# GLOBAL EQUITY AND INTERNATIONAL STRATEGIES

## Second Quarter 2026 Review

### Q2 2026 Review

Global equity markets generated attractive returns during the second quarter of 2026 despite a backdrop marked by geopolitical tensions and elevated energy price volatility. The key factors that drove stock prices higher included better than expected economic activity across several major economies, evidence of progress in negotiations between the U.S. and Iran regarding the Strait of Hormuz, and another quarter of robust corporate earnings. Returns were positive across all major developed market regions as highlighted below, with many indices generating double digit returns.

### Q1 2026 Global Stock Market Returns

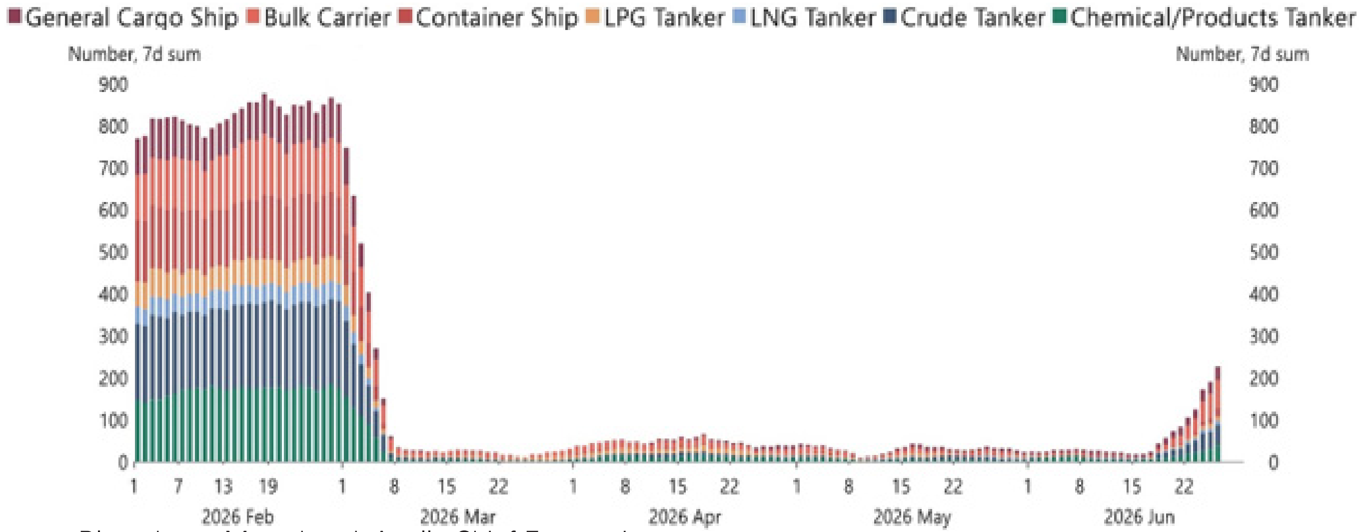
| Index | Geographic Region | Currency | Q2 2026 Price change | Q2 2026 Total return including dividends |
|---|---|---|---|---|
| MSCI World Index | Global | US$ | +13.3% | +13.9% |
| S&P 500 | United States | US$ | +14.9% | +15.2% |
| Euro Stoxx 600 | Europe | Euro | +10.1% | +11.9% |
| Tokyo Stock Exchange | Japan | Yen | +14.2% | +14.3% |
| Toronto Stock Exchange | Canada | CAD$ | +6.4% | +7.0% |

Source: Bloomberg

Several themes impacted the performance of the stock market during the quarter. These themes included energy price volatility, economic resiliency, artificial intelligence, and strong corporate earnings.

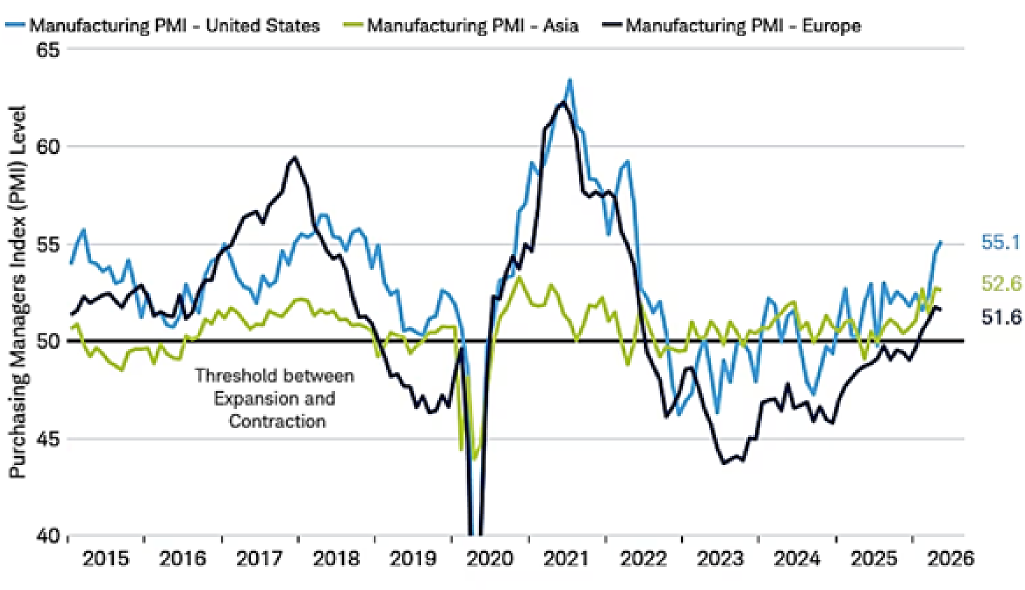
During the quarter, investors were forced to balance the inflationary implications of rising energy prices against an economic environment that continues to demonstrate surprising durability. Tensions in the Middle East escalated during the quarter on the back of the mounting conflict between the U.S. and Iran as it pertains to the Strait of Hormuz. This conflict led to renewed volatility in oil markets and reinforced the potential for higher input costs across the global economy. Despite these concerns, economic growth remained sufficiently firm to offset fears of an imminent slowdown. It also helped that there was a de-escalation between the U.S. and Iran towards the end of the quarter. The de-escalation paved the way for a return towards normalization in the Strait of Hormuz. The number of cargo ships and oil tankers passing through the Strait of Hormuz increased significantly during the last few weeks of the second quarter. This is illustrated in the chart below.

## Number of vessels crossing Strait of Hormuz




Sources: Bloomberg, Macrobond, Apollo Chief Economist

In the United States, economic activity remained remarkably resilient as consumer spending, labour market conditions, and business investment remained firm despite elevated interest rates. Across Europe, activity proved more durable than anticipated, supported by improving real incomes, stabilizing manufacturing activity, and continued fiscal support. Japan's economy remained on a firmer footing than many investors anticipated entering the year. Rising wages, improving business sentiment, and continued capital expenditure supported domestic demand. One area of the global economy that has shown significant improvement is the manufacturing sector. The Manufacturing PMI index in the U.S., Europe, and Asia has inflected higher in 2026. All 3 regions currently have PMI readings comfortably above 50, which is the threshold between expansion and contraction. This positive momentum in manufacturing has provided a tailwind to the global economy and is encouraging to see given that these PMI indexes spent several years in contraction as can be seen in the chart below.

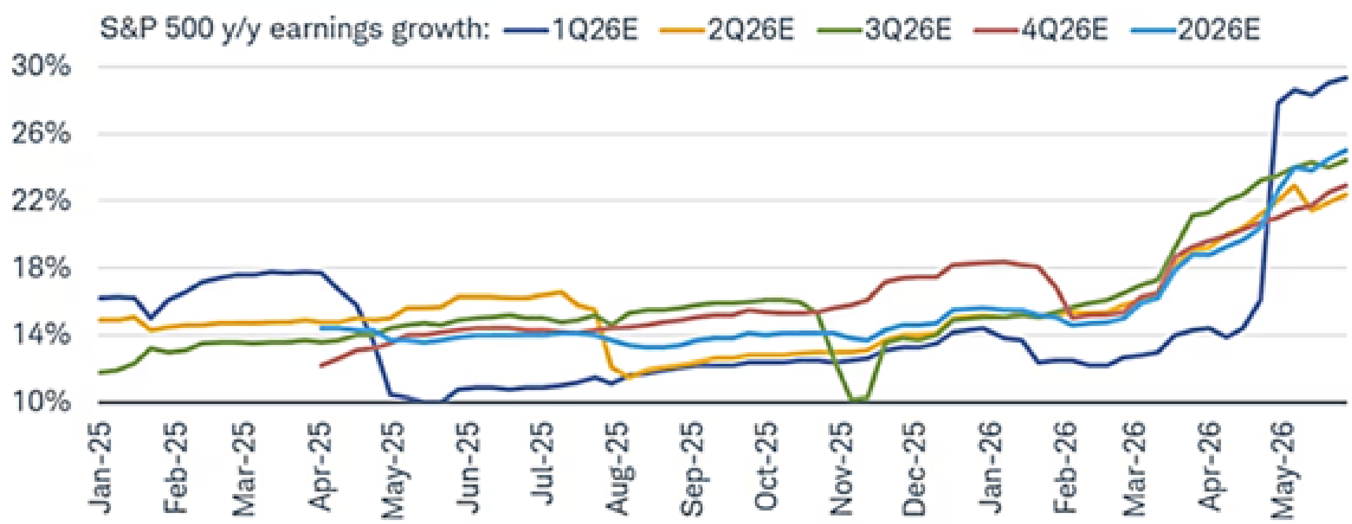



Source: Charles Schwab, S&P Global, and Macrobond data between 12/31/2014 and 6/2/2026.

Artificial intelligence (AI) continues to represent one of the most important drivers of capital investment globally. While investors have become increasingly focused on declining AI inference costs and the rapid adoption of lower-cost models, demand for data centres, networking equipment, and AI-related infrastructure remains exceptionally strong. The investment cycle is broadening beyond a narrow group of technology leaders and increasingly benefiting a wider ecosystem of companies participating in the AI value chain. The investments being made across the AI ecosystem represent one of the key pillars of the global capex super cycle. However, AI is not the only driver given that there are several underlying catalysts that are powering the capex super cycle. Geopolitics is one of these catalysts as governments and corporations are prioritizing supply chain resilience, energy security, strategic independence, and defense spending. This evolving landscape continues to reshape global trade patterns, manufacturing investment, and capital allocation decisions across the globe.

Corporate earnings continue to be strong. This is especially the case in the U.S., where there have been significant upward earnings revisions since the beginning of 2026 as shown in the chart below.

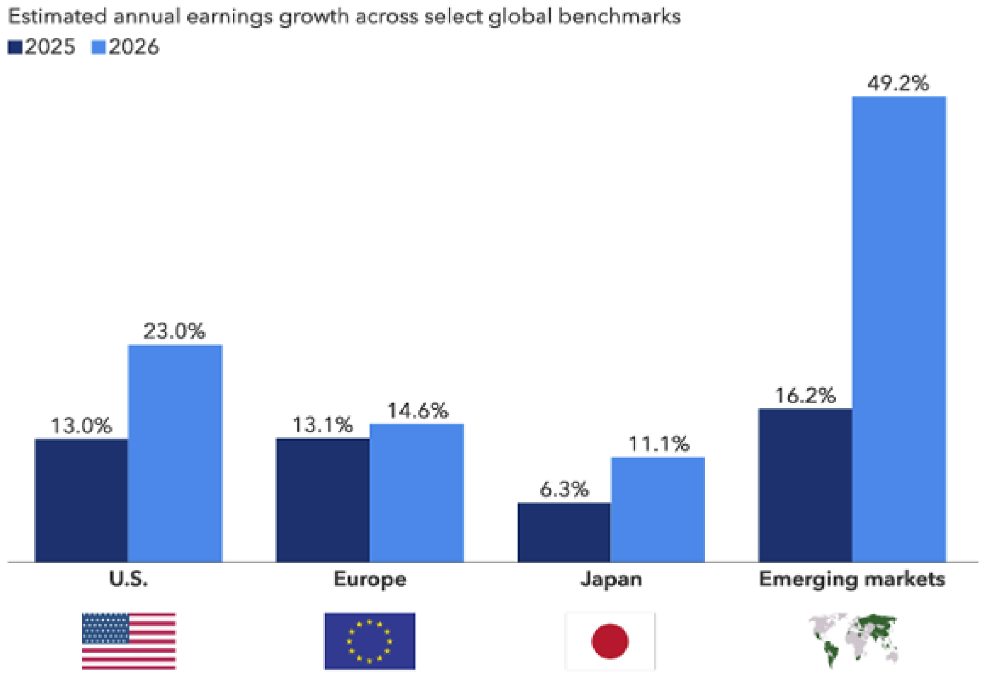
### 2026 Earnings Estimates have Surged




Source: Charles Schwab, London Stock Exchange Group Institutional Brokers' Estimate System (LSEG I/B/E/S), as of 5/29/2026.

Earnings revisions have also been strong across many other geographic regions. Given this trend, most of the major economic regions around the world are expected to generate double digit earnings growth in 2026 as seen in the chart below.

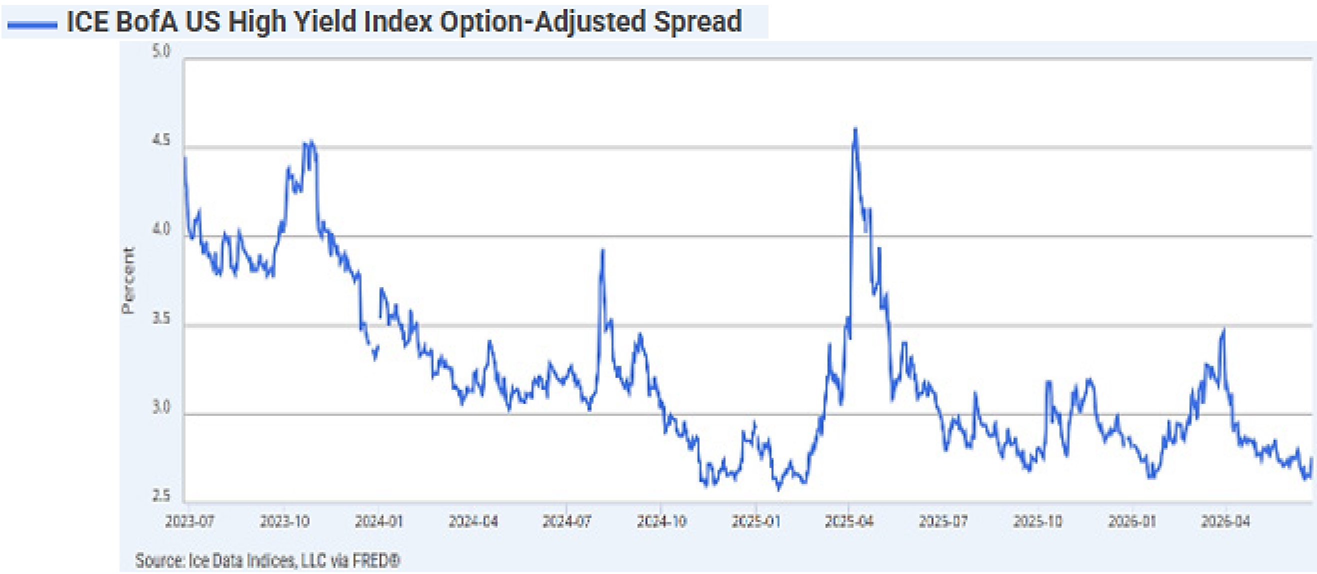
### Robust Earnings Growth is not just a U.S. Phenomenon




Sources: Capital Group, FactSet, MSCI, S&P Global. Estimated annual earnings growth is represented by the mean industry analyst consensus earnings per share estimates for the year ending December 2026 across the S&P 500 Index (U.S.), the MSCI Europe Index (Europe), the MSCI Japan Index (Japan), the MSCI EM Index (Emerging markets) and MSCI China Index (China). Earnings growth represented in USD. Estimates are as of May 31, 2026.

It's good to see that the global economy is resilient and that corporate earnings are strong. We are also encouraged that this is happening at a time when credit markets are showing little signs of market stress. The ICE BofA US High Yield Index Option-Adjusted Spread (OAS) is a widely watched financial indicator that measures the difference in yield between junk corporate bonds and risk-free U.S. Treasury bonds. It specifically shows how much extra interest investors demand to hold riskier below-investment-grade debt.

As seen on the chart below, credit spreads are currently sitting towards the tight end of the range seen in the last 3 years. This implies that there is little to no stress in credit markets.

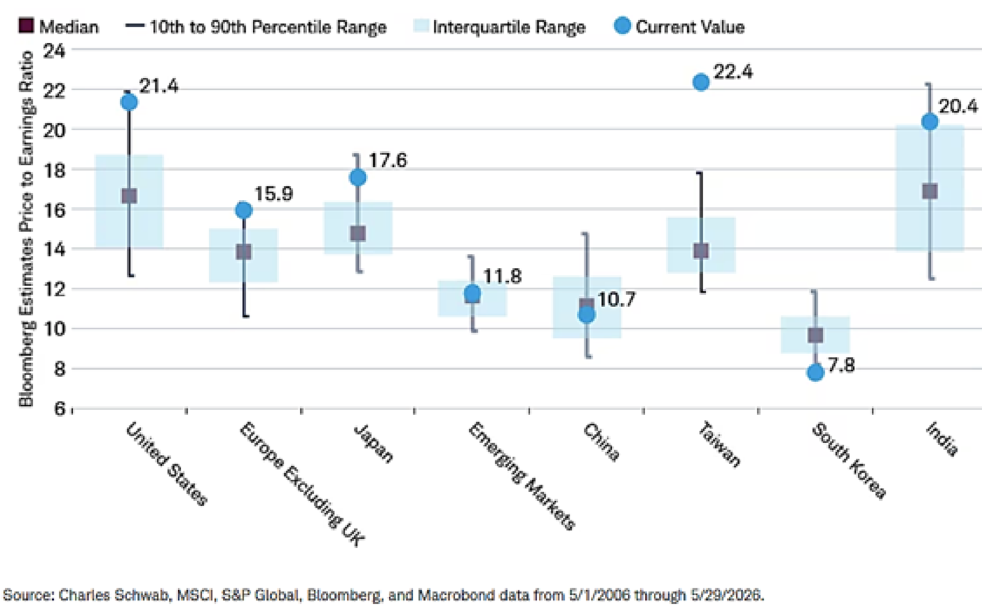



## Risks:

In terms of the risks, we would highlight global stock market valuations, inflation, geopolitics, and the potential for volatility as we approach the U.S. Midterm Elections.

Based on the Price-to-Earnings ratio, the valuations for most global equity markets are above the historical average as seen in the chart below.

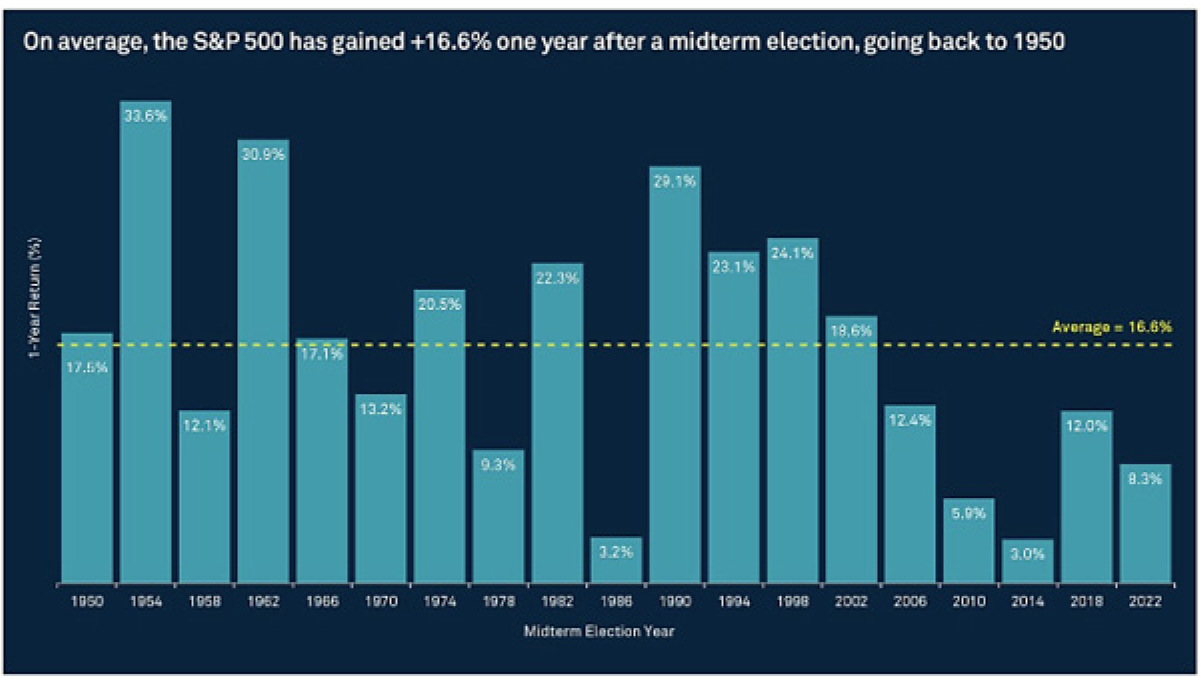
### Valuations at the Higher end of their 20-year Range in Most Major Markets



However, an elevated Price-to-Earnings (P/E) ratio doesn't always signal imminent downside risk for the stock market. In fact, there is a very weak correlation between forward P/E multiples and 1-year forward stock market performance. Furthermore, the returns on invested capital (ROIC) have improved significantly for most stock markets around the world and there is a strong positive correlation between the ROIC and the P/E multiple for any given stock.

In terms of inflation risk, there is the potential for a renewed bout of inflation given that many governments around the world are stimulating their economies through both monetary and fiscal policies. Inflation has proven to be sticky in recent years and it has not returned to the optimal levels desired by central bankers. This is something that we are mindful of and it's an area that we will monitor closely. The recent decline in the price of a barrel of oil from US$110+ to US$70 over the last few months should be helpful on the inflation front. With regards to geopolitics, it appears that things are moving in the right direction between the U.S. and Iran although risks remain in other parts of the world.

Finally, there is potential for elevated volatility as we approach the U.S. Midterm elections in the Fall. Midterm Elections have historically led to short-term spikes in market volatility in the months leading up to election day. However, stocks have typically moved higher in the periods that follow Midterm Elections. If we look back at Midterm cycles since the 1950's, we can see the S&P 500 Index has posted positive price returns, gaining 16.6% on average in the next 12 months after the election. This is illustrated in the chart below.




Source: BNY Investment Strategy & Research Group, Macrobond

## Portfolio Review:

During the first quarter, we established several new positions in our Global and International portfolios. A brief description of each new holding can be found in the Appendix.

## Outlook for the remainder of 2026:

We enter the second half of the year with cautious optimism. The underlying drivers of growth remain firm and suggest to us that the global expansion remains intact despite an increasingly complex geopolitical backdrop. These drivers include technological innovation, healthy labor markets, and continued corporate investment. In addition, corporate earnings expectations have generally moved higher, with positive earnings revisions becoming increasingly broad-based across sectors and regions. This trend has provided an important foundation for global equity markets despite elevated valuations in certain areas. Putting it all together, we have a constructive view on global equity markets.

Phil D'Iorio
Lead Manager,Cumberland* Global Equities
July 2, 2026

John Hwang
Lead Manager,Cumberland* International Equities

Sources:
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Stock market outlook: 3 themes for the second half of 2026
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https://www.schwab.com/learn/story/global-stock-market-outlook

*Cumberland refers to Cumberland Private Wealth Management Inc. (CPWM) and Cumberland Investment Counsel Inc. (CIC). CIC acts as sub-advisor to certain CPWM investment mandates including the CPWM Global and International mandates with Phil D'Iorio and John Hwang as their respective lead Portfolio Managers.. Phil D'Iorio and John Hwang are Portfolio Managers at CIC. Cumberland Private Wealth is the registered trade name of CPWM and CIC.

## Appendix A – Company descriptions for new positions added to the Global Strategy

**Analog Devices** is a global semiconductor leader specializing in high-performance analog, mixed-signal, and digital signal processing technology that bridges the physical and digital worlds. The company's largest end markets include industrial, automotive, and communications. Following a multi-quarter cyclical downturn, the company has emerged from an inventory destocking cycle, with a pivot back toward broad-based demand acceleration. Gross margins, book-to-bill, and earnings momentum have all improved and we expect the trend to continue as the company's products align with a number of long-term secular mega-trends including factory automation, robotics, electrification, advanced driver-assistance systems, and the expanding infrastructure demands of artificial intelligence.

**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 down debt 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.

**Galderma** offers a science-based portfolio of brands and services for the global skin care industry. Spun out from Nestlé in 2019, the company has a global presence, a strong innovation focus, and has exposure to structurally growing markets. The company operates through 3 segments. Dermatological Skincare provides moisturizing creams, lotions, and various skincare products. The company's flagship brand is Cetaphil, which generates more than $1 billion in annual revenue. Cetaphil is a trusted global brand across retail and pharmacy channels. Within Injectable Aesthetics, Galderma is the number two global player behind AbbVie, which manufacturers Botox, the market leading product. The Therapeutic Dermatology segment provides products in areas with unmet needs including acne, atopic dermatitis (eczema) and prurigo nodularis. Prurigo is a chronic skin condition characterized by intensely itchy skin and raised bumps (nodules) on the skin. With above average market growth, opportunities to expand its operating margins, and new product launches, Galderma is well positioned for growth in the years ahead.

**Keyence Corporation** is a premier Japan-based global leader in the development and manufacturing of factory automation and inspection equipment. The company's diverse product portfolio includes high-performance sensors, machine-vision systems, laser markers, and digital microscopes that are critical to optimizing efficiency and quality across various manufacturing sectors. What sets Keyence apart is its uniquely innovative, highly profitable, and asset-light fabless manufacturing model. Instead of operating its own factories, the company outsources all hardware production to trusted contract manufacturers, allowing its capital to remain highly flexible. The company's competitive advantage comes from its highly consultative sales model. Keyence's sales engineers spend extensive time on factory floors, observing production processes, identifying bottlenecks, and uncovering problems that customers often do not recognize themselves. The company's unique business model is difficult for competitors to replicate and has allowed the company to generate exceptional profitability and consistently high returns on capital. Keyence has been continuously ranked in prominent company rankings as one of the world's most innovative companies.

**McKesson** provides essential delivery and logistics for the North American pharmaceutical supply chain. The company buys brand-name drugs and generic medicines from drug manufacturers and distributes them to pharmacies, hospitals, and clinics. McKesson's competitive advantage is its scale. The company delivers one out of every three prescriptions in the US and has secured long-term partnerships with major retailers and providers, including Walmart and UnitedHealth's Optum. The company uses its scaled network as a foundation to support additional businesses to provide higher-margin services to independent healthcare providers and pharmacies. We saw an opportunity to buy McKesson after the stock overreacted to concerns over government policies aimed at lowering drug prices, changes to insurance systems, and a slight slowdown in the sales growth of GLP-1 drugs. McKesson is well positioned to benefit from a series of drug patent expiries in the years ahead given that McKesson generates higher margins on generic and biosimilar drugs versus branded drugs. While generic drugs make up roughly 10% of McKesson's total distribution sales, they generate approximately two-thirds of the company's gross profits.

**MDA Space (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.

## Appendix B – Company descriptions for new positions added to the International Strategy

**Amer Sports** is a sporting goods manufacturer that owns the Arc'teryx, Salomon, and Wilson brands and reports sales across three segments; Technical Apparel; Outdoors Performance; and Ball & Racquet. The company went public in February 2024 after a 2019 buyout by a consortium led by Anta Sports, the largest sportswear company in China. Arc'teryx continued to grow substantially (+33% y/y) during the first quarter as China remained strong and expansion in the Americas continued with management forecasting sales of $5 billion by FY2030, a 15% sales CAGR. Salomon delivered an impressive 42% y/y growth driven by an acceleration in their footwear sales which has broadened from trail hiking to running and apparel. Wilson's focus on tennis and golf, two sports with an expanding base should continue to see opportunities for growth. The company expects to expand gross margins by over 200 basis points to 60% in the mid-term. A solid balance sheet with leverage at 0.3x Net debt/EBITDA, a reasonable valuation, and EPS growth more than 20% over the mid-term, we believe that Amer Sports shares look attractive.