



# WATERMARK PRIVATE PORTFOLIOS

JANUARY 2026 COMMENTARY

TRUE INDEPENDENCE™

# Market Review in Minutes

## Equities

- Equity markets experienced renewed volatility at the start of the year amid heightened political uncertainty, including renewed tariff concerns, and geopolitical developments. Headlines news flooded the market all throughout the month, ranging from the capture of Venezuelan president, Trump's interest in Greenland, and the nomination of Kevin Warsh to replace current Fed chair Powell.
- The S&P 500 (in CAD) rose by +0.60%. The S&P/TSX Composite started strong but reversed most of its gains earlier this month; however, it still ended positive, rising by +0.91%.
- International equities (outside the US) had a stellar start to the year, rising +5.44%.
- **Leaders:** Despite the tumble of silver and gold on the final day of January, the tech-heavy S&P 500 still underperformed the resource-heavy S&P/TSX Composite as metals, (gold, silver and copper) soared in January. Crude oil and natural gas also gained this month along with the other commodities.
  - In the US, commodities, such as energy and materials led the market.
  - In Canada, energy, gold miners, and material stocks lifted the S&P/TSX Composite higher.
- **Laggards:**
  - In the US, financials were the biggest laggard, followed by information technology and health care sectors.
  - In Canada, information technology, consumer discretionary, and health care were the largest laggards.

## Fixed Income

- All fixed income securities, ranging 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 Canadian Universe Bond Index rose +0.58%.

As at January 31, 2026	Monthly % Total Return	YTD % Total Return
<b>Canadian Bonds</b> <i>FTSE Canada Universe Bond Index</i>	+0.58%	+0.58%
<b>Canadian Equities</b> <i>S&amp;P/TSX Composite Index</i>	+0.91%	+0.91%
<b>US Equities</b> <i>S&amp;P 500, in C\$</i>	+0.60%	+0.60%
<b>Intl Equities (ex USA)</b> <i>iShares MSCI ACWI ex US</i>	+5.44%	+5.44%
<b>Gold</b>	+13.06%	+13.06%
<b>Oil</b> <i>West Texas Intermediate Crude</i>	+13.57%	+13.57%
<b>Canadian Dollar</b>	+0.78%	+0.78%

# Market Review in Minutes (Continued)

## Commodities

- Oil (WTIC) rose for the first time since July 2025, gaining +13.57% and ending above \$65 as geopolitical tensions heightened in the Middle East.
- Gold had a strong start to the year, soaring past \$5,500. Despite its large correction late January, gold ended above \$4,800 and gained over 10%.
- The US Dollar fell by 0.78% this month.

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# Notable Monthly Highlights

## USA – The US Federal Reserve (FED) held rates at 3.75% in its January meeting

- Though the decision was not unanimous and two FED members voted for a quarter-point cut, the US Federal Reserve (FED) decided to hold its rates steady for the first time since July, leaving the target range between 3.5% to 3.75%.
- The US economic data shows persistent inflation and a cooling labour market. However, there was some positive economic data as retail sales rose and consumer confidence improved.
  - Inflation remained unchanged at 2.7% YoY in December, in line with market consensus. Moreover, the core inflation rate remained at 2.6%, lower than the expected 2.7% YoY rise. However, it is clear inflation is still above the target of 2.0% and is still persistent.
  - Retail sales increased 0.6% in November from October, which was larger than the expected growth of 0.4% and higher than the previous month.
  - The unemployment rate for December fell slightly from 4.5% to 4.4%, coming in lower than the market expectations of 4.5%. On the other hand, the US added only 50K nonfarm payrolls, one of the key labour indicators that help gauge the economic health of the US, which was less than the expected 60K growth.
  - Business confidence fell from 48.2 in November to 47.9 in December. On the other hand, consumer confidence increased from 52.9 in December to 56.4 in January.

# Notable Monthly Highlights (Continued)

## Canada – Bank of Canada held its key policy interest rate in January at 2.25%

- The Bank of Canada kept its key policy interest rate constant at 2.25% during its meeting in January 2026.
- It appears that inflation is still persistent and consumer confidence has weakened. In addition, other economic signs are weakening as retail sales fell and unemployment ticked up slightly higher.
  - Inflation grew from 2.2% in November to 2.4% YoY in December and was slightly above market expectations of 2.2%. Meanwhile, core inflation eased slightly from 2.9% in November to 2.8% in December, remaining close to 2023-highs.
  - According to preliminary estimates, retail sales have fallen by 0.5% MoM in December, after the strong month in November of sales growth of 1.3% MoM. This month's fall would be its largest monthly decline since September 2025.
  - Canada's unemployment rate ticked up higher from 6.5% in November to 6.8% YoY in December, which was also higher than the expected 6.6% unemployment rate.
  - Business confidence improved from 48.4 in November to 51.9 in December, which was above the expectations of 49.5. On the other hand, consumer confidence fell from 47.4 in November to 46.4 in December.

## World – Chinese central bank held interest rates

- Chinese equity markets started 2026 strong rising more than 9% on renewed investor optimism on AI in the Asian markets and China's attempt to stimulate growth.
  - The People's Bank of China held its benchmark lending rates at 3.0%.
  - Industrial production slowed slightly from 4.9% to 4.8% YoY in November and came in below market expectations of 5%.
  - The Manufacturing PMI (Purchasing Manager's Index) increased unexpectedly from 49.9 in November to 50.1 in December, beating market estimates of 49.8.
  - Retail sales growth rate slowed to 0.9% YoY in December from the 1.3% YoY growth the prior month and came in below consensus expectations.

# Watermark Private Portfolios Outlook and Positioning

Global equity markets continued to grind higher in January. However, it appears volatility could pick-up again in 2026 as mid-term election years are typically the most volatile years and President Trump continues to be unpredictable. Furthermore, the run in equities off the bottom in April of 2025 could be fading, so we could take profits on some positions and then reallocate those proceeds into sectors and companies that appear to have a better risk-to-reward potential.

	Underweight	Target	Overweight	January 2026 Highlights
Equities			●	<ul style="list-style-type: none"><li>The equity investments in the portfolios on the US side focus on companies that are growing their revenue and dividends.</li><li>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.</li><li>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.</li></ul>
Fixed Income	●			<ul style="list-style-type: none"><li>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.</li></ul>
Private Credit		●		<ul style="list-style-type: none"><li>No change, we maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.</li></ul>
Private Real Estate		●		<ul style="list-style-type: none"><li>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.</li><li>Private Infrastructure has a massive tailwind with AI data centers and green energy projects needing to be built.</li></ul>

# Changes in Portfolio Positioning Over the Past Month

## In the Enhanced Conservative Plus Portfolios:

- Trimmed Brandsen Global Income Opportunities Pool
- Trimmed Percy Harris Global Equity Pool
- Sold all Fidelity All-In-One Equity ETF
- Sold all iShares Core MSCI All Country World ex Canada Index ETF
- Bought Fidelity All-in-One Growth ETF
- Bought Dynamic Active Enhanced Yield Covered Options ETF

## In the Enhanced Balanced Plus Portfolios:

- Trimmed Brandsen Global Income Opportunities Pool
- Trimmed WBY Private Markets Pool
- With the proceeds, we will buy Hamilton US Equity Yield Maximizer ETF in early February

## In the Private Income Portfolios:

- Trimmed Brandsen Global Income Opportunities Pool
- Bought Dynamic Active Enhanced Yield Covered Options ETF

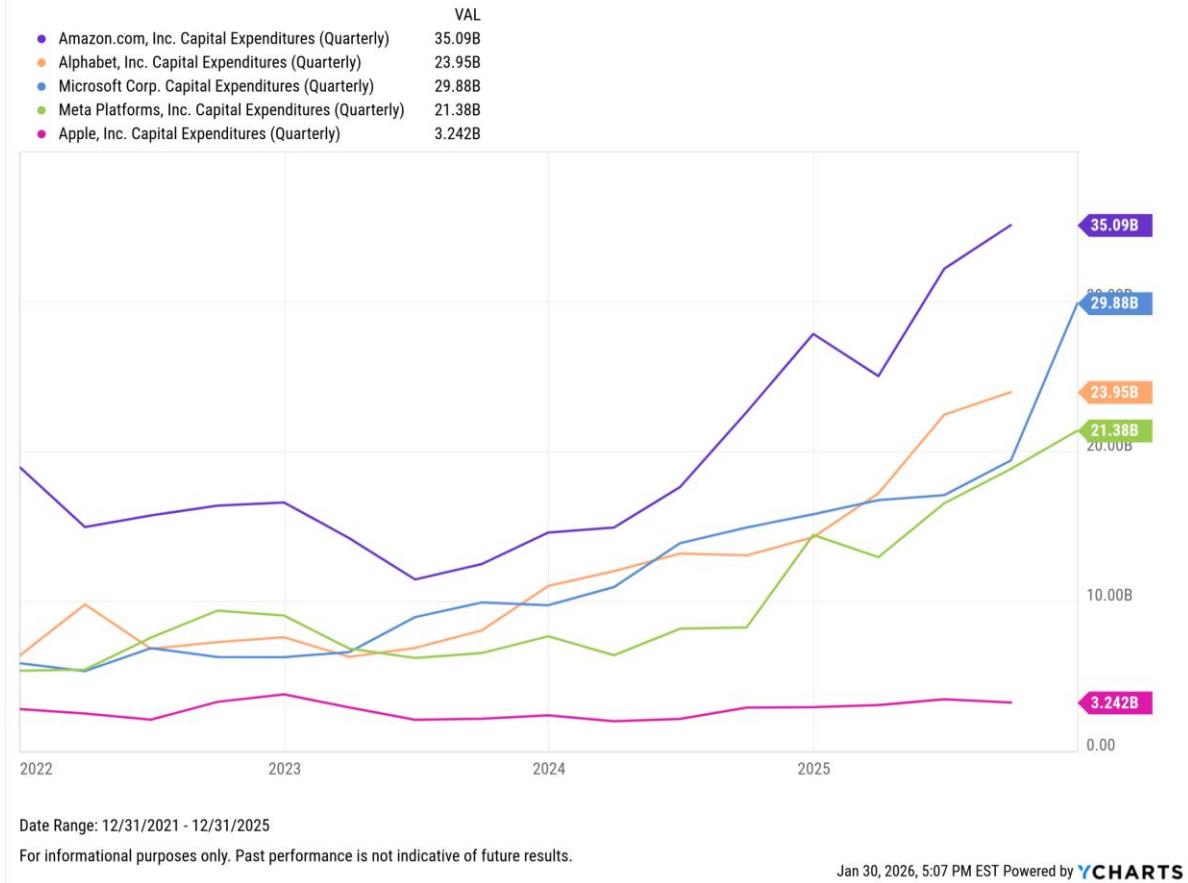
# Did You Know?

The large US technology companies are in an AI arms race and have invested extensive capital into data infrastructure as seen below, with large companies investing over 3 billion quarterly.

## Our opinion:

We continue to believe there is a tail wind for Infrastructure Assets, which is clear to see from the chart that money is flowing into this asset class. We recognize that Artificial Intelligence is in its infancy of the disruptive technology cycle and infrastructure assets is a lower risk way to play this theme. In your portfolios, we are continuing to add on the margin to infrastructure, through our Private Markets Pool. Furthermore, infrastructure is a great diversifier, historically performs better on the downside than equities, and offers an attractive opportunity for your portfolios.

The AI Arms Race: Tech Giants Double Down on Data Infrastructure



# 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	2.70%	▲	3.75%	▲	4.40%	▼	2.30%	▲	22.5	▲
Canada	2.40%	▲	2.25%	▲	6.80%	▲	1.40%	▼	17.4	▲
China	0.80%	▲	3.00%	▲	5.10%	▲	4.50%	▼	13.1	▲
Japan	2.10%	▼	0.75%	▲	2.60%	▲	1.10%	▼	16.6	▲
United Kingdom	6.40%	▲	3.75%	▼	5.10%	▲	1.30%	▼	13.5	▲

Source: Trading Economics

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