



GLOBAL TACTICAL ASSET ALLOCATION

First quarter 2026

Table of contents

Summary

01 The past

- Global economic analysis
- Decision-making history and value creation

02 Asset class review

- Fixed income
- Alternative fixed income
- Equities

03 The future

- Economic scenarios

04 Special topic: ILS

- Insurance-Linked Securities
- Monthly performance and risk-adjusted returns



SUMMARY

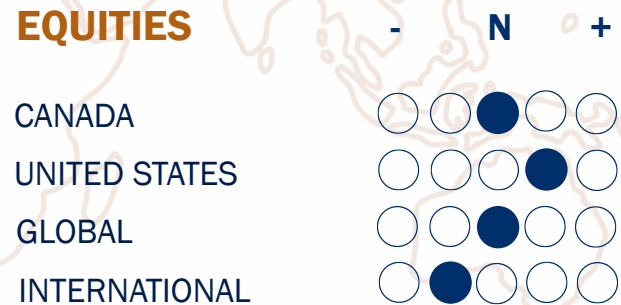
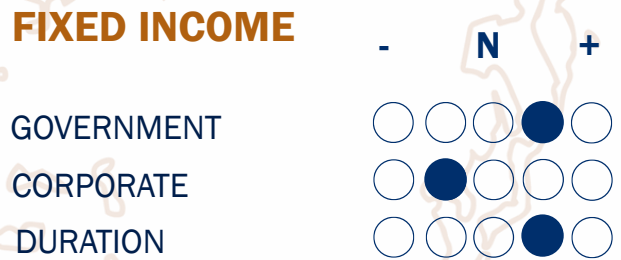
Key takeaways

Tactical asset allocation over a 3- to 12-month horizon:
Balanced approach with targeted tactical adjustments

Overweight U.S. equities, neutral on Canadian equities

Overweight alternative income strategies; underweight fixed income

Overall portfolio positioning



Global economic analysis

United States

At the start of 2026*, the U.S. economy is evolving in a context of moderate growth. Based on the median economist consensus compiled by Bloomberg, **U.S. Q1 GDP** is expected to grow at an annualized rate of approximately **3.2%**.

The **unemployment rate** stood at **4.4%** in February 2026, reflecting a still-solid labour market. Moreover, **inflation** continued to ease early in the year, coming in at around **2.4%** year-over-year.

In financial markets, **10-year U.S. Treasury yields** fluctuated sharply during the quarter, reaching approximately **4.4%** on March 26, 2026, while briefly **dipping** below the **4%** threshold during the quarter.

CANADA

At the start of 2026, the Canadian economy is evolving in a context of moderate growth. According to Bloomberg, **Canadian Q1 GDP** is expected to grow around **1.4%**.

The **unemployment rate** stood at **6.7%** in February 2026, up **0.2%**, pointing to an easing labour market. Moreover, **inflation** continued to slow, coming in at **1.8%** in February 2026.

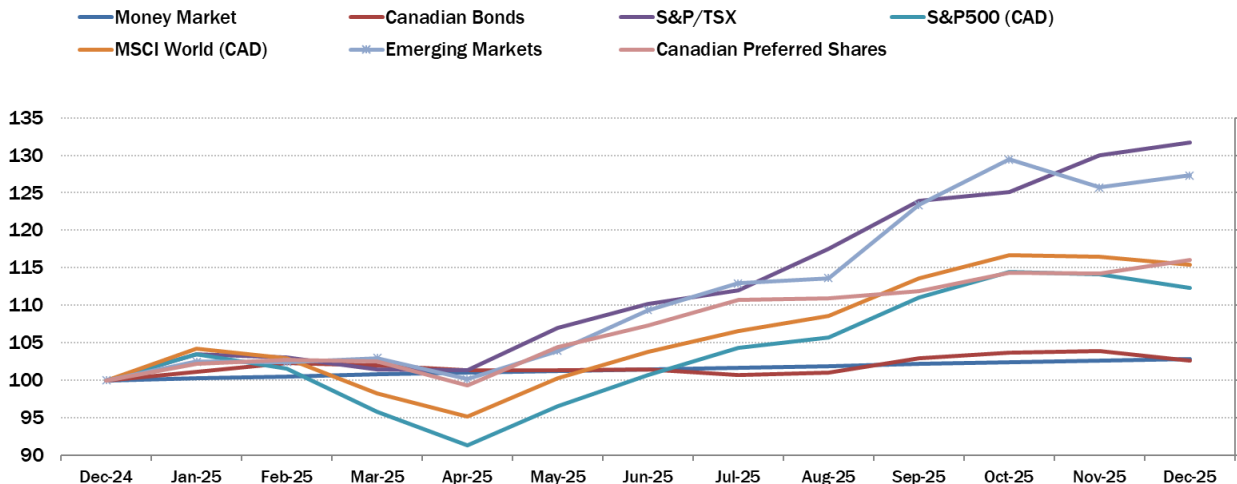
In financial markets, the **10-year Government of Canada bond yield** was **3.57%** on March 26, 2026, reflecting relatively restrictive financial conditions and an economic environment marked by investor caution.

International

According to the *World Economic Outlook Update* of the International Monetary Fund (IMF), global GDP growth is expected to reach approximately **3.3% in 2026**, reflecting resilient economic activity despite geopolitical tensions and trade uncertainty.

According to the *International Labour Organization* (ILO), the **global unemployment rate** was **4.9%** in 2025 and is expected to remain unchanged in 2026, reflecting relative labour-market stability despite persistent divergences across regions and income levels.

Based on the Organization for Economic Co-operation and Development (OECD) data, **headline inflation**, as measured by the Consumer Price Index, continued to slow early in the year, reaching **3.3%** year-over-year in January 2026 across OECD economies, while it was **3.4%** for the G20 over the same period—signalling gradual but uneven disinflation across regions.



*Data available through March 26, 2026
Data as at March 26, 2026 — Source: Bloomberg



Decision-making history and value creation

Strategy evolution

	Money market	Canadian bonds	Canadian equities	Global equities	Income private market	Income public market core+
2019-05-31	2%	-4%	5%	-3%	-1%	0%
2019-07-12	2%	-2%	5%	-3%	2%	0%
2021-02-16	0%	-4%	4%	-1%	1%	0%
2021-03-26	0%	-6%	5%	0%	1%	0%
2021-07-27	1%	-10%	5%	1%	3%	0%
2021-09-10	1%	-12%	5%	1%	5%	0%
2021-12-22	1%	-9%	5%	1%	1%	0%
2023-07-26	1%	-8%	4%	3%	0%	0%
2024-02-12	3%	-10%	4%	3%	0%	0%
2024-12-10	4%	-2%	-2%	2%	-1%	-1%
2025-01-09	4%	-7%	-3%	2%	2%	2%
2025-07-22	3%	-6%	-1%	3%	0%	0%
2025-12-05	4%	-6%	2%	0%	0%	0%
2026-02-11	-3%	-3%	-2%	0%	4%	4%

Cumulative value added



Source: Bloomberg, Optimum Asset Management Inc., data as at March 26, 2026



ASSET CLASS REVIEW

Fixed income

FTSE Russell index performance in Q1 2026 (%)*

Term	Federal	Provincial	Municipal	Corporate	Total
Short	0.34	0.32	0.30	0.34	0.46
Mid	0.21	0.20	0.20	0.21	0.27
Long	0.10	0.16	0.16	0.13	0.21
Universe	0.26	0.22	0.21	0.24	0.35

Source: FTSE Russell

Review

The quarter unfolded in two phases: yields began a gradual decline, supported by inflation normalizing and expectations of more accommodative monetary policy as the labour market came under pressure.

The situation was then disrupted by the Iran conflict, driving a sharp rise in oil prices. This escalation in geopolitical tensions revived fears of a return of inflation and increased uncertainty in financial markets. In response, yields moved higher again, alongside a pronounced flattening of yield curves.

Outlook

We took advantage of the recent rise in yields to extend portfolio duration and improve the medium-term return profile. As we have often observed in recent years, governments' fiscal response to this type of turbulence will be a key determinant of the path of yields.

On the credit side, despite a recent widening, risk premia remain historically compressed. In this environment, we are maintaining an overall defensive stance, emphasizing rigorous issuer selection. This approach appears especially relevant given that the funding needs of large technology companies should translate into significant corporate bond supply—creating targeted opportunities but also increasing the risk of dispersion.

Analytical framework

- **Fundamentals:** Significant uncertainty, inflationary pressures heightened by the war, but a fragile labour market
- **Seasonality:** Neutral
- **Sentiment:** Negative
- **Technical:** Positive
- **Valuation:** Structurally attractive level

*Data available through March 24, 2026. The quarter is not yet complete.



Alternative fixed income

Review

The **private debt** segment has recently experienced a rapid, widely publicized deterioration. Several signs of fragility have emerged, including problematic loans in the technology sector, where models built on annual recurring revenue are being questioned. We are also seeing instances of double collateralization in loans to financial companies, along with significant leverage—particularly in *Leveraged Buyouts (LBOs)* and among certain insurers. The structure of some semi-liquid funds—offering limited quarterly liquidity despite illiquid underlying assets—heightens risk. Large outflows and redemption restrictions implemented by managers illustrate these pressures.

Outlook

Despite the current environment, some funds remain well-managed, supported by greater diversification and an attractive long-term risk/return profile. The volatility observed can also create new opportunities for disciplined investors. This is notably the case for *Business Development Corporations (BDCs)* listed companies that primarily finance mid-sized businesses through loans. During periods of instability, their valuations can be penalized excessively without fundamental deterioration, creating attractive entry points. They often offer high yields for investors able to tolerate a certain level of risk.

Preferred shares also remain attractive despite strong performance over recent months. They offer competitive risk-adjusted returns, supported by generally investment-grade quality. Their potentially favourable tax treatment, equity-market liquidity and flexible duration further enhance their role in a diversified portfolio. Finally, their recent stability suggests a better-balanced market.



ASSET CLASS REVIEW

Equities

Review

Since the start of the first quarter, global equity markets have operated in a more nervous environment, torn between still-resilient economic activity and renewed concerns tied to trade tensions and rising energy prices in the Middle East. Canadian equities generally held up better than many other markets, helped by the weight of resources, strength in gold and energy, and support from financials, even as some more cyclically sensitive sectors remained more hesitant.

In the United States, the market lost momentum as mega-cap technology alone was no longer sufficient to carry the broader market, while elevated valuations, tariff debates, and higher oil prices encouraged greater caution.

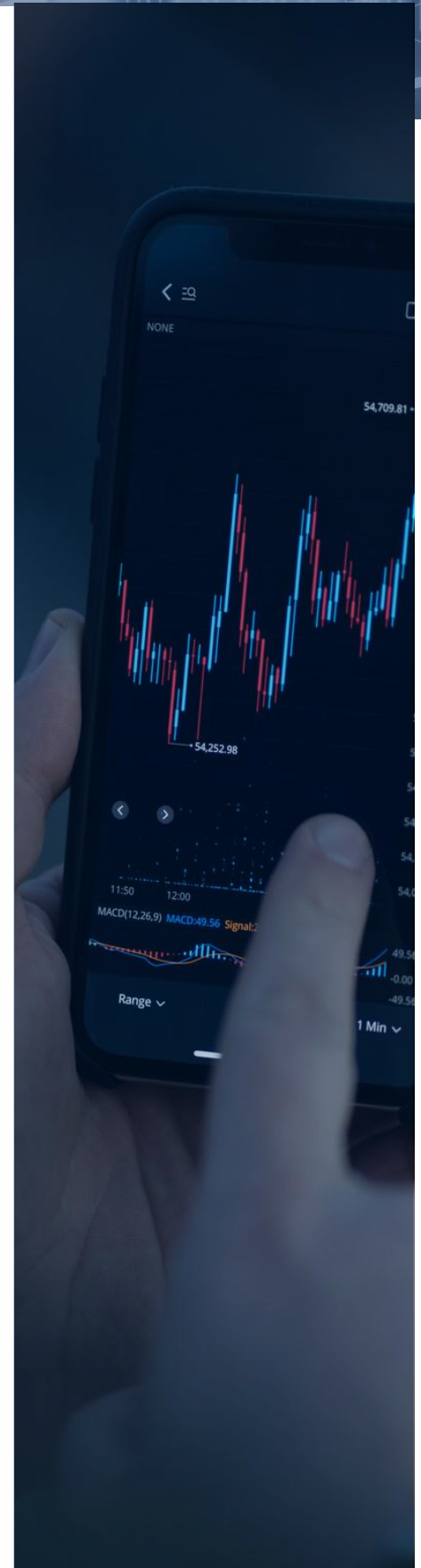
In Europe, equities were relatively well supported by the prospect of a gradual recovery, the expected impact of public spending, and renewed interest in financials, industrials, and defence-related sectors. In Asia and several emerging markets, the start of the year was more constructive thanks to semiconductors and improved geographic diversification of flows, although China remains more mixed and the recent rise in energy costs calls for greater restraint.

Outlook

Consistent with our approach of participating in major equity trends, we used heightened market volatility to increase exposure to the sectors and regions with the strongest outlook. In Canadian equities, we increased exposure to materials, renewable/non-fossil energy, and utilities, and reduced exposure to industrials, technology, and consumer staples. In global equities, we increased exposure to Asian markets (notably Japan), emerging markets, and U.S. small caps. By sector, we added to health care, industrials, and utilities, and reduced exposure to financials, consumer discretionary, and technology. U.S. technology giants expect to significantly reduce free cash flow due to major artificial intelligence-related investments, which could dampen investor enthusiasm.

Analytical framework

- **Fundamentals: Positive**
- **Seasonality: Positive**
- **Sentiment: Negative**
- **Technical: Negative**
- **Valuation: Positive, varies by region**



Economic scenarios

> BASE CASE

Persistent inflation and higher rates (Estimated probability: 35%)

This remains the most plausible scenario. Inflation declines, but too slowly to allow rapid monetary easing, leading central banks to maintain a cautious stance for longer. In this context, global growth slows without tipping into recession, while markets remain sensitive to the rate path and cost pressures.

1

Growth rebound supported by economic policy (30%)

In this scenario, global activity strengthens thanks to a more favourable mix of fiscal support, monetary easing, and a pickup in investment—particularly in innovation-related sectors. The macroeconomic environment improves gradually, supporting confidence, favouring risk assets, and enabling a moderate but tangible acceleration in growth.

2

Soft landing (20%)

The global economy continues on a moderate growth path as inflation gradually converges toward levels more consistent with central-bank objectives. This allows gradual monetary easing in a relatively stable environment, marked by resilient activity but without a clear upside impulse.

3

Geopolitical and trade shock (15%)

A less likely but more adverse scenario, based on an intensification of geopolitical and trade tensions that could disrupt supply chains, rekindle inflation pressures, and weaken confidence. It would result in a marked slowdown in global growth, higher financial-market volatility, and a significantly more fragile macroeconomic environment.

Scenarios*	Persistent inflation	Growth rebound	Soft landing	Geopolitical and trade shock	Weighted average
Probabilities	35%	30%	20%	15%	-
Traditional income					
Money market	2.5%	2%	2.30%	1.50%	2.2%
Canadian bonds	1%	5%	3.50%	7%	3.6%
Non-traditional income					
Diversified credit	3%	8%	6%	0%	4.7%
ILS	7%	7%	7%	7%	7%
Traditional capital appreciation					
Canadian equities	-5%	8%	12%	-20%	0.1%
U.S. equities	-10%	10%	8%	-22%	-2.2%

*Internal estimates based on professional judgment, provided for illustrative purposes.



SPECIAL TOPIC: ILS

Insurance-Linked Securities: definition

- Insurance-Linked Securities (ILS) are financial instruments whose value depends on non-financial insurance risks
- This asset class emerged in the mid-1990s and is now an established alternative asset class
- Their performance has low correlation with traditional financial markets, making them an excellent source of diversification
- Returns come primarily from insurance premiums received and interest income generated on collateral
- Some ILS—particularly catastrophe bonds (cat bonds)—trade in the bond market and are valued daily
- The main investors are institutional investors (pension funds, sovereign wealth funds, multi-asset managers, endowments, *family offices*)



ILS have low correlation with equities and traditional bond markets, supporting portfolio diversification.

	ILS Catbonds	Global equities	High yield bonds	US aggregate bonds
ILS Catbonds	1.00			
Global equities	0.26	1.00		
High yield bonds	0.28	0.84	1.00	
US aggregate bonds	0.23	0.41	0.52	1.00

Source: Bloomberg. Returns from 30.06.2015 to 30.06.2025. Performance shown is that of the existing underlying fund and is expressed in USD. Volatility calculated using monthly frequency.

ILS Catbond: Swiss Re Catastrophe Bond TR Index; Global equities: MSCI Daily TR Gross World USD; High yield bonds: iBoxx USD Liquid High Yield Total Return Index; U.S. aggregate bonds: Bloomberg US Aggregate Index. This comparison has important limitations. This correlation analysis and comparative return chart highlight the relationship between catastrophe bonds and the performance of global equities, high yield bonds, and U.S. aggregate bonds, enabling an assessment of their risk and return relative to these markets. There is no guarantee that the investment objective will be achieved or that a return of capital will be realized. The product provides no capital protection guarantee.



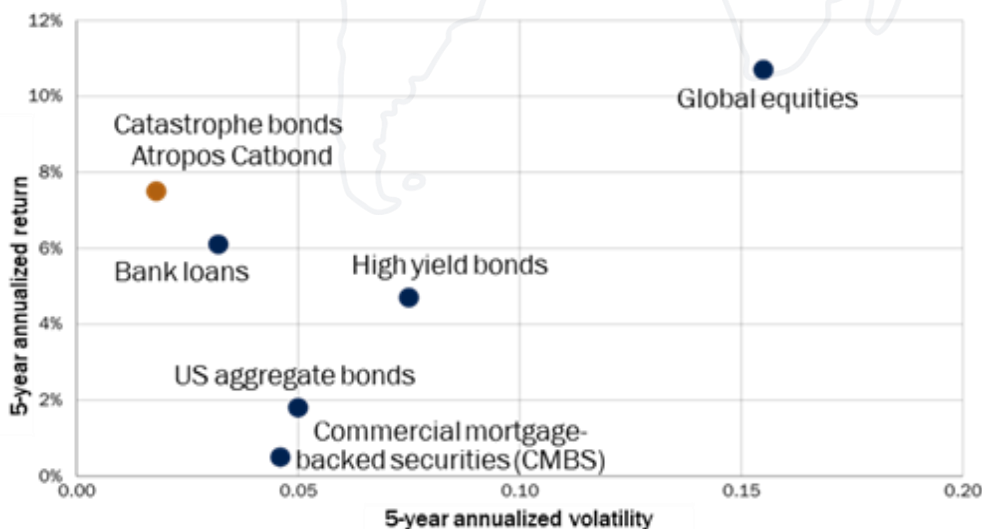
Monthly performance and risk-adjusted returns

Monthly performance rebased to 100 from January 2004 to December 2025



Source: Bloomberg, data as at 31.12.2025. Indices: ILS Catbond (Swiss Re Catastrophe Bond TR Index), Global Equity (MSCI Daily TR Gross World USD), High Yield bonds (iBoxx \$ Liquid High Yield Index), US Aggregate Bonds (Bloomberg US Aggregate Index).

Offer a better risk/volatility ratio than products typically used to diversify portfolios



Source: Bloomberg. Risk-adjusted returns in USD, from 30.09.2015 to 30.09.2025. Volatility calculated using monthly frequency.



Disclaimer

Performance is shown in Canadian dollars, before management fees, and is annualized for all periods longer than one year.

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