HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

AUGUST 2026 COMMENTARY

Market Review in Minutes

Equities

- Both the S&P 500 and the S&P/TSX Composite had strong months, with the S&P 500 rallying 1.6% in August, and the S&P/TSX Composite increasing 3.1%, even after pulling back from record highs reached mid-month.
- International equities (ex US) rose higher by 2.9% as South Korea and Taiwan surged in August.
- **Leaders**:
  - In the US, the Energy sector led the market in August as geopolitical tensions rose. This was followed by the Information Technology and Materials due to the continued AI-related enthusiasm and stronger commodity-linked demand.
  - In Canada, Materials and Information Technology led Canadian equities in August. Materials benefited from strength in precious and base metals, while Information Technology was supported by renewed investor interest in software and AI-linked growth companies.
- **Laggards**:
  - In the US, Utilities lagged as investors rotated to less-risky government bonds from dividend-paying utility stocks.
  - In Canada, Health Care and Consumer Staples lagged in August. The defensive sectors detracted as investors favored more cyclical and commodity-linked areas.

Fixed Income

- In the US, government treasury bonds rose modestly in August as interest rates are at an attractive rate. However, the bond market remains choppy, as softer economic data against is offset by concerns about inflation, and increased government spending driving debt higher.
- The Canadian Universe Bond Index was flat this month, slightly falling by 0.2%.

As at August 31, 2026	**Monthly % Total Return**	**YTD % Total Return**
Canadian Bonds *FTSE Canada Universe Bond Index*	-0.2%	+0.3%
Canadian Equities *S&P/TSX Composite Index*	+3.1%	+16.9%
US Equities S&P 500, in C$	+1.6%	+14.8%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+2.9%	+16.9%
Gold	+9.9%	+2.7%
Oil *West Texas Intermediate Crude*	+1.3%	+49.3%
Canadian Dollar	+1.3%	-1.0%

Market Review in Minutes (Continued)

Commodities

- Oil prices were volatile but ended higher in August. Oil prices fell earlier in the month as supply concerns eased, then rebounded on renewed geopolitical tensions, ending the month higher by 1.3% and ending around $85.
- Gold moved higher over the month, rising 9.9%, supported by elevated geopolitical uncertainty, and rising fiscal concerns as US continues to increase its debt at an unsustainable rate.
- The Canadian Dollar strengthened against the US Dollar, rising 1.3% in August. The move was supported by an improvement in the Canadian economy.

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Notable Monthly Highlights

USA – Inflation cooled, but softer spending, labour, and confidence pointed to a slower economy

- US data was mixed in August: inflation cooled, consumer spending softened, and the labour market showed signs of slowing, while housing activity remained weak and confidence was mixed.

  - July inflation offered some relief. Headline CPI rose 0.1% MoM, while annual inflation eased to 3.4% from 3.5% in June, in line with expectations. Core inflation, which came in line with expectations, slowed to 2.5% YoY from 2.6% with shelter, airline fares, medical care, recreation, and household furnishings all showing slower price increases.

  - Retail sales declined 0.6% MoM in July, pointing to a softer consumer backdrop, falling short of the expectations of a 0.1% rise. Weakness was concentrated in online retailing, autos, gasoline stations, and electronics, while spending in other categories was more resilient.

  - The US labour market softened in July, with nonfarm payrolls unexpectedly falling by 23,000 versus expectations for an 80,000 gain. The unemployment rate edged down to 4.1% slightly, coming in below the consensus of 4.2%.

  - Housing remained a soft spot, as higher borrowing costs continued to weigh on activity. July housing starts fell sharply, pointing to weaker construction momentum heading into the second half of the year.

  - Confidence signals were mixed. Consumer sentiment fell to 51.7 in August from 55.2 in July as households grew more cautious about inflation and future business conditions. Meanwhile, business confidence improved, with the ISM Manufacturing PMI rising to 55.6 in July from 53.3 in June.

Notable Monthly Highlights (Continued)

Canada – Growth and jobs surprised positively, even as trade risks kept uncertainty and inflation persistent

- Canada-US trade risks increased in August after negotiations broke down. The US imposed new tariffs on Canadian goods, and Canada announced matching counter-tariffs on US imports effective in September, keeping trade policy uncertainty elevated despite otherwise resilient domestic data.

- The Bank of Canada remained patient, holding its policy rate at 2.25%. Stronger employment and firmer inflation reduced the urgency for rate cuts, while trade uncertainty and cautious consumers kept the outlook balanced.

- Canadian economic data was mixed but generally resilient in August. GDP, employment, confidence and manufacturing activity edged higher, and trade remained supportive, while inflation rose modestly, retail sales softened.

    - Canada's economy accelerated in Q2, with GDP expanding 0.8% QoQ (3.3% annualized) from 0.1% increase in the previous quarter, supported by stronger exports, household spending, and business investment.

    - The labour market surprised to the upside in July. Employment rose by 75,100, well above expectations of 15,000 growth. The unemployment rate fell to 6.4% from 6.5%, marking its lowest level in two years and slightly below the consensus.

    - Confidence indicators were mixed but remained constructive. Consumer confidence improved to 49.4 in July from 47.6 in June. In contrast, business confidence eased to 55.1 from 56.2.

    - Inflation ticked higher in July, with headline CPI rising to 3.0% YoY from 2.8% in June. Core inflation remained close to target, with the level rising to 2.3% in July from 2.1% in June.

    - Consumer spending softened, with preliminary retail sales falling 0.8% in July after a revised 0.6% increase in June. The decline suggests households remained cautious despite earlier signs of improved spending.

Notable Monthly Highlights (Continued)

World – China remained uneven while AI demand supported parts of Asia and global markets stayed mixed

- China's latest data showed an uneven recovery:
  - July retail sales rose only 0.6% YoY, below the expectation of 1.5%.
  - Unemployment edged up to 5.2% from 5.0%, slightly above expectations.
  - Inflation remained low at 0.5% YoY, suggesting weak domestic demand is still offsetting support from exports, high-tech investment, and policy measures.
- Outside North America, market conditions remained mixed. Western Europe's growth outlook improved after stronger Q2 data, but higher energy costs and fiscal constraints kept the recovery subdued. In Asia, South Korea and Taiwan benefited from AI-linked demand, while Japan remained supported by corporate reforms and a weaker yen, despite some late-month profit-taking.
- Global investors continued to watch long-term bond yields and energy prices closely, as both can affect inflation expectations, valuation multiples, and central-bank policy paths across regions.

Watermark Private Portfolios Outlook and Positioning

Equity markets continued to move higher in August; however, we recognize that tariffs, elevated interest rates, inflation, and geopolitical risks create continued uncertainty. We therefore remain globally diversified, with an overweight to high-quality Canadian companies, that trade at lower valuations, thus minimizing downside volatility, while also providing growth to your portfolios.

	Underweight	Target	Overweight	August 2026 Highlights
Equities			●	• We currently have an overweight to Canadian companies, which have relatively lower valuations and invests in companies that have strong and growing cash flows. • The portfolios are well diversified from a sector and individual company standpoint, which should result in a smoother return profile.
Fixed Income	●			• We remain underweight fixed income, holding Brandsen Global Income Opportunities Pool, which offers several fixed income strategies that focus on achieving positive returns in all investment environments, thereby providing more diversification than traditional fixed income.
Private Credit		●		• No change, we maintain our long-term allocation to private credit as it adds asset class diversification and reduces portfolio volatility over the long run.
Private Real Estate & Infrastructure		●		• Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class. Furthermore, the low correlation with public equities diversifies the portfolios. • Private Infrastructure has a massive tailwind with AI data centers and green energy projects needing to be built.

Changes in Portfolio Over the Past Month

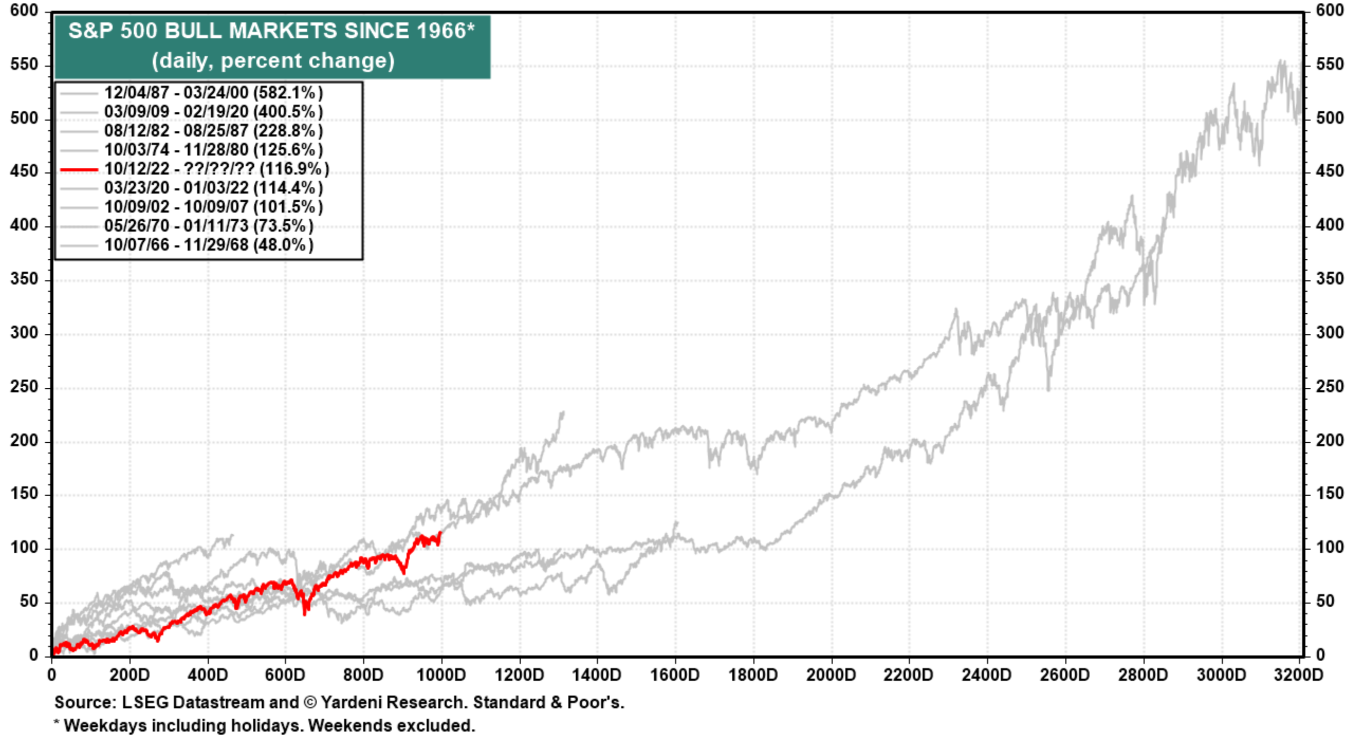
In the Enhanced Conservative Plus Portfolios:

- We sold the Fidelity Global Balanced Portfolio.
- We bought the Dynamic Credit Opportunities Fund ETF.

Did You Know?

As seen in the chart, a bull market can continue its momentum for several years. In this current bull run, beginning October 12, 2022, the S&P 500 has risen over 100% and looks like it can continue higher.

S&P 500 Bull Markets Since 1966



Our Opinion:

Bull-markets are the time to compound and grow your portfolios, which is why we continue to remain overweight equity assets. While there are risks on the horizon, the portfolios are built to participate on the upside, while limiting the drawdowns when markets sell-off. This keeps you invested in equities so that you do not miss the big gains when the market rallies. However, it is important to note that we may be progressing into the latter stages of this bull market, so at some point we will reduce the equity exposure to prepare for more volatile times.

Key Economic Indicators

	Inflation Rate		Interest Rate		Unemployment Rate		GDP Annual Growth Rate		Stock Market Valuation (Forward P/E)	
	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.
USA	3.40%	▼	3.75%	▬	4.10%	▼	2.10%	▼	20.1	▼
Canada	3.00%	▼	2.25%	▬	6.40%	▼	1.10%	▼	16.7	▲
China	0.50%	▼	3.00%	▬	5.20%	▼	4.30%	▼	10.8	▲
Japan	1.90%	▲	1.00%	▬	2.40%	▬	0.70%	▲	16.2	▼
United Kingdom	2.90%	▼	3.75%	▬	4.90%	▬	1.20%	▬	12.7	▲

Source: Trading Economics

DISCLAIMER

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