# 2026 Market Outlook

# Global macro overview

# Asset class performance (YTD returns)



Legend: S&P 500 | S&P/TSX Composite | MSCI Europe | MSCI AC Asia Pacific Index | Bitcoin | Gold

End values: 53%, 26%, 22%, 17%, 16%, 13%
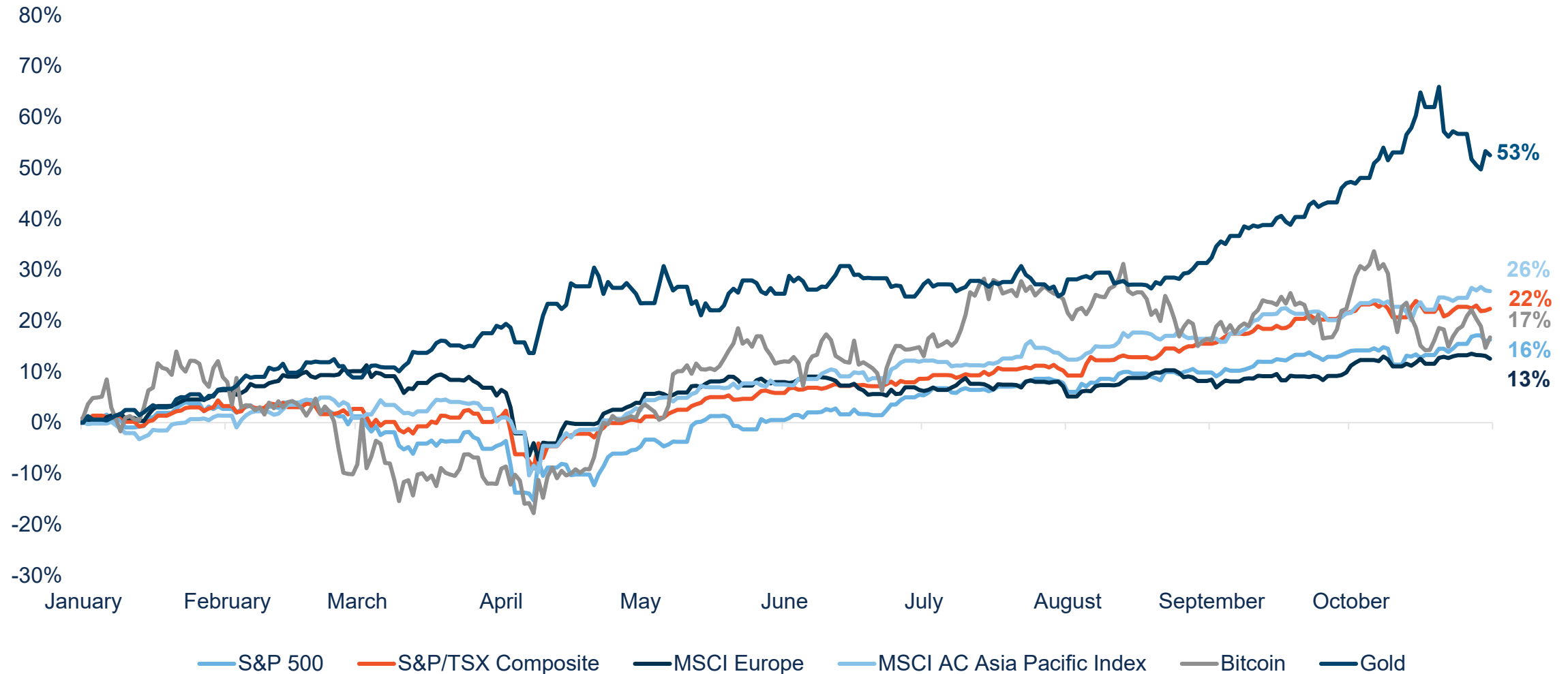
Source: Bloomberg, data as at October 31, 2025.

# US average effective tariff rate since January 1, 2025 (percent of goods imports)



**17.98%**

# Asset mix recommendations

# Asset allocation recommendation

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| Equities | | ■ | |
| Canada | | ■ | |
| US | | ■ | |
| International | | ■ | |
| Emerging markets | | ■ | |
| Fixed income | | ■ | |
| Sovereign bonds | | ■ | |
| IG corporate bonds | | | ■ |
| HY corporate bonds | | ■ | |

# International markets:
# Compelling prospects lie overseas

# Historical forward P/E



S&P 500 INDEX — DAX Index — CAC Index — FTSE 100 Index — Nikkei 225 Index
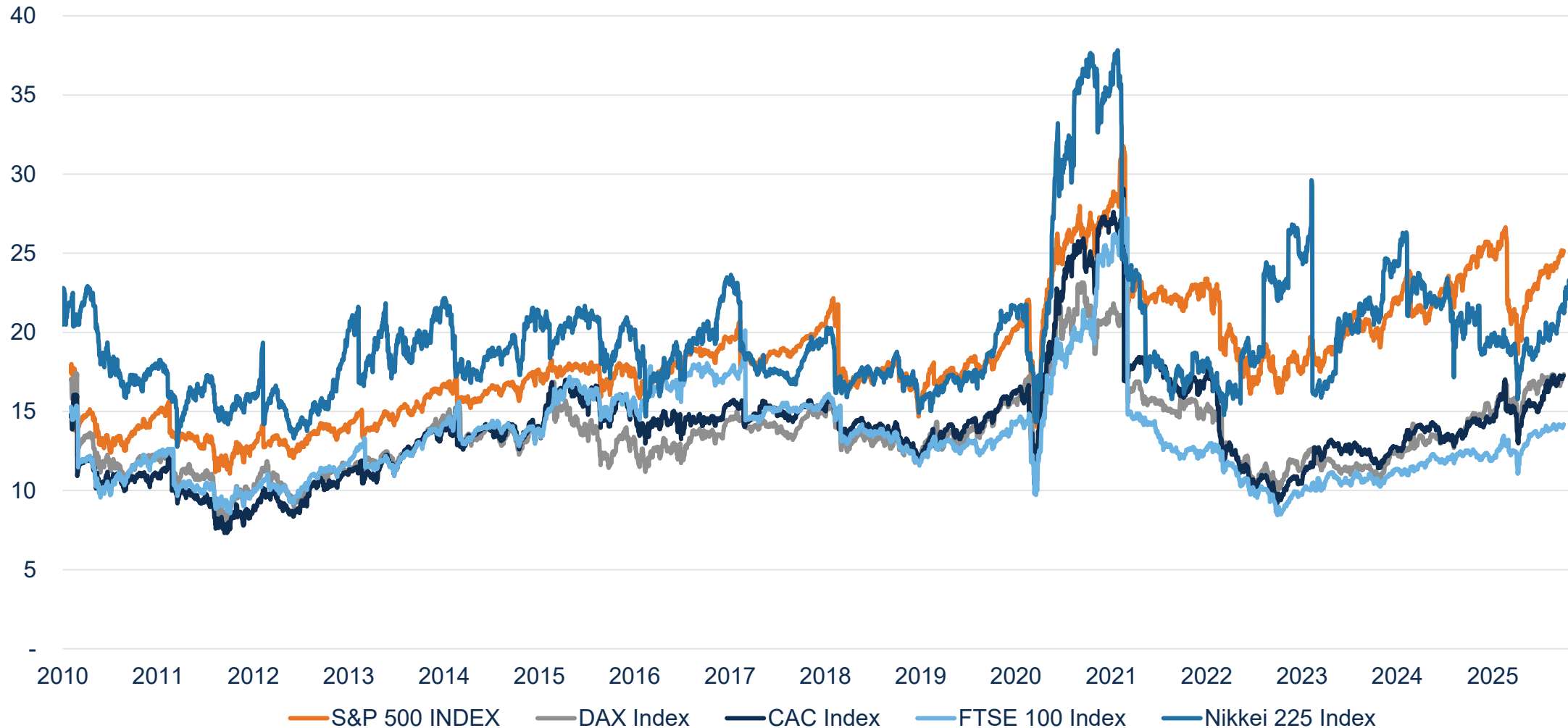
Source: Bloomberg, data as at October 31, 2025.

# Quantitative investing:
# Uncovering alpha in any market

# Overview of NLP and machine learning based factors

| Alpha factor | Description |
|---|---|
| NLP-based peer groups | Our team uses natural language processing (NLP) to extract and analyze textual information from company financial reports. We identify peer companies based on common themes discussed in their reports, and construct peer-group momentum factor. We built this model to capture the world's most spoken languages, for example, English, Japanese, Korean and Chinese. |
| Fundamentals prediction | We apply non-linear machine learning techniques to capture human biases in sell side analysts' consensus estimates; positioning portfolios towards stocks with conservative estimates of their fundamentals and away from those with overly optimistic consensus forecasts. |
| Text-based sentiment (LLM) | Our team applies large language models (LLM) to capture sentiment of language used during company earnings calls. They are much more powerful than previously available sentiment analysis tools and perform on par or better than alternative models that rely on human transcription. |

# Energy and commodities: Reaching an inflection point

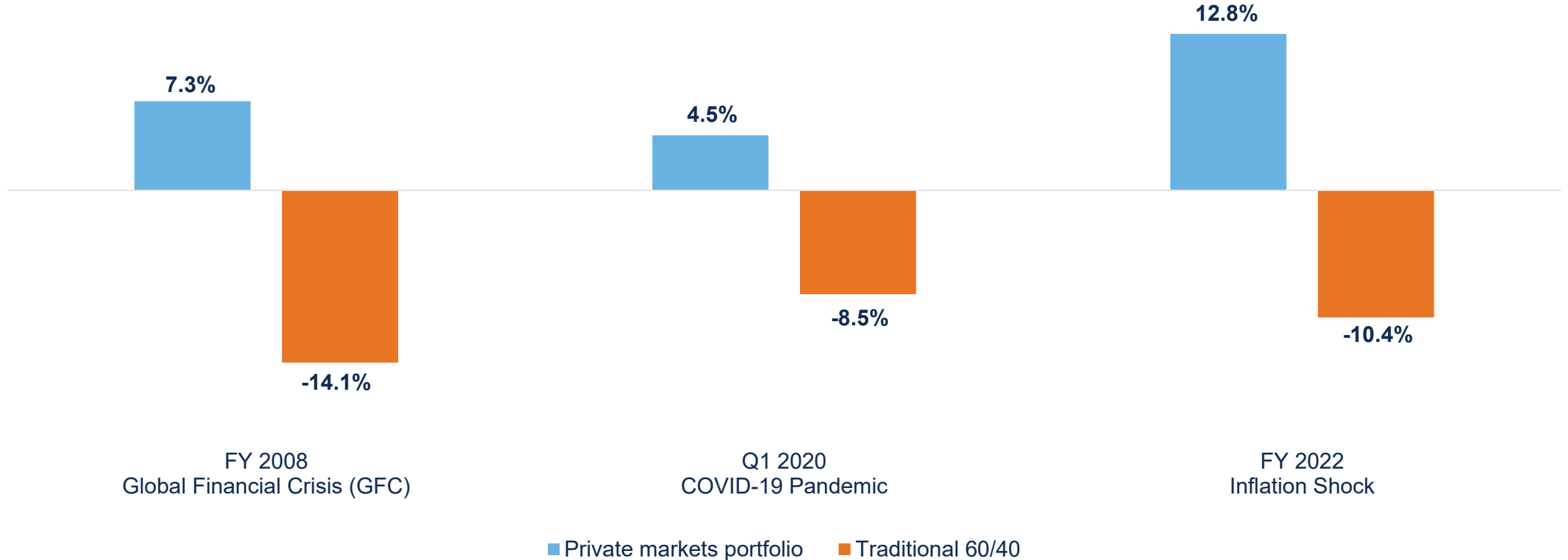# Global electricity infrastructure investment Today vs. ~2030 need
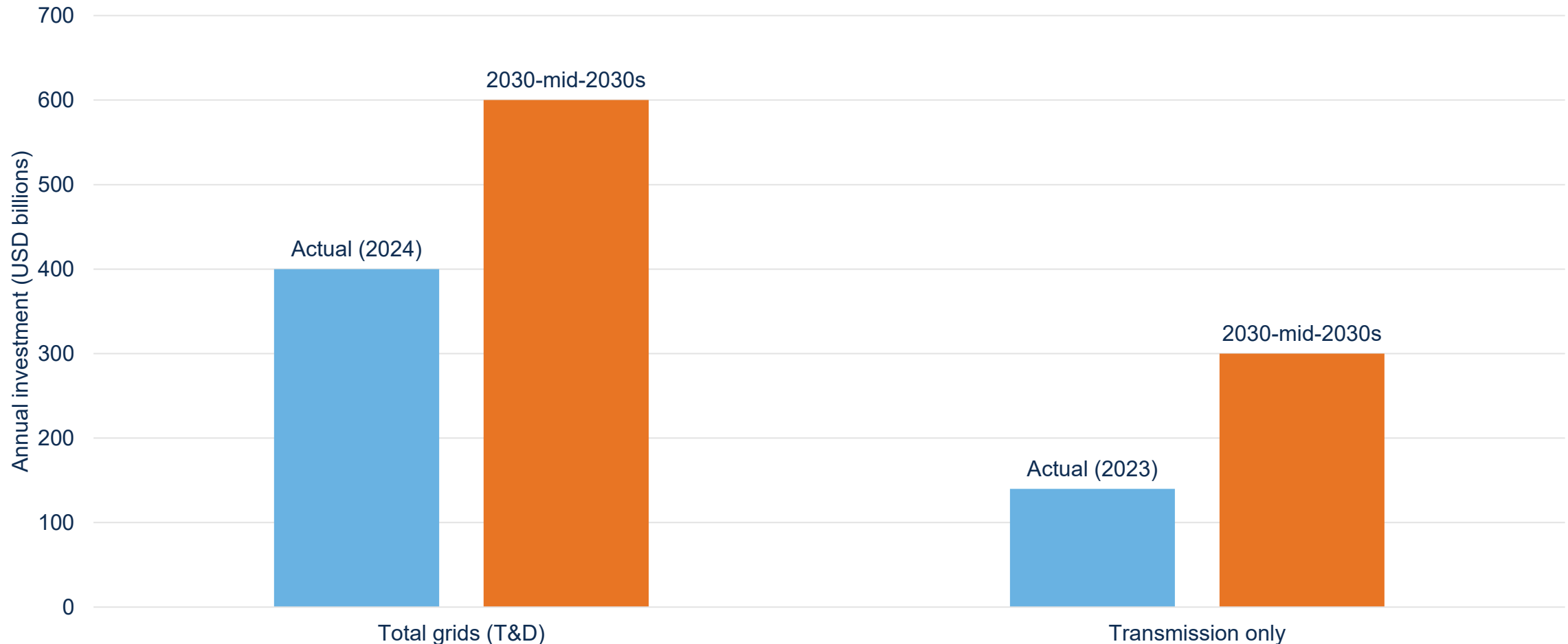
# Private markets:
# Opportunity amid uncertainty

# Market resilience
# Private markets vs. traditional 60/40



**Private markets portfolio** ▪ **Traditional 60/40**

| Period | Private markets portfolio | Traditional 60/40 |
|---|---|---|
| FY 2008 — Global Financial Crisis (GFC) | 7.3% | -14.1% |
| Q1 2020 — COVID-19 Pandemic | 4.5% | -8.5% |
| FY 2022 — Inflation Shock | 12.8% | -10.4% |

This simulated performance information is provided for illustrative purposes only and is subject to a number of limitations.

Source: Preqin and MSCI, as at December 31, 2024. Traditional 60/40 is comprised of MSCI World Index GR CAD (20%), S&P/TSX. Composite Index TR CAD (20%), S&P 500 TR CAD (20%), ICE Bofa Canada Broad Market TR CAD (40%). The private markets portfolio is comprised of Preqin Global Private Equity Index CAD (1/3), Preqin Global Private Credit Index CAD (1/3), Preqin Global Private Infrastructure Index CAD (1/3). Portfolios are rebalanced on a quarterly basis. Data denominated in CAD. Private equity returns are shown net of fees, expenses and carried interest.

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