

Owning the Inputs to the Future – The Case for Canada

From the Desk of the Fundamental Equities Team

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The World Has Changed

For much of the last two decades, investors were rewarded for owning the companies shaping the digital economy.

The next decade may reward those who own the inputs that make that economy possible.

Artificial intelligence ("AI") needs power. Electrification needs critical minerals. Reindustrialization needs reliable supply chains. Energy security needs trusted partners.

Canada provides all four.

Often viewed primarily as a resource market, Canada may be better understood as a country positioned at the intersection of the forces reshaping the global economy. According to TD Asset Management Inc.'s (TDAM) Fundamental Equities team, this unique combination of resource abundance, political stability, trade access and infrastructure investment, underpins a compelling long-term case for Canada.

Key Takeaways

- Canada owns many of the inputs behind AI, electrification, reindustrialization and energy security
 - Resource abundance is reinforced by stable institutions, durable policy support and access to major global markets
 - New investments in trade corridors and ports, Arctic infrastructure and energy development could improve how Canadian resources reach markets beyond the U.S.
 - The composition of the Canadian market offers increased diversification benefits relative to increasingly technology-concentrated U.S. equity markets
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Why Canada's Advantages May Matter More Than Ever

Megatrends Working in Canada's Favour

Canada's investment case is being strengthened by two secular shifts.

The first is the growing demand for energy. AI, data centres, electric vehicles, advanced manufacturing and industrial reshoring all require enormous amounts of power. Canada stands out among developed markets due to its hydroelectric resources, natural gas reserves, uranium exposure, critical minerals and ability to expand supply over time.

The second is the shift from globalization toward more regionalized and secure supply chains. As North America and NATO seeks to strengthen domestic production and reduce dependence on foreign suppliers, Canada's resources, manufacturing capacity, skilled workforce and integration with U.S. supply chains become increasingly important.

A Trusted Partner in an Uncertain World

The world is increasingly prioritizing secure supply chains and dependable trading relationships.

A decade ago, the priority was often finding the lowest-cost producer. Today, reliability matters just as much.

Canada's position as a NATO member, and one of the world's most politically stable, resource-rich nations makes it uniquely aligned with these priorities. In a world where reliability matters as much as efficiency, Canada's value proposition has strengthened considerably.

Policy Durability

One of Canada's most underappreciated advantages may be policy consistency.

Many countries possess energy, minerals or industrial capacity. Far fewer combine those assets with stable institutions, established trade relationships and durable support for their development.

Across Canada, priorities such as infrastructure, critical minerals, energy security and trade diversification continue to receive support across the political landscape. While policies can evolve, this degree of alignment may offer businesses and investors greater confidence when committing capital to projects that can take years, or even decades, to develop.

Resources create potential. Policy durability helps turn that potential into an investable opportunity.

Canada Is Playing Offence

Canada's opportunity is not just about what it already has. It is also about what it is building.

Significant investment by the Federal Government is being directed toward strengthening infrastructure, energy development, critical minerals projects, and the transportation networks that connect Canadian products with global markets.

The \$5 billion Trade Diversification Corridors Fund is intended to strengthen trade-enabling infrastructure and help Canadian businesses reach markets beyond the U.S. The \$1 billion Arctic Infrastructure Fund will support major transportation projects in the North, improving connectivity while supporting regional development and Canada's northern interests.

Together, these investments could improve how goods move across the country, expand access to overseas markets and support more diversified trading relationships. Combined with Canada's existing trade access, this infrastructure can help the country capture more value across the full supply chain.

Canada is not simply waiting for global demand to arrive. It is actively investing to capture it.

The TSX Is Built for the Next Cycle

Many investors already have meaningful exposure to the U.S. market and, by extension, its increasingly influential technology sector. Canada offers something different.

The Canadian market has significantly greater exposure to Energy, Materials and Industrials, sectors that may benefit from rising energy demand, infrastructure investment, critical mineral development and industrial growth.

As the correlation matrix below illustrates, these sectors have historically been less closely correlated with the S&P 500 Information Technology Index ("S&P 500 I.T."), providing exposure to different economic drivers and potential diversification within a broader portfolio.

Index	S&P 500 I.T.	TSX Energy	TSX Materials	TSX Industrials	S&P 500 Index	S&P/TSX
S&P 500 I.T.	1	0.16	0.14	0.55	0.87	0.49
TSX Energy		1	0.29	0.46	0.42	0.73
TSX Materials			1	0.27	0.26	0.55
TSX Industrial				1	0.74	0.78
S&P 500 Index					1	0.75
S&P/TSX						1

Source: Bloomberg Finance LP. S&P/TSX = S&P/TSX Composite Index. From August 31, 2016 to August 31, 2026.

Coast to Coast to Coast: Owning the Inputs to the Future

Canada's story extends far beyond any single industry or province. Across the country lies a network of resources required to support AI, electrification, manufacturing and energy security.

- Atlantic Canada offers rare earth elements, nickel, copper and energy resources
- Quebec is home to lithium, graphite, hydroelectric power, rare earth elements and critical minerals processing capabilities
- Ontario boasts the large, mineral-rich region "Ring of Fire", nuclear power infrastructure and world-class mining assets
- Western Canada supplies uranium, potash, copper, oil and natural gas
- The Territories contain significant rare earth elements and critical mineral deposits

Together, these resources give Canada exposure to many of the inputs required for AI infrastructure, electrification, advanced manufacturing and energy security.

Canada is not simply a producer of commodities. It has the potential to supply the building blocks of the future economy.

The map below shows how broadly this opportunity extends across the country, spanning multiple provinces, territories, resources and industries.



Source: TD Asset Management Inc. For illustrative purposes only.

TDAM's Canadian Equity Opportunities

The following TDAM Mutual Funds and Exchange-Traded Funds (ETFs) provide access to a wide range of Canadian companies and investment opportunities.

Style	Mutual Funds	Exchange-Traded Funds
Core	TD Canadian Equity Fund	-
Dividend	TD Dividend Growth Fund	TD Q Canadian Dividend ETF
Low Volatility	TD Canadian Low Volatility Fund	TD Q Canadian Low Volatility ETF
Passive	TD Canadian Index Fund	TD Canadian Equity Index ETF
Small Cap	TD Canadian Small-Cap Equity Fund	-

Putting It All Together

The strongest case for Canada is not what mattered over the last decade. It is what may matter in the next one.

As the world demands more electricity, more critical minerals, more secure supply chains and more trusted partners, Canada's competitive advantages become increasingly relevant. Those are not cyclical themes. They are structural trends and few countries are as well positioned to support them as Canada.

For years, Canada was often viewed primarily as a resource market in a technology-driven world. The next decade may reveal a different reality:

The world needs exactly what Canada has.

**For further information,
please contact your TDAM representative.**

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