HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

JUNE 2026 COMMENTARY

Market Review in Minutes

Equities

- Global equities declined in June, with weakness concentrated in US mega-cap technology and growth stocks after Space Exploration Technologies' highly anticipated IPO drew investor attention with rebalancing of large mega-cap technology stocks to provide capital to participate in the IPO, while also rotating capital into other sectors.

- The S&P 500 declined 1.28% in June. In CAD, however, the S&P 500 was up 1.69% for the month due to the USD appreciation. The S&P/TSX Composite rose +0.80%. International equities (outside the US) ended essentially flat, rising only by +0.59% in June.

- **Leaders**:
  - In the US, industrials were the largest contributor, supported by infrastructure, aerospace, defence, automation, and reshoring themes. Health care was the second largest contributor.
  - In Canada, financials, consumer staples, and health care were the strongest Canadian sector contributors. Financials were supported by their large index weight, dividend appeal, and expectations that lower rates could help lending and housing activity. Staples and health care benefited from defensive demand and stable earnings.

- **Laggards**:
  - In the US, communication services, energy, and consumer discretionary were the largest laggards. Weakness in the Mega Cap 7 companies — the largest US growth companies across technology, online platforms, and consumer discretionary businesses — weighed on these sectors as investors took profits after a strong run in these companies in April and May.
  - In Canada, materials and energy were the largest laggards. Materials were pressured by softer commodity prices, particularly the price of precious metals. Energy lagged as oil prices fell on easing of the Iran-US conflict.

Fixed Income

- Fixed income markets were positive in June as bond prices benefited from lower yields. Longer-term US government bonds led the way, while intermediate and short-term government bonds also gained as investors sought high-quality income and some portfolio protection as money came out of the largest global stocks.

- The Canadian Universe Bond Index rose slightly by +0.54% as investors balanced softer economic data with persistent inflation.

As at June 30, 2026	Monthly % Total Return	YTD % Total Return
Canadian Bonds *FTSE Canada Universe Bond Index*	+0.54%	+2.16%
Canadian Equities *S&P/TSX Composite Index*	+0.80%	+11.16%
US Equities S&P 500, in C$	+1.69%	+13.64%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+0.59%	+14.64%
Gold	-11.75%	-7.28%
Oil *West Texas Intermediate Crude*	-20.44%	+21.04%
Canadian Dollar	-2.91%	-3.40%

Market Review in Minutes (Continued)

Commodities

- The price of oil (WTIC) was volatile in June as Middle East tensions kept risk premiums elevated early in the month, before prices eased on reports of a possible US-Iran agreement and expectations for improved supply flows. WTIC ended the month below $70 per barrel and 20.44% lower for the month, marking one of the largest monthly declines since the COVID-era oil selloff in 2020.

- Gold was modestly lower, falling 11.75% as a firmer US dollar reduced the appeal of holding non-income-producing assets, despite ongoing geopolitical uncertainty. Gold ended the month around $4,007 per ounce.

- The US dollar strengthened against the Canadian dollar as new Federal Reserve chairman Kevin Warsh stated he intends to combat inflation, with the market reading that there will be no near-term interest rate cuts. The US dollar rose approximately 2.99% against the Canadian dollar for the month.

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Notable Monthly Highlights

USA – Space Exploration IPO pressured Mega Cap 7, while inflation stayed elevated and the Fed remained cautious

- Space Exploration Technologies' highly anticipated initial public offering was popular with retail investors and added to market volatility, as markets assessed its valuation and potential future inclusion in major growth-oriented indices, such as the Nasdaq-100. This created some pressure on existing mega-cap and large-cap holdings, including Apple, Microsoft, Nvidia, Amazon, and Tesla, as passive strategies (Index ETF's) prepared to rebalance.

- The Federal Reserve held its key interest rate steady at 3.75% in June. New Fed Chair Kevin Warsh's first meeting reinforced a more cautious, data-dependent tone, with markets reducing expectations for near-term interest rate cuts as inflation remained above target and the labour market stayed resilient.

- US economic data remained mixed. Inflation moved higher, retail sales improved, and business confidence strengthened, while consumer confidence recovered from May's record low but remained historically weak:

  - ➢ Inflation rose to 4.2% YoY in May from 3.8% in April, which was in line with market expectations, but it still marked its highest level since April 2023.
  - ➢ Core inflation, which excludes food and fuel, rose to 2.9% YoY in May, its highest level since September 2025. Shelter, transportation services, medical care services, and apparel were the main drivers.
  - ➢ Retail sales increased 0.9% MoM in May, improving from 0.4% in April, and beating consensus expectations of a 0.5% MoM gain.
  - ➢ The unemployment rate held steady at 4.3% in May, in line with market expectations. The key non-farm payroll reports showed strong employment, with an increase of 172K jobs, surpassing market forecasts for a gain of 85K.
  - ➢ Despite mixed economic data, overall confidence improved: business confidence rose to 54.0 in May from 52.7 in April, while consumer confidence increased to 49.5 in June from 44.8 in May.

Notable Monthly Highlights (Continued)

Canada – Bank of Canada holding its policy rate steady in June

- The Bank of Canada held its policy rate steady at 2.25% in June as policymakers continued to balance renewed inflation pressure against softer growth and ongoing trade-policy uncertainty.
- Canadian economic data was mixed but improved in several areas. Canada experienced stronger retail sales, a lower unemployment rate, and firmer business confidence but this was offset by higher inflation and weaker consumer sentiment:
    - Inflation rose to 3.2% YoY in May from 2.8% in April, which surpassed the market forecast of 3.0% in May.
    - Likewise, annual core inflation ticked up slightly higher to 2.2% in May from 2.1% in April.
    - Retail sales increased by 1.0% MoM in May, improving from 0.6% in April.
    - The unemployment rate declined to 6.6% in May from 6.9% in April, the lowest level since January.
    - Business confidence improved to 58.2 in May from 57.7 in April, while manufacturing PMI eased modestly to 52.9 from 53.3.
    - Consumer confidence fell to 45.6 in May from 49.2 in April, suggesting households remain cautious despite some improvement in labour-market data.

World – China's uneven recovery weighed on commodities, trade sentiment, and emerging markets

- Chinese equity markets were choppy in June. Mainland equities were slightly lower, while Hong Kong-listed Chinese equities weakened late in the month as investors took profits and remained cautious over the pace of the recovery. Policy support, technology investment, and stronger services activity helped cushion the slowdown, but property-sector concerns, trade tensions, and weak consumer sentiment continued to weigh on confidence. Key indicators were mixed:
    - Inflation remained low at 1.2% YoY in May, remaining unchanged from the previous month and below market expectations.
    - Unemployment improved to 5.1% in May from 5.2%.
    - Retail sales declined 0.38% MoM, while consumer confidence slipped to 89.0 from 90.
    - Business confidence eased to 50.0 from 50.3 and manufacturing PMI fell to 51.8 from 52.2, while services PMI improved to 54.4 from 52.6.

Watermark Private Portfolios Outlook and Positioning

Global equity markets were mixed in June, and we remain cautiously bullish on equities as corporate earnings continue to show strength, AI-related investment continues to support growth-oriented sectors, and market momentum remains positive. At the same time, we recognize that inflation, elevated bond yields, trade-policy uncertainty, and geopolitical risks could create renewed volatility. As a result, portfolios remain diversified across regions, sectors, asset classes, and managers, with flexibility to reduce risk on any negative news related situations.

	Underweight	Target	Overweight	June 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.

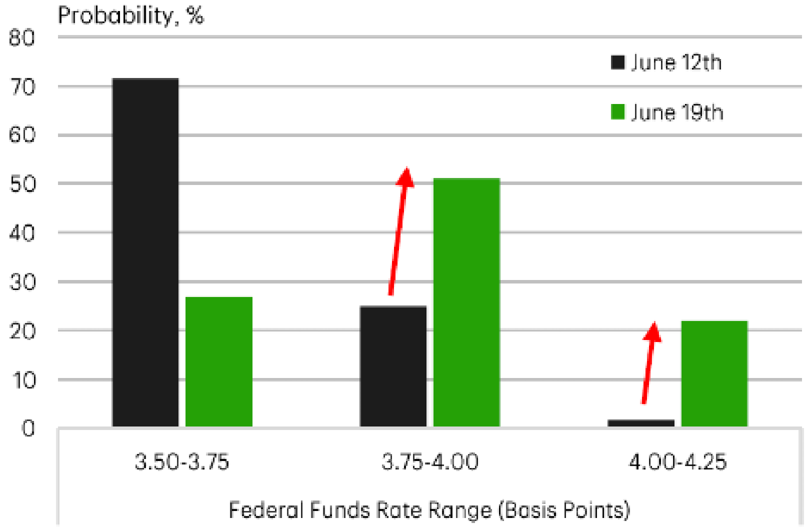
Did You Know?

As seen in the chart, the probability of an interest rate hike occurring later this year by the US Federal Reserve has increased, indicating a “hawkish” signal. In particular, the probability that the funds target rate could hike by 0.25% rose from about 20% to 50%. Likewise, there was also an increased probability that the target funds rate could rise by 0.50% by year end to 4.00% to 4.25%.

Our opinion:

If the FOMC decides to increase interest rates in 2026, this would likely send fixed income assets lower, as higher interest rates drive current bond prices lower (as old rates are now worth less than current rates). This reinforces the benefit of maintaining diversified portfolios, including an allocation to private assets, which historically have a very low correlation to fixed income and equities, meaning that if equities and fixed income sell-off, private assets have historically held up.

Rate Hike Odds Rise on Hawkish FOMC Dot Plot



Source: CME Group, 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	4.20%	▲	3.75%	▬	4.20%	▼	2.70%	▲	20.8	▼
Canada	3.20%	▲	2.25%	▬	6.60%	▼	-0.10%	▼	15.8	▬
China	1.20%	▬	3.00%	▬	5.10%	▼	5.00%	▲	10.2	▼
Japan	1.50%	▲	1.00%	▲	2.50%	▬	0.60%	▲	16.9	▼
United Kingdom	2.80%	▬	3.75%	▬	4.90%	▼	0.90%	▬	12.3	▼

Source: Trading Economics

DISCLAIMER

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