



**HARBOURFRONT**  
WEALTH MANAGEMENT

**WATERMARK  
PRIVATE PORTFOLIOS**

**MARCH 2026 COMMENTARY**



**TRUE INDEPENDENCE™**

# Market Review in Minutes

## Equities

- Geopolitical tensions escalated in March after the US and Israel targeted a senior Iranian leadership meeting on February 28th, leading to the deaths of several high-ranking Iranian officials. This resulted in return strikes against US bases in the region and against Israel, who then increased the bombing of Iran. Commodity and equity markets have reacted sharply to developments in this on-going event. The uncertainty drove oil higher, impacting inflation expectations, and also led to a significant rise in volatility, reaching levels not seen since April 2025.
- The S&P 500 (in CAD) ended lower by 3.10% (helped by CAD falling 1.88%), while the S&P/TSX Composite fell 4.35%.
- International equities (outside the US) fell more, with the MSCI EAFE Index falling over 7%.
- **Leaders:**
  - The energy sector was the only positive sector in the S&P 500.
  - In Canada, energy and utilities led the S&P/TSX Composite.
- **Laggards:**
  - In the US, industrials, health care, and consumer staples sectors lagged the market. The “Magnificent-7” stocks, such as Amazon, Tesla, Alphabet (Google), Microsoft, and NVIDIA all posted negative returns, with Meta falling the most.
  - In Canada, gold, materials, and consumer discretionary 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, ended negative as interest rates rose due to the upward move in inflation risks posed by higher oil prices.
- The Canadian Universe Bond Index fell 1.97% as interest rates in Canada rose.

| As at March 31, 2026                                            | Monthly % Total Return | YTD % Total Return |
|-----------------------------------------------------------------|------------------------|--------------------|
| <b>Canadian Bonds</b><br><i>FTSE Canada Universe Bond Index</i> | -1.97%                 | +0.23%             |
| <b>Canadian Equities</b><br><i>S&amp;P/TSX Composite Index</i>  | -4.35%                 | +3.90%             |
| <b>US Equities</b><br>S&P 500, in C\$                           | -3.10%                 | -3.09%             |
| <b>Intl Equities (ex USA)</b><br>iShares MSCI ACWI ex US        | -8.03%                 | +2.00%             |
| <b>Gold</b>                                                     | -11.43%                | +8.14%             |
| <b>Oil</b><br><i>West Texas Intermediate Crude</i>              | +51.27%                | +76.56%            |
| <b>Canadian Dollar</b>                                          | -1.88%                 | -1.29%             |

# Market Review in Minutes (Continued)

## Commodities

- Due to oil supply concerns from the US-Iran conflict and the Strait of Hormuz disruptions, which is a critical passage for global oil, the price of oil surged over 50% (WTI Crude) reaching a high of about \$119 and ending at about \$101. The impact of the war is already hitting consumers, as we are seeing a spike at the gas pump.
- Gold fell 11.43 % as interest rates rose and the US Dollar appreciated.
- The US Dollar continues its strength, rising higher by +1.92%.

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# Notable Monthly Highlights

## USA – US Federal Reserve (FED) holds short-term interest rates

- The US Federal Reserve held interest rates at the target rate 3.5% to 3.75% for the 2<sup>nd</sup> consecutive meeting, which was widely expected; however, should the Middle Eastern conflict extend longer, it could put upward pressure on interest rates and force the FED into an interest rate hike down the road.
- The US economic data shows persistent inflation, slowing retail sales and consumer confidence, and a weakening labour market.
  - Inflation held steady at 2.4% YoY in February and remains above the target of 2.0%. Likewise, core inflation remained steady at 2.5%.
  - Retail sales fell by 0.2% MoM in January but slightly beat market expectations of a 0.3% MoM decline. It was the first drop since October 2025.
  - The unemployment rate for February ticked back up to 4.4% from 4.3%, coming in higher than the market expectations of 4.3%. Moreover, the US non farms payroll report lost 92K jobs in February, the most in four months and considerably below the market forecast of a 59K gain.
  - Business confidence declined to 52.4 from 52.6 but still beat the consensus of 51.8.
  - Consumer confidence fell to 53.3 in March, down from the preliminary estimate of 55.5 and missed the consensus of 54.

# Notable Monthly Highlights (Continued)

## Canada – Bank of Canada held key interest rate at 2.25%

- Bank of Canada held its interest rate at 2.25% as widely expected but is actively monitoring inflation concerns due to the rise in oil prices.
- Prime Minister Carney has continued to make developments in infrastructure and defense spending:
  - During Carney’s election campaign, he had pledged to invest in national defense. Carney has already managed to meet this commitment by reaching the North Atlantic Treaty Organization’s (NATO) target of spending 2% of GDP on national defense.
  - Carney also announced of plans of \$35B investment in the Arctic defense and Northern infrastructure.
- As Canada is undergoing weakness in the economy and an ongoing trade dispute with the US, the Bank of Canada is faced with a dilemma on its next interest rate decision as policymakers now need to consider the upward inflationary pressure due to the Middle East conflict. Right before the war, inflation appeared to have eased in February, but the labour market appears to be weakening:
  - Inflation eased slightly from 2.3% in January to 1.8% YoY in February and came in slightly below market expectations of 1.9%. Core inflation also fell to an 11-month low.
  - According to preliminary estimates, retail sales have increased by 0.9% in February.
  - Canada’s unemployment rate ticked up from 6.5% YoY in January to 6.7% in February, which was also higher than the expected 6.6% unemployment rate.
  - Business confidence improved substantially from 50.9 in January to 56.6 in February, which unexpectedly beat market consensus of 51.1.
  - On the other hand, consumer confidence fell from 49.3 in January to 47.5 in February.

## World – Chinese equities fell along with the major indices

- Chinese equity markets fell over 6% in March.
- The People’s Bank of China held its benchmark lending rates at 3.0%.
- The Manufacturing PMI (Purchasing Manager’s Index) continued slightly from 50.3 in January to 52.1 in February, marking its highest level since December 2020.

# Watermark Private Portfolios Outlook and Positioning

Global equity markets ended in negative territory in March. As geopolitical risks remain high with uncertainty about how the war ends, we reduced equity exposure in early March and moved 5% of the portfolio to high-quality, short duration, Canadian investment grade bonds (such as bonds issued by the five largest Canadian banks). 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 | March 2026 Highlights                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------|-------------|--------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Equities</b>                                 |             |        | ●          | <ul style="list-style-type: none"> <li>• Early March, we trimmed our equity exposure and added to fixed income but remained overweight equities (which includes the Private Real Estate and Infrastructure positions).</li> <li>• On the last day of March, we put money back to work in the software space.</li> <li>• We currently have an overweight to Canadian companies, which have relatively lower valuations compared to the US. The TD Canadian Dividend ETF focuses on holding companies that have strong dividends, which are expected to grow 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 in this volatile market</li> </ul> |
| <b>Fixed Income</b>                             | ●           |        |            | <ul style="list-style-type: none"> <li>• We added to fixed income exposure by purchasing high-quality investment grade Canadian Fixed Income.</li> <li>• Overall, 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>                                                                                                                                                                                                                                                                                                        |
| <b>Private Credit</b>                           |             | ●      |            | <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 reduces portfolio volatility over the long run.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Private Real Estate &amp; Infrastructure</b> |             | ●      |            | <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:

- Early March, we sold the Fidelity All-in-One Growth ETF.
- Early March, we bought the Fidelity All-in-One Conservative ETF.

## In the Enhanced Conservative Balanced, Balanced Growth, & Strategic Growth Plus Portfolios:

- Early March, we trimmed the Fidelity All-in-One Equity ETF.
- Early March, we sold iShares Core MSCI All Country World ex Canada Index ETF.
- Early March, we bought Invesco 1-5 Year Laddered Investment Grade Corporate Bond Index ETF.
- Last day of March, we sold Invesco 1-5 Year Laddered Investment Grade Corporate Bond Index ETF.
- Last day of March, we bought iShares Expanded Tech-Software Sector ETF.

## In the All Equity Plus Portfolios:

- Last day of March, we sold Invesco 1-5 Year Laddered Investment Grade Corporate Bond Index ETF.
- Last day of March, we bought iShares Expanded Tech-Software Sector ETF.

# Did You Know?

Since 1950, anytime an investor bought the S&P 500 after it fell:

- 10% or more, the average return was 15% one year out, 42% three years out, and 72% five years out.
- 20% or more, the average return was 17% one year out, 45% three years out, and 74% five years out.
- 30% or more, the average return was 21% one year out, 48% three years out, and 88% five years out.

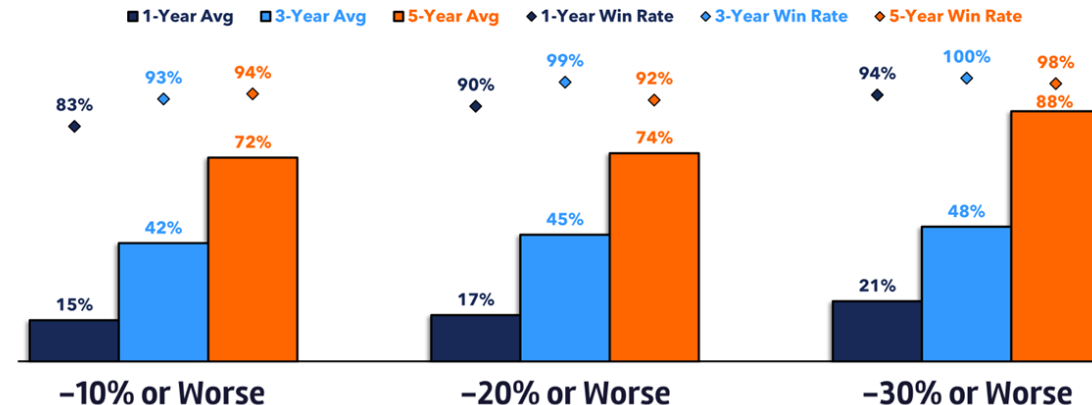
## Our opinion:

As of March 30th, the S&P 500 was down approximately 9.65% from its high in late January, which as shown on the chart, has a strong probability of good returns going forward. Furthermore, global stock markets appear to be oversold when looking out 6 weeks, as several technical and positioning signals appear to indicate a rebound may have started on March 31st. Having this in mind, we added back equity exposure through the Software Index, which has sold off more than the S&P 500. Should sentiment around Iran improve and a “risk-on” environment prevail in the short-run, we feel this sector has the potential for a quick move higher.

## Returns After S&P 500 Drawdowns



S&P 500 Forward Returns and Win Ratios by Different Drawdown Thresholds Since 1950.




























Source: Ritholtz, data via YCharts

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# 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.                                                                                |
| <b>USA</b>            | 2.40%          |  | 3.75%         |  | 4.40%             |  | 2.00%                  |  | 19.9                                 |  |
| <b>Canada</b>         | 1.80%          |  | 2.25%         |  | 6.70%             |  | 0.70%                  |  | 16.4                                 |  |
| <b>China</b>          | 1.30%          |  | 3.00%         |  | 5.30%             |  | 4.50%                  |  | 11.2                                 |  |
| <b>Japan</b>          | 1.30%          |  | 0.75%         |  | 2.60%             |  | 0.10%                  |  | 15.7                                 |  |
| <b>United Kingdom</b> | 3.00%          |  | 3.75%         |  | 5.20%             |  | 1.00%                  |  | 13.1                                 |  |

Source: Trading Economics

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