



# Monthly Portfolio Outlook

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Stay informed on evolving market dynamics with insights from TD Asset Management's Client Portfolio Management team, along with asset class perspectives on equities, fixed income, and private markets from the TD Wealth Asset Allocation Committee (WAAC).

## Market & Portfolio Highlights

- **Market Trends:** Resilient growth, strong labour markets, and solid fundamentals are anchoring the macro backdrop
- **Asset Class Views:** Equities continue to benefit from positive earnings momentum and technology-led growth, while fixed income offers attractive income at higher yields and private markets provide diversification through stable, less correlated return streams
- **Key Takeaway:** A constructive outlook is underpinned by earnings growth, elevated yields, and the increasing importance of diversification across asset classes to help navigate volatility

## Market Commentary

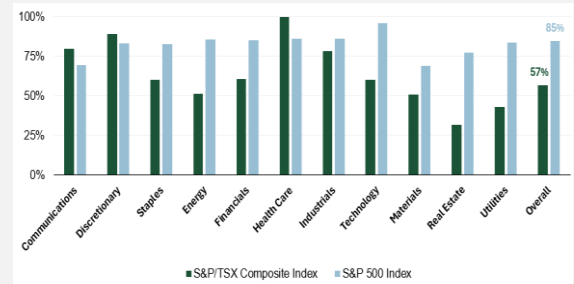
Views provided by the TDAM Client Portfolio Management team

Global markets remain resilient, led by strong equity performance driven by AI-related earnings growth. U.S. equities and select technology-linked markets continue to outperform, while market concentration has increased. Bond yields remain elevated, while credit spreads are tight, reflecting solid corporate fundamentals. Economic conditions are mixed, with continued resilience in the U.S. alongside softer momentum in Canada and Europe, and export-led growth in China. Commodity trends are uneven, and the U.S. dollar has strengthened amid growth differentials. Overall, the outlook remains constructive with market performance dependent on earnings momentum and stable financial conditions.

## Equities

- Earnings surprises measure the difference between reported corporate earnings and analyst expectations, indicating whether companies beat or missed forecasts
- First quarter results show broadly positive surprises across markets, with the S&P 500 Index and S&P/TSX Composite Index strong across sectors
- Overall earnings momentum remains healthy, suggesting corporate fundamentals are solid and providing a supportive backdrop for markets

### Canada & U.S Q1 Positive Earnings Surprises

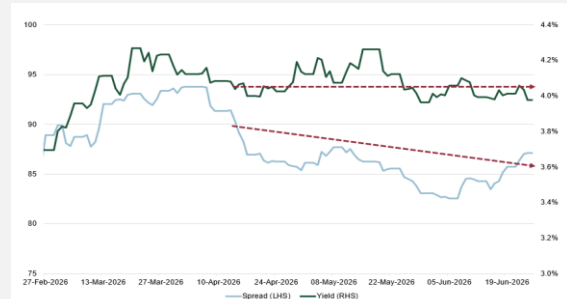


Source: FactSet. As at June 24, 2026.

## Fixed Income

- Higher government bond yields have improved all-in income opportunities in Canadian investment grade credit
- Canadian government bonds continue to see buyers step in at 10-year yields around 3.6% to 3.8%
- Strong credit fundamentals paired with a volatile backdrop favour selective exposure with a focus on quality

### Canadian Corporate IG: All-in Yield Opportunity

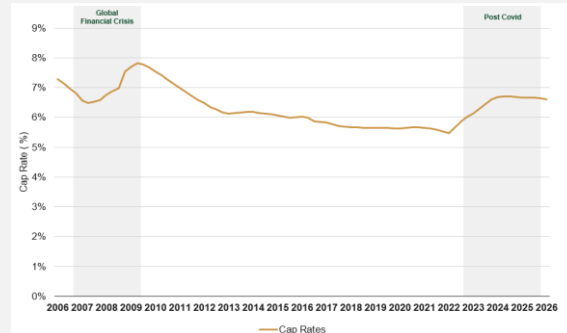


Source: Bloomberg Finance L.P. As at June 25, 2026.

## Private Markets

- Direct real estate presents a compelling entry point with capitalization rates (expected return) at 15-year highs and starting to stabilize
- Private infrastructure offers strong inflation protection while benefiting from elevated oil prices
- Noise around private credit strategies are insulated with minimal risk of broad-based contagion
- Private market strategies continue to deliver uncorrelated and low volatility return profiles for investor portfolios

### Peaking Capitalization Rates Amid Growing Income



Source: CBRE Economic Advisors. As of Mar 31, 2026.

## Asset Allocation

- CUSMA enters a July review; while a 16-year extension is unlikely, it should hold to 2036 with annual negotiations. Canada remains relatively well-positioned with resilient, diversifying trade
- Exports to the U.S. declined materially in 2025. Trade with non-US markets have offset much of the weakness, reinforcing a structural shift to broader trade relations
- Portfolio implication: Supports a constructive view on Canadian equities, especially global sectors, while reinforcing diversification and active positioning amid policy-driven volatility

### Canadian Exports to U.S. Decline in 2025




Source: Office of the Chief Economist, Global Affairs Canada. As at December 31, 2025.


# TD Wealth Asset Allocation Committee Strategic Portfolio Positioning


The following outlines the WAAC's views over a 12–18 month horizon.


- Equities remain supported by solid earnings growth:** Pro-business policy tailwinds and AI-drive sectors are keeping the outlook constructive despite potential volatility from geopolitical developments and shifting sentiments
- Elevated yields with ongoing volatility:** A "higher-for-longer" rate backdrop and resilient growth are keeping yields attractive, but policy uncertainty and inflation risks are expected to sustain rate volatility across bond markets
- Shifting away from cash:** With cash expected to offer relatively limited forward returns, the WAAC continues to favour equities, credit, and alternative assets for stronger long-term return potential and diversification benefits

## Core Asset Class Allocations

**Equity**  Global equity markets are in positive territory year-to-date on optimism of an eventual Iran resolution and strong earnings growth, particularly in areas driven by artificial intelligence (AI) & data center spending. While there could be volatility depending on the actual Middle East oil flows and AI sentiment, we remain constructive on equities due to positive global economic and earnings growth, as well as more pro-business government policies.

**Fixed Income**  Despite softer domestic data, the Bank of Canada (BoC) remains positioned to be patient given two-sided risks from growth and inflation, with policy expected to stay on hold in the near-term. Although rate volatility and policy uncertainty are expected to persist, global "higher-for-longer" dynamics are anchoring bond yields, keeping income opportunities attractive.

**Private Markets and Alternatives**  We believe an allocation to alternative assets can benefit diversified portfolios, particularly over the long-term. Alternatives can offer inflation protection and attractive absolute returns, while enhancing portfolio stability through diversification and less-correlated income streams. Recent geopolitical developments have reinforced the role of alternatives as sources of resilience. Given the nature of private assets and the current phase of value adjustment across several markets, we believe this may be an attractive time to increase or consider an allocation to alternative assets.

**Cash & Equivalents**  We maintain a modest underweight to cash as prospective returns are expected to remain limited relative to other asset classes. In this environment, we see greater value in deploying capital into higher-returning asset classes.

 Previous Month

Maximum Underweight	Underweight	Neutral	Overweight	Maximum Overweight
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## Equities – Modest Overweight Overall

### Canadian Equities



Canadian economic growth is expected to remain low, but positive, as a more pro-investment federal government helps offset uncertainty around U.S. trade negotiations. The S&P TSX Composite Index (TSX) sector mix acts as a diversifier for U.S., & Emerging Markets that are heavily influenced by the Information Technology sector. TSX returns are supported by strong earnings growth combined with shareholder friendly dividend and buyback policies.

### U.S. Equities



U.S. equity returns are driven by earnings growth, particularly in Information Technology and sectors that benefit from AI spending. Tax policies under the "One Big Beautiful Bill Act," lagging impact of past Fed cuts, and the potential for further deregulation offer additional tailwinds. Key headwinds include concerns around AI driven disintermediation in the Information Technology Software & Services sector and ongoing geopolitical uncertainty.

### International Equities



International equities may lag as earnings growth, while positive, remains lower than in other markets. European earnings could face additional headwinds if energy costs remain above pre-conflict levels. The Japanese market has rallied on the back of corporate reform, a more pro-growth government, and benefits from AI spending, but there may be volatility as the Bank of Japan has raised rates.

### Emerging Markets



Emerging Markets provide exposure to attractively valued technology companies with strong earnings growth potential. China continues to face challenges with weak domestic consumption and its property market.

## Fixed Income – Modest Underweight Overall

### Domestic Government Bonds



Canadian rates have outperformed recently on weaker data but continue to be driven by global "higher-for-longer bond yields" dynamics. That said, with the front-end of the yield curve anchored by a patient BoC, the long-end of the yield curve could rise as global policy uncertainty persists.

### Investment Grade Corporate Credit



Spreads remain near cycle tight amid solid fundamentals, but elevated issuance driven by AI-related capex and M&A is creating a supply overhang. We continue to favour short- to mid-term corporate bonds where incremental yield remains attractive without adding duration risk.

### Global Bonds-Developed Markets



Strong U.S. data point to a "higher growth and higher inflation" economic backdrop, keeping global yields elevated. Monetary policy uncertainty around policy rate hikes from major central banks like the ECB and BoJ, coupled with an unknown reaction function from the U.S. Federal Reserve, as investors await task force recommendations, are expected to keep global bond markets volatile over the next 6-12 months.

### Global Bonds-Emerging Markets



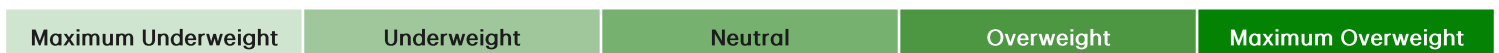
Emerging market local currency government bonds offer attractive income, however, total return prospects vary by region. We favour short-maturity bonds or currency positions in select Latin American, eastern European and African countries, where inflation-adjusted yields are attractive. In contrast, we remain cautious on Asian countries where yields are lower and external risks are elevated.

### High Yield Credit



Fundamentals remain supportive and defaults low, but spreads near cycle tight provide limited compensation for downside risks tied to geopolitics, private credit dynamics, and broader market volatility. We remain neutral given tight valuations.

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## Private Markets and Alternatives – Modest Overweight Overall

### Commercial Mortgages



Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.

### Domestic Real Estate



We believe most value adjustments in Canadian commercial real estate are complete. Office occupancy (especially in Toronto) has begun to improve as large users mandate returns to office. Despite U.S. tariff policy volatility, Canada's industrial market remains healthy. Poor condominium markets and lower immigration have temporarily pressured residential rental rates in Toronto and Vancouver. Long-term multi-unit residential will likely see strong rental growth due to structural supply-demand imbalance.

### Global Real Estate



Returns are starting to improve globally. U.S. and Asian Pacific markets have seen the capitalization rate stabilizing, while Europe continues to outperform. New capital raising and significant redemption rescissions are also early indicators of the improved sentiment for continued recovery.

### Infrastructure



Infrastructure continues to offer stable returns and lower volatility due to its essential long-term nature. The persistent global infrastructure spending gap remains a key investment driver, reinforcing the need for increased investment. Additionally, accelerating trends such as the electrification of industry and the expansion of digital infrastructure are significantly increasing demand for power generation assets, creating compelling investment opportunities.

### Global Private Credit



Global Private Credit provides premium income through diversified global origination across corporate, real estate, infrastructure, and specialty finance, including middle-market corporate relationships. TDAM's robust credit risk infrastructure supports strong governance and disciplined access to attractive risk-adjusted return opportunities.

### Investment Grade Private Debt (Universe)



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### Commodities (Gold, Energy, metals, agriculture)



Commodities have strengthened amid supply disruptions, particularly in energy, natural gas, and select industrial inputs. Recent gains appear driven more by curtailed supply than excess demand, reinforcing commodities' role as a portfolio diversifier during periods of geopolitical stress.

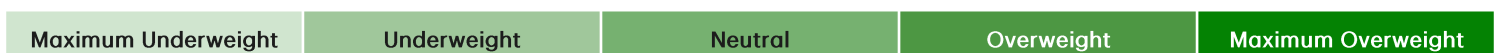
## U.S. Dollar

### U.S. Dollar (USD) vs. Canadian Dollar (CAD)



Longer-term valuation metrics suggest the USD remains overvalued, supporting a modest underweight positioning. While the USD continues to benefit from safe-haven demand amid ongoing geopolitical uncertainty, upside versus the CAD may be more limited from current levels. Canada's softer growth outlook and sensitivity to global trade dynamics continue to act as near-term headwinds for the CAD, partially offset by support from elevated energy prices. Overall, we view the CAD as broadly fair valued, with relative currency movements likely to be driven by shifts in global risk sentiment and commodity dynamics.

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# Current WAAC Members

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**Justin Flowerday, CFA**  
Chief Investment Officer,  
TD Asset Management Inc. (TDAM)

## TDAM Asset Allocation



**Michael Craig, CFA**  
Managing Director, Head  
of Asset Allocation,  
Derivatives, Commodities  
and Sustainable  
Investment, TDAM



**Anna Castro, CFA**  
Managing Director, Head  
of Retail Asset Allocation,  
TDAM

## Non-Voting Members

**Brad Simpson**  
Chief Wealth Strategist,  
TD Wealth

**Sid Vaidya**  
U.S. Wealth Chief  
Investment Strategist,  
TD Wealth

**Bryan Lee, CFA**  
Vice President and  
Director, Lead of Asset  
Allocation Client  
Portfolio Management  
Team, TDAM

## TDAM Equities



**Vitali Mossounov, CFA,  
CPA, CA**  
Managing Director, Head  
of Public Equities, TDAM



**Jennifer Nowski, CFA**  
Managing Director,  
Portfolio Manager, TDAM

## TDAM Fixed Income



**Jennifer Hartviksen, CFA**  
Head of Fixed Income,  
TDAM



**Alex Gorewicz, CIM**  
Vice President & Director,  
Active Fixed Income  
Portfolio Management,  
TDAM

**Jafer Naqvi, CFA**  
Managing Director,  
Head of Client Portfolio  
Management, TDAM

**Michael Augustine,  
CFA, FCIA, FSA**  
Managing Director,  
Head of Institutional  
Investment Solutions

## TDAM Alternatives



**Colin Lynch**  
Managing Director,  
Head of Private Markets,  
TDAM



**Bruce MacKinnon**  
Managing Director, Head  
of Private Debt Research  
& Origination, TDAM

## TD Epoch



**Kevin Hebner, PhD**  
Managing Director,  
Global Portfolio  
Management, TD Epoch



**William Booth, CFA**  
Managing Director, Chief  
Investment Officer,  
Portfolio Manager, and  
U.S. Region Head,  
TD Epoch

For more information  
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