



**DYNAMIC** HOSTED A **VIRTUAL LIVE EVENT** ON **FEBRUARY 5, 2026**, FEATURING DYNAMIC'S CHIEF INVESTMENT STRATEGIST AND MEMBERS OF THE PORTFOLIO MANAGEMENT TEAM WHERE THEY DISCUSSED THE ECONOMY, MARKETS AND THE LATEST SECTOR TRENDS AND THEMES THAT ARE GUIDING THEIR INVESTMENT DECISIONS FOR 2026 AND BEYOND.

BELOW IS A SUMMARY OF THE KEY POINTS PRESENTED IN EACH OF THE INDIVIDUAL SESSIONS.

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## Macro Overview

[Myles Zyblock](#), Chief Investment Strategist

### **Growth Outlook: Policy-Supported Expansion**

The global economy is positioned for moderate expansion, supported by a combination of monetary accommodation and renewed fiscal stimulus across major regions. While central bank easing is likely to be incremental rather than aggressive, policy settings remain broadly supportive of continued economic activity. Fiscal policy is becoming a more important growth driver, with increased spending commitments across the U.S., Europe, Canada, and Japan—particularly in infrastructure and defense. This backdrop supports a constructive outlook for corporate earnings, with global profit growth expected to remain above trend, providing fundamental support for risk assets.

### **Equity Markets: Supportive Fundamentals, Elevated Risks**

Equity markets continue to benefit from earnings growth and policy tailwinds, but valuation and concentration risks have increased meaningfully. Capitalization-weighted indices, particularly in the U.S., appear stretched relative to long-term history, driven largely by the dominance of a small group of mega-cap technology and AI-related stocks. Concentration risk has become a defining feature of index exposure, increasing vulnerability to volatility should leadership narrow further or sentiment shift. A neutral equity stance remains appropriate, with positioning toward the upper end of neutral justified by earnings momentum—while emphasizing diversification across regions, factors, and sectors.

### **Technology & AI: Spending Surge, Maturing Cycle**

Technology-led capital expenditure remains a critical pillar of global growth. AI-related investment—spanning cloud infrastructure, semiconductors, hardware, and software—has accelerated sharply and continues at historically elevated levels. While growth in hyperscaler spending is expected to decelerate, absolute investment remains substantial. This spending cycle provides meaningful spillover benefits to a broader set of industries beyond direct AI beneficiaries. However, the scale of investment relative to current revenue generation introduces rising scrutiny around returns on capital. As the cycle matures, volatility is likely to increase, reinforcing the case for rotating exposure toward secondary beneficiaries and under-owned segments rather than concentrated positions in the most crowded leaders.

### **Monetary Policy & Central Bank Independence**

Despite leadership changes at the U.S. Federal Reserve, institutional safeguards and committee-based decision-making preserve central bank independence. Policy remains anchored to the dual mandate of price stability and employment, limiting the likelihood of abrupt shifts in rate strategy. Labor market softening supports a more balanced policy stance, while bond market discipline provides an additional check on policy credibility. Overall, monetary policy is expected to remain pragmatic rather than politically driven.

### **Gold: Strategic Diversifier, Not a Timing Trade**

Gold prices have risen sharply and become more volatile, reflecting a mix of tangible and intangible drivers. Central bank purchases, reserve diversification, and currency concerns provide structural support, though recent price behavior has outpaced traditional fundamental explanations. Despite near-term valuation challenges, gold retains a role as a strategic portfolio diversifier. It has historically demonstrated low correlation with risk assets, some inflation protection, and episodic crisis resilience. Gold is best viewed as part of a diversified defensive toolkit rather than a standalone hedge or tactical trade.

### **Currency Dynamics: Dollar Dominance Intact**

While alternative reserve currency narratives periodically resurface, structural realities continue to favor U.S. dollar dominance. Capital controls, limited convertibility, and institutional transparency constraints restrict the pace of reserve diversification. Incremental shifts toward bilateral settlement arrangements may continue, but meaningful displacement of the dollar remains unlikely in the foreseeable future. Dollar dominance may slowly erode at the margin, but no credible alternative has yet emerged.

### **Digital Assets: High Volatility, Limited Sizing**

Digital assets remain a volatile and difficult-to-value segment within the broader alternatives landscape. Extreme drawdowns are characteristic, underscoring the importance of disciplined sizing. While some investors may allocate modest exposure for diversification or optionality, digital assets lack the stability and fundamental anchors of traditional hedges. Any allocation should be small, deliberate, and framed within overall portfolio risk tolerance.

### **Investment Implications**

The macro environment supports continued risk-taking, but with heightened attention to valuation discipline, concentration risk, and diversification. Policy support and capital spending provide a constructive earnings backdrop, while volatility is likely to rise as key themes mature. Portfolio positioning should emphasize balance—maintaining equity exposure while broadening participation, incorporating diversifiers such as gold and alternatives, and avoiding excessive dependence on narrow leadership. Selectivity, risk management, and structural diversification remain critical in navigating the next phase of the cycle.

## Alternatives / Private Assets

[Richard Lee](#), Vice President & Portfolio Manager

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### **Alternatives Move into the Mainstream**

Alternatives have shifted from niche allocations to a core component of modern portfolio construction. This evolution reflects structural changes in capital markets rather than short-term performance trends. Corporations increasingly rely on non-bank and non-public sources of capital to fund growth, acquisitions, infrastructure investment, and balance-sheet optimization. At the same time, the public equity universe has contracted, leaving a growing share of economic value creation occurring in private markets. Alternatives expand the investable universe and provide access to sources of return, income, and diversification that are underrepresented in traditional portfolios.

### **Portfolio Construction Beyond the 60/40**

The traditional 60/40 framework is not broken, but it is less representative of the opportunity set than it was decades ago. Private assets and liquid alternatives allow investors to access differentiated return drivers, cash-flow profiles, and risk characteristics that complement public equities and bonds. Alternative capital now spans the full capital structure, from senior investment-grade private credit and asset-backed lending to structured equity, real assets, and residual private equity. This breadth enables portfolio construction aligned to specific objectives such as income generation, capital preservation, and long-term growth. Importantly, alternatives are no longer limited to high-risk, return-seeking strategies; the expansion of mid-risk and defensive alternative solutions allows select strategies to function as core portfolio building blocks.

### **Liquidity Management and Suitability**

Liquidity considerations are central to effective alternative allocation. Investors must clearly understand their time horizons, withdrawal needs, and behavior during market stress. While evergreen private funds have lowered barriers to entry and improved accessibility, liquidity in private markets remains constrained, particularly during periods of dislocation. Prudent portfolio construction balances private asset allocations with sufficient liquid assets to meet near-term spending needs. Position sizing, suitability assessment, and client education are critical. Private assets introduce complexity and require patience through full investment cycles; advisors must plan for liquidity under adverse scenarios rather than relying on stated redemption features alone.

### **Understanding the Illiquidity Premium**

Private assets justify their inclusion by offering the potential for higher returns as compensation for time, complexity, and limited liquidity. In private equity, excess returns may be driven by an active investment process: acquiring businesses, improving operations, growing earnings, and exiting investments over multi-year ownership cycles. These returns require investors to remain invested through the full value-creation process. In private credit, excess returns can be generated by directing negotiating with sponsors, capturing origination fees and spreads, and holding loans to maturity rather than trading them.

### **Private Credit: Headlines Versus Fundamentals**

Private credit has attracted increased scrutiny as capital flows into the space have accelerated. Media coverage often conflates private credit with leveraged lending, overlooking the diversity of strategies across direct lending, asset-backed lending, and specialty finance. While spreads have compressed and covenants softened in some segments, default rates remain reasonable and broadly comparable to public credit markets. The primary risk is not systemic stress but manager dispersion. Experienced lenders with disciplined underwriting standards, conservative structures, and controlled asset growth are better positioned than newer platforms scaling rapidly. Manager selection, deal sourcing, and pacing of capital deployment are key determinants of outcomes.

### **Diversifying the Diversifiers**

Alternatives are subject to the same supply-and-demand dynamics as public markets. Periods of strong performance can attract capital, leading to crowding and subsequent adjustment phases. This reinforces the importance of diversification within alternatives themselves. A well-constructed alternative allocation resembles a diversified public portfolio, combining strategies across private equity, private credit, real assets, and liquid alternatives with varying risk profiles and economic sensitivities. Managing alternatives as a cohesive sleeve, rather than a single allocation, improves resilience and flexibility across market cycles.

### **Investment Implications**

Alternatives and private assets represent a durable evolution in portfolio construction. When implemented with disciplined sizing, thoughtful liquidity planning, and strong manager selection, they expand opportunity sets, enhance diversification, and improve portfolio robustness. Success in alternatives depends less on access and more on execution: matching strategies to client objectives, respecting liquidity constraints, and maintaining diversification across alternative exposures in an increasingly complex investment landscape.

## Energy

[Jennifer Stevenson](#), Vice President & Portfolio Manager

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### **Energy Is Not a Trade, It's an Industrial Backbone**

The global energy sector has moved well beyond its boom-bust past. Oil and natural gas remain essential inputs to the real economy—for transportation, power generation, industrial uses, heating and cooling—and demand continues to prove far more resilient than headlines suggest. Peak demand narratives resurface regularly, yet consumption keeps grinding higher, driven by emerging markets, energy security priorities, and the practical limits of substitution. Energy today behaves less like a speculative commodity complex and more like a mature industrial sector that the global economy cannot function without.

### **Oil: Glut Narrative vs. Physical Reality**

The recurring “oil glut” storyline fails the basic test of physical markets. True oversupply shows up in rising inventories and forced discounting; neither has been present. Supply decisions increasingly prioritize price stability over volume growth, with production adjustments aligned to demand growth and seasonal consumption patterns. Emerging markets continue to add incremental demand, while strategic stockpiling reflects security planning—not excess barrels. The result is a market that is deliberately balanced, not structurally broken.

### **Natural Gas: Structural Growth Hiding in Plain Sight**

Natural gas demand is expanding persistently. It is the preferred fuel for incremental power generation, particularly as electricity demand rises from data centers, advanced computing, and broader electrification. LNG has transformed natural gas from a regional commodity into a globally traded one, opening international demand channels from low-cost, politically stable supply regions. Longer-term, rising living standards and the need for heating and cooling add durability to the demand profile.

### **Cost Structure and Capital Discipline**

Technology has reshaped industry economics. Advances in drilling, automation, and enhanced recovery have lowered breakeven costs and extended asset lives. The sector no longer needs higher and higher prices to grow and provide shareholder returns. Lower costs mean resilience through volatility and far less pressure to chase growth for growth's sake. Returns on invested capital have improved, and balance sheets reflect that discipline and the focus on ongoing and growing shareholder returns through dividend growth and share buybacks.

### **Shareholder Returns and Investment Implications**

Free cash flow is now the centerpiece of the energy investment case. Companies are prioritizing sustainable dividends, share buybacks, and balance-sheet strength. Midstream operators reinforce the profile with stable, fee-based cash flows and low capital intensity. Geopolitics still injects volatility, but it also highlights the strategic value of reliable supply from stable regions. Energy increasingly resembles a shareholder-aligned industrial sector—offering income, cash flow yield, and diversification rather than speculative torque.

## Materials (Metals & Mining)

[Robert Cohen](#), Vice President & Senior Portfolio Manager

### **Gold: Financial Risk and Portfolio Insurance**

Gold is being re-established as a financial asset rather than a commodity trade. Rising global debt, expanding money supply, and growing skepticism toward paper currencies have refocused attention on gold's role as a store of value and liquidity anchor. Periods of market stress often bring short-term volatility as liquidity is pulled from all assets, but history suggests gold tends to recover earlier than other sectors once forced selling subsides. This dynamic reinforces gold's role as portfolio insurance rather than a short-term trade.

### **Jurisdictional Risk: Where the Mine Matters**

Not all ounces are created equal. Jurisdictional quality remains a defining factor in value creation. Stable regulatory frameworks, clear permitting processes, and predictable royalty regimes matter as much as geology. In higher-risk regions, rising commodity prices can invite fiscal intervention, increased royalties, or policy uncertainty. Selective exposure may be justified where economics are compelling, but discipline around jurisdiction remains central to protecting capital and sustaining long-term returns.

### **Capital Allocation: Producers vs. Royalties**

Mining equities offer distinct risk-return profiles. Royalty and streaming companies provide liquidity and insulation from operating risk, but that stability is often reflected in premium valuations. Producers and developers offer greater upside through operational leverage, but returns depend heavily on execution, cost control, and asset quality. Portfolio construction reflects a deliberate balance between liquidity, risk mitigation, and the pursuit of alpha.

### **Silver: Powerful but Unforgiving**

Silver brings torque—but little forgiveness. It amplifies upside in strong markets and magnifies drawdowns when sentiment turns. While industrial demand supports the long-term case, silver's volatility requires restraint. Exposure is best applied selectively, focused on high-quality assets with future production potential rather than broad, aggressive positioning.

### **Copper: Structural Demand Meets Supply Constraint**

Copper stands out as a core industrial metal with durable demand tied to population growth, electrification, and digital infrastructure. Supply constraints, project complexity, and refining dynamics support a constructive pricing outlook. Unlike more speculative metals, copper combines essential demand with tangible scarcity, reinforcing its strategic role in the global economy.

## Industrials

[Amir Ahmad](#), Senior Portfolio Analyst

### **Secular Growth Anchors: AI, Aerospace, Defense**

Industrials remain one of the broadest and most opportunity-rich sectors, supported by multiple long-duration growth drivers. Companies positioned within AI infrastructure benefit from persistent power generation, transmission, and distribution constraints. These firms represent the “picks and shovels” of data-center expansion, with backlog visibility supporting growth beyond near-term cycles. Aerospace demand benefits from long-run air travel growth driven by emerging market middle-class expansion. Aircraft utilization remains elevated, creating sustained aftermarket demand and long delivery backlogs that extend into the next decade. Defense spending has shifted from cyclical to structural, with sustained increases in European and U.S. budgets supporting capacity utilization, free cash flow generation, and balance-sheet strengthening.

### **Cycles Within Secular Trends**

Even within durable secular themes, industrials experience mini-cycles. Recent share-price consolidation reflects questions around growth duration rather than demand collapse. Backlogs, customer commentary, and order visibility continue to support forward growth, while disciplined capital allocation prioritizes downside protection alongside measured compounding. This reflects a sector increasingly focused on capital preservation first, growth second.

### **Tariffs, Uncertainty, and Capital Formation**

Tariffs represent less of a direct earnings shock and more a drag on capital formation through uncertainty. Large industrial companies have generally absorbed tariff costs, but prolonged policy ambiguity delays investment decisions. The industrial economy continues to “muddle through,” with end markets stabilizing while awaiting clearer trade frameworks. Canadian industrials face headline risk, though valuation discounts already reflect much of this uncertainty.

### **Quality Compounders: Rails and Waste**

Railroads and waste management stand out as cash-generative compounders. Rails are transitioning from cost productivity toward volume growth through service improvements and potential consolidation. Waste management benefits from sticky pricing, low churn, and control of landfill assets, effectively operating as regulated toll businesses. Both industries generate resilient free cash flow and continue to return capital through buybacks and dividends, even during periods of uncertainty.

### **Investment Implications**

Industrials combine secular growth with improving shareholder discipline. Valuations warrant selectivity, but balance-sheet strength, backlog visibility, and free cash flow support long-term compounding and income generation.

## Consumer

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### **Resilient but Shifting Consumer Spending Patterns**

Consumer spending remains resilient despite macro uncertainty, particularly in the U.S., supported by wages, easing inflation, and event-driven spending patterns. Consumers are increasingly value-seeking and deliberate, concentrating purchases around peak spending periods rather than maintaining steady demand. This behavior rewards companies with operational flexibility and penalizes those built for averages rather than volatility. Canada shows comparatively softer demand, but resilience remains intact as fundamentals stabilize.

### **Artificial Intelligence: Efficiency First, Growth Next**

AI is reshaping consumer business models, initially through cost reduction and operational efficiency—supply chain optimization, inventory management, churn reduction—before shifting toward revenue growth via personalization and targeted commerce. The bar is rising from demonstrations to measurable ROI. Competitive advantage will accrue to companies that integrate AI into decision-making and customer engagement rather than companies that merely showcase technology. Leadership remains fluid, reinforcing the need for selectivity.

### **Automation and Robotics: Labor Economics Reset**

Automation adoption is accelerating as labor availability, rising costs, and tariffs reduce the attractiveness of traditional low-cost manufacturing regions. Robotics is expanding beyond industrial use into food service, retail, and logistics, improving productivity and margin durability. Companies investing early in automation gain structural cost advantages and supply chain resilience.

### **Authentic Everyday Value: Structural Winners**

Consumer dollars are increasingly concentrated among businesses built around everyday value rather than episodic discounting. Authentic value balances price, quality, convenience, and trust. Retailers and brands with consistent value propositions are capturing disproportionate share, while price-led models without differentiation are struggling. These dynamic favour scale, disciplined pricing, and loyalty-driven engagement.

### **Consumer Staples: Innovation Gap Creates Divergence**

Traditional consumer staples have lost defensive characteristics due to aggressive price increases and underinvestment in innovation post-pandemic. Consumers are trading down, shifting to private labels, smaller pack sizes, or alternatives. Staples that re-center on product innovation and incremental value are better positioned for recovery; others face margin pressure and share erosion.

### **Investment Implications**

The consumer sector rewards execution over exposure. Traffic, market share, and top-line growth drive value creation in a competitive, data-driven environment. Winners combine value discipline, operational agility, AI integration, and loyalty ecosystems. Selectivity remains critical as similar business models deliver materially different outcomes.

## Health Care

[Ryan Nicholl](#), Vice President & Portfolio Manager

### **Sector Reset After Prolonged Weakness**

Health care endured a multi-year drawdown, with sentiment reaching extreme pessimism in mid-2025. A convergence of regulatory pressure, tariff threats, and sub-sector specific challenges drove valuations to historic relative lows versus the broader market. The subsequent rebound masked how severe conditions became, but the reset has created a more balanced risk-reward profile entering the next phase of the cycle.

### **Regulatory Noise vs. Structural Reality**

Recent policy actions have been confrontational, particularly around drug pricing and government health spending. While these pressures created volatility across pharmaceuticals and managed care, outcomes have been less punitive than initially feared. Regulatory risk remains episodic and politically sensitive, but core industry economics are intact rather than structurally impaired.

### **Pharmaceuticals: Predictable, Not Explosive**

Pharma faces a meaningful patent cycle and pricing pressure, limiting upside. Innovation is skewed toward line extensions and incremental indications rather than blockbuster breakthroughs. Balance sheets and cash flows remain resilient, making the space lower risk but more selective, with returns driven by company-specific execution.

### **Life Sciences: Growth Pause, Not Broken**

Life sciences experienced a post-COVID hangover as biotech funding slowed and China demand softened. Long-term drivers—demographics, global R&D investment, scale, and vertical integration—remain intact. Leading platforms are positioned to recover toward mid-single-digit growth over time.

### **Managed Care: Volatility Before Normalization**

Health insurers mispriced utilization, leading to margin compression and elevated volatility. Despite near-term pressure, business models remain strong, supported by local market dominance and negotiating leverage. Earnings normalization is likely as pricing adjusts and regulatory pressure eases.

### **Medtech: Steady Compounding**

Medtech offers stability rather than excitement. Select opportunities exist among suppliers and firms reinvesting in R&D, with incremental share gains and dependable cash generation.

### **Investment Implications**

Health care has moved from capitulation to recovery. Returns will be driven by selectivity, regulatory awareness, and balance-sheet strength, offering diversification, defensiveness, and medium-term upside as fundamentals normalize.

## Technology

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### **Software: Moats Tested, Not Erased**

The market narrative that “AI kills software” reflects fear, not full economic reality. While AI lowers barriers to entry and compresses certain legacy business models, enterprise software remains complex, mission-critical, and security-intensive. Custom software creation is not frictionless once integration, compliance, maintenance, and uptime are considered. That said, AI is real competition for undifferentiated software, particularly seat-based pricing models, and is forcing a reset in valuation and expectations.

### **AI Adoption: Fast Diffusion, Uneven Monetization**

AI adoption is occurring faster than any prior technology cycle, with foundation models achieving mass consumer usage in record time. Revenue is following more closely than in prior tech cycles, but unevenly. Developer tools and foundation models show strong traction, while enterprise AI SaaS offerings lag due to data readiness, security concerns, and implementation complexity.

### **Data as the Durable Moat**

As AI models commoditize, proprietary data becomes the defining competitive advantage. Companies with long-standing, non-replicable datasets embedded in workflows retain pricing power and customer lock-in. The winners are not those with the smartest model, but those with the deepest institutional memory. This reframes software moats away from code toward data, distribution, and context.

### **Hyperscalers: Following the Cash**

Monetization today is most visible at the platform level. Hyperscalers benefit from scale, distribution, and optionality, monetizing AI through cloud infrastructure, advertising efficiency, and enterprise services. Importantly, these companies retain spending flexibility—capital intensity is a choice, not a constraint—supporting strong forward free cash flow.

### **Risk Discipline, Not Hype**

Circular financing and capital intensity introduce risk, but revenue is real and scaling. This is not a repeat of past tech bubbles driven by promise without cash flow. Selectivity matters. The opportunity is intact, but the bar for quality, data ownership, and monetization discipline is materially higher.

## Financials

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### **Banks: Profitability, Rerating, and Capital Discipline**

Canadian banks delivered exceptional shareholder returns last year as macro uncertainty faded, markets recovered, and higher rates flowed through loan and investment portfolios. Wealth management and capital markets earnings rebounded strongly, while feared credit stress failed to materialize. Regulatory pressure eased, allowing capital to be deployed more efficiently. While valuations are higher following a strong run, long-term returns remain supported by structurally high returns on equity and durable profitability. Near-term expectations warrant moderation, but we remain constructive on the outlook for banks over the long term.

### **U.S. and European Banks: Deregulation and Efficiency Cycles**

U.S. banks benefit from a clear shift toward lighter regulatory pressure, improving capital flexibility and loan growth potential. Interest rate rollover dynamics continue to support earnings, particularly in mortgage and investment portfolios. European banks represent one of the most dramatic profitability turnarounds in developed markets. Years of cost restructuring and regulatory pressure have produced leaner institutions now benefiting from normalized interest rates. Improved efficiency has translated into low- to mid-teens returns on equity and meaningful capital return through dividends and buybacks, with valuations still reasonable relative to fundamentals.

### **Insurance: Quiet Compounding, Active Capital Returns**

Property and casualty insurers have lagged as premium growth moderated with easing inflation and fewer catastrophic losses. Market disappointment has created opportunity. Disciplined insurers continue to generate strong cash flow and return on capital while waiting for fundamentals to re-accelerate. Th yields compensate for patience, positioning the group as an attractive medium-term opportunity.

### **Selectivity Beyond Banks: Opportunity and Caution**

AI-related disruption fears have created indiscriminate selling across exchanges, data providers, and select financial services firms, opening opportunities for stock pickers. In contrast, payment processing faces intensifying competition and margin pressure, reducing confidence in moat durability. Alternative asset managers face slowing growth, elevated valuations, and lagged markdown risk from higher rates, warranting a cautious and selective stance.

### **Investment Implications**

Financials offer a mix of income, capital return, and selective growth. Balance-sheet strength, regulatory tailwinds, and disciplined capital allocation define the opportunity. Volatility creates entry points, but outcomes depend on positioning in segments with the best fundamentals and time horizon.

## Real Estate

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### **Valuation Reset and Liquidity Return**

Public real estate has underperformed for several years and now trades at a meaningful discount to both historical norms and private-market valuations. A key change is the return of liquidity: transaction volumes in major markets have rebounded, helping crystallize pricing and reduce uncertainty around asset values and cap rates. Improved capital raising and rising M&A activity reflect renewed private equity interest in public real estate, signaling confidence that the cycle has turned.

### **Supply Contraction and Rental Inflection**

A new real estate cycle is emerging. Development pipelines are shrinking across multiple property types, with future supply deliveries expected to decline meaningfully over the next several years. While some supply pressure is likely to persist in the near term, the outlook improves notably in 2027 and beyond as markets see more balance. As supply tightens, fundamentals are positioned to support rent growth, driving net operating income expansion and renewed capital formation. Market rent growth, rather than interest rates alone, is the key driver of cap rate moves (and valuation changes).

### **Preferred Property Types**

Seniors housing benefits from unavoidable demographic demand and minimal new supply, creating high occupancy, pricing power, and strong earnings growth. Manufactured home communities combine affordability with low turnover, steady rent increases, and durable long-term compounding. Retail real estate has emerged as a standout due to fifteen years of underbuilding, record occupancy, and strong market-to-market rent potential, particularly for grocery-anchored assets.

### **Areas of Caution**

Data centers exhibit exceptional current fundamentals, but unprecedented development activity and new entrants raise future supply risk for some parts of the market. Asset quality and tenant alignment remain critical. Canadian condos, particularly in Toronto, face oversupply, pricing pressure, which weighs on apartment fundamentals in the near-term due to rising shadow rental inventory. Improvement is likely 4 years out as construction starts are expected to slow materially going forward.

### **Investment Implications**

Real estate is transitioning from correction to recovery. Valuation support, improving liquidity, supply discipline, and a positive outlook for rent growth in many markets position the sector for attractive medium-term returns, with opportunity concentrated in property types offering durable demand, pricing power, and constrained future supply.

## Utilities (Infrastructure)

Tarun Joshi, Portfolio Manager

### **Core Infrastructure: Permanence Over Hype**

Infrastructure assets occupy one of the most defensive ends of the equity spectrum with respect to risks related to disruption from artificial intelligence. Airports, toll roads, utilities, pipelines, and power plants are essential to daily economic activity and are largely immune to technological disruption. While market cycles rotate rapidly through new themes, infrastructure assets remain in continuous use, providing long-term intrinsic value growth anchored in physical necessity and regulated frameworks.

### **Power: Structural Shortage, Multi-Year Investment Cycle**

For the first time in over two decades, electricity demand is accelerating meaningfully. After a long period of flat demand driven by offshoring and efficiency gains, consumption is rising due to reshoring of manufacturing, broad electrification, and rapid growth in cloud computing and AI. This surge is occurring against an underinvested grid, resulting in capacity constraints and reliability challenges. The mismatch between demand growth and infrastructure readiness creates a long runway for capital investment, regulated returns, and sustained earnings visibility for power generation, transmission, and distribution assets.

### **Energy Transition & LNG: Security Drives Capital**

Geopolitical fragmentation has elevated energy security from policy objective to national priority. Natural gas and LNG infrastructure have become critical transition assets as countries diversify supply away from unstable regions. North America is structurally advantaged, with expanding export capacity supporting demand for pipelines, terminals, and related infrastructure. On the demand side, importing regions are accelerating build-out of regasification and transport capacity. This dynamic supports long-duration, contracted cash flows across the gas value chain.

### **Travel Infrastructure: Long-Tail Growth**

Global travel infrastructure benefits from multi-decade demand expansion. Despite decades of growth, the majority of the world's population has never flown, indicating substantial runway ahead. Air travel volumes have only recently returned to pre-pandemic levels, reinforcing the early stage of the next growth cycle. Toll roads and airports combine inflation-linked pricing, high barriers to entry, and rising utilization, supporting stable compounding over time.

### **Investment Implications**

Infrastructure offers defensive growth, inflation protection, and predictable cash generation. Regulated and contracted revenue models, coupled with structural demand tailwinds, position the sector as a stabilizing anchor within diversified portfolios—particularly during periods of market volatility and thematic excess.

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