Fiera Capital Global Asset Allocation

Monthly Update: July 2026

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In June, sentiment was dominated by both geopolitical developments and evolving trends in Artificial Intelligence (AI). Investors welcomed news of an interim peace accord between the US and Iran and the reopening of the Strait of Hormuz. That saw oil prices return to pre-conflict levels. Meanwhile, the technology space proved to be a source of volatility as traders reassessed the sustainability of the AI trade and related stock valuations. Indeed, just as concerns over the oil shock were fading - cost pressures stemming from the AI boom leapt to the forefront - underscoring the sensitivity of equity markets under the influence of elevated valuations and market concentration.

FINANCIAL MARKET DASHBOARD				
	JUNE 30, 2026	MTD	YTD	1 YEAR
EQUITY MARKETS	% PRICE CHANGE (LC)			
S&P 500	7499	-1.06%	9.55%	20.86%
S&P/TSX	34857	0.25%	9.92%	29.79%
MSCI EAFE	3117	-0.03%	7.74%	17.40%
MSCI EM	1723	-1.67%	22.68%	40.90%
FIXED INCOME (%)	BASIS POINT CHANGE			
US 10 Year Bond Yield	4.47	3.0	29.8	23.7
US 2 Year Bond Yield	4.17	16.8	69.9	45.3
CA 10 Year Bond Yield	3.38	-3.3	-5.3	10.6
CA 2 Year Bond Yield	2.75	-3.1	15.9	15.5
CURRENCIES	% PRICE CHANGE			
CAD/USD	0.70	-2.84%	-3.32%	-4.15%
EUR/USD	1.14	-2.03%	-2.76%	-3.10%
USD/JPY	162.55	2.06%	3.73%	12.86%
COMMODITIES	% PRICE CHANGE			
WTI Oil (USD/bbl)	69.50	-20.44%	21.04%	6.74%
Copper (USD/pound)	6.19	-3.08%	8.98%	23.11%
Gold (USD/oz)	4038.50	-11.45%	-6.97%	22.09%

Source: Bloomberg, as of June 30, 2026.

Global equity markets (-0.9%) lost some momentum in June. The S&P 500 (-1.1%) retreated, with malaise in the tech space spreading to the Magnificent Seven group of stocks (-8.8%) that represent one-third of the index. By contrast, the S&P/TSX (+0.3%) advanced on the back of solid performance in the heavyweight financials sector (+8.6%) that offset lacklustre results in the energy (-4.6%) and materials (-12.2%) space. Elsewhere, the MSCI EAFE was unchanged, while the MSCI gauge of emerging market stocks (-1.7%) pulled back on concerns over excessive investment in AI.

Fixed income markets inched higher. Treasury yields rose as a growing chorus of Federal Reserve officials pivoted towards a hawkish stance amid mounting inflationary risks. In response, the market consolidated around the view that the next move will be a rate hike. Canadian government bond yields edged lower following a benign reading on core inflation and the sharp drop in oil prices. That prompted traders to dial back their wagers for Bank of Canada rate hikes this year. For the month, the Bloomberg US Aggregate Bond Index rose 0.2% - while the FTSE Canada Bond Universe advanced 0.5%.

It was an exceptional month for the US dollar (+2.3%) - particularly in the wake of a resilient economy and a hawkish-leaning Federal Reserve. By contrast, the yen (-2.0%), euro (-2.0%), pound (-1.4%), and Canadian dollar (-2.8%) all edged lower against a broadly stronger greenback. On the latter, the loonie stumbled as rate expectations between Canada and the US diverged - with some softening in expectations for Bank of Canada tightening coming up against firming wagers for Federal Reserve rate hikes.

Finally, oil (-20.4%) suffered a notable setback in June. The US-Iran peace deal buttressed expectations that traffic through the Strait of Hormuz will be restored - easing concerns over a prolonged supply disruption. Gold (-11.5%) also tumbled lower alongside the rise in both treasury yields and the US dollar that diminished the appeal of the non-interest-bearing precious metal.

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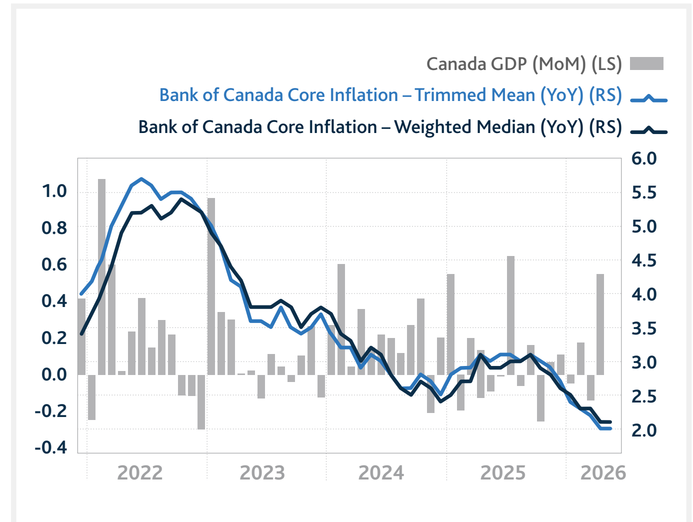
Economic Overview

Canada

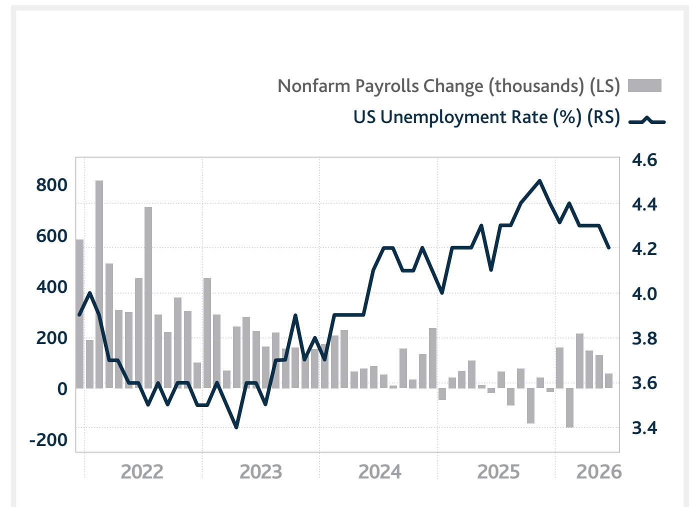
Developments on the macroeconomic and geopolitical fronts have tipped the scale towards a Bank of Canada that remains comfortably on the sidelines. Firmer than expected growth has lowered the urgency to ease. The Canadian economy sprung back to life in the second quarter – with growth tracking above 2.0% annualized. Meanwhile, benign inflation and the latest pullback in oil prices have alleviated the need for higher borrowing costs. The Bank of Canada's preferred measures of core inflation remain subdued as a soft demand backdrop leans against sellers raising prices. Still, the wild card is on the trade front. The Trump administration declined to renew the USMCA free-trade pact on July 1st. For now, the status quo remains - with most of Canada's exports to the US tariff-free (with punishing levies on sectors such as steel, aluminum, and autos still in place). The process now moves to annual reviews – paving the way for lingering policy uncertainty going forward.



Source: Bloomberg, as of June 30, 2026.

United States

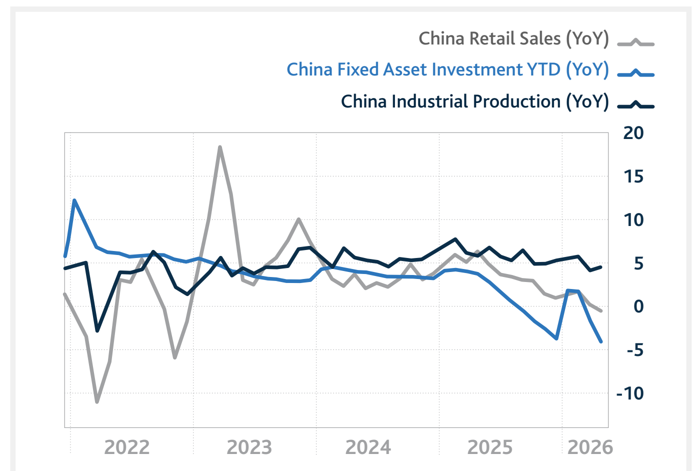
While job growth moderated in June, underlying hiring trends remain reasonably solid. Nonfarm payrolls rose by less than expected (+57k) last month – while job growth in the preceding two months was revised lower. Smoothing through the volatility, hiring averaged a solid +111k over the last three months. That pushed the unemployment rate to a twelve-month low of 4.2%. As the labor market holds firm, the Federal Reserve remains squarely focused on the inflation side of the dual mandate. Indeed, the Federal Reserve's preferred measure of underlying inflation – the core personal consumption expenditures (PCE) price index - accelerated to a three-year high of 3.4% y/y last month. As such, the Federal Reserve is likely to remain on the sidelines for now - with the latest data validating the Federal Reserve's hawkish-leaning tilt. Indeed, at his inaugural press conference, newly minted Chair Kevin Warsh confirmed that the priority was to fight inflation - stating explicitly that "the committee will deliver price stability."



Source: Bloomberg, as of June 30, 2026.

China

The activity data in China revealed that the economy stalled out in May, with a growing divergence in the world's second largest economy. On the one hand, domestic demand continues to soften. Both consumer spending and investment slumped to levels unseen since the pandemic. On the other hand, industrial production accelerated – supported by resilient exports and strong external demand for AI and electronics. The data underscores a widening two-speed economy. While the supply-side remains robust amid an AI-driven export boom that is lifting production, the demand side has faltered as consumer spending sags under the weight of a housing crisis and a fragile jobs market. The bifurcated landscape has increased the case for both monetary and fiscal support as economic pressures persist.



Source: Organization for Economic Cooperation and Development (OECD)

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Economic Scenarios

Main Scenario | Sustained Inflation — Probability 45 %

In this high probability scenario, upside risks to inflation and downside risks to growth subside in response to the peace accord between the United States and Iran. As the Strait of Hormuz reopens and energy flows through the vital waterway resume, oil prices tumble back towards pre-conflict levels. Still, there are some notable forces that risk keeping inflation sustainably elevated – including the potential for re-escalation in the Middle East conflict and a subsequent spike in oil prices, the Artificial Intelligence (AI) boom and associated supply-side stress, and the prospect for higher tariffs from the US administration. Should long-term inflation expectations remain reasonably anchored – central banks would likely lean against tightening aggressively and opt to live with elevated inflation – with little appetite to induce a hard economic landing. Still, a higher for longer rate environment suggests economic conditions would shift downwards to a trend-like pace.

Scenario 2 | Stagflation — Probability 30 %

Upside inflation risks continue to loom large on the back of an erratic geopolitical and trade environment. However, the trajectory for the global economy hinges on the reaction function of the Federal Reserve and other major central banks. In this scenario, a spike in long-term inflation expectations would undoubtedly force central banks' hand and monetary policy would be tightened in response. Policymakers prioritize bringing inflation under control, with the economy assuming the collateral damage from an aggressive tightening event. That macroeconomic outcome tilts the scales towards an environment of "stagflation" – with upside risks to inflation coming up against downside risks to growth.

Scenario 3 | Recession — Probability 15 %

While the worst-case outcomes stemming from a tumultuous geopolitical and trade backdrop have been averted (reducing the risk of recession), the potential for flare-ups remain a tail risk. On the geopolitical front, a worst-case outcome involves a protracted conflict that leads to sustained disruption to global energy flows. A long-lasting supply shock and a spike in oil prices risks morphing into a demand-shock and a contraction in economic growth. Trade dynamics also pose risks to the outlook. While negotiations and trade deals brought some relative stability – there's still little clarity on the policy direction and the long-run tariff regime. The US is set to impose new tariffs in the second half under Section 301, the United States-Mexico-Canada Agreement (USMCA) negotiations are dragging on, and Europe is also weighing further trade-protectionist policies. These developments may pave the way for a prolonged period of trade policy uncertainty – with the potential to dampen global economic activity.

Scenario 4 | Productivity Boom — Probability 10 %

In this optimistic scenario, massive investment in Artificial Intelligence (AI) boosts productivity (and accordingly, growth) without the associated upside pressures on inflation - an environment of "disinflationary growth" that allows the Federal Reserve to resume its easing campaign. Indeed, a productivity shock is unanimously dovish for the Federal Reserve. While inflation declines and reinforces the case for easier monetary policy, a reduction in labour supply keeps the unemployment rate relatively contained. Moreover, productivity gains spread more broadly around the world, with buoyant tech investment and higher stock prices buttressing global growth.

Discussions regarding potential future events and their impact on the markets are based solely on historical information and Fiera Capital's estimates and/or opinions, and are provided for illustrative purposes only. General Market projections are hypothetical estimates of long-term returns of economic asset classes based on statistical models and do not represent the returns of an actual investment. Actual results could vary substantially. Models have limitations and may not be relied upon to make predictions of future performance of any account. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

Forecasts for the Next 12-18 Months

SCENARIOS	JUNE 30, 2026	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY		45%	30%	15%	10%
GDP GROWTH					
Global	3.00%	3.00%	2.50%	2.00%	3.50%
U.S.	2.10%	2.00%	1.50%	-1.00%	3.00%
Canada	1.50%	1.50%	1.00%	-1.50%	2.50%
INFLATION (HEADLINE Y/Y)					
U.S.	4.20%	3.00%	4.00%	2.00%	2.00%
Canada	3.20%	2.25%	3.00%	2.00%	2.00%
SHORT-TERM RATES					
Federal Reserve	3.75%	3.75%	4.75%	2.50%	3.00%
Bank of Canada	2.25%	2.25%	2.50%	2.00%	2.25%
10-YEAR RATES					
U.S. Government	4.47%	4.50%	5.25%	3.00%	3.75%
Canada Government	3.38%	3.50%	4.00%	2.75%	3.00%
PROFIT ESTIMATES (12 MONTHS FORWARD)					
U.S.	367	350	300	275	380
Canada	2144	2000	1900	1600	2100
EAFE	187	180	170	150	190
EM	136	135	125	100	140
P/E (12 MONTHS FORWARD)					
U.S.	20.5X	22.0X	20.0X	18.5X	23.0X
Canada	16.3X	17.0X	16.0X	14.0X	17.5X
EAFE	16.7X	18.0X	15.0X	14.0X	19.0X
EM	12.7X	14.0X	12.0X	11.0X	15.0X
CURRENCIES					
EUR/USD	1.14	1.17	1.10	1.00	1.20
CAD/USD	0.70	0.74	0.70	0.65	0.75
COMMODITIES					
Oil (WTI, USD/barrel)	69.50	70.00	80.00	90.00	75.00
Gold (USD/oz)	4038.50	4500.00	4000.00	4800.00	4600.00

Source: Fiera Capital, as of June 30, 2026.

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Portfolio Strategy

Matrix of Expected Returns (USD)

SCENARIOS	SUSTAINED INFLATION	STAGFLATION	RECESSION	PRODUCTIVITY BOOM
PROBABILITY	**45%**	**30%**	**15%**	**10%**
TRADITIONAL INCOME				
Money Market	3.8%	4.3%	3.1%	3.4%
U.S. Investment Grade Bonds	-0.1%	-4.6%	8.9%	4.4%
NON-TRADITIONAL INCOME				
Diversified Credit	6.5%	7.0%	5.0%	7.0%
Diversified Real Estate	7.0%	7.5%	6.0%	8.0%
TRADITIONAL CAPITAL APPRECIATION				
U.S. Equity	2.7%	-20.0%	-32.2%	16.5%
International Equity	4.0%	-18.2%	-32.6%	15.8%
Emerging Market Equity	9.7%	-12.9%	-36.2%	21.9%
NON-TRADITIONAL CAPITAL APPRECIATION				
Private Equity	10.0%	12.0%	8.0%	15.0%

Source: Fiera Capital, as of June 30, 2026.

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Current Strategy[1]

Traditional and Non-Traditional Portfolios

	MINIMUM	BENCHMARK	MAXIMUM	STRATEGY	+/-
TRADITIONAL INCOME	0.0%	17.5%	40.0%	17.5%	0.0%
Money Market	0.0%	0.0%	40.0%	17.5%	+17.5%
U.S. Investment Grade Bonds	0.0%	17.5%	40.0%	0.0%	-17.5%
NON-TRADITIONAL INCOME	0.0%	30.0%	50.0%	38.5%	+8.5%
Diversified Credit	0.0%	12.0%	25.0%	15.5%	+3.5%
Diversified Real Assets	0.0%	18.0%	40.0%	23.0%	+5.0%
TRADITIONAL CAPITAL APPRECIATION	17.5%	37.5%	57.5%	27.5%	-10.0%
U.S. Equity	0.0%	20.0%	40.0%	20.0%	0.0%
International Equity	0.0%	12.5%	20.0%	7.5%	-5.0%
Emerging Market Equity	0.0%	5.0%	20.0%	0.0%	-5.0%
NON-TRADITIONAL CAPITAL APPRECIATION	0.0%	15.0%	40.0%	16.5%	+1.5%
Private Equity	0.0%	15.0%	40.0%	16.5%	+1.5%

Source: Fiera Capital, as of June 30, 2026.

1 Based on a 100 basis point value added objective. The benchmark employed here is based on a model portfolio and for illustrative purposes only. Individual client benchmarks are employed in the management of their respective portfolios. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

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Version STRENG005