



# NORTH AMERICAN EQUITY STRATEGY

## First Quarter 2026 Review

During the first quarter, the S&P 500 posted a total return of  $-4.33\%$  in U.S. dollar terms. After adjusting for currency effects, the return improved to  $-2.84\%$  in Canadian dollar terms, as the Canadian dollar depreciated by 1.00 cent over the quarter to \$0.7186 USD. The S&P/TSX Composite Index delivered a positive total return of  $+3.94\%$  for the quarter, driven mainly by energy stocks. At its March meeting, the Federal Open Market Committee (FOMC) maintained the target range for the federal funds rate at  $3.50\%$ – $3.75\%$ . The Committee noted that available indicators suggest economic activity continues to expand at a solid pace. The unemployment rate has remained relatively stable in recent months, while inflation is still somewhat elevated. However, the FOMC also highlighted that mounting uncertainty, particularly given ongoing developments in the Middle East, could have potential implications for the U.S. economy going forward.

Our conclusion is that the FOMC is in no rush to lower interest rates. Given resilient economic growth, a stable labour market, above-target inflation, and heightened geopolitical uncertainty, the current policy stance appears appropriate.

In its Summary of Economic Projections (“SEP”) (**Exhibit 1**), the Federal Open Market Committee revised its outlook modestly. Expectations for real GDP growth increased for 2026 and 2027, while employment projections were unchanged for 2026 and edged slightly lower for 2027. At the same time, projections for PCE inflation moved higher, reflecting persistent price pressures. The March SEP continues to project one rate cut in both 2026 and 2027, unchanged from the December outlook. However, during the press conference, Fed Chair Jerome Powell noted that four or five participants revised their expectations from two cuts to one in 2026, suggesting a subtle shift toward a more neutral policy stance.

Two additional remarks from the press conference were particularly notable. First, Powell repeatedly emphasized uncertainty—stating “we just don’t know” numerous times in reference to the economic implications of the war involving Iran. Second, he commented that if the FOMC were ever to skip publishing an SEP, “this would be a good one,” underscoring the unusually high degree of uncertainty currently facing policymakers.



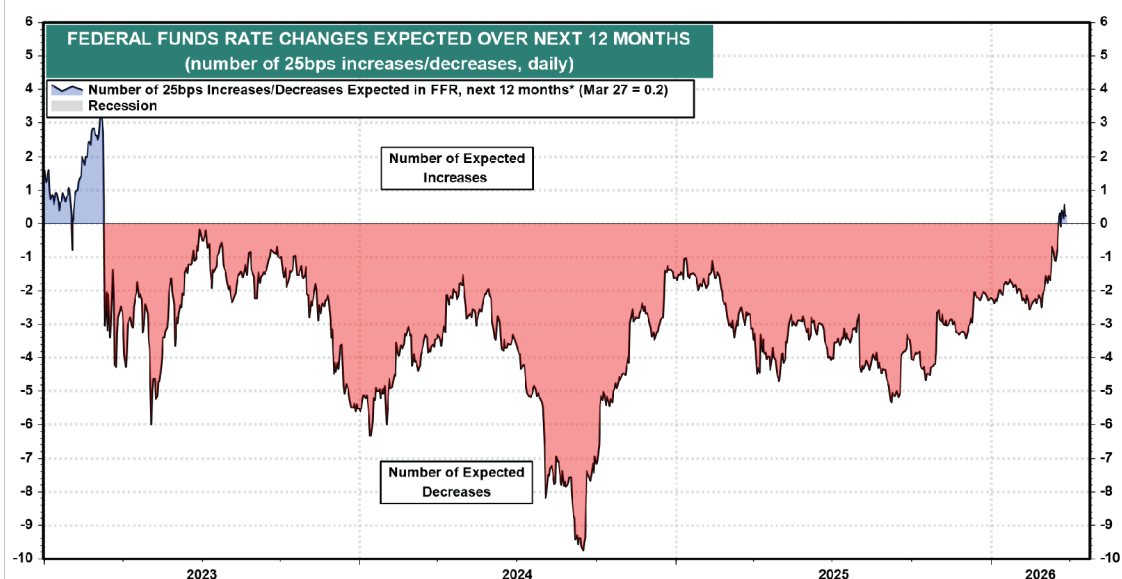
**Exhibit 1: Summary of Economic Projections by the Federal Open Market Committee (FOMC)**

Variable [in %]				
	2026	2027	2028	Longer Run
Change in real GDP	2.4	2.3	2.1	2.0
December projection	2.3	2.0	1.9	1.8
Unemployment rate	4.4	4.3	4.2	4.2
December projection	4.4	4.2	4.2	4.2
PCE inflation	2.7	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation	2.7	2.2	2.0	
December projection	2.5	2.1	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.4	3.1	3.1	3.1
December projection	3.4	3.1	3.1	3.0

Source: Source: Federal Reserve, Summary of Economic Projections. 03/18/2026

Exhibit 2 presents the market-implied path for policy rates based on Fed Funds futures market pricing over the next 12 months. As illustrated, expectations have shifted notably—from anticipating two to three interest rate cuts earlier in 2026 to now pricing in essentially no easing.

**Exhibit 2: Fed Rate Change Expectations**



Source: Yardeni Research, 03/27/2026



While the ultimate path for rates will depend in part on the outcome of the conflict involving Iran, our base case assumes the disruption will be relatively short-lived, with market reaction consistent with historical precedent. As shown in **Exhibit 3**, the S&P 500 has experienced median and average drawdowns of -6% and -8% after major domestic political and geopolitical events dating back to World War II. These drawdowns in the market generally lasted about 16 trading days, with a similar time frame required for recovery. So, the drawdowns tend to happen quickly (the longest took only 50 days to reach bottom) and importantly, median returns from the trough range between +9.2% and +14.7% over the subsequent 6 to 12 months. The current escalation in the Middle East began February 28th, 2026, with Operation Epic Fury, so we are now about 5 weeks into it.

### Exhibit 3: Equity market selloffs and recoveries around geopolitical events

Event*	Event date	Time to bottom**	Time to recover**	Size of selloff (%)	Returns from trough (%)				
					1w	1m	3m	6m	12m
WW-II Germany annexes Czechoslovakia	15-Mar-39	22	108	-20.5	2.3	8.3	8.5	23.2	18.9
WW-II Germany attacks France	9-May-40	22	745	-25.8	11.0	10.9	17.1	18.0	9.2
WW-II Pearl Harbor	7-Dec-41	17	201	-10.8	8.6	6.5	-3.8	-1.1	15.3
N. Korea invades S. Korea	24-Jun-50	17	43	-12.9	4.8	11.2	19.2	29.2	31.4
Suez Crisis	29-Oct-56	17	131	-6.8	5.5	4.9	-1.4	6.2	-6.0
Berlin Wall built	13-Aug-61	25	18	-3.9	1.4	4.1	8.0	6.2	-14.6
Cuban missile crisis	14-Oct-62	7	9	-6.6	5.7	15.0	22.7	30.0	36.5
Assassination of President Kennedy	22-Nov-63	2	1	-2.8	5.2	6.7	11.5	16.0	23.9
Authorization of military operations in Vietnam	7-Aug-64	15	36	-3.2	1.3	1.7	4.8	7.3	5.8
Six Day Israel Arab war	5-Jun-67	20	40	-6.5	4.1	3.3	6.5	7.7	13.0
Assassination of Martin Luther King Jr	4-Apr-68	2	2	-0.6	3.5	5.8	8.2	11.2	7.9
Israel Arab war/Oil embargo	16-Oct-73	27	1475	-17.1	1.5	7.3	5.6	-2.0	-28.2
President Nixon impeachment proceedings	6-Feb-74	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3
Shah of Iran exiled	16-Jan-79	9	34	-4.6	1.8	1.3	1.9	8.7	19.7
Iranian hostage crisis	4-Nov-79	24	51	-10.2	3.5	7.7	16.4	7.3	29.3
Soviet invasion of Afghanistan	24-Dec-79	12	6	-3.8	4.4	9.4	-2.9	11.6	29.6
Invasion of Grenada	25-Oct-83	22	304	-6.3	2.2	2.1	-3.7	-0.8	4.3
Bombing of Libya	15-Apr-86	20	7	-4.9	3.7	5.7	6.2	5.0	23.5
First Gulf War	2-Aug-90	50	87	-15.9	3.5	6.2	6.7	27.8	29.1
President Clinton impeachment proceedings	19-Dec-98	6	5	-3.9	5.4	6.2	13.4	13.4	23.0
Kosovo bombing	24-Mar-99	4	9	-4.1	3.1	7.5	5.6	1.4	21.0
9/11 attacks	11-Sep-01	6	15	-11.6	7.8	11.1	18.5	19.4	-12.5
Iraq war	20-Mar-03	7	16	-5.3	3.7	8.0	15.8	20.0	32.8
Arab spring (Egypt)	25-Jan-11	2	3	-1.8	2.7	4.0	6.6	1.9	3.1
Intervention in Libya	19-Mar-11	18	29	-6.4	3.2	5.0	0.9	-3.3	11.7
Russian invasion of Crimea	1-Mar-14	6	13	-2.0	1.4	-0.6	5.2	7.8	11.5
Intervention in Syria	22-Sep-14	21	12	-7.4	4.7	9.5	8.4	13.0	9.1
Brexit vote	23-Jun-16	14	9	-5.6	5.1	8.3	8.0	13.4	20.9
Airstrike on Syrian airbase	7-Apr-17	32	16	-2.8	1.2	2.7	5.1	9.6	14.1
Russian invasion of Ukraine	25-Feb-22	20	16	-9.1	2.2	7.6	-1.3	-3.9	-4.3
Israel-Hamas War	7-Oct-23	13	8	-5.9	5.9	10.5	18.8	23.9	42.4
Israel-Iran Airstrike	1-Apr-24	15	131	-5.3	2.7	6.8	10.8	18.1	18.1
<b>Median</b>		<b>16</b>	<b>16</b>	<b>-6.1</b>	<b>3.5</b>	<b>6.7</b>	<b>6.6</b>	<b>9.2</b>	<b>14.7</b>
<b>Average</b>		<b>16</b>	<b>112</b>	<b>-7.5</b>	<b>3.9</b>	<b>6.7</b>	<b>7.8</b>	<b>10.5</b>	<b>13.3</b>

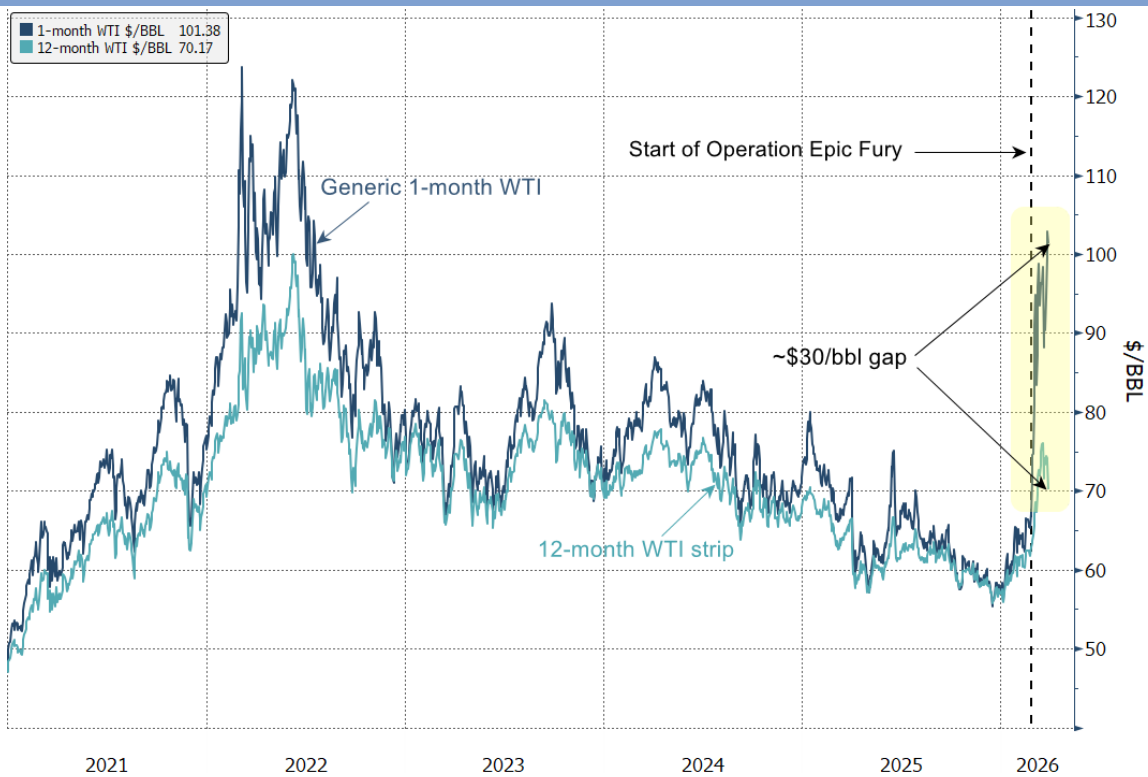
\*shaded events occurred around recessions; \*\*duration in trading days

Source: Deutsche Bank Research, Outlook 2025: What's Still to Come, 11/25/2024, Chadha et al.



Additional support for a contained and temporary shock can be seen in **Exhibit 4**, which compares spot West Texas Intermediate crude oil prices with the forward 12-month strip. The one-year oil strip on NYMEX has risen only modestly relative to the increase in spot prices. This divergence suggests that investors expect the current U.S./Israel–Iran conflict to be resolved relatively quickly. According to Donald Trump, the United States and Iran are “in negotiations right now...” suggesting possible near-term de-escalation.

#### Exhibit 4: Near-Month Crude versus 12-month Crude Prices



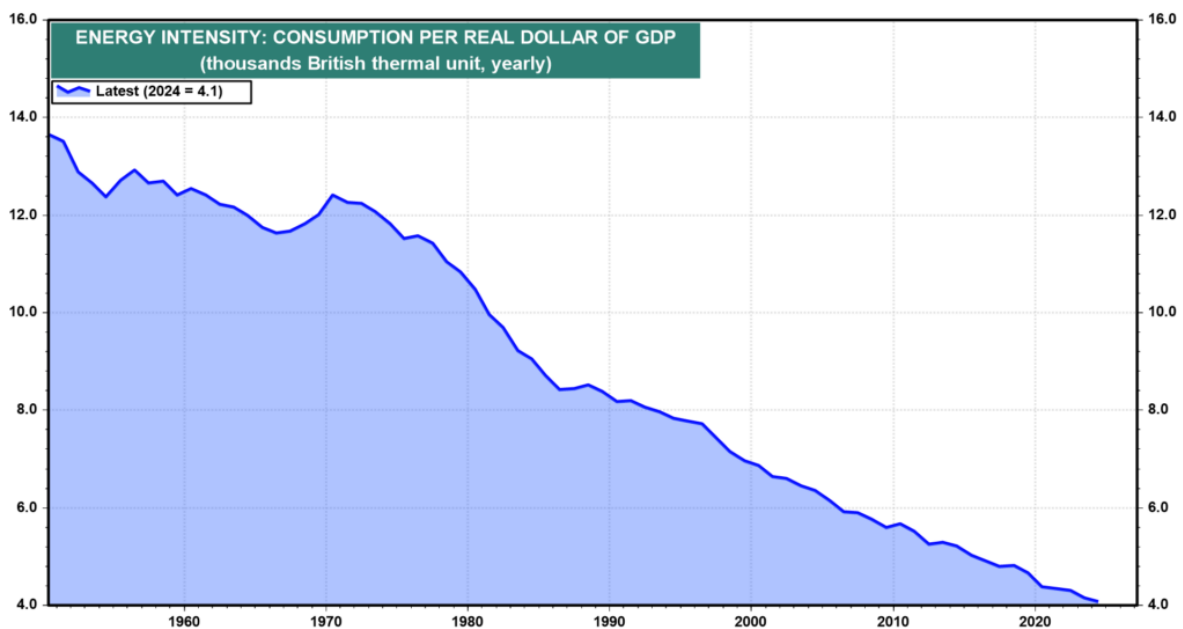
Source: Bloomberg, 3/31/2026

But what if the conflict persists? Could a prolonged war push the economy into recession—or even trigger a return to 1970s-style stagflation? While a more extended conflict could certainly result in a deeper market correction, we do not view either a recession or stagflation as the most likely outcome as the situation today is quite different from the 1970’s.



**Exhibit 5** measures “energy intensity,” defined as energy consumption per real dollar of GDP. It shows that energy intensity has declined by roughly two-thirds since the 1970s. This reflects a structural shift away from energy-intensive manufacturing toward service-based industries, along with improvements such as higher vehicle fuel efficiency. As a result, the economy today is significantly less sensitive to energy price shocks than it was during the 1970s oil crisis.

### Exhibit 5: Energy Intensity over Time

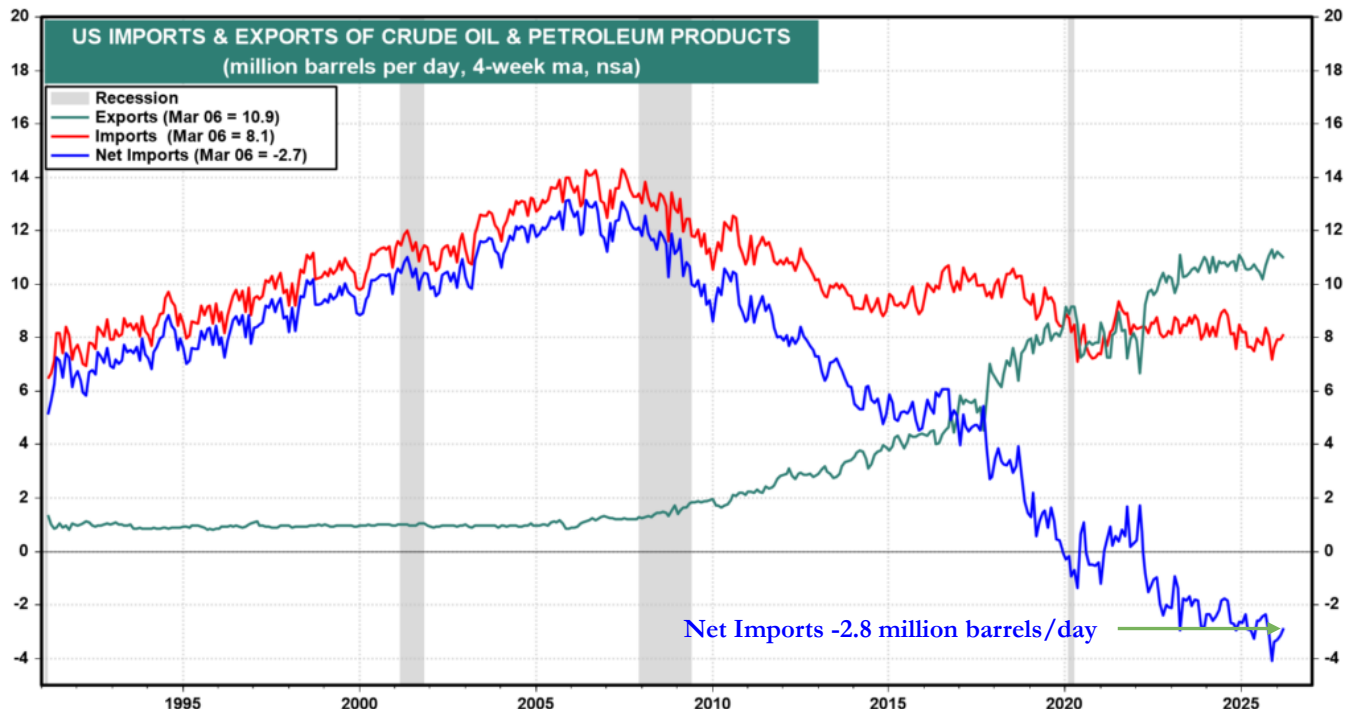


Source: Yardeni Research, QuickTakes, 03/18/2026



Exhibit 6 reinforces this point. The United States transitioned to a net exporter of crude oil and refined products around 2020 and currently exports nearly 3 million barrels per day. This marks a fundamental shift from the 1970s, when the U.S. was far more dependent on imported energy and therefore more vulnerable to external supply disruptions.

Exhibit 6: U.S. Imports & Exports of Crude Oil & Petroleum Products

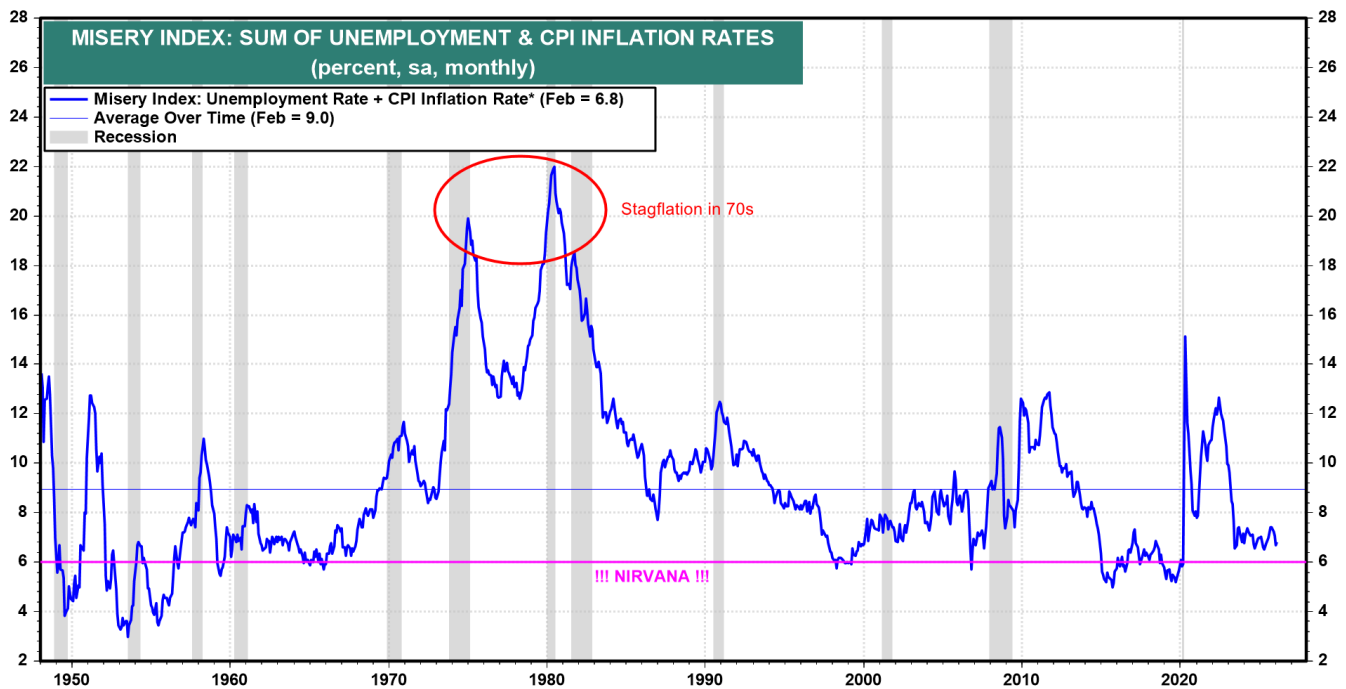


Source: Yardeni Research, QuickTakes, 03/18/2026



Exhibit 7, which tracks the “Misery Index” (the sum of CPI inflation and the unemployment rate), provides additional context. During the oil shocks of 1973 and 1979, global supply disruptions led to a quadrupling and doubling of oil prices, respectively. This drove the Misery Index to peaks of approximately 20% and 22% and it was quite high, above long-term averages, leading to these crises. By comparison, the index stood at just 6.8%, well below long-term averages as of February 2026 leading into this conflict.

### Exhibit 7: Misery Index (Combined effect Unemployment & Inflation)



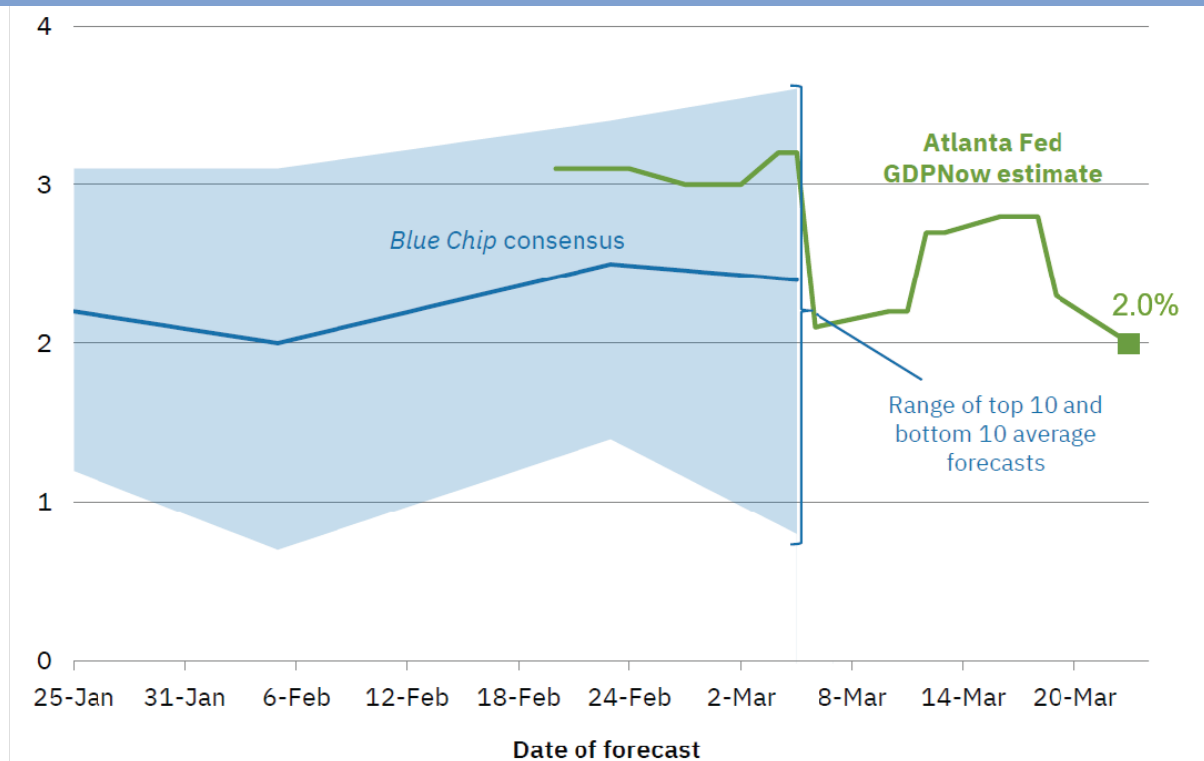
Source: Yardeni Research, 03/27/2026

This framework, popularized by Ed Yardeni, defines “economic nirvana” as a combination of full employment (around 4% unemployment) and stable inflation (approximately 2%), implying a Misery Index near 6%. Based on current conditions, the economy is much closer to this economic “nirvana” scenario than during the 1970s.



Exhibit 8 shows the Federal Reserve Bank of Atlanta GDPNow estimate for first-quarter real GDP growth at 2.0%. While this is modestly below the Fed’s 2026 target of 2.4%, it remains firmly in positive territory, indicating continued economic expansion a month into the conflict. While GDPNow is not an official forecast, it is a real-time model that updates continuously as new data is released, making it a useful high-frequency gauge of current economic momentum.

Exhibit 8: U.S. Real GDP forecast for Q1 2026 [Quarterly % change]

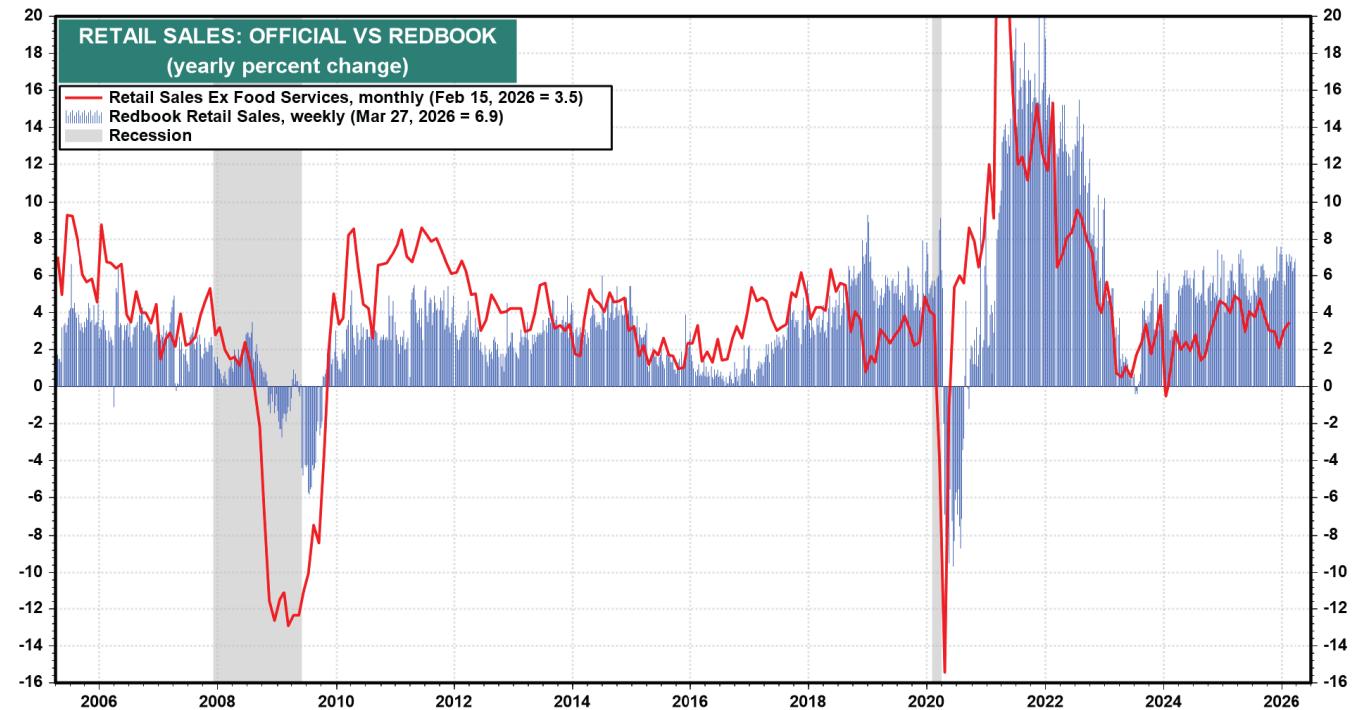


Source: Federal Reserve Bank of Atlanta, 03/23/2026



Exhibit 9 highlights the weekly Redbook Retail Sales Index (in blue), which rose a strong 6.9% year-over-year for the week of March 27th. This suggests that consumer spending remains resilient and continues to support overall economic activity.

### Exhibit 9: Retail Sales

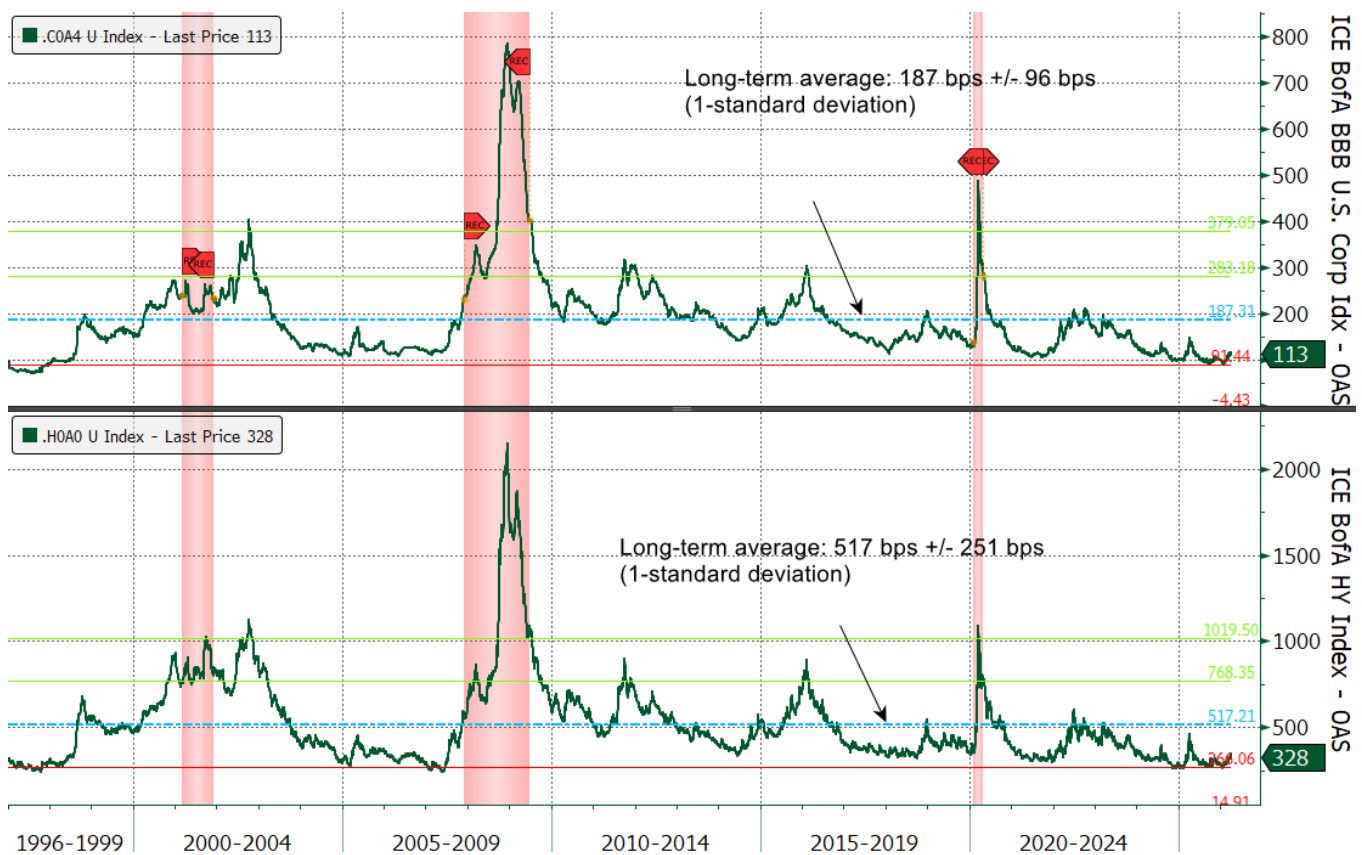


Source: Yardeni Research, 03/27/2026



**Exhibit 10** examines corporate credit spreads, comparing both investment-grade (top panel) and high-yield (bottom panel) bonds relative to U.S. Treasuries. Increasing / widening credit spreads are an important early, forward-looking warning indicator, as they signal that investors are demanding higher compensation for risk, often ahead of economic stress. Year-to-date, spreads have widened modestly—U.S. high-yield spreads are up 47 basis points year-to-date to 328 bps, while BBB-rated investment-grade spreads have increased 12 basis points to 113 bps. Despite this movement, spreads remain below long-term averages and do not indicate significant concern around default risk. The recent widening likely reflects a modest increase in risk premium, potentially tied to geopolitical uncertainty, rather than a deterioration in underlying credit conditions.

**Exhibit 10: Credit Spreads - U.S. Corporate BBB (top) and U.S. High Yield Corporate (bottom)**



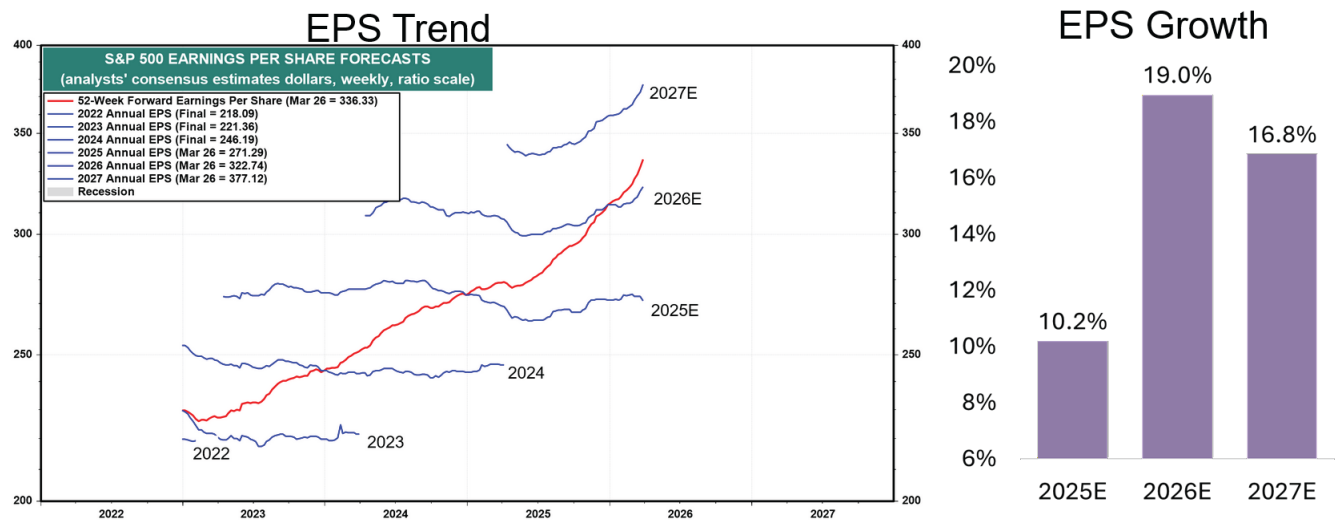
Source: ICE BAML, Bloomberg, 3/31/2026

In aggregate, the coincident data presents a consistent picture: economic growth is moderating but remains positive, the consumer continues to spend at a healthy pace, and credit markets are not signaling systemic stress a month into the conflict.



Exhibit 11 presents consensus analyst estimates for S&P 500 earnings per share (EPS), shown in blue, of \$271.29 for 2025, \$322.74 for 2026, and \$377.12 for 2027. This implies robust earnings growth of 19.0% in 2026, followed by a further 16.8% in 2027. Notably, in the fourth-quarter of 2025, earnings growth came in at +14.1% year-over-year, a meaningful improvement from the +8.3% estimate originally projected at the end of December. This marks the fifth consecutive quarter of double-digit earnings growth for the index. With first-quarter 2026 consensus estimates currently tracking at +12.5%, the earnings backdrop remains strong and supportive of equities.

### Exhibit 11: S&P 500 EPS Trends & Growth

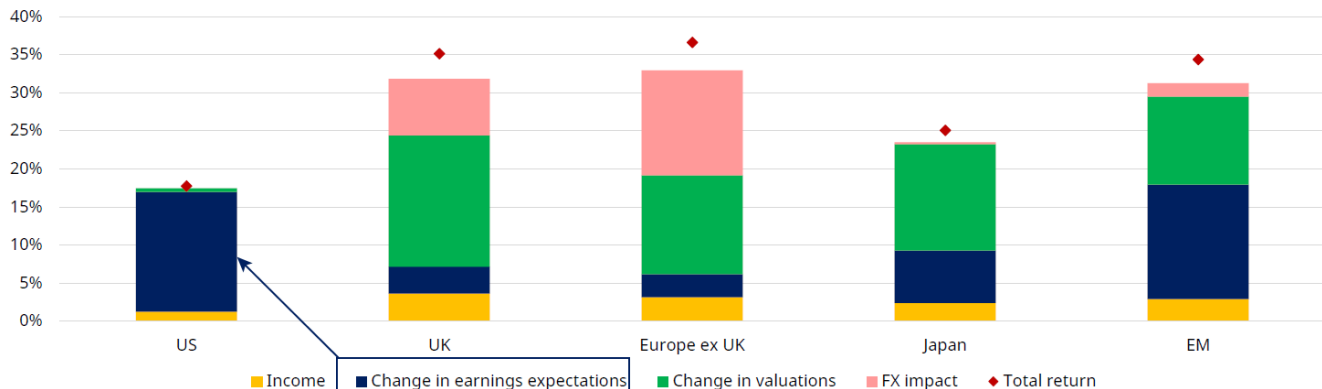


Source: Yardeni Research, 03/26/2026



**Exhibit 12** examines the relative performance of developed ex-U.S. equities and emerging markets—including the UK, Europe, Japan, and EM—versus the S&P 500 in 2025. As shown, outperformance in these regions outside the U.S. was largely driven by valuation expansion (Price/Earnings or P/E multiple expansion) and by currency tailwinds, while U.S. equity returns were primarily driven by earnings growth. We view earnings growth as a higher quality driver of returns as it comes from real business improvement versus multiple expansion, which is driven by investors willing to pay more for each dollar of earnings. Emerging markets benefited from both earnings’ growth and multiple expansion. Given the market moves, relative P/E valuation gaps between different regions, measured as standard deviations from historical averages, have narrowed significantly with the U.S. becoming less expensive and markets outside the U.S. becoming more expensive relative to earnings. Given that and the strong forward earnings outlook for the S&P 500 in 2026 and 2027, we remain constructive on U.S. equities despite last year’s relative underperformance.

Exhibit 12: Decomposition of drivers of 2025 returns (in USD)

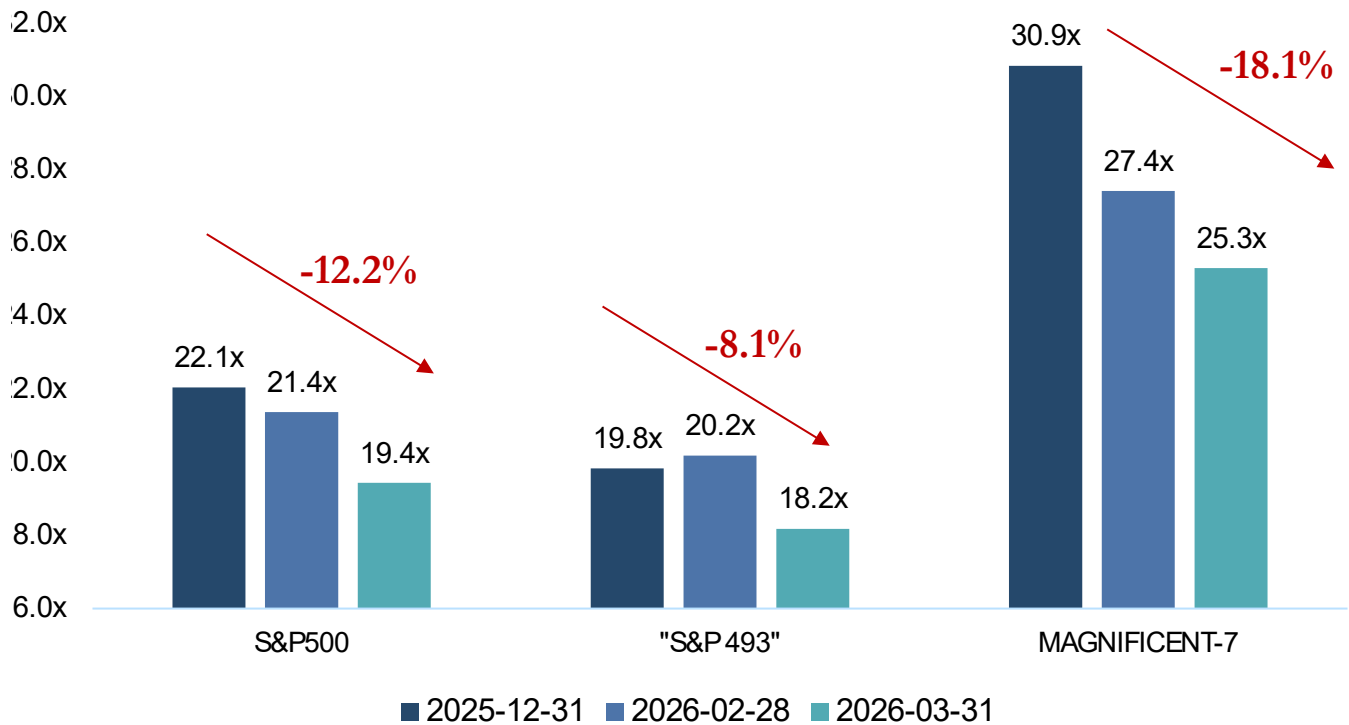


Source: Schroders Equity Lense, January 2026



**Exhibit 13** highlights the change in 12-month forward P/E ratios for the S&P 500, the S&P 493 (excluding the “Magnificent Seven” technology companies), and the Magnificent Seven across three points in time: December 31st, 2025; February 28th, 2026 (coinciding with the onset of the recent geopolitical conflict); and March 31st, 2026. The data illustrates that equity valuations have become more attractive, driven by a combination of market pullback and continued earnings growth. Notably, most of the multiple compression year-to-date has been concentrated within the Magnificent Seven (red arrow -18.1%), while the broader market (S&P 493) has experienced only modest contraction.

Exhibit 13: Change in forward Price/Earnings (blended forward 12 months)

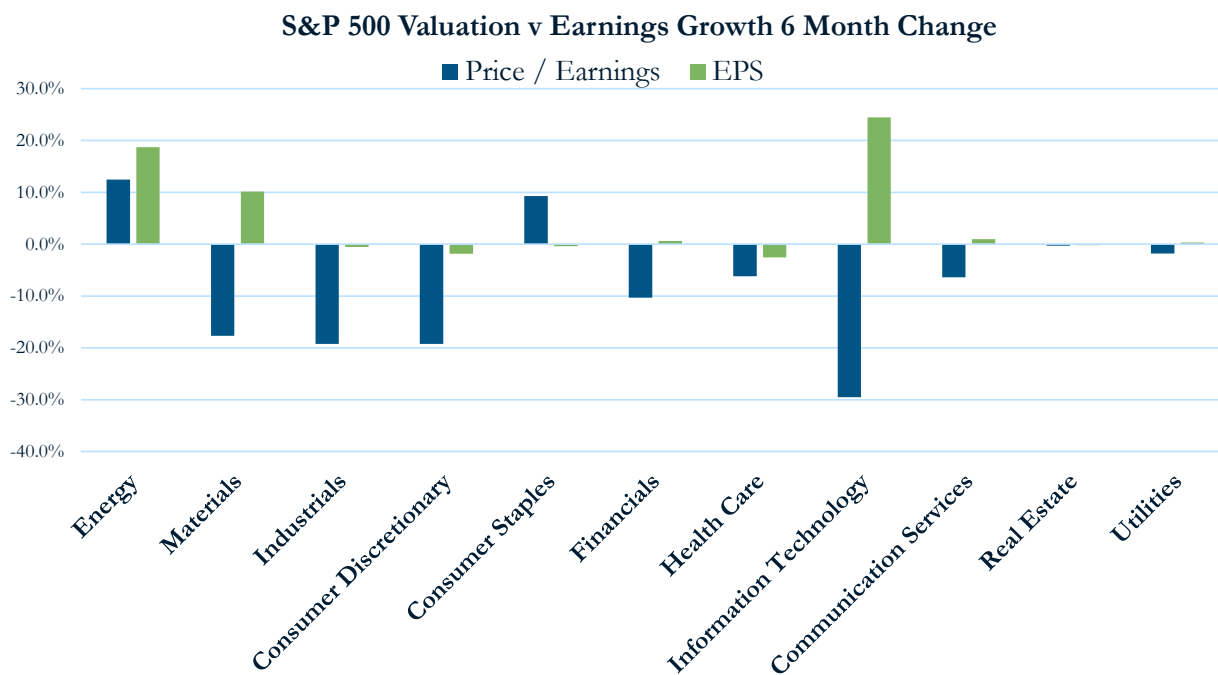


Source: Bloomberg, SPX Index, B500XM7P Index, BM7P Index



**Exhibit 14** further decomposes S&P 500 performance over the past six months into valuation (P/E multiple changes, shown in blue) and earnings growth (shown in green) by sector. Information Technology stands out, delivering the strongest earnings growth while simultaneously experiencing the most significant multiple compression. Energy ranks second in earnings growth and is an area where we have been selectively increasing exposure, as discussed later in the asset mix section. The key takeaway is that, although market leadership has broadened cyclically, it may be premature to rotate entirely away from the Magnificent Seven. The group continues to exhibit robust underlying earnings momentum, and the recent valuation reset—driven by multiple compression rather than deteriorating fundamentals—has improved its relative attractiveness.

Exhibit 14: S&P500 Valuation versus Earnings growth by Sector



Source: CPWM, FactSet



Asset Allocation for our North  
American Equity Strategy As of  
March 31, 2026

Equities	95%
Fixed Income	0%
Cash	5%

Our overall equity exposure declined from 99% to 95% since December 31st, 2025, while cash increased from 1% to 5%. Within equities, U.S. exposure edged down slightly from 53% to 52%, while Canadian exposure saw a more notable reduction from 46% to 43% over the same period. It is important to note that many client portfolios are invested through our North American plus International Equity strategy, which is currently allocated 80% to U.S. and Canadian equities and 20% to international equities. As a result, the effective weights of U.S. and Canadian equities within total equity allocations are modestly diluted due to this international exposure.

New U.S. equity positions initiated during the quarter included Union Pacific Corporation and TJX Companies.

**Union Pacific** is a Class I railroad with one of the most direct and well-maintained central rail networks in the United States. The company remains an industry leader in efficiency, supported by recordbreaking operational metrics in 2025. As the market increasingly discounts human capital-intensive businesses due to possible disruption by artificial intelligence (AI), and rewards companies with durable, productive assets, Union Pacific stands out. Its rail network represents a unique, irreplaceable physical moat that is largely insulated from digital disruption and AI-driven commoditization.

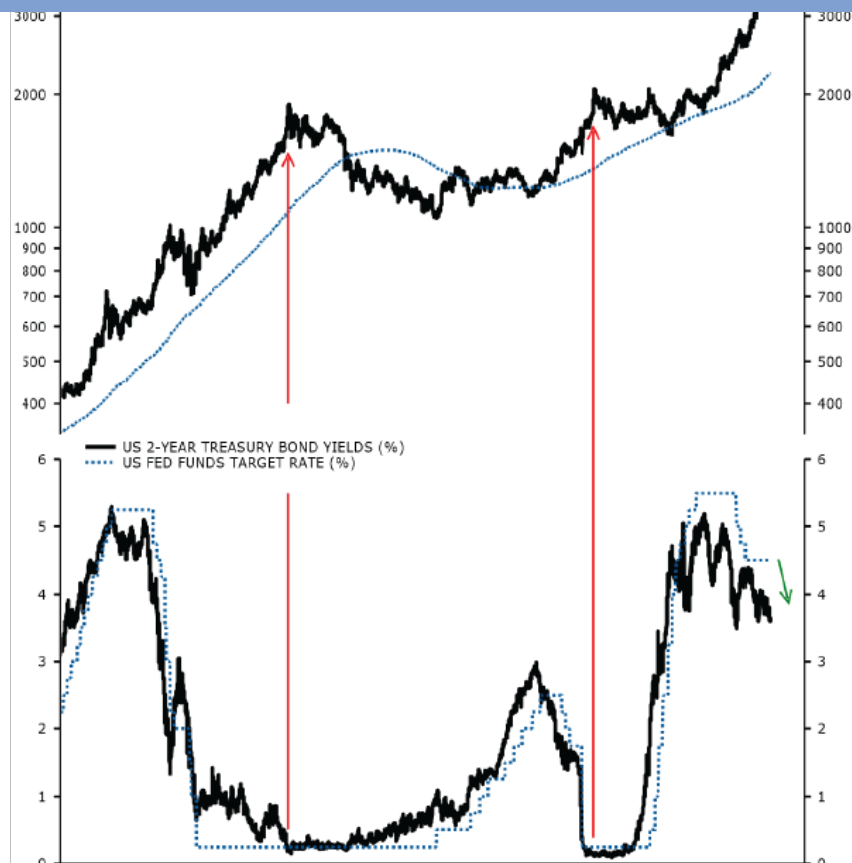
**TJX's** off-price retail model, through banners such as Winners, Marshalls and HomeSense, creates a differentiated "treasure hunt" shopping experience at scale, providing a strong competitive advantage. We expect TJX to deliver consistent earnings growth of 10%+ over the coming years, driven by a combination of same-store sales growth, new store expansion, and margin improvement.

In Canada, we added positions in Gildan Activewear, MDA Space, as well as energy names Canadian Natural Resources and Rockpoint Gas Storage, while reducing our gold exposure.



Many of the factors that supported our gold positioning in September 2025 have now played out. Importantly, as illustrated in **Exhibit 15** (red arrows), cyclical rallies in gold prices have historically peaked near the end of Federal Reserve interest rate-easing cycles. At the time we were adding to gold last year, market expectations pointed to two additional interest rate cuts in 2025 and three in 2026 (see **Exhibit 2** at the start of this commentary), implying an extended easing cycle of roughly 15 months.

Exhibit 15: Gold and Fed Funds Rate



Source: Canaccord Genuity Corp, Roberge et al, 09/03/2025

While the two anticipated interest rate cuts occurred in October and December 2025, current market pricing has shifted meaningfully. Expectations now reflect roughly less than a 50% probability of one interest rate cut over the remainder of 2026. Even prior to the recent geopolitical developments, the implied year-end Fed funds rate was approximately 43 basis points lower—equivalent to about 1 to 1.5 cuts, not 3. So, unless the economic outlook deteriorates meaningfully calling for lower interest rates, we appear to be much closer to the end of the easing cycle, historically the point at which gold prices tend to peak before coming back down. In addition, rising oil prices introduce further inflationary pressure, which may constrain the Fed's ability to cut rates even if the economic outlook deteriorates somewhat. And it is likely that some degree of geopolitical risk premium will remain embedded in crude oil markets even in the event of a near-term resolution to the conflict.



Exhibit 16, which compares free cash flow yields across copper miners, gold miners, and oil and gas producers, highlights that gold equity valuations have historically peaked at approximately a 6% free cash flow yield (versus 7.5% in September 2025). At the time of our purchase of gold last year, this metric suggested roughly 25% upside to reach peak valuation, yet gold equities have appreciated by more than double that amount since. Similarly, copper free cash flow yields (bottom panel) appear near cyclical lows, which has typically aligned with peak valuations for the copper index.

Exhibit 16: Valuations of Oil Producers, Gold Miners & Copper Miners



Source: Canaccord Genuity Corp, Roberge et al, 03/03/2026

Valuation on FCF (free cashflow) to Enterprise Value (EV) yield [%]



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From a valuation perspective, the most attractive opportunity set remains in energy. We have continued to build exposure in this area through additions such as Canadian Natural Resources and Rockpoint Gas Storage Inc.

A more detailed review of the business fundamentals and outlook for companies purchased during the quarter is provided in **Appendix 1**.

### **Closing Comments and Outlook**

Given resilient economic growth in the U.S., a stable labor market, above target inflation, and elevated uncertainty from the war, the current Fed policy interest rate appears appropriate. Our base case is that the impact on the markets from the war will be short lived, supported by backwardation in the oil futures strip (meaning the market expectation for conditions in the oil market to ease in the future with more supply and/or lower demand) and historical evidence showing the S&P 500's typical trajectory around geopolitical events dating back to World War II. Even if the conflict ends quickly, a persistent war premium in the oil futures strip would likely benefit energy producers.

If the war drags on, a larger market correction is possible; however, we do not expect a recession or 1970s style stagflation. Current energy consumption per dollar of GDP and the U.S.'s position as a net energy exporter argues against a stagflation scenario.

Coincident indicators such as GDPNow and the Redbook weekly retail sales suggest consumer activity remains resilient despite the conflict. Credit spreads for both investment grade and high yield debt are not signaling broad distress. Market consensus forecasts call for double digit earnings growth in 2026 and 2027, and valuations have become more attractive following the market pullback alongside strong earnings expectations.

In April of last year, on so-called "Liberation Day," Donald Trump announced sweeping tariffs that sent the S&P 500 down roughly 19%, pushing markets deep into correction territory. At the same time, bond yields rose sharply (top panel, **Exhibit 17**), while both the VIX Index—a measure of equity volatility—and the MOVE Index, a measure of bond yield volatility, spiked (bottom panel, **Exhibit 17**), reflecting heightened fears of a global trade war, persistent inflation, and a looming recession.

The severity of the market reaction ultimately led Trump to pause most of the new tariffs for 90 days. This policy reversal provided significant relief to investors and gave rise to what became known as the "Trump Put," or the "TACO trade" ("Trump Always Chickens Out"). While Trump is clearly willing to take risks with market reaction to try to accomplish his goals, there appears to be a limit to how far he is willing to go before he backs off.



While each episode is unique, current conditions bear a notable resemblance to the Liberation Day period, as highlighted by the blue arrows in Exhibit 17. The same combination of rising equity and bond volatility, higher yields, weakening equity markets, and an approaching political deadline—this time the November midterm elections—suggests Trump may once again reverse course to remove some of the pressure in markets.

Exhibit 17: Pressure building for a “TACO” pivot



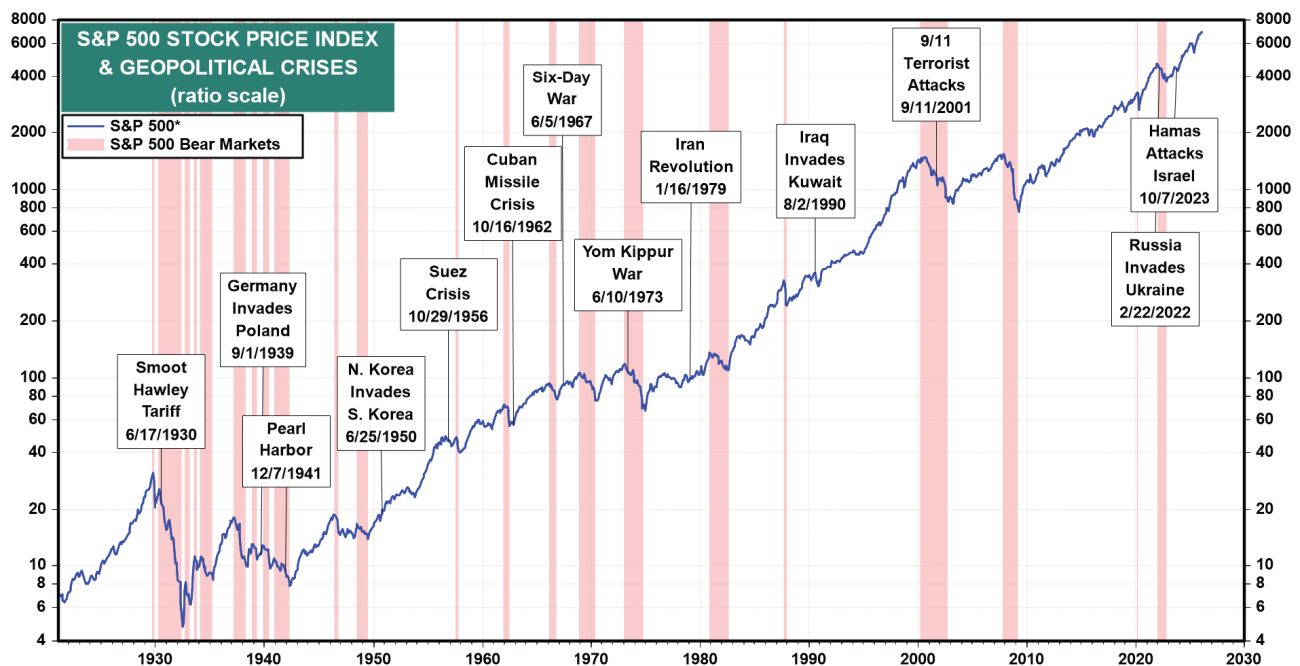
Source: Pennock Hub Idea, Cam Hui, 03/16/2026



In this context, efforts to reopen the Strait of Hormuz appear central. Regardless of political rhetoric, Trump has demonstrated a consistent tendency to respond to market stress, with a track record of ultimately taking actions aimed at stabilizing conditions.

Our final chart (Exhibit 18) serves as a reminder that geopolitical crises are not new. While markets often react sharply in the short term, history shows they tend to recover and move higher over time despite the severity of the crisis.

Exhibit 18: S&P 500 Stock Price Index and Geopolitical Crises



Source: Yardeni Research, 03/30/2026. Monthly through 1964, weekly after

In summary, the combination of resilient economic growth, continued earnings momentum, and the prospect of a relatively swift resolution to the conflict has kept us invested, albeit with more cash than at the beginning of the year. The situation remains fluid, and we will continue to monitor developments closely and adjust positioning as conditions evolve over the weeks and months ahead.

Peter Jackson  
Chief Investment Officer  
March 31, 2026



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## Appendix 1

### New Equity Investments:

### Cumberland North American Equity Mandate

#### United States

##### TJX Companies (TJX)

The company has a flywheel competitive advantage that is difficult to replicate at scale: 1) its off-price business model with high inventory turnover offers a treasure-hunt shopping experience that attracts a wide demographic of consumers; 2) its large store and geographic footprint makes it easy for brands to liquidate excess inventory without destroying brand image. At 5200 stores today, the company is targeting 7000 stores as it is entering new markets in Europe and Latin America. We expect TJX to be able to consistently grow earnings at 10%+ for years to come through a combination of same-store-sales growth, store unit growth, and margin expansion.

##### Union Pacific Corporation (UNP)

Union Pacific Railroad (UNP) is the second largest Class 1 railroad, operating 32,889 route miles across 23 states with an industry leading profitability, significantly leaner than its major US peers. UNP's competitive advantages stem from its geographic footprint which cannot be replicated and include ownership of direct central corridors, exclusive service to major Southern California ports, and it is the only railroad serving all six major gateways to Mexico, which is advantageous for international and Gulf Coast energy and chemical trade. UNP is pursuing a merger with Norfolk Southern to establish the first US transcontinental railroad by the first half of 2027 which, if approved, will enhance its competitive advantages.

#### Canada

##### Canadian Natural Resources Limited (CNQ)

Canadian Natural Resources Limited (CNQ) is the largest crude oil producer and the second largest natural gas producer in Canada, operating primarily in Western Canada but with smaller operations in the U.K. portion of the North Sea, and Offshore Africa. CNQ recently expanded its footprint by acquiring Chevron's Alberta assets, increasing its working interest in the Athabasca Oil Sands Project to 90% and established it as a top producer in the liquids-rich Duvernay play. As CNQ pays debt down acquired from the acquisition, we expect CNQ to eventually increase the shareholder's payout to 100% of free cash flow. CNQ's vast, long-life, and low-decline reserves require minimal maintenance capital, allowing the company to generate substantial and sustainable free cash flow across various market conditions. As a result, CNQ has increased its dividend 25 consecutive years with a 21% compound annual growth rate.



### **Rockpoint Gas Storage Inc. (RGS)**

Rockpoint Gas Storage has natural gas storage facilities in western North America (California and Alberta). While natural gas production in North America has grown materially in the last decade mostly to feed LNG facilities, storage growth has not kept up. This has allowed RGS to increase their pricing 4-5% a year for the same storage facilities, while free cashflow conversion of EBITDA is high as they have little capital spending beyond modest maintenance. They have a small trading operation, which provides extraordinary additional profits in times of energy volatility like right now.

### **MDA Space (MDA)**

MDA is a 45-year-old Canadian world leader in space equipment manufacturing (they make the Canadarm robotic arm on the International Space Station). Industry demand has taken off in recent years with launch costs falling dramatically using reusable rocket stages, and with the advent of low-cost low earth orbit satellites for needs like emergency texting on iPhones. MDA has established an excellent financial track record and built a large backlog through meeting these commercial needs and is now facing additional large demands in the military and surveillance areas both from the Canadian and foreign governments and militaries. The SpaceX IPO will only bring increased attention to the space economy and the more modestly priced MDA stock.

### **Gildan Activewear Inc (GIL)**

Gildan has historically dominated the activewear business (t-shirts sold to screen printers who add printing for sports teams or as event souvenirs) with the industry's lowest cost, vertically integrated facilities. They recently acquired competitor Hanesbrands, which dominates an adjacent market of branded underwear sold through mass retailers like Walmart. We see the integration of the two companies as a match made in heaven, where they can rationalize manufacturing around Gildan's world class facilities with plenty of synergies, while allowing Gildan a low-cost entry into the branded retailer channel.

\*Cumberland and Cumberland Private Wealth refer to Cumberland Private Wealth Management Inc. (CPWM) and Cumberland Investment Counsel Inc. (CIC). CIC acts as sub-advisor to certain CPWM investment mandates.

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