HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

JULY 2026 COMMENTARY

Market Review in Minutes

Equities

- Global equities as a whole were weaker in July, as investors navigated renewed global tariffs, tech sector pressure, and continued uncertainty around the US and Iran conflict.

- The S&P 500 (in CAD) was down approximately 1.2% in July. While AI-related capital spending remained an important long-term theme, several AI-linked growth companies sold off on earnings that didn't meet elevated expectations. The S&P/TSX Composite rose approximately 1.3% in July, as Canadian companies trade at more reasonable valuations and the banking sector continued to perform well. International equities outside the US were softer in July, falling roughly 1.1%.

- **Leaders**:
  - In the US, energy, financials, and health care led the market. Energy benefited from the rebound in oil prices and renewed supply-risk concerns, while financials and health care were supported by resilient earnings and investor rotation into sectors that had lagged earlier in the year.
  - In Canada, energy, health care and consumer staples led the market in July. The Canadian energy sector benefited from the rebound in oil prices and the industrials were supported by improving business activity. The health care and consumer staples did well as investors rotated to defensive sectors.

- **Laggards**:
  - In the US, growth-oriented sectors lagged as investors took profits after strong first-half gains, with Information Technology and Industrials weighing most on US equity performance.
  - In Canada, materials and the real estate sector lagged the S&P/TSX Composite.

Fixed Income

- Fixed income markets were negative in July as interest rates moved higher, largely due to rising oil prices (which increase inflation expectations), and resilient economic data.

- The Canadian Universe Bond Index was down approximately 1.6% in July, as Canada's 10-year government bond yield rose to roughly 3.6% by late July. Shorter-term yields also moved higher, which weighed on bond prices despite easing inflation pressure.

As at July 31, 2026	Monthly % Total Return	YTD % Total Return
Canadian Bonds *FTSE Canada Universe Bond Index*	-1.6%	+0.5%
Canadian Equities *S&P/TSX Composite Index*	+1.3%	+12.6%
US Equities S&P 500, in C$	-1.2%	12.3%
Intl Equities (ex USA) iShares MSCI ACWI ex US	-1.1%	+13.3%
Gold	+0.9%	-6.2%
Oil *West Texas Intermediate Crude*	+21.8%	+39.9%
Canadian Dollar	+1.3%	-2.3%

Market Review in Minutes (Continued)

Commodities

- After declining in May and June, the price of oil (WTIC) rebounded sharply in July, rising approximately 21.8% and ending the month at around $84 per barrel. Prices were supported by renewed supply concerns from ongoing geopolitical risks.

- Gold was modestly higher in July, rising approximately 0.9% and trading near $4,040 per ounce by late month. The metal benefited from renewed demand for portfolio protection and ongoing geopolitical uncertainty.

- The US dollar depreciated 1.3% against the Canadian dollar as stronger oil prices supported the Canadian dollar, while higher US yields and cautious central-bank messaging helped limit broader US dollar weakness.

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Canadian Equities *S&P/TSX Composite Index*	+1.3%	+12.6%
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Notable Monthly Highlights

USA – Softer inflation, mixed confidence, and a divided Fed holding rates steady

- The Federal Reserve remained divided in July, with three members preferring a 0.25% rate increase as inflation remains above the Fed's 2.0% target. However, the other nine members voted to maintain the federal funds rate at its current 3.50% to 3.75% range, reinforcing a cautious approach, giving time to see how the USA/Iran conflict plays out (as it is a leading driver of inflation).

- US economic data was mixed but generally strong. Inflation eased from May's spike as energy prices fell, while consumer confidence and the labour market slightly improved. However, tariffs remained a key source of uncertainty, as new July trade measures raised questions around import costs, supply chains, corporate margins, and the inflation outlook:

    - Headline CPI fell 0.4% MoM in June as gasoline prices declined, lowering annual inflation to 3.5% in June from 4.2% in May. Core CPI in June fell to 2.6% YoY from 2.9% and was below market expectations of 2.8%, reflecting the weakest monthly core reading outside a recession since 2017.

    - Retail sales data pointed to moderate consumer spending with sales rising 0.2% MoM in June, which was in line with expectations. Households continued spending but have become more price-sensitive amid higher living costs and uncertainty around tariffs and energy prices.

    - The labour market remained stable, with the unemployment rate slightly dropping to 4.2% in June from 4.3% the previous month, below market expectations of 4.3%.

    - Confidence in the USA was mixed: consumer sentiment improved from 49.5 in June to 54.4 in July, while business confidence fell slightly from 54.0 in May to 53.3 in June.

Notable Monthly Highlights (Continued)

Canada – Inflation eased as the Bank of Canada held rates and growth indicators improved

- The Bank of Canada held its policy rate steady at 2.25% in July, noting that Canada's economy is showing signs of improvement after a weak start to the year. Policymakers remained cautious, as trade-policy uncertainty (USA tariffs), geopolitical risks, and still-elevated headline inflation continued to cloud the outlook.

- Canadian economic data was mixed but generally improved in July-available releases. Inflation eased, the unemployment rate declined, and retail sales continued to grow, while consumer confidence improved. Trade uncertainty remained a key risk after the US announced additional tariff measures on certain Canadian goods, reinforcing concerns around exporters, supply chains, and business investment:

  - Inflation eased to 2.8% YoY in June from 3.2% in May, largely as oil prices fell in May and June. CPI declined 0.4% MoM, the largest monthly decline since December 2024. Core inflation also fell slightly to 2.1% YoY in June from 2.2% in May.
  - Retail sales increased 0.4% MoM in June, following a 1.0% gain in May, the sixth straight monthly increase.
  - The unemployment rate slightly declined to 6.5% in June from 6.6% in May, with the labour market still soft but showing signs of stabilization.
  - Business confidence eased to 56.2 in June from 58.2 in May, while manufacturing PMI improved slightly to 53.0 from 52.9, pointing to continued but uneven expansion.
  - Consumer confidence improved to 47.6 in June from 45.6 in May but remained weak as households continued to face affordability pressures and uncertainty around energy prices.

World – China's growth slowed as high-tech investment and exports offset weak domestic demand

- China's economy grew 4.3% YoY in Q2, slowing from 5.0% in Q1, while quarterly growth eased to 0.9%. Government support, AI-related investment, and exports helped cushion the slowdown, but home prices remained weak and trade tensions continued to weigh on confidence. July tariff developments added another layer of uncertainty for global supply chains and export-oriented companies. Key indicators were mixed:

  - Inflation fell to 1.0% YoY in June from 1.2% in April and May, slightly below expectations of 1.1%.
  - Unemployment improved to 5.0% in June from 5.1% in May, suggesting some stabilization in the labour market despite uneven growth.
  - Retail sales increased 0.4% MoM in June after a small decline in May.
  - Consumer confidence improved to 89.9 from 89.0 in May, still below the long-term average of 108.5. Business confidence improved slightly to 50.3 in June from 50.0, while manufacturing PMI edged lower to 51.7 from 51.8.

Watermark Private Portfolios Outlook and Positioning

Global equity markets were mixed in July, however we continue to remain optimistic on equities as corporate earnings continue to show resilience, and AI-related investment continues to support long-term capital spending. However, we recognize that tariffs, elevated interest rates, inflation, and geopolitical risks create continued uncertainty. We therefore remain globally diversified, with an overweight to Canadian companies, that trade at lower valuations (and the TD Canadian Dividend ETF continues to perform strong), thus minimizing downside volatility and continuing to grow your portfolios.

	Underweight	Target	Overweight	July 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.

Did You Know?

As seen in the chart, the Canadian economic data (wholesale sales, manufacturing sales, housing sales) is showing signs of gradual recovery.

Our opinion:

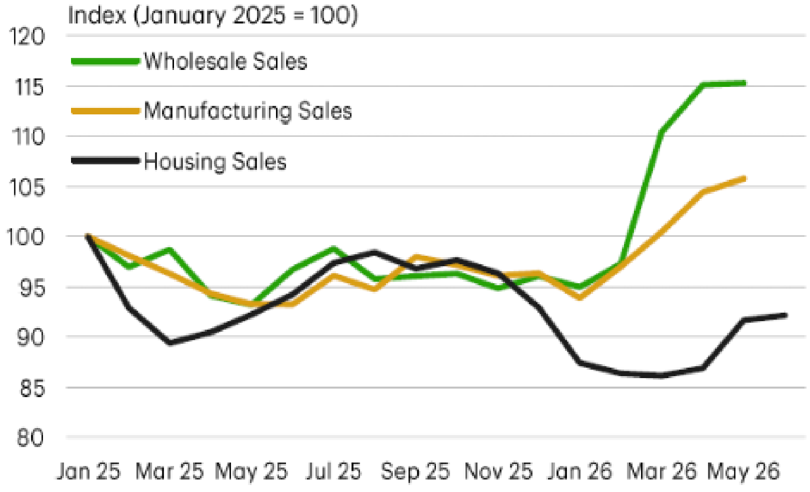
Canadian economic data fell in the second half of 2025 into Q1 2026; however, Canadian equities remained strong, supported largely by Energy and Financials. More recently, overall sales in Canada have picked up and leading sectors such as Industrials, Real Estate, and Utilities rallied too. We continue to maintain an overweight to Canadian equities for these reasons:

1. They provide exposure to high-quality companies with strong cash flows, that pay out meaningful dividends, while trading at more attractive valuations.

2. They increase portfolio diversification by adding exposure to sectors and economic drivers that differ from the US market, helping reduce reliance on a narrow group of large US growth companies.

3. With the US dollar trading at the high end of its range versus the Canadian dollar, there is the risk that the US dollar weakens, driving the returns on US stocks lower to Canadian investors.

Canadian Weekly Data Flow Pointing to Stronger Underlying Momentum



Source: Statistics Canada, CREA, TD Economics.

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	3.50%	▼	3.75%	▬	4.20%	▼	2.10%	▼	19.8	▼
Canada	2.80%	▼	2.25%	▬	6.50%	▼	-0.10%	▼	16.1	▲
China	1.00%	▼	3.00%	▬	5.00%	▼	4.30%	▼	10.9	▲
Japan	1.70%	▲	1.00%	▬	2.50%	▬	0.60%	▲	16.1	▼
United Kingdom	2.60%	▼	3.75%	▬	4.90%	▬	0.90%	▬	12.9	▲

Source: Trading Economics

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