TD Asset Management

Market Perspectives 10 Minutes

Turbulence or Tailwinds? Opportunities Across Aerospace, Defense & Consumer Travel

From the Desk of the Fundamental Equities Team

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Key takeaways:

- Aerospace & Defense companies continue to benefit from strong travel demand, constrained aircraft supply, and increasing global defense spending
- Consumers continue to prioritize travel, leisure, and experiences, supporting opportunities across select consumer service industries
- Diversification and active research remain important considerations as market leadership rotates across sectors and investment styles

Q1. What are the key structural drivers supporting the Aerospace & Defense sector today?

Several long-term trends continue to support the sector. Airlines are facing strong travel demand while aircraft supply remains constrained, resulting in lengthy delivery timelines for new planes. Governments are also increasing defense spending commitments, creating greater visibility for multi-year procurement programs. Growth in space-related technologies and infrastructure represents an additional area of opportunity.

Q2. Why are aerospace companies performing well despite production challenges across the industry?

A common misconception is that aerospace performance is driven solely by aircraft production. Many companies generate significant earnings from servicing, repairing and maintaining existing fleets. As airlines keep aircraft in service longer, demand for aftermarket services, engines and replacement parts continues to support business fundamentals.

Q3. What characteristics distinguish the strongest consumer service companies today?

At TD Asset Management ("TDAM", "we", "our"), we believe investors should evaluate three factors: the attractiveness of the industry, the competitive positioning of the business, and the valuation of the stock. Companies that are gaining market share typically offer compelling value propositions, resonate with consumers through effective marketing, and continuously innovate to stay ahead of changing trends.

Q4. Are consumers still prioritizing travel and experiential spending?

Current trends suggest that travel continues to command a growing share of consumer spending. Travel has increasingly been viewed as a staple rather than a luxury, with hotels, cruise operators and other travel-related businesses reporting encouraging demand trends and booking activity extending into 2027.

Q5. What are the key takeaways advisors can bring into client conversations?

Two important themes emerged from the discussion. First, diversification remains an important consideration in an environment where market leadership can shift between sectors and investment styles. Second, TDAM's research platform provides portfolio managers with direct access to company executives, industry conferences, and management teams, helping inform long-term investment decisions and identify opportunities that may not be apparent through public information alone.

Q6. Which TDAM funds currently have the highest exposure to aerospace and defence companies?

Strategy	Aerospace & Defence Weight
TD Active U.S. Enhanced Dividend ETF	9.23%
TD Active Global Enhanced Dividend ETF	8.32%
TD North American Dividend Fund	7.79%
TD International Equity Focused Fund	6.24%
TD Tactical Monthly Income Fund*	5.57%
TD U.S. Dividend Growth Fund	4.40%
TD U.S. Monthly Income Fund*	4.40%
TD Global Equity Focused Fund	4.32%
TD U.S. Equity Focused Fund	4.20%
TD Balanced Growth Fund*	3.82%

Source: TD Asset Management. As of July 31, 2026. *Indicates equity portion of balanced fund. Sector exposures are subject to change.

For further information, please contact your TDAM representative.