



OPTIMUM
Global Asset Management

Our View on: May 2026

Divergence as a Defining Force in 2026

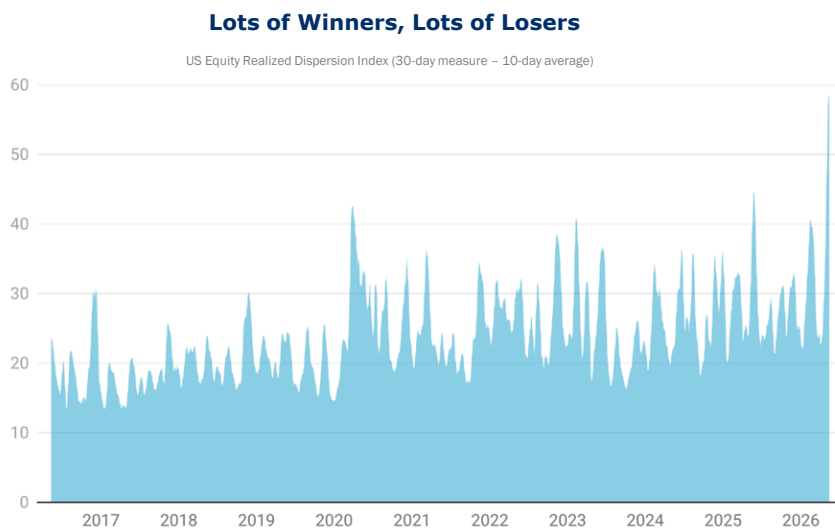
In 2026, equity markets have been characterized by significant dispersion across securities and sectors.

Drivers of Dispersion in 2026

Several forces have contributed to heightened dispersion in 2026. First, the evolving impact of artificial intelligence (AI) has shifted from a broad tailwind to a source of differentiation. Companies and sectors perceived as being disrupted by AI without clear strategies to adopt the technology have lagged, while AI infrastructure plays have benefited.

Second, geopolitical developments, including supply disruptions in energy markets, have supported commodity-linked sectors.

The chart below shows that dispersion is at its maximum, by a wide margin, over the last 10 years.



Source: Bloomberg • Optimum Asset Management • Created with Datawrapper

In the same vein, sector dispersion which refers to the difference in performance between the best-and worst-performing sectors within a market has become a defining feature of the current



investment environment, with material implications for portfolio construction, risk management, and alpha generation. In such environments, sector selection becomes more critical, as performance outcomes depend more on positioning than on overall market direction.

Evidence of Dispersion

The dispersion between sectors in early 2026 has been unusually large by historical standards. Our heatmap of relative performance in the United States, Europe and Canada reveals unusual occurrences.

A few key takeaways:

- Energy and Materials stand out consistently strong across the USA, Europe, and Canada, confirming the ongoing shift toward tangible assets and commodity exposure.
- Technology is no longer a uniform leader — still dominant in the USA and Europe, but sharply lagging in Canada, illustrating how leadership is becoming more fragmented. Canada is thin on AI infrastructure and heavy on software whereas the United States and Europe have a more balanced representation.
- Utilities and Financials show extreme divergence — from weakest in the USA to among the strongest in Canada. A reminder that macro sensitivity is driving outcomes more than ever.
- Consumer, Real Estate and Healthcare are the weak links.

Strange Rankings: Sector Divergence Between Regions

2026 performance ranking (100 is best performing sector, 0 is worst)

	USA	Europe	Canada
Communications	90	40	40
Consumer Discretionary	40	0	20
Consumer Staples	50	10	30
Energy	80	80	100
Financials	0	50	90
Industrials	60	60	50
Materials	70	90	80
Real Estate	30	30	10
Technology	100	100	0
Utilities	10	70	70
Healthcare	20	20	60

Source: Bloomberg • Optimum Asset Management • Created with Datawrapper



Implications for Investors

The rise in security and sector dispersion has several important implications for investors:

1. Greater potential for rotation: Rotating capital toward the winners from prevailing macroeconomic and structural trends has proven beneficial.
2. Portfolio diversification becomes more nuanced: While dispersion can enhance diversification benefits since assets behave more independently, it also requires more deliberate portfolio construction to avoid unintended sector concentrations.
3. Higher idiosyncratic risk: As sector and stock-level differences grow, portfolios become more sensitive to specific exposures rather than market-wide movements, increasing the importance of risk monitoring.

Conclusion

Sector dispersion has emerged as a central theme in 2026, reflecting structural changes in the global economy and equity markets. While it introduces complexity, it also creates a rich opportunity set for investors who can navigate the evolving landscape. In this environment, success depends less on predicting market direction and more on identifying relative winners and losers across sectors. In a dispersion-driven market, investors must balance opportunity with risk. Strategies that emphasize market behavior are likely to perform better. Additionally, incorporating flexible allocation frameworks can help capture dispersion-related opportunities.



Your Team



François Bourdon
President
fbourdon@gestion-optimum.com



Martin Delage
Global and Canadian
Chief Investment Officer
mdelage@optimumgam.ca



Hugues Sauvé
Chief, Canadian
Fixed Income
hsauve@optimumgam.ca



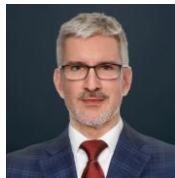
Pierre-Olivier Boulanger
Vice President,
Responsible Investment
pboulanger@optimumgam.ca



Nicolas Poirier
Director,
Equities
npoirier@optimumgam.ca



Brigitte Gascon
Executive Vice President
bgascon@optimumgam.ca



Jean-Martin Aussant
Senior Vice President, Private
Wealth Management and
Alternative Distribution
jaussant@gestion-optimum.com



Patrick Beaudoin
Vice President, Operations
and Client relations
pbeaudoin@optimumgam.ca

Martin Joanis
Assistant Manager, Investments
mjoanis@optimumgam.ca

Yannick Renaud-Blondeau
Assistant Manager, Investments
yrenaud-blondeau@optimumgam.ca

Robert Hesselbo
Vice President, Financial Technology
rhesselbo@optimumgam.ca

Jonathan Helleboid
Analyst, Investments
jhelleboid@optimumgam.ca

William Sirois
Analyst, Technology
& Investments
wsirois@optimumgam.ca

Earvin Hemou
Analyst, Financial Technology
& Investments
ehemou@optimumgam.ca

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✉ info@optimumgam.ca

🌐 optimumgam.ca

📞 514 288-7545

