



HARBOURFRONT
WEALTH MANAGEMENT

**WATERMARK
PRIVATE PORTFOLIOS**

FEBRUARY 2026 COMMENTARY



TRUE INDEPENDENCE™

Market Review in Minutes

Equities

- February witnessed continued geopolitical tensions, particularly in the Middle East, and broader trade policy uncertainty as President Trump announced a new 15% flat tariff, which fueled volatility in the commodity and equity markets.
- The S&P 500 (in CAD) ended flat, slightly falling 0.58%, while the S&P/TSX Composite gained +7.65%.
- International equities (outside the US) also soared +5.19% this month.
- Leaders:** Concerns that Artificial Intelligence (AI) will impact software stocks, led to a rotation out of tech stocks and into safe-haven assets, such as gold. As a result, the tech-heavy S&P 500 lagged the resource-focused S&P/TSX Composite, with metals—including gold, silver, and copper—extending their gains through February.
 - In the US, the utilities and materials sectors led the market higher.
 - In Canada, materials, consumer discretionary, and consumer staples led the S&P/TSX Composite higher.
- Laggards:**
 - In the US, consumer discretionary, communication services, and information technology sectors lagged the market. The largest contributors to the drag were the “Magnificent-7” stocks, such as Microsoft, Amazon, Tesla, Alphabet (Google), Meta, and NVIDIA all positing negative returns.
 - In Canada, information technology and real estate were the largest laggards.

Fixed Income

- All fixed income securities from US government bonds, investment grade bonds (higher-quality corporate bonds) and high yield (riskier-rated bonds issued by companies with weaker fundamentals) bonds rose. The long-term 20+ Year Treasury Bond ETF gained +4.63% this month, a gain not seen since February 2025.
- The Canadian Universe Bond Index rose +1.66% as interest rates in Canada fell and the index is close to the high it hit in 2020.

As at February 28, 2026	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	+1.66%	+2.25%
Canadian Equities <i>S&P/TSX Composite Index</i>	+7.65%	+8.63%
US Equities S&P 500, in C\$	-0.58%	+0.02%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+5.19%	+10.90%
Gold	+8.00%	+22.10%
Oil <i>West Texas Intermediate Crude</i>	+2.78%	+16.72%
Canadian Dollar	-0.18%	+0.60%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) climbed +2.78%, finishing just above \$67, as markets reacted to evolving news out of the Middle East.
- Gold continued its ascent, soaring +8.00% as investors rushed towards safe-haven assets amidst heightened geopolitical tensions, trade policy uncertainties, and investor fears that Artificial Intelligence could impact many businesses.
- The US Dollar snapped its three-month loss streak, ending slightly higher by +0.17%.

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Notable Monthly Highlights

USA – Policy uncertainty continues as President Trump announced a new broad 15% tariff in response to the Supreme Court overturning prior tariffs

- After the Supreme Court deemed Trump’s original tariffs as “illegal,” Trump placed a 10% broad tariff that is now in effect but may later rise to 15% “where appropriate.”
- The US economic data shows persistent inflation and slowing retail sales. However, there was some positive economic data as the labour market and confidence from businesses and consumers improved.
 - Inflation declined to 2.4% YoY in January from 2.7% and coming in slightly lower than the expected 2.5%. Though inflation has edged lower, it persistent above the target of 2.0%.
 - Retail sales remained unchanged in December, coming in lower than the previous month’s gain of 0.6% and below the forecasted 0.4% MoM growth.
 - The unemployment rate for January fell slightly from 4.4% to 4.3%, coming in lower than the market expectations of 4.4%. Moreover, the US non farms payroll report smashed estimates of 70,000 and added 130,000 jobs.
 - Business confidence rose from 47.9 in December to 52.6 in January, beating expectations of 48.5 and expanding for the first time in 12 months.
 - Consumer confidence slightly improved from 56.4 in January to 56.6 in February, though missing expectations of 57.3.

Notable Monthly Highlights (Continued)

Canada – Carney continues working on diversifying trade abroad

- While Trump shocks the world with new tariff announcements, Carney has been busily working with other countries to improve trade relations:
 - Canada and South Korea signed a defense agreement pertaining to enhancing defense relations and its overall industry.
 - Carney focuses on resetting relations with India to unlock new trade opportunities in nuclear power, oil, and critical minerals.
 - Carney will also make trips to Australia and Japan to continue to strengthen international relations.
- It appears that inflation is still persistent. However, on a positive note, there are other economic signs that Canada is improving as retail sales rose, unemployment rate eased, business confidence beat expectations, and consumer confidence moved higher.
 - Inflation eased slightly from 2.4% in December to 2.3% YoY in January and came in slightly below market expectations of 2.4%.
 - According to preliminary estimates, retail sales have soared 1.5% MoM in January. This month's rise would be its largest increase since December 2024.
 - Canada's unemployment rate eased from 6.8% YoY in December to 6.5% in January, which was also lower than the expected 6.8% unemployment rate.
 - Business confidence waned, falling from 51.9 in December to 50.9 in January, but still beat the expectations of 49.7.
 - On the other hand, consumer confidence ticked higher from 46.4 in December to 49.3 in January.

World – Chinese equities fell as renewed concerns on Trump's new broad tariffs

- Chinese equity markets fell as investors fear the impacts of policy tariff uncertainty on its economy.
 - The People's Bank of China held its benchmark lending rates at 3.0%.
 - The Manufacturing PMI (Purchasing Manager's Index) increased slightly from 50.1 in December to 50.3 in January, in line with market consensus.

Watermark Private Portfolios Outlook and Positioning

Global equity markets delivered mixed results in February. The S&P 500 (in CAD) declined, while several major indices outside the United States—most notably Canada, Japan, South Korea, and the United Kingdom—finished the month in positive territory. Heightened policy uncertainty under President Trump has contributed to elevated volatility in US markets, and persistent concerns about AI-driven disruption across industries have reinforced investor demand for safe-haven assets. We continue to hold diversified portfolios, with a tilt towards Canada through Fidelity All-In-One ETF (25% of that is in Canada) and TD Canadian Dividend ETF.

	Underweight	Target	Overweight	February 2026 Highlights
Equities			●	<ul style="list-style-type: none"> The equity investments in the portfolios on the US side focus on companies that are growing their revenue and dividends. While on the Canadian side, Canadian companies have relatively lower valuations compared to the US. The TD Canadian Dividend ETF focuses on holding companies that have strong dividends and that are expected to grow their dividends in the future. Overall, the portfolios are well diversified from a sector and individual company standpoint, which should result in a smoother return profile if volatility picks up.
Fixed Income	●			<ul style="list-style-type: none"> 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		●		<ul style="list-style-type: none"> No change, we maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.
Private Real Estate		●		<ul style="list-style-type: none"> 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 Positioning Over the Past Month

In the Enhanced Balanced Plus Portfolios:

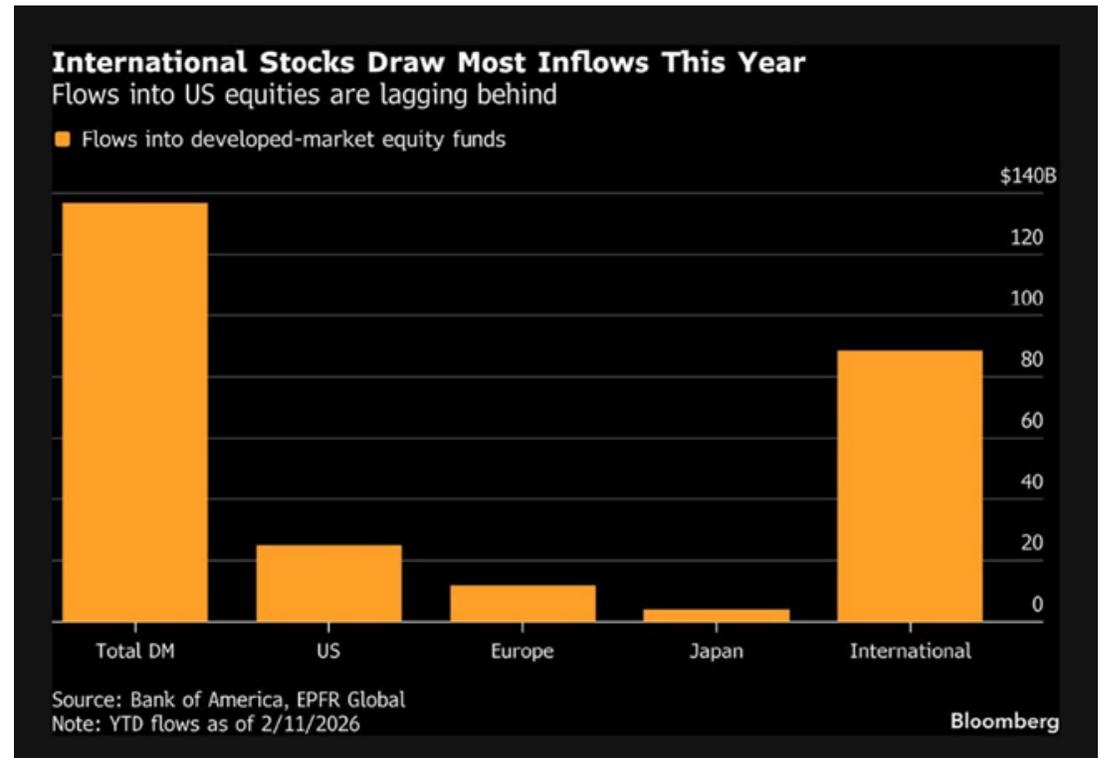
- With the proceeds from our Brandsen Global Income Opportunities Pool and WBY Private Markets Pool, we bought Hamilton US Equity Yield Maximizer ETF in early February.

Did You Know?

As seen on the chart, as of February 11, 2026, more money flowed into countries outside of the US, with \$104 billion flowing into developed markets ex-US year-to-date, while \$25 billion only flowed into US funds.

Our opinion:

As policy uncertainty continues under the Trump Administration and geopolitical tensions heighten, several countries are looking to other major trade partners, instead of the US. We believe the inflows into countries ex-US will likely continue. Therefore, we emphasize the importance of diversification across different geographical regions.



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	2.40%	▼	3.75%	▬	4.30%	▼	2.20%	▼	22	▼
Canada	2.30%	▼	2.25%	▬	6.50%	▼	0.70%	▼	17.6	▲
China	0.20%	▼	3.00%	▬	5.10%	▬	4.50%	▼	12.1	▼
Japan	1.50%	▼	0.75%	▬	2.60%	▬	0.10%	▼	17.6	▲
United Kingdom	3.00%	▼	3.75%	▬	3.00%	▼	1.00%	▼	14.4	▲

Source: Trading Economics

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