

Finding Opportunity Through Changing Markets

From the Desk of the Asset Allocation Team

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Markets are navigating a period of uncertainty amid shifting economic conditions, evolving policy priorities, and a complex geopolitical backdrop. Inflation remains top of mind for policymakers, growth is moderating, and markets are adjusting to a higher-for-longer interest rate environment, while fiscal and monetary policy remain under scrutiny as governments seek stability without reigniting inflation. Upcoming midterm elections and ongoing central bank decisions, add another layer of uncertainty, contributing to expected volatility and testing investor confidence.

What Policy and Politics Mean for Investors

From an investment perspective, trade and industrial policies—such as CUSMA (Canada-U.S.-Mexico Agreement), evolving legislation like the One Big Beautiful Bill Act (**OBBBA**), and the continued use of **tariffs**—remain important drivers of supply chains, corporate earnings, and regional growth prospects. However, their impact is increasingly shaped by elevated tariff uncertainty and shifting political monetary priorities, which can alter policy direction over time.

OBBBA's consumer benefits are expected to be felt more fully in 2026, as tax rebates and lower effective tax burdens support household spending and help stabilize U.S. consumption. Meanwhile, although CUSMA negotiations may remain noisy, a full withdrawal is a low-probability tail risk, with incremental changes or year-to-year renewals more likely to preserve the deeply integrated North American trade framework.

Midterm elections and U.S. Federal Reserve (the Fed) decisions add another layer of uncertainty, as shifts in the balance of power could constrain the administration's ability to advance new legislation. At the same time, the transition to a new Fed chair is expected to occur alongside an already-established easing cycle, underscoring how changing political, fiscal, and monetary dynamics can influence market leadership and reinforce the importance of staying flexible and diversified.

Figure 1: Policy and Political Timeline: What Investors are Watching in 2026



Note: For illustrative purposes only.

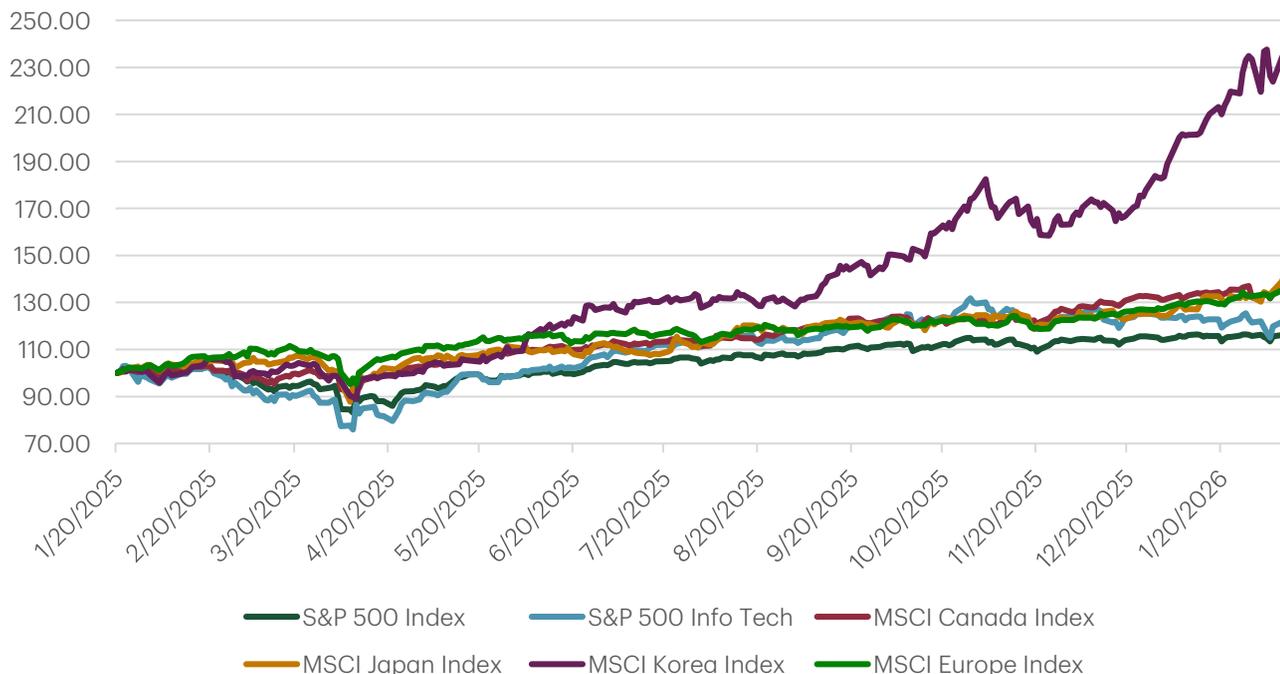
Diversification Beyond a Single Market

One of the key themes in today's environment is the importance of diversification - particularly geographic diversification. While the U.S. market remains influential, relying too heavily on a single region can expose portfolios to concentrated risks tied to policy decisions, political outcomes, or economic slowdowns.

The Asset Allocation Team (the Team, we, our) at TD Asset Management Inc. (TDAM), actively looks for opportunities beyond the U.S., seeking exposure across global markets while remaining selective and risk-conscious. The goal is not to chase trends, but to build resilient portfolios that can adapt as leadership shifts across regions and asset classes.

By combining global insights with local expertise, we seek to help investors participate in opportunities wherever they arise—without losing sight of overall portfolio balance. Diversification can help reduce reliance on any single outcome while creating opportunities to participate in long-term growth.

Chart 1: Regional Equity Returns Since President Trump's Inauguration



Source: Bloomberg Finance L.P., as at January 20, 2026

Staying Focused When the Noise Gets Louder

Amid the current macroeconomic and geopolitical, TDAM remains focused on helping investors look beyond short-term headlines and stay focused on what matters most: disciplined investing, thoughtful risk management, and long-term outcomes. Rather than reacting to every market shift, we believe consistency is critical. Markets tend to move in cycles, and periods of uncertainty often create both risks and opportunities. The approach of our Team is grounded in **active management**, designed to moderate volatility where possible while still positioning portfolios to participate in long-term growth.

Our focus includes:

- **Consistent portfolio monitoring** to help manage volatility
- **Active diversification**, including seeking opportunities outside the U.S.
- **Disciplined decision-making** supported by rigorous research and combined team investment experience

Rather than reacting to short-term headlines, we take a long-term, active approach—adjusting portfolios as conditions evolve while keeping investor goals top of mind.

Navigating Policy Shifts with Confidence

Looking ahead, market direction will continue to be influenced by central bank actions and political developments. The Fed's path forward, alongside the potential impact of midterm elections, could shape interest rate policy, fiscal spending, and regulatory policy. As the balance of power evolves, so too can market expectations. While these forces are important, they are also inherently difficult to predict with precision.

That is why the Team at TDAM remains focused on what we can control: disciplined investment processes, active risk management, and a long-term perspective designed to help investors stay invested through change.

In times of uncertainty, investors don't need to face markets alone. At TDAM, we are committed to looking out for investors—helping them navigate complexity, remain focused on their goals, and invest with confidence, even when the path forward feels less certain.

**For further information,
please contact your investment professional.**



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