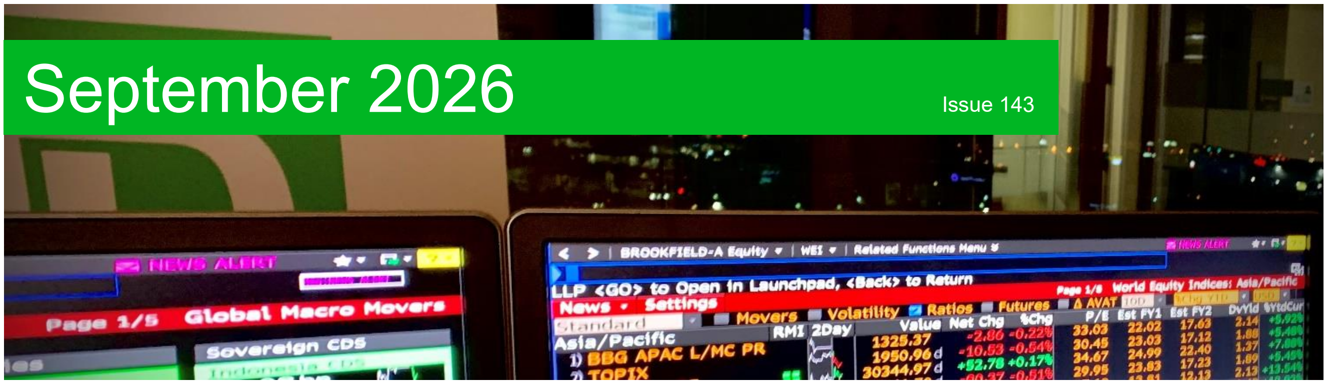
The Charter Group Monthly Letter



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Economic & Market Update

Tariff Tantrum 2.0

The news of the tariff war between the U.S. and Canada has filled the headlines in the Canadian media. Nightly national newscasts have often devoted more than the first fifteen minutes of the broadcast on the topic lately. Sometimes debate panels are added on top of all this later in the program.

Contrast this with the international media where it has not been a top headline although most media outlets have had some coverage.

So, front page news here in Canada. But mostly second page news elsewhere.

That is understandable given the emotions for Canadians especially when statements regarding annexation or the renaming of geographical features coincide with the trade negotiations.

Not only has the Canadian media been swept up in this, but most levels of Canadian government have been as well. Except for leaders at the federal level, most others don't have the necessary mandates or control to make much of a difference, but the media has

Tariffs are back in the news after a lull.

Are they the most important economic issue facing Canada?

Will they have portfolio implications?

covered provincial and municipal reactions regardless.

The extensive coverage in the Canadian media makes the tariff war look like the country's most important economic issue.

But it might not be.

But, even with a federal mandate, I have written before in this space about how difficult it is to quickly generate desired outcomes. Ambitious policies can run into a number of constraints. Things move slowly because of further debate among stakeholders or complex permitting. The skilled labour that is needed is not that flexible in terms of moving to where it is needed, or is in short supply generally. And it could be difficult to set aside the federal funding when the current level of spending is already contributing to significant budget deficits.

This is not to say that things can't get done. But with long time lags, the best I would hope for are improvements that will help with Canada's trade policies and negotiation strength well into the future. The media coverage often sounds like there are things we can do to fight the current tariff battle. I don't think that is the case. However, I would consider recently proposed initiatives and ideas as positive if Canada is better able to stake its trade position into the next decade for example.

In the meantime, I am not overly optimistic about things like diversifying trading relationships away from the U.S., joining the E.U. as an "associate member", or investment summits that seek foreign capital to fund projects before creating a more friendly environment for capital investment. I don't think any of those initiatives are short-term gamechangers that would allow Canada to meaningfully counter the effects of the recently imposed U.S. tariffs.

So, despite the media attention and the hot-button emotional issues involved, my conclusion is that the tariff story is a relatively minor economic story. I would certainly understand if that would place me in a small minority.

If the Canadian media wants a real five-alarm economic fire, it would do well to focus more on the rising cost of global capital and what Canadian leaders are going to do in response. A Canadian economy where interest rates are merely one or two percentage points higher than where they are currently would have the potential to inflict serious pain on average household budgets.

Interest rates and inflation may have the biggest overall impact on household budgets and investment portfolios.

I have seen occasional stories in the Canadian media on the rising cost of living. The most common topics are the weekly grocery bill or the cost of fueling up the car compared to a couple of years ago. When interest rates spiked back in 2022, there were stories about homeowners who face higher rates as their mortgages rolled over. But, I don't recall any of that receiving the same amount of attention that tariffs have.

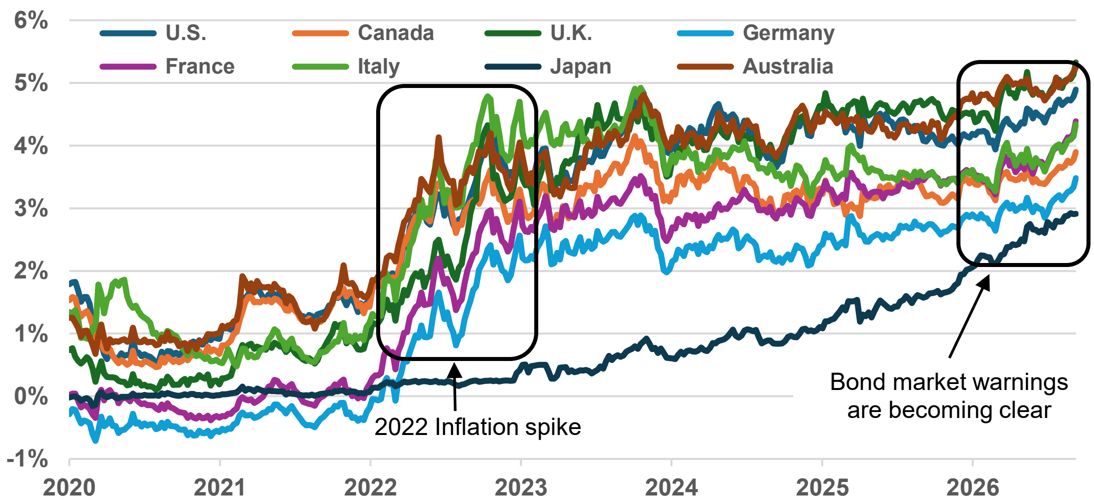
Global bond market investors have issued a warning in the form of pushing bond yields higher. Their message is that there is too much borrowing and they are not willing to lend at the low rates of the last decade. The consensus of market strategists and analysts who were wish-casting for lower rates at the beginning of this year has crumbled as there are now fewer plausible scenarios pointing in that direction. Bond yields across all developed markets have risen so far this year (**Chart 1**). Higher government rates have a tendency to raise rates for everyone else regardless of whether it is a loan to finance a new data centre or a mortgage on a home for a Canadian family.

The bond market is the final judge and jury with respect to how markets eventually react to spending and deficits.

Presidents and prime ministers around the world have found this out the hard way.

Chart 1:

10-Year Government Bond Yields



Source: Bloomberg Finance L.P. as of September 17, 2026

Higher rates have the potential to induce difficult lifestyle changes. Today's Canadian consumer likely has little idea of what it was like 50 years ago for a family to navigate higher interest rates and the impact that this had on the economy.

If the bond market continues to push yields higher, the resulting higher interest rates will impact Canadians and Canadian businesses.

Higher rates will also stress many business models that would depend on having affordable debt on their balance sheets. If the cost of borrowing rises, more Canadian companies that carry a debt load will struggle, reducing opportunities in the Canadian stock market.

Unfortunately, one of the best remedies for higher rates usually involves cutting spending and/or increasing taxes. It's unfortunate since Canadians have not had to deal with such a financial landscape and do not vote for such austerity. If federal and provincial governments prioritized the battle against rising rates, Canadians would end up with something they don't like and didn't vote for.

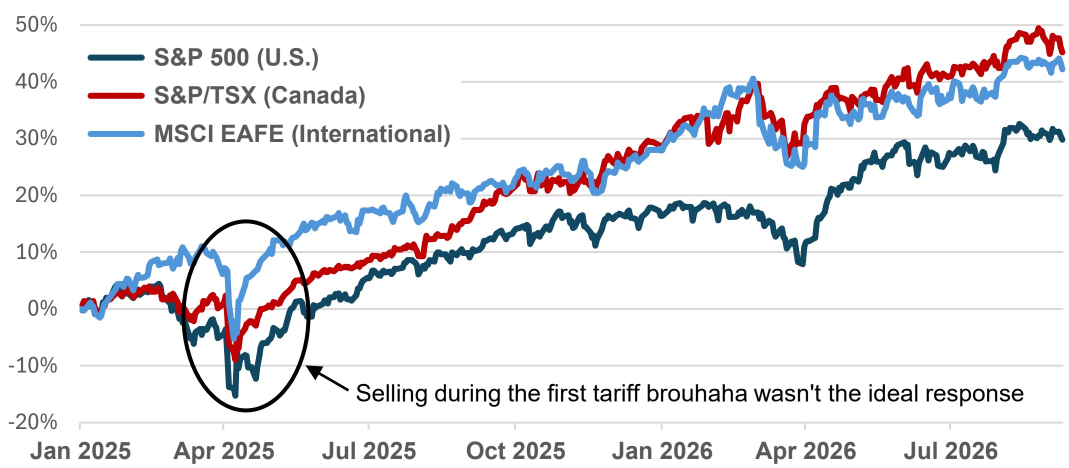
Canada probably has an advantage in terms of its abundant endowment of natural resources, but we are years away from notably ramping up production and export, and not in time to substantially increase our national wealth thereby reducing our need to borrow both at the government and personal level.

The rising cost of capital is, in my opinion, by far the more important economic issue. And it will likely have the most profound impact on The Charter Group's investment portfolio strategy. Tariffs are the flavour of the day and could just be temporary. The U.S. tariff package announced a few weeks ago is already riddled with exemptions. Tariffs can be eliminated by decree; higher interest rates cannot.

For the model portfolios, our focus is likely to be much more on interest rates and the cost of capital than on tariffs.

From a portfolio perspective, there will likely be few changes if any in response to the tariffs. Our model portfolios have almost no exposure to the vulnerable Canadian manufacturing sector. And they did well by not reacting to the tariff bluster in the first half of 2025 (**Chart 2**). On the topic of rising interest rates, The Charter Group's portfolio strategy is clear-eyed on the related threats and opportunities. That is where we might see more investment changes.

Chart 2:
Stock Market Returns



Source: Bloomberg Finance L.P. as of September 17, 2026

Model Portfolio Update[1]

The Charter Group Balanced Portfolio
(A Pension-Style Portfolio)

	Target Allocation %	Change
Equities:		
Canadian Equities	15.0	None
U.S. Equities	34.0	None
International Equities	11.0	None
Fixed Income:		
Canadian Bonds	18.2	None
U.S. Bonds	9.8	None
Alternative Investments:		
Gold	7.5	None
Commodities & Agriculture	2.5	None
Cash	2.0	None

There have been no changes to the asset allocations or the holdings in any of the model portfolios during August.

No changes in any of the model portfolios during August.

Stocks and bonds were generally down through August and into September. With stocks it has been the continued rotation away from pure AI stocks as well as semiconductor stocks which had such a positive impact on the American indices in the first half of the year.

Stocks and bonds were down over the period.

A slow rotation out of Artificial Intelligence continued, but that hasn't impacted the model portfolios much.

With bonds, the rising yields have been pushing down bond prices as investors continued to be worried about growing government debts (the U.S. federal debt just passed through $40 trillion) and inflation that has been fed by rising oil prices.

Gold is up since mid-summer despite selling off some over the past couple of weeks.

With none of the asset classes breaking out, the portfolio results have been in a fairly narrow band since the beginning of the summer.

[1] The asset allocation represents the current *target* asset allocation of the Balanced Model Portfolio as of September 17, 2026. The asset allocations of individual clients invested in this Portfolio may differ because of the relative performance of the asset classes since the last rebalancing and because of differences in the timing of deposits and withdrawals. The Balanced Model Portfolio is part of a sequence of five portfolios ranging from conservative to aggressive: Conservative, Balanced Income, Balanced, Balanced Growth, and Growth.

Looking forward, the U.S. midterm elections are looming. President Trump just announced giving every American $5,000 if the Republicans retain the House of Representatives and the Senate. Right now, winning the House looks like a longshot[2], but the promise may indicate that the campaign may be about who is willing to spend more despite the U.S. federal debt growing past $40 trillion. The bond market's reaction to the news was not positive, adding a little more upward pressure to longer-term interest rates.

Normally U.S. midterm elections would be a time when stock market investors might warm up to things like handouts and spending promises.

My sense is that Americans will be asked to look past the midterms and to imagine gasoline and food inflation subsiding afterwards while anticipating handouts in the meantime. Maybe this will work with voters. Maybe it won't. But I seriously doubt it will work with bond market investors.

But this year the bond market might spoil the party if it becomes concerned about this and forces borrowing rates even higher.

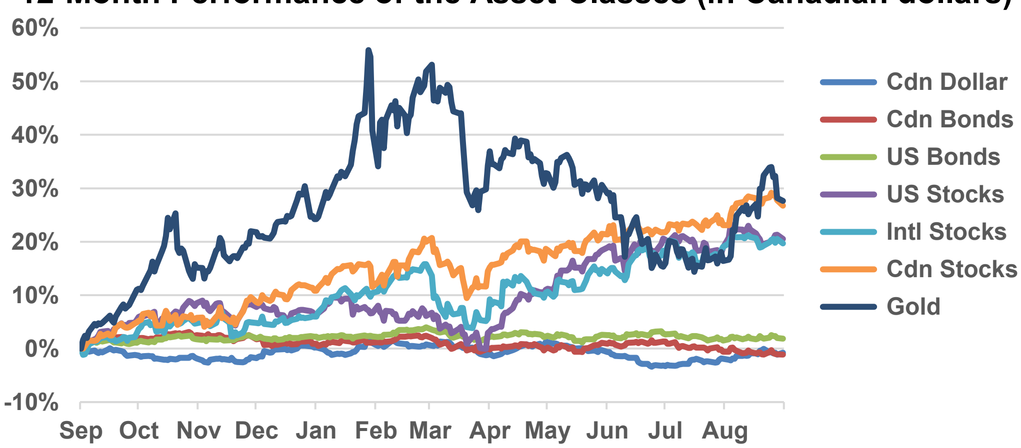
More interest rate pressure coinciding with a time of year that is traditionally not great for stocks could be the recipe for some volatility and a continued rotation away from AI and semiconductor companies that need to justify rich price multiples to investors.

And it doesn't help that the U.S. federal debt just surpassed $40 trillion.

Below is the 12-month performance of the asset classes that I have used in the construction of The Charter Group's model portfolios. (**Chart 3**).[3]

Chart 3:

12-Month Performance of the Asset Classes (in Canadian dollars)



Source: Bloomberg Finance L.P. for the interval from September 1, 2025 to August 31, 2026

[2] Source: Bloomberg Finance L.P. & Polymarket – The Republicans currently have a 12% chance of retaining a majority in the House of Representatives as of September 17, 2026.

[3] Source: Bloomberg Finance L.P. – The Canadian dollar rate is the CAD/USD cross rate which is the amount of Canadian dollars per one U.S. dollar; Canadian bonds are represented by the Core Canadian Universe Bond Index; US bonds are represented by Barclays US Aggregate Bond Index; U.S. stocks are represented by the S&P 500 Index; International stocks are represented by the MSCI EAFE Index; Canadian stocks are represented by the S&P/TSX 60 Composite Index; Gold is represented by the Gold to US Dollar spot price.

Top Investment Issues[4]

Issue	Importance	Portfolio Impact
1. Global Geopolitics	Significant	Negative
2. Global Trade Wars & Alliances	Moderate	Negative
3. Inflation from Tariffs (Portfolio Impact)	Moderate	Positive
4. Tariffs: Slowing Economic Growth	Moderate	Negative
5. Canadian Dollar Decline	Medium	Positive
6. U.S. Fiscal Spending Stimulus	Medium	Positive
7. Growing U.S. Credit Risks	Medium	Negative
8. Canadian Federal Economic Policy	Medium	Positive
9. China's Economic Growth	Light	Negative
10. Long-term U.S. Interest Rates	Light	Negative

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[4] This is a list of the issues that we currently deem to be the ten most important with respect to the potential impact on our model portfolios over the next 12 months. This is only a ranking of importance and potential impact and *not* an explicit forecast. The list is to illustrate where our attention is focused at the present time. If you would like an in-depth discussion as to the potential magnitude and direction of the issues potentially affecting the model portfolios, I encourage you to email me at mark.jasayko@td.com or call me directly on my mobile at 778-995-8872.

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The Charter Group is a wealth management team that specializes in discretionary investment management. For an annual fee, we manage model portfolios for private clients and institutions. All investment and asset allocation decisions for our model portfolios are made in our Langley, B.C. office. We do not outsource any of the decision-making for our model portfolios – there are no outside actively-managed products or funds. We strive to bring the best practices and the calibre of investment management normally seen in global financial centres directly to the Fraser Valley and are accountable for the results.

Accountability is further enhanced by the fact that Mark and Keith commit their own investable wealth to the same model portfolios in which our clients are invested.

The information contained herein is current as of September 17, 2026.

The information contained herein has been provided by Mark Jasayko, Senior Portfolio Manager and Senior Investment Advisor, TD Wealth Private Investment Advice, and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS.

Index returns are shown for comparative purposes only. Indices are unmanaged and their returns 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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Thank you, Langley.

We're grateful to our clients and community for recognizing The Charter Group for the seventh consecutive year.

Managed here in Langley

We manage portfolios on a discretionary basis, with investment decisions made by our team.

Clear accountability

We make the decisions and take responsibility for them.

Long-term discipline

Our focus is straightforward - managing risk thoughtfully and supporting long-term growth through the power of compounding over time.

If you would like to learn more about how we invest, we would welcome a conversation.






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