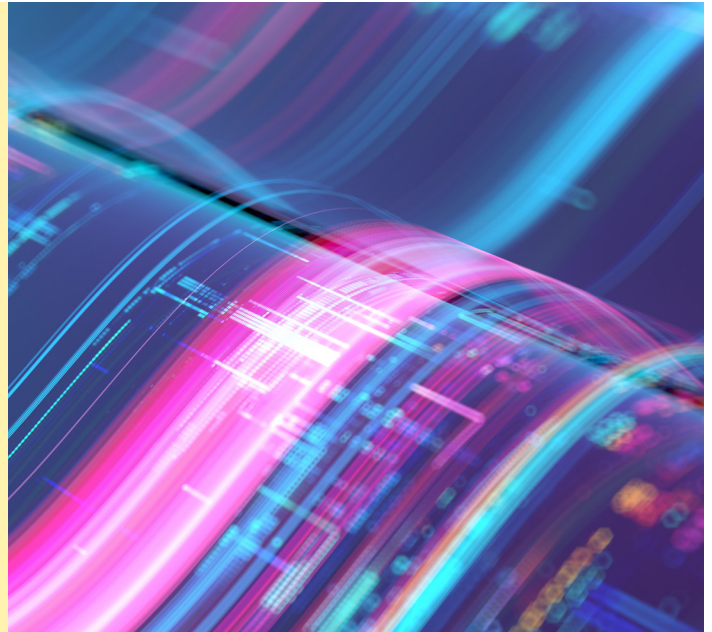


2026 outlook: Innovation and AI matter, so does diversification

Edward Jones Wealth Management Team
Financial Planning Canada



As we look back on 2025, it is remarkable to think about the highs and lows we experienced, particularly as investors and observers of financial markets. The year began with optimism about the possibility of central bank rate cuts and with new administrations in both Canada and the U.S. — but it quickly turned to the upheaval of global trade and new tariff policy uncertainty. Nonetheless, as we moved past April, markets seemed almost lulled into complacency, soothed by quarter after quarter of stellar earnings, especially in the materials sector in Canada, and artificial intelligence (AI) and mega-cap technology sector in the U.S.

Now, as we enter 2026, and the bull market begins its fourth year, the question for investors is whether the gains can continue. We think this can be a year of positive returns, but earnings growth will have to do the heavy lifting, with limited scope for valuation expansion. Our base case calls for steady economic growth, a Bank of Canada that keeps interest rates steady, and double-digit corporate earnings growth across many sectors. However, there are tail risks to the story, including potential AI disappointment and stubborn inflation trends.

In our view, the most compelling action investors can take this year is to double-down on diversification. We see opportunities across market caps, sectors, and geographies — which can help investors not only outperform but also avoid overconcentration and outpace inflation rates. There are also many planning opportunities, whether to respond to regulatory changes or simply to check in on your progress toward your financial goals.

10 key views for 2026

1. The economy to bounce back
2. Past the peak in unemployment
3. Canada inflation eases gradually towards 2%; U.S. stays closer to 3%
4. Bank of Canada likely at the end of easing cycle – in the 2.0% - 2.5% range – while the Fed has room to cut toward 3.0% - 3.5%.
5. Earnings growth in the driver's seat
6. 10-year government bond yields likely range-bound, with the GoC yield 3.0 - 3.5% and the U.S. Treasury 4.0% - 4.5%
7. Momentum builds beyond North America
8. U.S. dollar dominance persists but loonie finds support
9. Canada-United States-Mexico Agreement (CUSMA) to survive 2026 review
10. AI, trade tensions, inflation and credit curveballs could test market resilience



1. The economy to bounce back

The economy struggled in 2025 in the wake of a trade war with the United States. A fading drag from this dispute should help activity rebound in 2026, especially with the recently passed budget set to boost growth and interest rates at more supportive levels.

President Trump's threats to deliver significant tariff hikes on closely integrated U.S.-Canada trade prompted large swings in activity over 2025 and even sparked concerns of a potential recession. The worst fears around tariffs were not realized as large segments of trade under the Canada-United States-Mexico Agreement (CUSMA) are excluded from these potentially harmful increases. Still, tariffs have increased materially in some sectors and growth has slowed to a meagre 1% annualized so far in 2025.

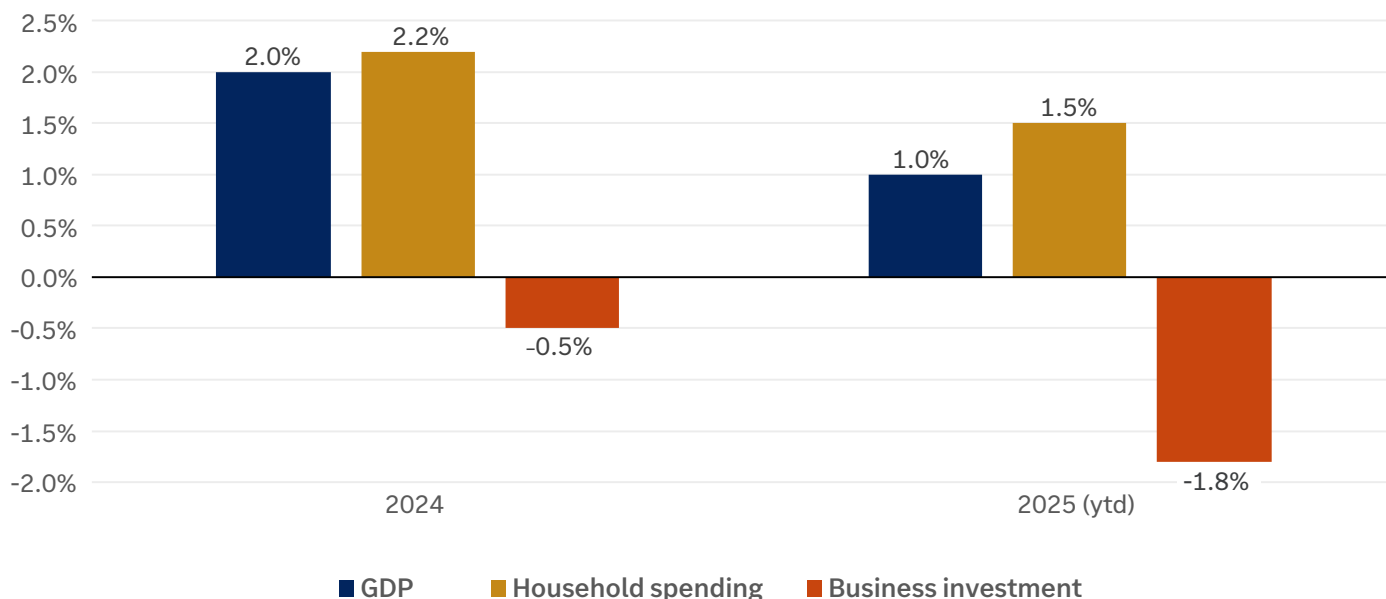
CUSMA is scheduled for review in 2026, and President Trump has already threatened to walk away from the free trade deal he signed during his first term. While grandstanding is to be expected, we think the agreement that underpins closely integrated North America supply chains will remain in place, and we could even see these ties deepen in strategic sectors.

A ratified CUSMA, and more stable U.S. tariff policy, should help alleviate some of the uncertainty around this trade relationship which has weighed on activity. Additionally, the decision to reverse Canadian reciprocal tariffs on U.S. exports has lessened fears that these could push inflation higher or weigh on corporate profitability.

Alongside a, hopefully, more stable trade relationship we should also see fiscal policy provide an uplift to growth. The 2025 budget launched a swathe of strategic investments in housing, infrastructure and defense, only partially offset by tighter limits on departmental spending and headcounts. The upshot should be some uplift to growth, even if it takes time for some of the investment spending to kick into gear. Finally, Bank of Canada easing delivered in 2025 should provide modest support over 2026, consistent with the lags we might expect around interest rate cuts.

All told, we expect GDP growth to rebound back to 2% by the end of next year.

Canadian growth slowed in 2025 but we expect some improvement in 2026



2. Past the peak in unemployment

The labour market has been a weak spot in Canada through much of 2025.

In part, this reflects the fallout from this year's trade war with the United States. Employment in sectors with a high sensitivity to exports south of the border fell by more than 5% in 2025, with layoffs reported in the hardest hit sectors such as steel, aluminum and autos.

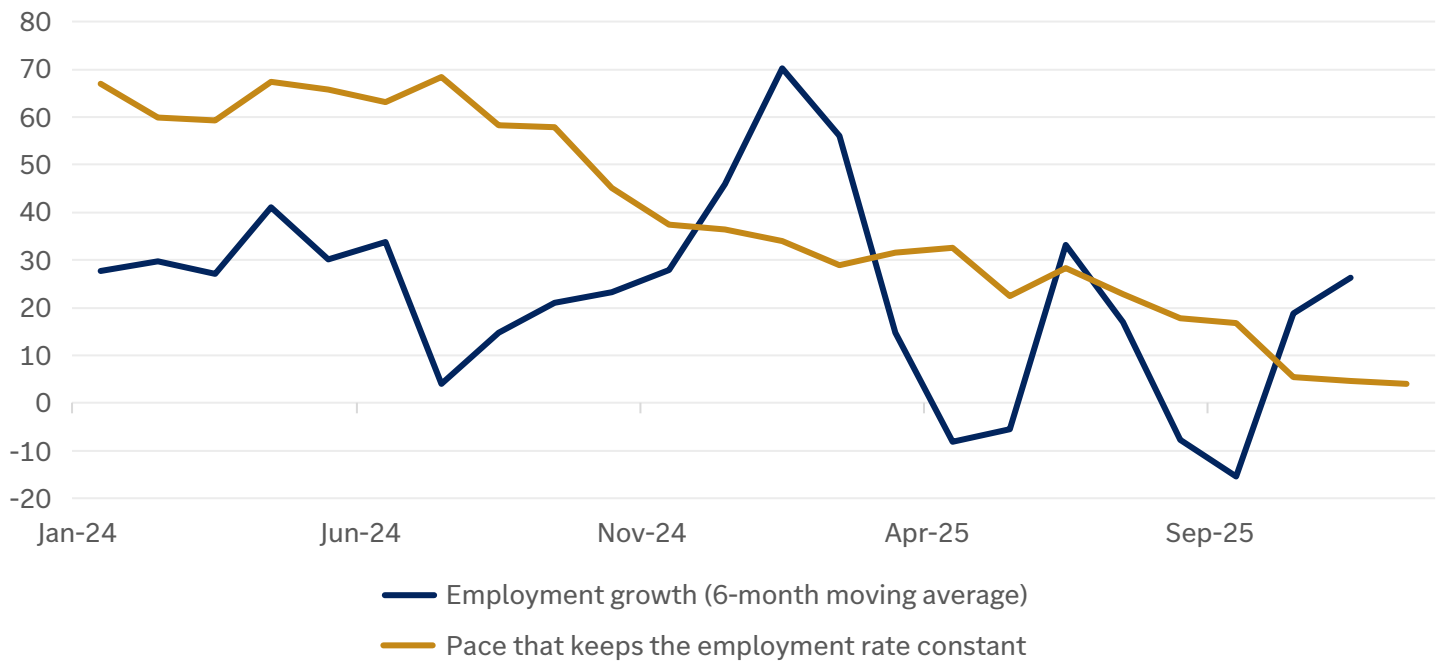
Outside these sectors we have seen less distress, but still clear signs of sluggishness. Private sector employment is up over the year, albeit by less than in 2024, with business surveys suggesting that concerns over the outlook and weak growth are discouraging hiring.

Meanwhile, public sector employment has lagged the private sector slightly, and this gap is likely to widen in coming years with the recent budget aiming to cut government headcount, in part to help fund rising public investment.

In 2026, we would expect private hiring to pick up, (hopefully) helped by an easing in trade policy uncertainty, and an accompanied improvement in Canadian growth. In fact, we may already be seeing signs of this turnaround. The economy added 180,000 jobs cumulatively between September and November, the strongest seen in more than a year.

If we are right that this improvement has legs, then we will have already seen the peak in Canadian unemployment rates. Headline unemployment reached a concerning 7.1% over the summer but has since fallen back to 6.5%. An ongoing slowdown in immigration and labour force growth means that we only need modest employment gains of around 5,000 per month to keep unemployment rates stable. Any sustained improvement in hiring beyond this replacement rate could help push unemployment lower through 2026.

Lower immigration is helping slow the break even rate job growth needed in Canada



Source: Bank of Canada, Haver Analytics

3. Canada inflation eases gradually towards 2%; U.S. stays closer to 3%

Canada’s consumer price index (CPI) made notable progress in 2025, moving back within the Bank of Canada’s 1% - 3% target range. Headline inflation¹ averaged near 2%, supported by lower energy prices. However, core inflation² remained around 3%, as wages and service costs cooled more slowly. We expect easing pressures across goods and services to bring core inflation down to roughly 2% by late 2026.

On the goods side, the government’s rollback of counter-tariffs on U.S. imports should reduce upward price risks. In services, labour market slack is likely to normalize wage growth to pre-pandemic levels, while slower immigration may temper rent increases. Encouragingly, business surveys show few firms reporting shortages and planned price hikes for the coming year align with a gradual moderation in core inflation.

In the U.S., we expect inflation to remain above the Federal Reserve (Fed)’s target through 2026, supported by stable economic growth and lingering price pressures. However, we do not anticipate a major reacceleration and assume that headline

inflation will likely remain in the 2.5% - 3.0% range and show modest improvement by year-end compared to 2025.

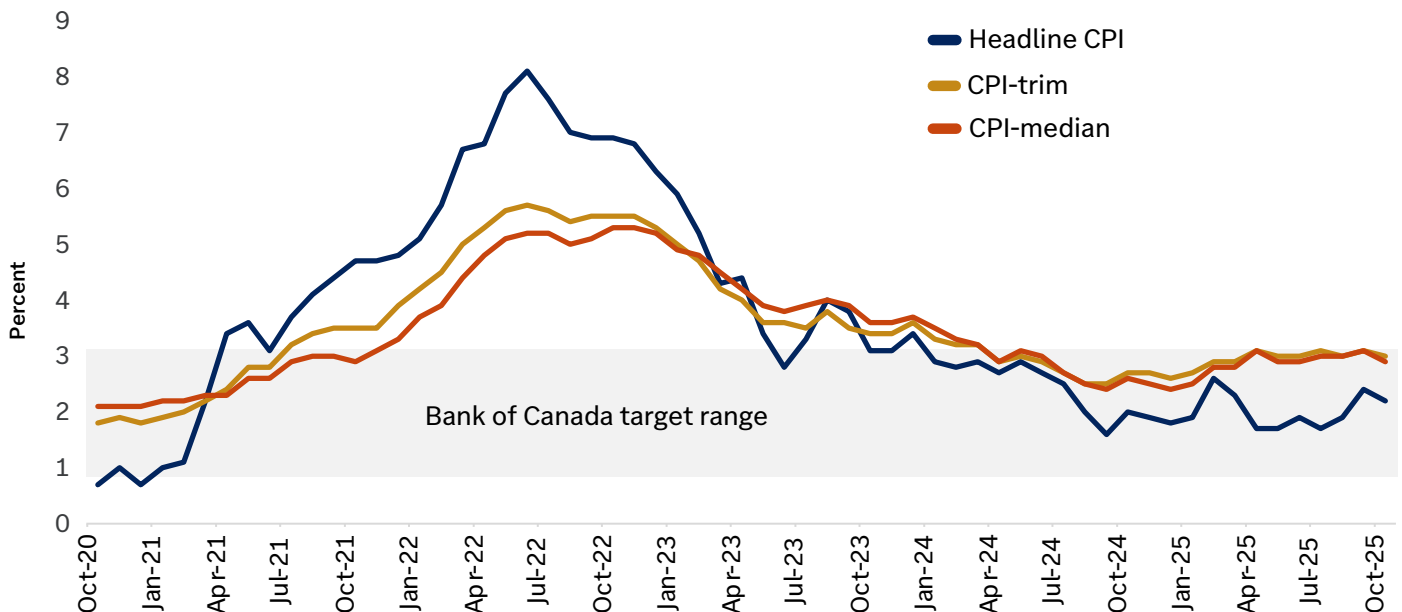
Tariffs have contributed to a pickup in goods prices, a trend likely to persist early in the year before fading by mid-2026. Absent another major trade escalation, we see tariffs as a one-off increase and a temporary driver of inflation for both Canada and the U.S.

Services inflation, which accounts for 75% of the core CPI basket, remains sticky but on a gradual path of moderation. A slowdown in home prices and rents suggests further downside in shelter inflation. Beyond housing, services inflation is heavily influenced by the labour market. While softening conditions — rising unemployment, fewer job openings and slower quits — should keep wage growth muted, structural constraints, such as lower immigration and an aging population, may keep wages above pre-pandemic levels. Longer term, productivity gains from AI could act as a disinflationary force, though this may simply offset pressures from high government spending and deglobalization.

¹Total inflation rate for all goods and services

²Headline inflation excluding volatile components like energy and food

Easing price pressures support return to 2% inflation goal



4. Bank of Canada likely at the end of easing cycle – in the 2.0% - 2.5% range – while the Fed has room to cut toward 3.0% - 3.5%.

With the Bank of Canada's (BoC) policy rate at the lower end of its own 2.25% - 3.25% estimate for neutral interest rates, we believe the BoC is at the end of its easing cycle. While core consumer price index (CPI) inflation remains elevated to start the year, we expect it to cool toward the 2% target. The BoC's inflation-control range allows CPI to fluctuate between 1% and 3% if needed, providing flexibility to keep rates low in support of the labour market and broader economy.

In the U.S., CPI inflation slowing toward 2.5% - 3.0% should enable the Federal Reserve (Fed) to continue its rate-cutting cycle in 2026, narrowing the gap between U.S. and Canadian short-term yields. Importantly, this easing reflects a cooling labour market and moderating inflation rather than an economic downturn. However, ongoing economic resilience and inflation remaining above target suggest the Fed easing cycle may be shallow from here.

In 2025, the Fed concluded its balance sheet reduction program, known as quantitative tightening (QT). This step should help enhance liquidity by stabilizing bank reserves – deposits by banks at the Fed, widely regarded as among the highest-quality and most liquid assets in the banking system. We expect the Fed to resume expanding its balance sheet in 2026, to ensure adequate reserves, serving as another source of policy easing.

The Fed's preferred inflation gauge – core personal consumption expenditure (PCE) – typically runs slightly below CPI inflation, partly because it assigns a smaller weight to shelter, where prices have risen faster historically. PCE also adjusts for changes in consumer behaviour more quickly, such as substitution for cheaper goods and services as prices rise. Consequently, core PCE could drift closer to 2.5% next year, with a neutral policy rate around 0.75% - 1% above U.S. inflation.

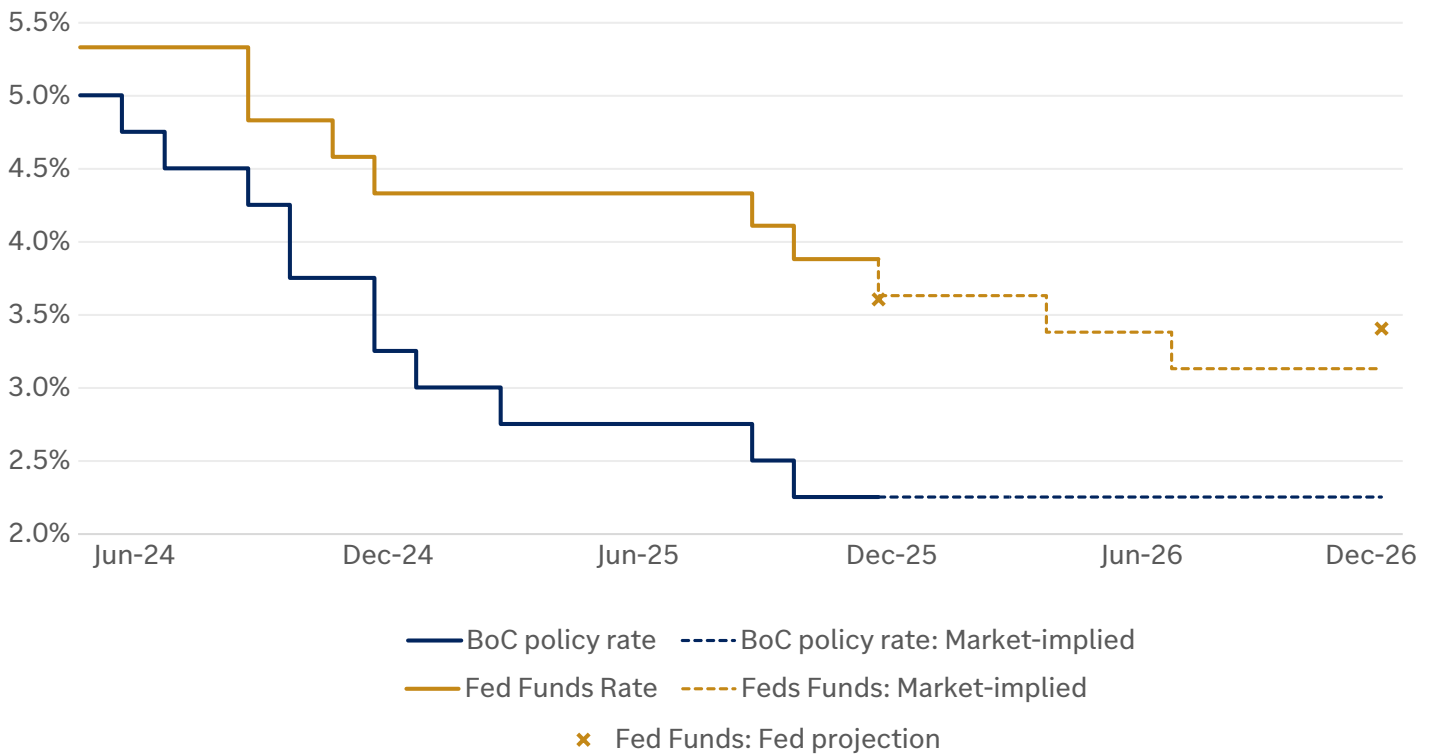


While not our belief, upside risks to this outlook include lingering inflation becoming entrenched or even accelerating — potentially spurred by tariffs feeding through to goods prices or higher wages pressuring services inflation — which could slow the pace of Fed rate cuts. Conversely, a sharper labour-market slowdown could prompt both central banks to move more aggressively.

Cash yields have fallen to the low-2% range alongside BoC rate cuts. Some Canadians remain overweight in cash-like investments, including money market funds, which attracted significant

inflows in recent years due to elevated yields. Cash offers important benefits, such as funds for unexpected expenses, short-term savings goals and everyday spending. However, holding too much cash can pose the risk of lower long-term returns. After evaluating how much cash you need through your financial plan, speak with your financial advisor to determine where to reinvest any excess cash — in a way that aligns to your personal financial goals.

BoC has likely reached end of easing cycle, while Fed has room to cut



Source: Bank of Canada, Bloomberg, U.S. Federal Reserve, CME FedWatch

This chart shows the Bank of Canada policy rate and federal funds rate since 2024 and market-implied expectations and Fed projections through 2026.

5. Earnings growth in the driver's seat

Canadian equity markets moved higher for the third year in a row in 2025, driven by an impressive run in the materials sector, which was up over 85% for the year. In the U.S., stock markets also saw gains for a third year, largely driven by the technology and artificial intelligence (AI) sectors. Notably, equity markets were able to overcome the volatility we saw early in April of 2025, when tariff uncertainty wreaked havoc on both Canadian and U.S. stocks.

We believe the reason for the positive returns was largely driven by robust earnings growth, both in Canada and the U.S. In Canada, the materials sector earnings grew around 65% year-over-year, driven by a rise in gold and commodity prices broadly, while in the U.S., mega-cap technology firms delivered substantial upside to earnings growth in 2025 and reaffirmed strong outlooks for 2026. The key question for investors now is whether stock markets can deliver positive gains for a fourth year.

In our view, the answer lies largely in the earnings outlook for 2026. Keep in mind that stock market returns tend to be driven by two key factors: earnings growth and valuation expansion. Given that both Canadian and U.S. markets have seen rising equity multiples in 2025, driven in part by central banks lowering interest rates, we think the scope for valuation expansion in 2026 remains muted. Thus, earnings growth will have to do most of the heavy lifting to support stock market returns.

The good news is that we believe both Canadian and U.S. stocks can deliver double-digit earnings growth in 2026. For both the Canadian TSX and S&P 500, all eleven sectors are expected to have positive earnings growth in the year ahead. In Canada, sectors beyond materials and technology are forecast to see double-digit growth, including industrials and utilities. And in the U.S., both tech and non-tech parts of the market are also expected to deliver solid earnings, including sectors like industrials and financials.

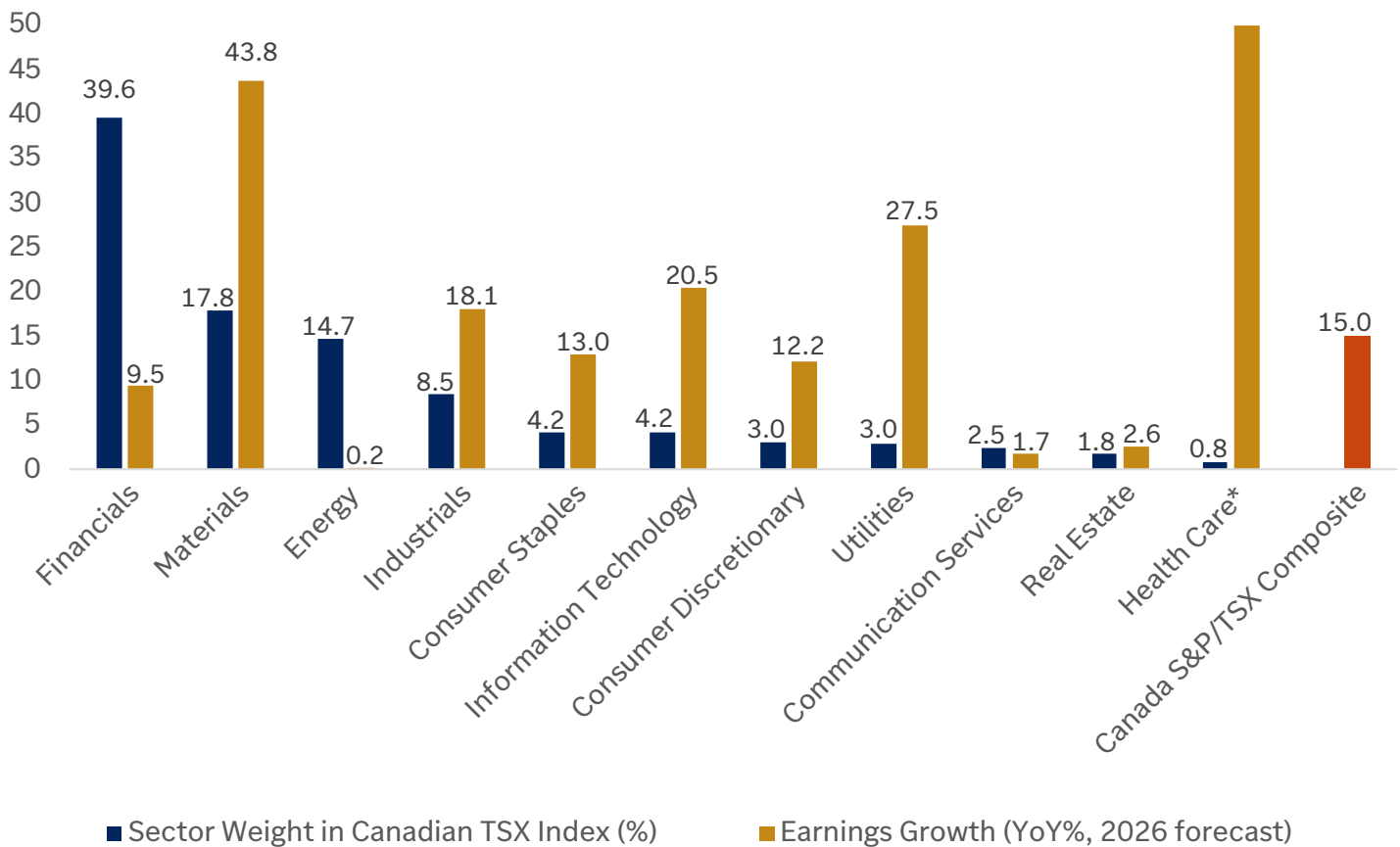


How do we think about portfolio positioning in this backdrop?

In our view, given where we are in this cycle, the case for diversification in equity markets is more compelling in 2026. We favour U.S. large-cap stocks, which are exposed to artificial intelligence (AI), alongside U.S. mid-cap stocks, which are more weighted towards cyclical sectors and have scope for catch-up, especially as the Federal Reserve potentially continues to lower interest rates. We also recommend looking globally,

both at emerging-market stocks, which can do well in a rate-cutting cycle and offer exposure to a global technology theme, as well as in developed overseas small and mid-cap stocks, which have relatively favourable valuations. Finally, among Canadian equities, we remain overweight in the materials, industrials, and energy sectors, all of which we think have favourable outlooks and earnings growth profiles in 2026.

Earnings growth is expected to be positive across all 11 Canadian TSX sectors in 2026, with an overall growth rate of 15%



Source: FactSet. *Health Care earnings growth is forecast to be 475.4% in 2026. This is the result of modest growth to a small base number.

6. 10-year government bond yields likely range-bound, with the GoC yield 3.0 - 3.5% and the U.S. Treasury 4.0% - 4.5%

With the Bank of Canada (BoC) likely holding its policy rate in the 2.0% - 2.5% range and the Federal Reserve (Fed) cutting toward 3.0% - 3.5%, a positive yield curve should keep intermediate-term bond yields above these levels. We expect the benchmark 10-year Government of Canada (GoC) yield to remain largely within the 3.0% - 3.5% range.

Although 10-year yields may temporarily overreach, we would expect them to drift back toward these ranges. Treasury bill purchases by the BoC and Fed should help anchor the short end of both yield curves near central bank policy rates, likely limiting upside pressure on yields. Conversely, resilient economic growth, budget deficit concerns, and inflation risks typically drive yields higher, making a sustained drop unlikely, in our view.

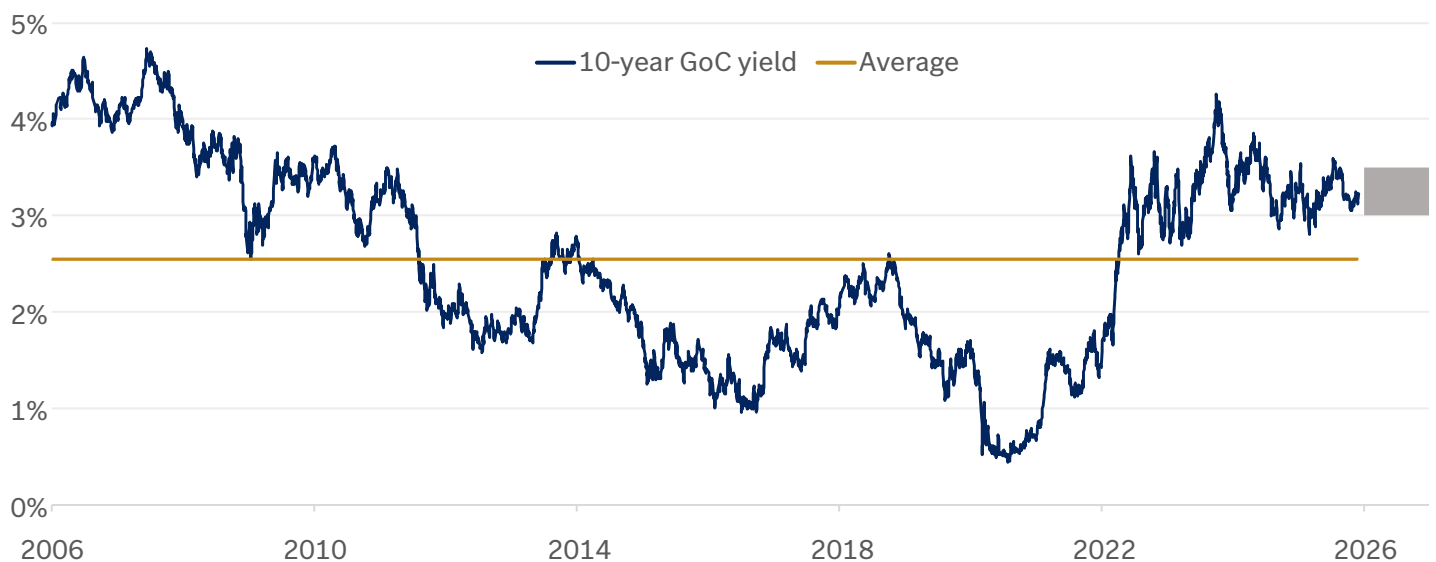
Despite pulling back from recent peaks as the BoC and Fed cut rates, 10-year GoC yields remain attractive — above their average over the past two decades, shown in the chart below. Since

GoC bonds serve as the benchmark for most Canadian investment-grade bonds, elevated yields should provide a foundation for solid returns ahead, with most of the contribution coming from income rather than price appreciation.

On the credit side, credit spreads — the excess yield above GoC bonds to compensate for default risk — have tightened below historical averages. We see little room for further narrowing, and any potential widening could drive yields higher and bond prices lower. Resilient growth could provide a stable backdrop for credit conditions, allowing investment-grade credit spreads to remain relatively contained.

Canadian investment-grade bonds offer a yield advantage of more than 100 basis points (1.0%) on average over cash. Since yield is a key driver of fixed-income returns, this sets the stage for bonds to outperform cash again in 2026 as they have in 17 of the past 23 years. For perspective, since 2002, Canadian investment-grade bonds have generated annualized returns of 3.9%, compared with 1.9% for cash.

10-year government of Canada yield remains above its average over past two decades



Source: Bank of Canada

This chart shows the 10-year Government of Canada yield and its average since 2006, as well as our expectations for 2026.

7. Momentum builds beyond North America

2025 was a strong year for overseas equities, with markets in Germany, France, the United Kingdom, and Japan all reaching new all-time highs.³ We anticipate that 2026 will be another favourable year for global economies and markets, underscoring the importance of diversification. While the robust performance of 2025 may be challenging to replicate, we believe there are compelling reasons to remain optimistic about overseas stocks in 2026.

Eurozone economies are beginning to benefit from the European Central Bank's (ECB) rate-cutting cycle, as evidenced by rising loan demand and improving business activity surveys.³ Furthermore, fiscal stimulus measures announced by Germany in the spring are expected to bolster economic activity in the eurozone's largest economy throughout 2026. With the sharp rally in European equities during 2025 largely valuation-driven, we see potential for earnings growth to play a more prominent role in supporting equity markets this year.

In the United Kingdom, persistently high inflation has prompted a cautious approach to monetary easing by the Bank of England (BoE). However, with signs of labour market softening, the BoE may have room to continue easing policy in 2026, potentially supporting economic activity. Similar to the eurozone, the U.K. economy has shown signs of strengthening loan demand, and survey-based indicators of business activity have improved.³

Turning to Japan, despite demographic headwinds and U.S. auto tariffs, economic activity remained resilient in 2025, and could be further supported in 2026 by a pro-growth policy agenda under Japan's new government.³ Notably, corporate governance reforms implemented over the past decade appear to be bearing fruit, with Japanese company profit margins reaching a 20-year high in 2025.⁴



3. FactSet

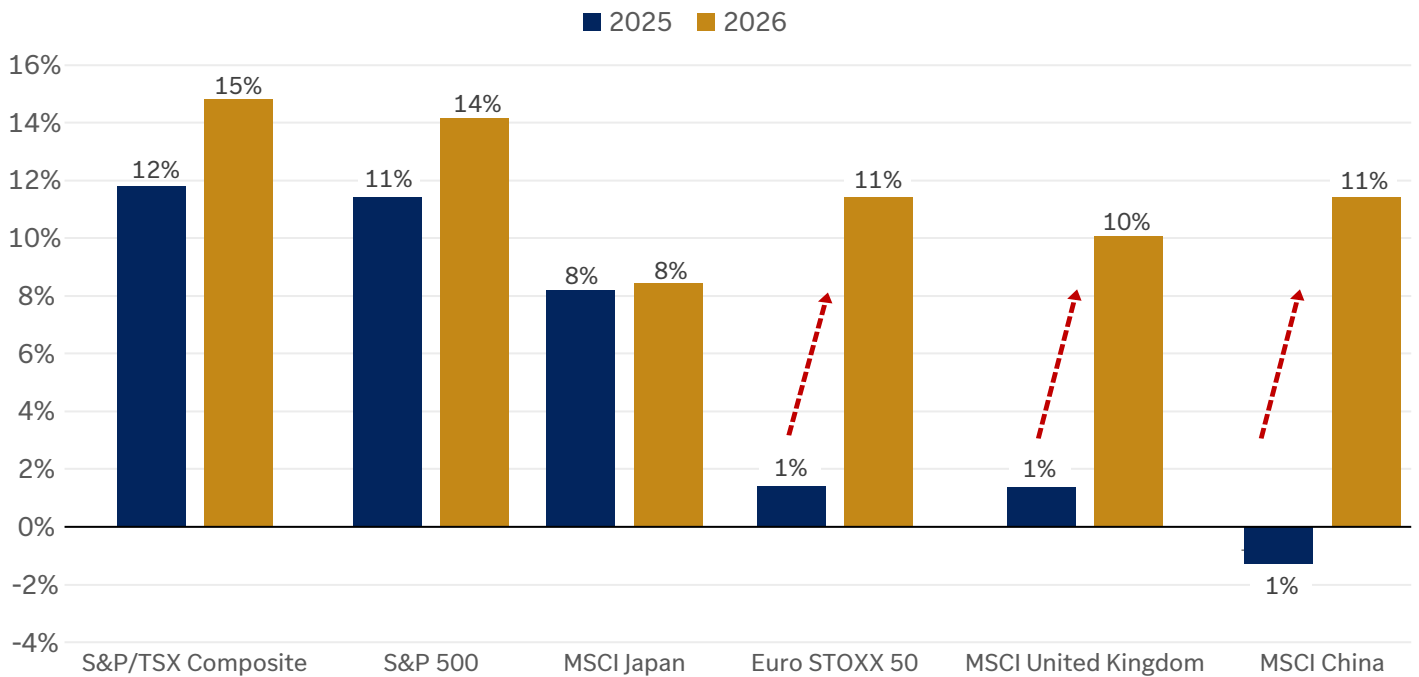
4. FactSet, LTM net profit margin MSCI Japan Index.

Taken together, we believe developed overseas stocks merit an allocation within diversified portfolios. In our view, the combination of economic momentum in the eurozone, improving profitability among Japanese corporations, the potential for accelerating earnings growth, and relatively attractive valuations — particularly among small- and mid-cap companies — supports the case for another year of positive returns in 2026.

Within emerging markets, economic activity in China has been subdued, with a battered property sector dampening consumer confidence and loan demand.³ Additionally, U.S. trade policy has contributed to sluggish manufacturing activity in the world’s second-largest economy, and trade tensions between the U.S. and China are likely to persist in 2026.

Nevertheless, we view emerging-market stocks as a means of gaining exposure to the artificial intelligence (AI) race at relatively attractive valuations. Additionally, emerging-market stocks have historically performed well in the periods following Federal Reserve interest rate cuts, which we believe creates a constructive backdrop for 2026.

Earnings growth expected to go global in 2026 (year-over-year earnings growth estimates)



Source: 3. FactSet

FactSet. Past performance does not guarantee future results. An index is unmanaged, cannot be invested into directly and is not meant to depict an actual investment.

This chart shows earnings growth estimates for 2025 and 2026 for the S&P/TSX Composite, S&P 500, MSCI Japan, Euro STOXX 50, MSCI U.K. and MSCI China Indices. Strong earnings growth across each of these regions is expected in 2026.

8. U.S. dollar dominance persists but loonie finds support

After a mostly uninterrupted 15-year bull market, the U.S. dollar came under pressure in 2025, particularly against the euro. Political and fiscal uncertainty, combined with a narrowing yield advantage relative to other developed markets and increased currency hedging by foreign investors contributed to the U.S. dollar's decline. However, the sharp fall early in the year reignited debate over whether the U.S. dollar is at risk of losing its status as the global reserve currency. In our view, the U.S. dollar's central role in global trade and finance is unlikely to change in the foreseeable future.

One way to assess global confidence in a currency is by examining its share of foreign exchange reserves — assets held by central banks in non-domestic currencies. In Q2 2025, the U.S. dollar accounted for 53.3% of global foreign exchange reserves, more than twice the share held in euros, the second-largest reserve currency.⁵ Additionally, the U.S. dollar has remained the dominant

currency for international payments, comprising approximately 50% of global transactions in 2024, up from around 30% in 2012.⁶ We believe the relative stability of the U.S. economy and its deep integration with global markets will support continued U.S. dollar dominance in the international financial system.

While we expect the U.S. dollar's dominant role in global markets to persist, we see potential for a flat to weaker U.S. dollar versus the loonie in 2026. The U.S. yield advantage — across both short- and long-term maturities — narrowed relative to Canadian government bond yields in 2025. Based on our expectation for additional interest rate cuts from the Federal Reserve, and our view that the Bank of Canada has likely reached the end of its easing cycle, we anticipate the U.S. yield advantage could narrow further relative to Canada, particularly in shorter maturities, potentially supporting the loonie.

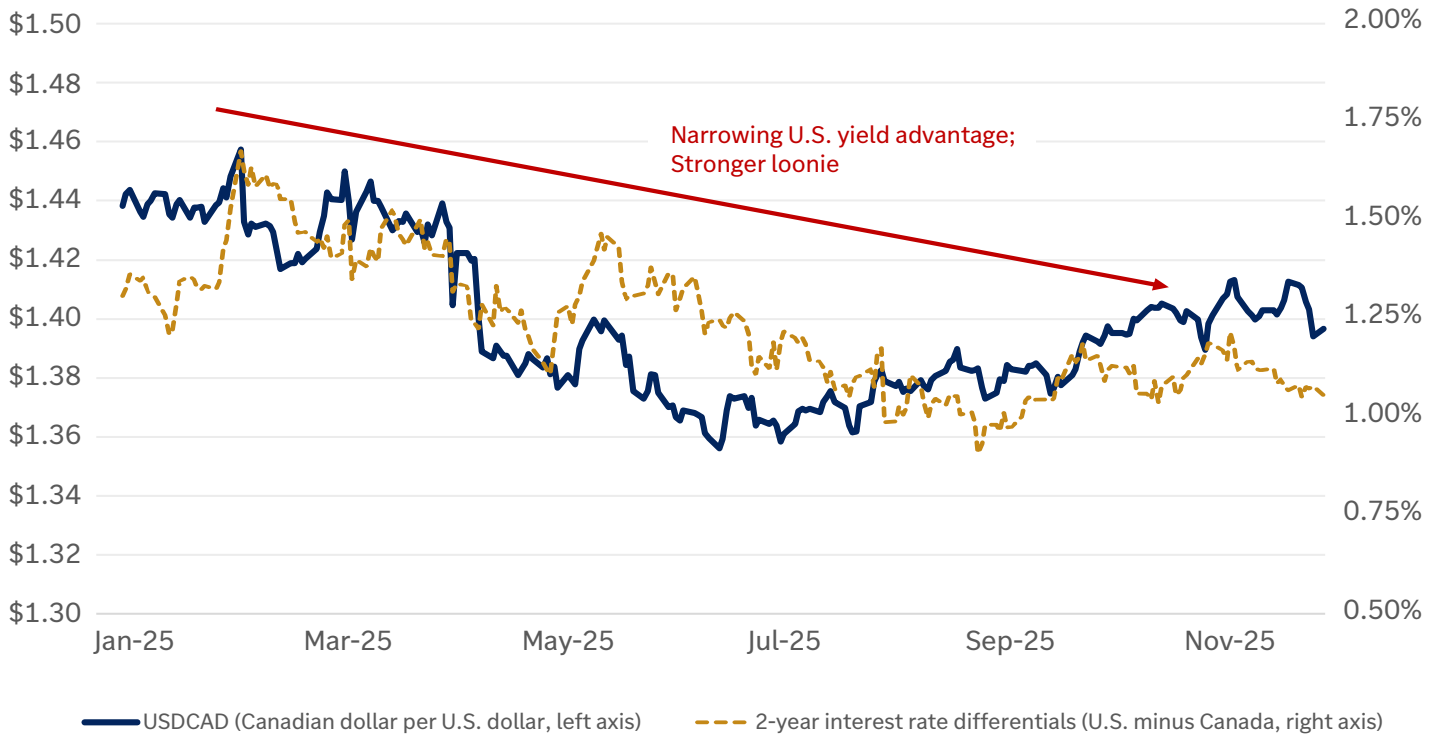


5. IMF Currency Composition of Official Foreign Exchange Reserves

6. Federal Reserve Board, "The International Role of the U.S. Dollar – 2025 Edition"

On the flip side, the opposite could hold true for the loonie when compared with overseas currencies. With the European Central Bank likely at the end of its easing cycle and signs of improving economic activity in the eurozone, we see limited scope for yields to decline there. Additionally, the Bank of Japan is expected to continue raising its policy rate in 2026. Taken together, overseas yields could rise relative to those in Canada, potentially putting downward pressure on the loonie and reinforcing the case for maintaining a globally diversified portfolio.

U.S. yield advantage could narrow further in 2026 supporting the loonie



Source: FactSet.

This chart shows the relationship between 2-year government bond yield differentials in the U.S. and Canada relative to the USDCAD exchange rate. In 2025, a narrowing U.S. yield advantage coincided with a stronger loonie.

9. Canada-United States-Mexico Agreement to survive 2026 review

2025 was a blockbuster year in politics and policy.

While the Trump Administration in the U.S. kicked off a trade war with Canada (and other trade partners), the Liberal government delivered a remarkable turnaround to hold onto power in the April snap election, and Prime Minister Carney used this mandate to pass a budget that aims to drive significantly higher federal (and private) investment in Canada, while also shrinking parts of the federal government.

2026 should be quieter, but with the renegotiation of the Canada-United States-Mexico Agreement (CUSMA) scheduled, we can't rule out further fireworks.

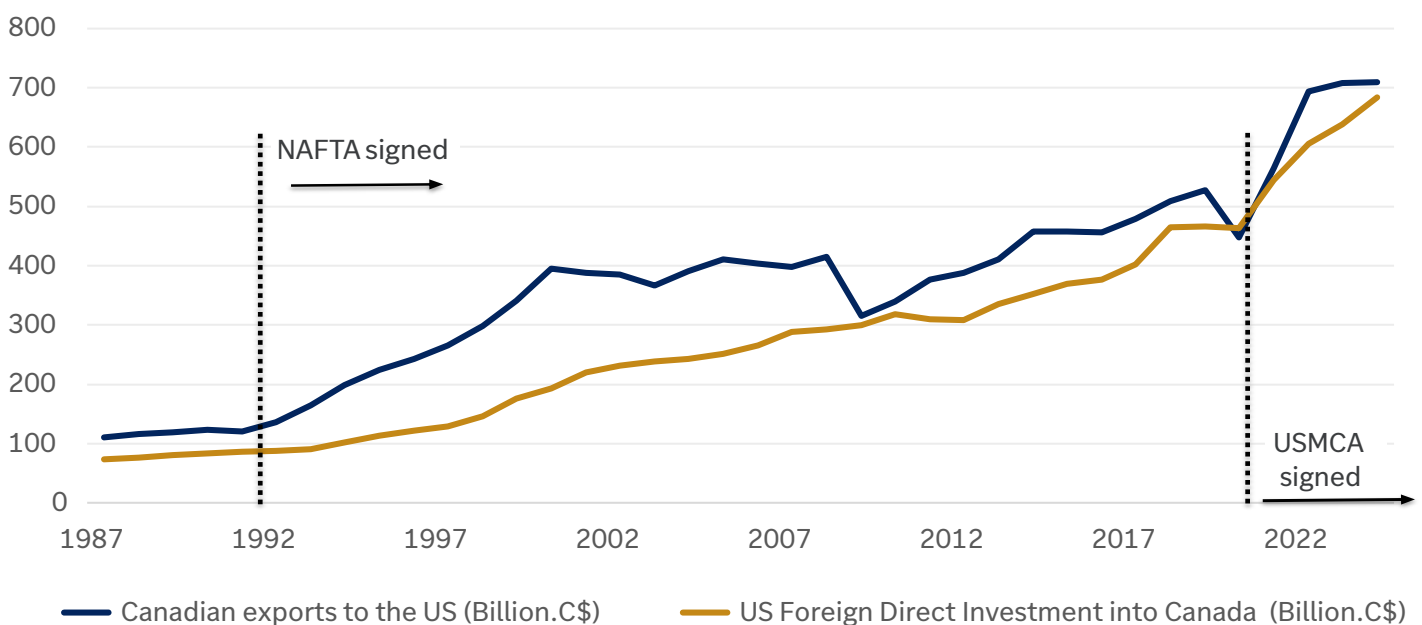
Critically, this agreement has shielded the North American economy from many of the tariff increases delivered by the U.S. in 2025. Talks will continue in 2026 to address tariffs that have not been fully protected by this free trade deal, most notably in the steel, aluminum and auto sector. However, most important will be how the deal evolves during the 2026 review.

President Trump has already threatened to withdraw from the agreement he signed in 2020, similar to past threats to leave its predecessor, North American Free Trade Agreement (NAFTA). We suspect we will see more grandstanding from the U.S. around these talks. However, we are mindful that the deep integration of Canadian, U.S., and Mexican supply chains developed over recent decades provide a powerful incentive against drastic changes.

There has been talk around potentially deepening the trade agreement, to encourage higher reciprocal investment and trade across strategic sectors such as energy, autos and technology. While these ideas might be ambitious, at least largely preserving the status quo will be an important step in underpinning short- and long-term growth across the continent.

Prime Minister Carney is looking to further diversify Canada's export markets, which are currently very focused on the U.S. However, any reorientation, if successful, will take years to accomplish, highlighting the importance of stabilizing trade policy across North America next year.

Free trade agreements have supported decades of trade and investment integration across North America



Source: Haver Analytics

10. AI, trade tensions, inflation and credit curveballs could test market resilience

Our base case for 2026 calls for a relatively benign year: improving economic growth, modest fiscal stimulus, steady interest rates and rising corporate profits, all of which provide a supportive backdrop for financial markets. However, it is certainly worthwhile to highlight where our team sees the biggest tail risks and potentially disruptive forces for this scenario. The three biggest risks that could test market resilience in our view are artificial intelligence (AI) disappointments, renewed trade tensions with the U.S., an inflation surprise and credit stress.

AI represents one of the most transformative technological advances in recent history and has already shaped market performance, with U.S. mega-cap technology stocks driving much of the gains for globally diversified portfolios. Yet after a historic three-year rally, with the top 10 stocks

now accounting for over 40% of the S&P 500's market capitalization, questions are emerging about whether AI can deliver sufficient productivity and profit growth to justify heavy investment.

There are a few ways the mega-cap technology companies could disappoint investors. First, if AI adoption fails to meet expectations or the growth rates of these companies slow faster than forecast, optimism could fade, weighing on tech leadership and broader equity valuations. Second, a handful of winners could emerge across the AI space, which may put pressure on the secondary and tertiary players in the industry. Finally, as noted, many mega-cap technology companies are taking on debt to finance the large rise in AI capital expenditure spending, which could weigh on margins and stock multiples over time. In our view, maintaining exposure to innovation while avoiding overconcentration is critical in the year ahead.

Record U.S. market concentration has the potential to amplify volatility

The top 10 companies account for 40% of the S&P 500



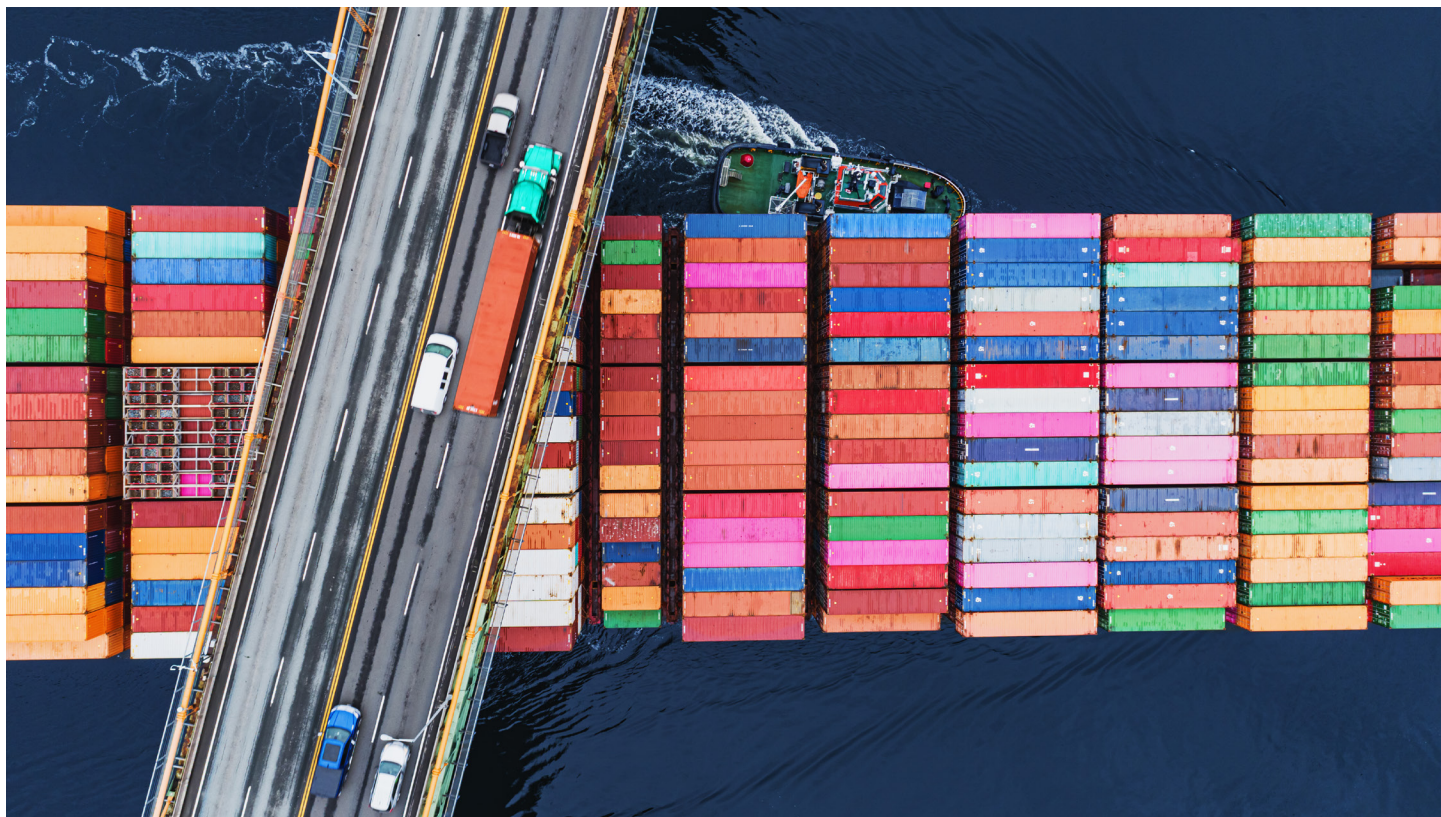
The graph shows that the top 10 companies of the S&P 500 by market capitalization now account for 40% of the index, a record concentration.
Source: Morningstar Direct, Edward Jones

A key risk to domestic equities is a flare-up in trade tensions with the U.S. tied to the scheduled renegotiation of the Canada-United States-Mexico Agreement (CUSMA) in mid-2026. The U.S. remains Canada's largest export market, and the current agreement exempts roughly 90% of Canadian exports from tariffs. While we expect these exemptions to remain in place, we cannot rule out an adverse scenario in which the U.S. withdraws from the agreement, a move that would significantly impact the Canadian economy.

Another risk to the outlook is an unexpected acceleration in inflation, as it could push the Bank of Canada back into tightening mode. Higher inflation could stem from persistent services price pressures, potentially driven by a tighter labour market and rising wages amid slowing immigration and improving economic growth. If a rise in commodity prices becomes a trigger for inflation, exposure to Canada's energy and materials sectors can help provide a natural hedge. Conversely, if commodity prices decline, pressuring Canadian equities given their sector tilt, global equity exposure can help offset some of that risk.

For investors, the best long-term guardrails against inflation remain allocations to assets that historically outpace inflation, including a diversified mix of equities and bonds.

Finally, a third potential risk to the outlook could come from stress in the credit markets, either public or private credit. Credit spreads in investment grade and high yield bonds remain tight, although they have been drifting higher. If we see a sharp rise in credit spreads, perhaps driven by concerns of defaults in parts of AI or other sectors, this could spark a broader disruption in financial markets. Similarly, private credit, which has been a rapidly growing income generating segment of private markets, also remains vulnerable if higher-for-longer rates trigger defaults. While stress in both public and private credit markets has remained contained in this cycle, an upheaval in these markets could amplify market volatility and tighten financial conditions. We continue to maintain a slight overweight to equities over bonds, and within the bond space, we recommend a diversified basket of investment grade, high yield, and international bonds alongside appropriate allocations to cash positions.



2026 financial planning considerations

2025 brought its fair share of headlines and uncertainty for Canadians, but we remain optimistic that 2026 will bring some much-needed clarity — particularly as it relates to global trade. Many Canadians work in industries that are either directly or indirectly impacted by the everchanging trade landscape with the U.S. We understand that these short-term pressures can make it difficult to focus on your personal financial goals. The Edward Jones Financial Planning team reminds you to review these three areas to ensure you start 2026 on the right track.

1. Stay diversified

Diversification has been a major theme of our 2026 outlook, and for good reason. Diversification can help reduce volatility in your investment portfolio. By owning investments from all areas of the global investable universe, you help ensure that your investment portfolio owns a mix of the top performing assets. While this could also mean you will own some securities that perform poorly, your downside is capped at -100%, while the upside on the best holdings is infinite. Knowing which securities that will have the best performance before the fact can be like searching for a needle in a haystack.

Don't look for the needle in the haystack. Just buy the haystack

— John C. Bogle, founder of Vanguard Group

Buying the haystack — or owning a portfolio of stocks and bonds that represents a mix of quality companies of various size, sectors, geographies and credit quality — can help grow your wealth while reducing the violent price swings that may impact one specific sector or company.

Remember that to stay diversified, you need to review your asset mix regularly and rebalance when things fall too far out of alignment. Selling your best performing assets that may now be over concentrated and buying more of the underrepresented securities in your investment portfolio can help keep your portfolio aligned with your risk tolerance and your stated goals.



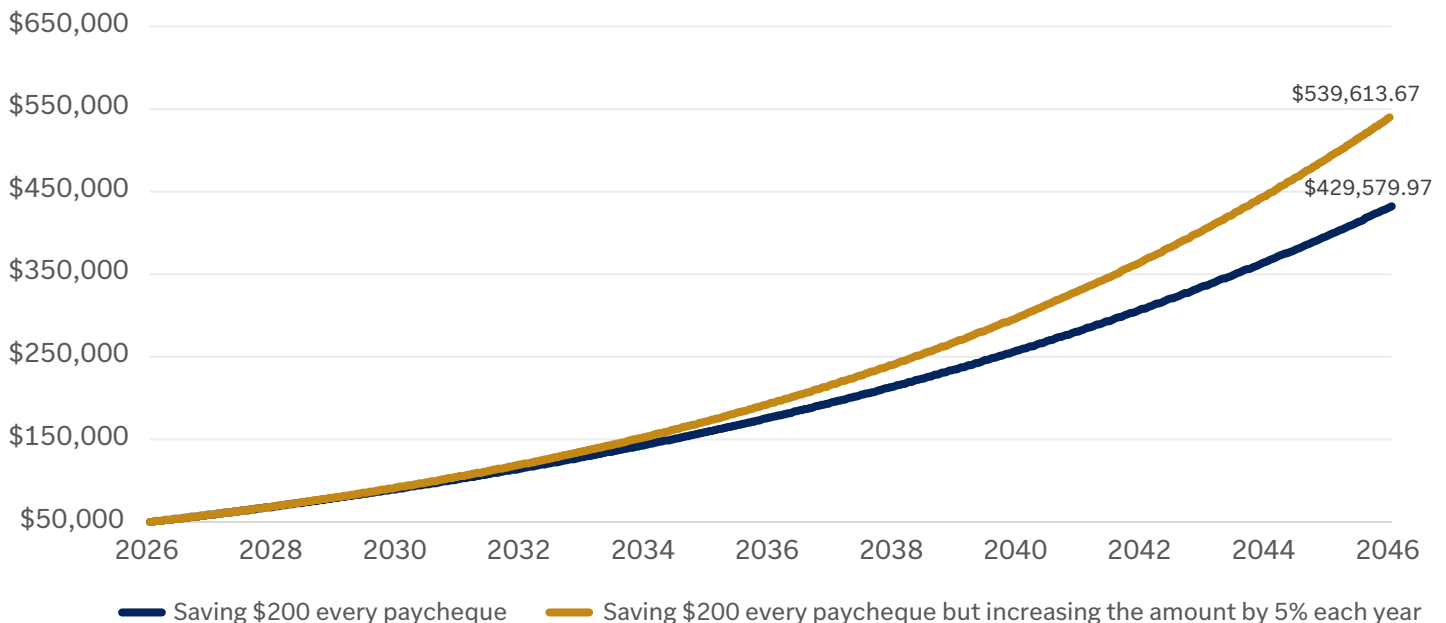
2. Review your savings strategy to keep up with inflation

A pre-authorized contribution or PAC, is a great way to automate saving. By creating a PAC that automatically transfers money into your investment accounts, you implement your plan to achieve your goals. Aligning your PAC to run the same day as your paycheque is an easy way to force savings by paying yourself first.

If you already have a PAC setup, consider increasing the amount to keep up with inflation. Even small increases can make a big difference

over time. As you can see below, with a starting value of \$50,000, investing \$200 bi-weekly and assuming a 7% per year return — your account could grow to over \$429,000. By increasing the PAC amount by 5% (to account for inflation and pay raises), your account could grow to over \$539,000. A difference of about \$110,000.

Small increases to your PAC add up over time



Source: Edward Jones. \$50,000 starting account value with \$200 invested bi-weekly, 7% annual return assumed over 20 years, with no increase to preauthorized contributions. Compared to \$50,000 starting account value with \$200 invested bi-weekly, 7% annual return assumed over 20 years, with 5% annual increase to preauthorized contributions. Calculation does not consider fees or other expenses.

Your Edward Jones financial advisor can help you determine if a PAC makes sense for your savings strategy, and how much you would need to invest to meet your personal financial goals.

3. Review your estate planning strategy

Survey data continues to reveal that about half of adult Canadians do not have a last will and testament. Of those that do have a will, many report not having reviewed or updated it recently to reflect changes in family, wishes and circumstances. The following documents are part of a comprehensive estate planning strategy.

- **A will** is a legal document that outlines your wishes regarding the distribution of your assets at death. It also appoints your executor, who administers your estate and distributes your assets to your beneficiaries. If you have minor children, your will should also nominate guardian(s) to care for them. Dying without a will results in the estate being distributed per provincial or territorial intestacy laws, which may not align with your goals. It may also take months or years to settle an estate and cause additional pain and inconvenience for loved ones left behind.
- **A power of attorney (POA) for property** is a legal document that lets you appoint someone (your attorney) to manage your financial and property matters on your behalf — such as paying bills, managing bank accounts or handling real estate — if you're unavailable or incapable. It typically takes effect immediately, unless stated otherwise, and it can continue if you lose mental capacity (often called a continuing or enduring POA).
- **A power of attorney for personal care** is a legal document that lets you appoint someone to make personal and health care decisions for you if you're unable to do so yourself.

These documents may go by different names, depending on your province or territory. Your POA for property and POA for personal care do not need to be the same person and in many cases, it may make sense to have separate trusted individuals named. It's also best practice for named power of attorneys to know where the documents are kept, so they can act quickly and appropriately if needed.



An increasingly digital world

Online passwords need to be kept private and secure — but what happens if you pass unexpectedly and the knowledge of your online assets and passwords die with you? Keeping a secure paper document with your last will and testament that includes the location of all your financial assets as well as important passwords is a sound strategy to ensure your appointed executor can fulfill your wishes.

Another part of your estate planning strategy should be to review the beneficiaries and successor holders on your registered accounts. Registered investments such as Registered Retirement Savings Plans (RRSP's), Registered Retirement Income Funds (RRIF's) and Tax-Free Savings Accounts (TFSA's) can generally be transferred to a spouse or common law partner tax-free.



Did you know?

Naming your surviving spouse or common law partner as a successor holder on your Tax-Free Savings Account (TFSA) lets them transfer your tax-free assets into their name, allowing these assets to continue to grow tax-free. This is different than naming them as a beneficiary. As a beneficiary, they will receive the assets tax-free, however they can only transfer them into their TFSA if they have the contribution room available.

If you do not have a will, powers of attorney for property or personal care — or if these documents have not been reviewed or updated within the past 3 years or since a major life event — make 2026 the year that you address these important estate planning documents.

Be aware of these limits and dates for 2026

Registered plan contribution limits	2025	2026
Registered Retirement Savings Plan (RRSP)	\$32,490	\$33,810
Tax-Free Savings Account (TFSA)	\$7,000	\$7,000
First Home Savings Account (FHSA)	\$8,000	\$8,000

Government-sponsored retirement programs	2025 monthly maximum	2026 monthly maximum
Canadian Pension Plan (CPP)	\$1,433	\$1,507.65
Quebec Pension Plan (QPP)	\$1,433	\$1,507.65
Old Age Security (OAS) – 74 and younger*	\$740.09	\$742.31
Old Age Security (OAS) – 75 and older*	\$814.10	\$816.54

Benefit payment dates		
CPP/OAS	QPP	Canada child benefit (CCB)
January 28, 2026	January 30, 2026	January 20, 2026
February 25, 2026	February 27, 2026	February 20, 2026
March 27, 2026	March 31, 2026	March 20, 2026
April 28, 2026	April 30, 2026	April 20, 2026
May 27, 2026	May 29, 2026	May 20, 2026
June 26, 2026	June 30, 2026	June 19, 2026
July 29, 2026	July 31, 2026	July 20, 2026
August 27, 2026	August 31, 2026	August 20, 2026
September 25, 2026	September 29, 2026	September 18, 2026
October 28, 2026	October 30, 2026	October 20, 2026
November 26, 2026	November 30, 2026	November 20, 2026
December 22, 2026	December 30, 2026	December 11, 2026

Speak to your Edward Jones financial advisor about how our 2026 outlook and these considerations could impact your personalized financial plan.

*OAS amounts are updated quarterly. This annual amount is subject to change.

Portfolio roadmap: 4 steps to stay ahead in 2026

1. Build purpose into your portfolio, strengthened by a global strategy

2026 will likely deliver its share of attention-grabbing headlines, particularly as markets grapple with ongoing artificial intelligence (AI) dynamics and evolving economic policies. But resilient portfolios aren't built on reaction. They're built on strategy. In a year offering a broad set of opportunities, global diversification should remain the cornerstone of that strategy, enabling your purpose to lead you through the year with clarity and discipline.

Therefore, revisit your comfort with risk, time horizon and financial goals. These factors should guide the creation of globally diversified asset allocation targets for your investment strategy — beginning with an appropriate mix of stocks and bonds that are aligned with your risk and return objectives. When supported by disciplined rebalancing, your strategic targets can help keep your portfolio goal focused and your emotions in check, no matter the surprises 2026 may bring.

2. Tilt toward stocks, taking a diversified approach

While periodic volatility should be expected, the bigger picture appears constructive: modest fiscal support, easing central-bank policies, ongoing tech innovation, rising earnings expectations, and steady economic growth provide a solid foundation for stocks to outperform bonds. With your strategic allocations as a starting point, consider overweighting stocks to capture timely opportunities.

We also expect the supportive backdrop to drive broadening market leadership, expanding investment opportunities across regions and sectors. Therefore, given its value in helping to

manage valuation, concentration, currency and interest-rate risks, among others, global diversification is critical to building a solid portfolio in 2026, including within overweight stock positions.

Here's how we suggest striking the right balance:

- **Favour more cyclical overseas stocks**

Overweighting emerging-market stocks and developed overseas small- and mid-cap stocks can help your portfolio tap further into policy tailwinds, technological breakthroughs, and relatively compelling valuations more globally. Resilient global growth is also likely to benefit these economically sensitive asset classes more than developed overseas large-cap stocks, which we recommend underweighting.

- **Favour broad exposure to U.S. stocks**

We also prefer the quality of U.S. stocks, as well as the exposure they provide to more cyclical stocks with relatively attractive valuations that are positioned to benefit from the country's growth prospects. Consider overweighting a mix of small-, mid-, and large-cap stocks to capture a balance of tech-related tailwinds alongside other sectors with catch-up potential, particularly amid the likelihood of deregulation and an improving policy backdrop.

- **Reallocate from a blend of bond investments.**

When shifting toward stocks, consider underweight positions in a combination of bond asset classes. This can help manage risk during periodic volatility, especially given diverging interest rates across regions and historically low credit spreads within bonds of lower credit quality.

3. Overweight a mix of sectors for a healthy balance of timely opportunity

In Canada, the materials sector has recently stood out, benefiting from gold miner exposure amid a gold rally. Tech has also dominated across multiple regions, driven largely by the growth prospects of AI, robust earnings and significant capital investments. However, this outperformance can lead to concentration risk as other sectors lag. If your portfolio has become overly exposed to top-performing sectors, consider rebalancing to help manage risks and capture a healthier mix of opportunities.

Consider timely opportunities across defensive, cyclical and growth areas of the market. In Canada, we prefer the industrials, energy, and materials sectors, which carry compelling valuations, particularly amid supportive infrastructure spending, rising demand for power, and higher gold prices. Within U.S. stock allocations, we favour the industrials, consumer discretionary and health care sectors, which are likely to benefit from a steady economy, the build out of AI technology, easing policy risk and/or relatively attractive valuations.



4. Manage risk within bonds — go global and reinvest excess cash

Even with an underweight stance on bonds, they continue to play an important role for investors seeking income, and they can provide stability and diversification benefits when complementing a stock portfolio. Consider their role in your portfolio, managing allocations appropriately.

With the potential for interest rate volatility as markets evaluate the path of inflation, labour markets and monetary policy, we suggest diversified bond exposures. While Canadian investment-grade bonds are core to a fixed-income portfolio, allocating to international markets across investment-grade and lower-quality bonds can help manage interest rate risk and credit risk more globally.

With the Bank of Canada likely at the end of its easing cycle and our expectation for additional easing by the Federal Reserve, consider reducing excess cash allocations to help limit reinvestment risk. Deploying that cash into allocations that have become too underweight can help unlock greater long-term return potential and more closely align your portfolio with your financial goals. Conversely, overweighting intermediate- and long-term Canadian investment-grade bonds is likely to be beneficial in 2026, given their greater income potential when compared to shorter-term bonds.

Talk with your financial advisor about our outlook, which drives our timely portfolio guidance. Consider how incorporating this guidance into your portfolio can help you stay ahead in 2026.

Opportunistic portfolio guidance

Our opportunistic portfolio guidance represents our timely investment advice based on our global outlook. We expect this guidance to enhance your portfolio's return potential, relative to our long-term strategic portfolio guidance, without taking on unintentional risk.

		Underweight	Neutral	Overweight
	Equity	•	•	●
	Fixed income	●	•	•
Equity	Canadian large-cap stocks	•	●	•
	U.S. large-cap stocks	•	•	●
	Developed overseas large-cap stocks	●	•	•
	Canadian small- and mid-cap stocks	•	●	•
	U.S. small- and mid-cap stocks	•	•	●
	Developed overseas small- and mid-cap stocks	•	•	●
	Emerging-market stocks	•	•	●
Fixed income	Canadian investment-grade bonds	●	•	•
	International bonds	●	•	•
	International high-yield bonds	●	•	•
	Cash	•	●	•
Canadian equity sector guidance		Underweight	Neutral	Overweight
	Communication services	●	•	•
	Consumer discretionary	●	•	•
	Consumer staples	●	•	•
	Energy	•	•	●
	Financial services	•	●	•
	Health care	•	●	•
	Industrials	•	•	●
	Materials	•	•	●
	Real estate	•	●	•
	Technology	●	•	•
	Utilities	•	●	•
U.S. equity sector guidance		Underweight	Neutral	Overweight
	Communication services	•	●	•
	Consumer discretionary	•	•	●
	Consumer staples	●	•	•
	Energy	•	●	•
	Financial services	•	●	•
	Health care	•	•	●
	Industrials	•	•	●
	Materials	•	●	•
	Real estate	•	●	•
	Technology	•	●	•
	Utilities	●	•	•
Opportunistic Canadian investment-grade bond guidance		Underweight	Neutral	Overweight
	Interest rate risk (duration)	•	•	●
	Credit risk	•	●	•

Source: Edward Jones.

Investment performance benchmarks

Asset class performance				
Total returns	Q4 2025*	2025*	3-year	5-year
Canadian investment-grade bonds	-0.9%	1.8%	3.2%	-0.3%
International bonds	0.2%	3.0%	3.3%	-0.3%
International high-yield bonds	1.1%	7.2%	12.2%	6.0%
Cash	0.5%	2.7%	4.2%	2.8%
Canadian large-cap stocks	4.7%	29.7%	19.2%	15.7%
Canadian small- and mid-cap stocks	5.6%	39.1%	23.2%	16.1%
U.S. large-cap stocks	2.5%	13.5%	22.0%	16.2%
U.S. small- and mid-cap stocks	2.4%	8.1%	13.0%	9.5%
Developed overseas large-cap stocks	2.2%	23.7%	16.6%	10.7%
Developed overseas small- and mid-cap stocks	0.4%	24.3%	15.4%	8.0%
Emerging-market stocks	2.7%	26.7%	15.7%	6.2%

*Returns through 12/5/2025

Source: FactSet. Canadian large-cap stocks represented by the S&P/TSX Composite. Canadian small- and mid-cap stocks represented by the S&P/TSX Completion. U.S. large-cap stocks represented by the S&P 500. U.S. small- and mid-cap stocks represented by the Russell 2500.

Developed overseas large-cap stocks represented by MSCI EAFE. Developed overseas small- and mid-cap stocks represented by MSCI EAFE SMID.

Emerging-market stocks represented by MSCI EM. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Index.

International bonds represented by the Bloomberg Global Aggregate CAD Hedged Index. International high-yield bonds represented by the Bloomberg Global High Yield Index. Cash represented by the S&P Canada Treasury Bill Index. Canadian equity sectors based on GICS sectors of the S&P/TSX Composite. All returns are total return in CAD. Net total return used for indexes outside of Canada. Past performance does not guarantee future results. An index is unmanaged, cannot be invested into directly and is not meant to depict an actual investment.

Canadian equity sector performance				
Total returns	Q4 2025*	2025*	3-year	5-year
Communication services	-2.2%	10.4%	-7.0%	-0.1%
Consumer discretionary	10.0%	29.8%	15.8%	13.1%
Consumer staples	6.2%	12.3%	13.6%	14.6%
Energy	3.7%	21.4%	16.0%	24.1%
Financials	7.3%	31.5%	23.0%	19.1%
Health care	2.3%	1.3%	-0.9%	-18.3%
Industrials	-2.2%	2.3%	5.9%	8.5%
Technology	5.0%	25.7%	40.0%	11.8%
Materials	6.4%	90.8%	30.8%	19.6%
Real Estate	-8.1%	2.0%	4.4%	3.9%
Utilities	1.7%	19.5%	9.2%	6.6%