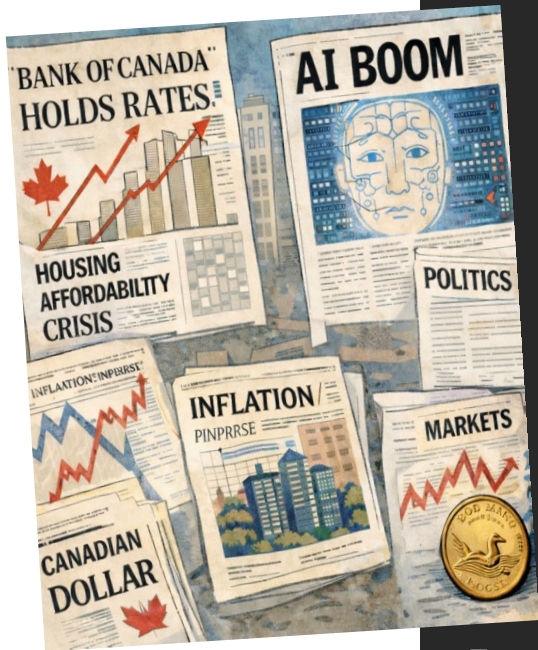
# Spring 2026 Quarterly Update



With 2025 behind us, many were surprised to have experienced such strong performance given the uncertainty of last year. In general, market participants who stuck with their asset-mix and stayed invested in a diversified portfolio reaped the greatest benefits, and investors who panicked during the volatility of February – April and moved to cash, made a dire mistake. Naturally, there are two trains of thought when a year like 2025 happens – first, one believes that performance can't last and a bubble must be inevitable and around the corner, or two, one believes the returns will keep roaring on and we must take on more risk to capture this. More on this later...

We are eagerly awaiting longer days and brighter mornings ahead. The past several months have been marked by an array of headlines, leaving investors with many unanswered questions. In this edition, we will address top questions from our clients, including perspectives on trade, fiscal policy, interest rates, currency and geopolitical developments. We will provide an update on Artificial Intelligence in our industry and how it impacts investors. We remain focused on looking through the noise and identifying signals which can be used for portfolio decision making.

Finally, we are excited to share that we will host our 2<sup>nd</sup> Annual Market & Economic Discussion on Friday, March 27<sup>th</sup> at the Oak Bay Beach Hotel – stay tuned for an invite! We look forward to connecting with many of you in person and continuing these important conversations.



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## U.S. Tariffs: Legal Clarity, Policy Uncertainty

On February 20<sup>th</sup>, the U.S. Supreme Court delivered a long-anticipated ruling, determining that the President Trump's Administration's use of the 1977 International Emergency Economic Powers Act (IEEPA) to impose broad tariffs was unlawful. While this decision removed the legal foundation for a large portion of existing tariffs, it does not mark an end to U.S. protectionist trade policy.



Within hours of the ruling, President Trump announced a new global tariff framework, initially setting a 10% tariff under Section 122 of the Trade Act of 1974, later raising it to 15%. This authority allows temporary tariffs tied to a “balance of payments emergency,” but limits their duration to 150 days without Congressional approval. At the same time, the administration signaled its intention to re-establish tariffs using other statutes, including national security and unfair trade practice provisions.

From a legal perspective, the Supreme Court decision invalidates a meaningful portion of tariffs collected over the past year. Estimates suggest the federal government may ultimately be required to refund a significant amount to importers, likely over the next year or two. While this would lift corporate cash flows and near-term earnings, it would also add to an already large federal deficit.

**Tariffs are likely to remain a key feature of the U.S. economic landscape, even if the legal basis shifts.** Inflationary effects may persist in the short term as companies pass through higher costs, though these pressures should fade over time. More importantly, tariffs and the uncertainty surrounding them act as a drag on productivity and long-term growth by discouraging capital investment and fostering uncertainty. That said, strong AI-related investment continues to provide a meaningful offset.

For investors, the key takeaway is not the legal nuance, but the persistence of policy uncertainty. While tariffs may contribute less to inflation going forward, their growth-dampening effects increase the likelihood of further interest rate cuts later in 2026 and into 2027. A weaker U.S. dollar and divergent global growth paths reinforce the importance of maintaining diversified portfolios, including greater exposure to international equities.

As always, periods of policy volatility highlight the value of long-term discipline and global diversification within a well-constructed investment strategy.



## Perspectives in a Period of Headlines

Periods of heightened media attention can make risks feel more immediate, even when underlying fundamentals remain stable. While headlines often reflect real developments, financial markets continuously assess and price risk based on observable economic conditions.

Inflation in both Canada and the United States has declined significantly from its peak in 2022, reflecting the impact of higher interest rates and tighter financial conditions. Long-term interest rates remain positive after inflation, and government bond markets continue to function normally. These conditions indicate that monetary policy has been effective in restoring balance following the inflationary period of recent years.

On central bank independence, the Federal Reserve in the United States operates within legislated mandates focused on price stability and long-term economic balance. Policy decisions are made by committees, and leadership terms extend beyond individual political cycles.

Several clients have asked about elevated government debt levels. While debt has increased meaningfully over the past decade, government bond markets remain deep and liquid, and demand for high-quality sovereign debt remains strong. Interest rates reflect continued confidence in the ability of developed economies to service their obligations.

Clients have also asked about the U.S. dollar. Currency values naturally fluctuate over time, based on economic growth, inflation, and interest rate differentials. The U.S. dollar remains the world's primary reserve currency and the foundation of global trade and capital markets. Importantly, our portfolios are invested in global businesses that generate revenue across many regions and currencies, reducing reliance on any single country.

Many clients have also expressed concern about geopolitical stability, particularly regarding Canada-U.S. relations. Canada and the United States share the largest and most integrated bilateral economic relationship in the world, with over \$1 trillion in goods and services flowing between the two countries annually. Canada is the largest export market for the United States and its largest foreign supplier of energy, supporting U.S. manufacturing, industrial production, and energy security. The two countries also operate under longstanding joint defense agreements, including NORAD and NATO, with deeply integrated financial and economic systems developed over many decades. This level of economic and institutional integration means that stability between the two countries is fundamental to both economies.

Taken together, these indicators – including interest rates, currency stability, and continued global capital flows – reflect the collective assessment of millions of investors allocating capital in real time. Our portfolios remain globally diversified and positioned to benefit from long-term economic growth while managing risk across a wide range of potential outcomes.

Our focus remains unchanged: maintain disciplined portfolio construction and preserving and compounding your wealth over the long term.

# Artificial Intelligence (AI)

When we last discussed AI in Fall 2025, the technology was impressive, but with limitations. Since then, its capabilities and adoption have accelerated significantly. AI systems—particularly large language models—have improved meaningfully in their ability to analyze information, assist with complex tasks, and support decision-making across a wide range of industries, including healthcare, financial services, research, and manufacturing to improve productivity and efficiency.

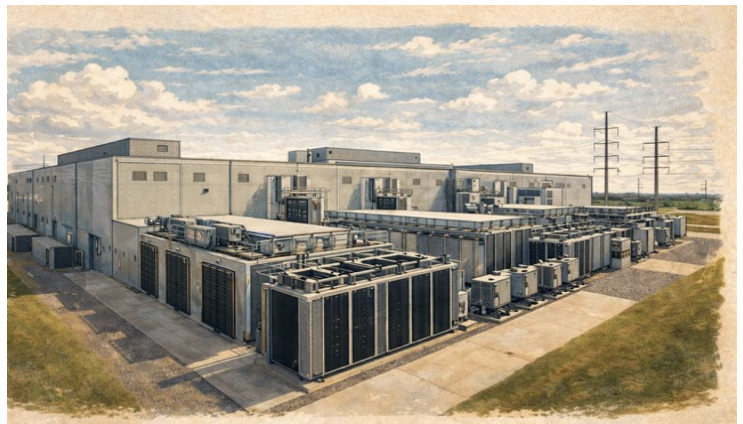
A key indicator of this shift has been the rapid expansion of data centre infrastructure. AI systems require substantial computing power, and many of the world's largest technology companies—including Microsoft, Amazon, Google, and Meta are investing tens of billions of dollars annually to build and expand these facilities. Data centres represent long-term infrastructure investments designed to support growing digital and computing needs for decades. This level of capital investment reflects the transition of artificial intelligence from a developing technology to a foundational component of the global economy.

The United States has emerged as the clear leader in this investment cycle, supported by its deep capital markets, technological leadership, and concentration of global technology companies. These investments extend beyond the technology sector, supporting industries such as energy, construction, engineering, and advanced manufacturing. Historically, periods of increased infrastructure investment and productivity have supported economic growth, rising corporate earnings, and long-term wealth creation.

Periods of technological advancement often raise questions regarding valuations and whether investor enthusiasm may be ahead of underlying fundamentals. While certain areas of the market have experienced strong performance, many of the companies leading artificial intelligence development are well-established, highly profitable businesses with strong balance sheets and substantial cash flow. Their investments in artificial intelligence and infrastructure reflect long-term strategic planning rather than short-term speculation.

The rapid pace of innovation has also led to an increase in private investment opportunities. While some emerging companies may ultimately succeed, early-stage investments often involve greater uncertainty, limited operating history, and reduced liquidity. Many of the global leaders in artificial intelligence are publicly traded and already represented within diversified portfolios, allowing investors to participate in long-term innovation while maintaining transparency, liquidity, and disciplined risk management.

AI is rapidly becoming an important component of the global investment environment. By continuously learning and adapting in our personal and professional lives, we aim to strengthen our investment decision-making ability and enhance the experience we deliver to our clients.





## Updates From Our Team

Over the past few months, you have received communications from us regarding exciting changes that will strive to enhance your experience with TD Wealth. This will include the transition of TD Wealth Private Investment Counsel accounts to the discretionary wealth management offering within TD Wealth Private Investment Advice. We are bringing together the best of these two offerings and strengthening how we deliver our services to you.

It is important to reiterate that you will continue to work with the same Portfolio Management team (Tamara Bonn and Nikola Gasic) and there is no change to your investment portfolio, or how it is managed.

WebBroker may be temporarily impacted but will lead to upgrades that provide more details and functions that clients have been asking for.

The quarterly Portfolio Report statements will be impacted after March 2026. The Custody Statement will be mailed/uploaded in the interim. I know many of our clients prefer the Portfolio Report, especially the summary page. If you need any interim information, please let us know and we'd be happy to help.

Account numbers reflected going forward will only be custody account numbers and the ending letter indicates the type of account:

- A is Canadian Dollars
- B is US dollars
- S is RRSP (personal RRSP, spousal RRSP, locked in RRSP will all be denoted with S)
- T is RRIF (personal RRIF, spousal RRIF, locked in RRIF will all be denoted with T)
- J is TFSA

Tax documents will be mailed out at the end of **February / Early March**. Please wait until all slips are received before bringing the package to your accountant. Tax slips are not supposed to be impacted by the above changes and will be available online for access and download.

To retrieve electronic documents online (statements, trade confirmations, and tax documents), please ensure you are registered with **eServices**.

Lastly, **Sabine Ciocan-Polder** has recently transitioned to another group with TD Wealth. We appreciate all her contributions and wish her all the best in the future! As our practice continues to grow, we are expanding the team to further enhance the level of service we provide to our clients.



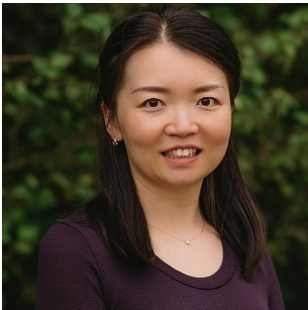
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Sources:

J.P. Morgan Asset Management Global Research US Tariffs: The Supreme Court Strikes Down IEEPA Tariffs – February 20<sup>th</sup>, 2026

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Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns include reinvestment of dividends, if applicable, but do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

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