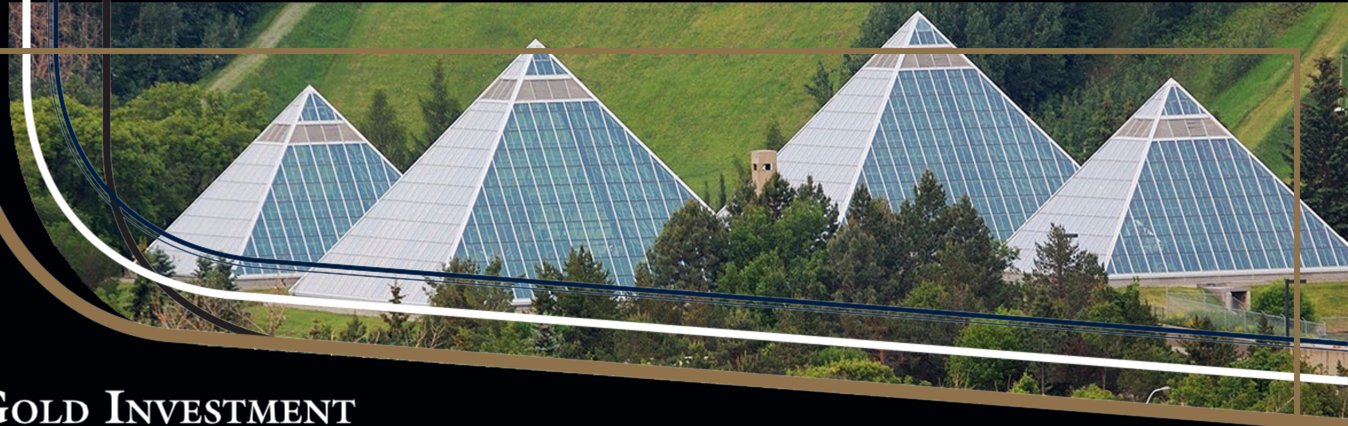


GOLD INVESTMENT
PORTFOLIO MANAGER

Investment Letter

Q2-26 Investment Letter (No. 76)

July 28, 2026

OVERVIEW

Dear Clients & Friends,

We are pleased to provide this quarterly report for the period ended June 30, 2026. This report will be divided into three sections: (1) What's New, (2) Market Recap and (3) Commentary.

WHAT'S NEW

PREVENTING FRAUD & AVOIDING SCAMS

We take security, privacy, and prevention initiatives very seriously, and we are grateful that we have not had any fraud-related issues with our clients' accounts. We are sadly aware that financial scams continue to become more sophisticated and increasingly common in our world. Fraudsters often use email, text messages, social media, websites, or phone calls that can appear legitimate in an attempt to obtain personal information. We value our clients' safety in all areas of their lives, and wanted to provide some tips and simple precautions that can significantly reduce personal risk:

- Always be cautious of unsolicited calls, emails, or text messages.
- Be wary of anyone you do not know and trust who is requesting personal or financial information.
- Avoid clicking links or opening attachments from unknown senders.
- Watch for urgency, threats, or pressure placed on you to act immediately.
- Verify websites and addresses carefully, as fraudulent sites may try to mimic legitimate organizations.
- Be skeptical of investment opportunities that promise guaranteed returns or seem too good to be true.
- Never share passwords, verification codes, or online banking or Canada Revenue Agency credentials with anyone.
- If something seems unusual, contact the organization directly using a trusted phone number or website rather than responding to the message. Ensure you speak to someone at the organization you know and trust.

The bottom line is: *If you are ever in doubt, take the time to verify information before acting.*

MAXIMIZING YOUR TFSA

With another year well underway, now is a great time to review your Tax-Free Savings Account (TFSA) contribution room. The annual TFSA dollar limit for 2026 is $7,000. Any unused contribution room from previous years continues to carry forward, and amounts withdrawn from a TFSA are added back to your available contribution room on January 1st of the following calendar year. If you have unused room from prior years, or have not yet taken advantage of the annual room for 2026, consider making a contribution. TFSAs continue to be one of the most powerful savings and investment tools available. They allow you to have tax-free investment growth, income, and withdrawals. They can be an excellent source for supplemental retirement income that will not impact your total income and marginal tax bracket.

We always recommend you check your contribution room before making a deposit. If you have access to Canada Revenue Agency's online portal, we recommend that you check your account activity for all TFSAs you own to ensure that all data has been reported for prior years. This can impact your contribution room reflected on the portal when you first sign in. If you have any questions or require assistance, please do not hesitate to contact our team.

RESP TIPS FOR THE UPCOMING SCHOOL YEAR

As another school year will be starting soon, we wanted to provide a couple of reminders for Registered Education Savings Plans (RESPs). We encourage families expecting to use RESP funds for tuition or other education-related expenses to submit withdrawal requests as early as possible. Processing times can increase slightly during peak back-to-school periods, so we encourage you to send in your requests when you have supporting documents ready.

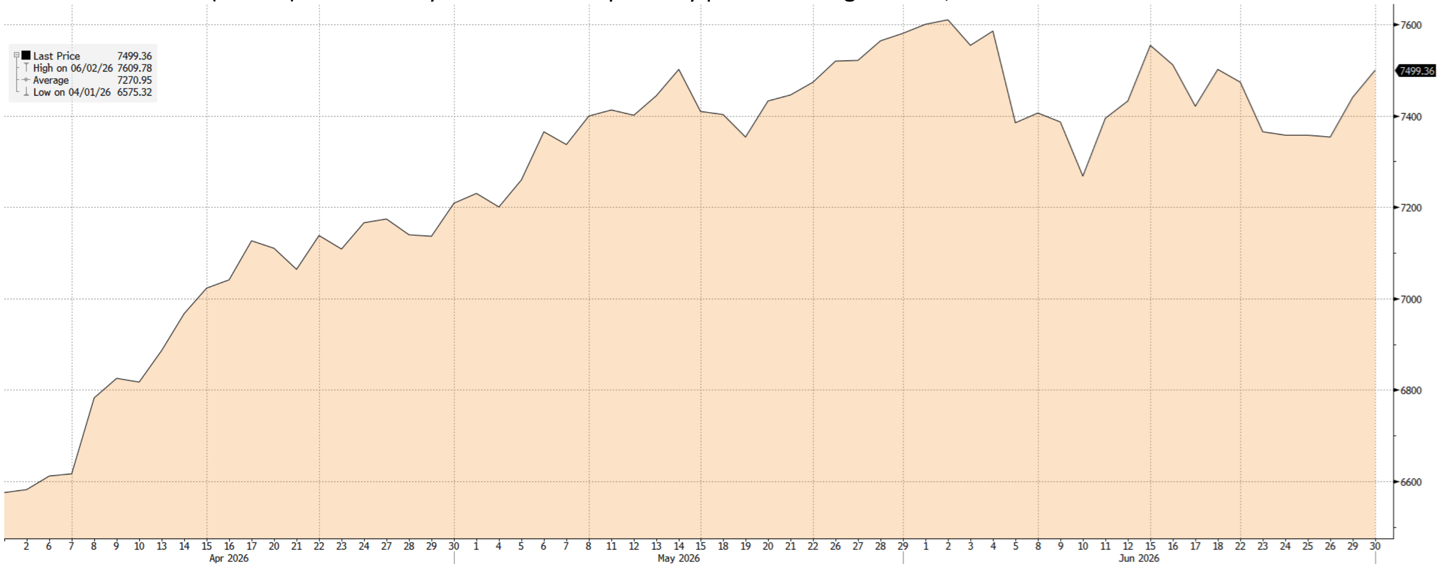
To process an RESP withdrawal for school, proof of enrollment in an eligible educational institution is required. This can often include a course schedule, tuition statement, or enrollment confirmation. Note that a letter of acceptance is not acceptable proof, as it does not show a student is attending classes.

RESP withdrawals contain Educational Assistance Payments (EAPs), which include government grants and any investment growth. These EAP amounts are taxable to the beneficiary using the funds. For students enrolled full-time, EAPs are generally limited to $8,000 during the first 13 consecutive weeks of study. After the student completes the initial 13-week period, this limit no longer applies while they continue to qualify. The CRA's annual EAP threshold for 2026 is $29,459; requests above this amount may require additional documentation demonstrating that the expenses are reasonable and related to the student's education. It is important to note that you can withdraw any amount of the contributions for a student's education from the subscriber's original contributions. The contributed portion is not taxable.

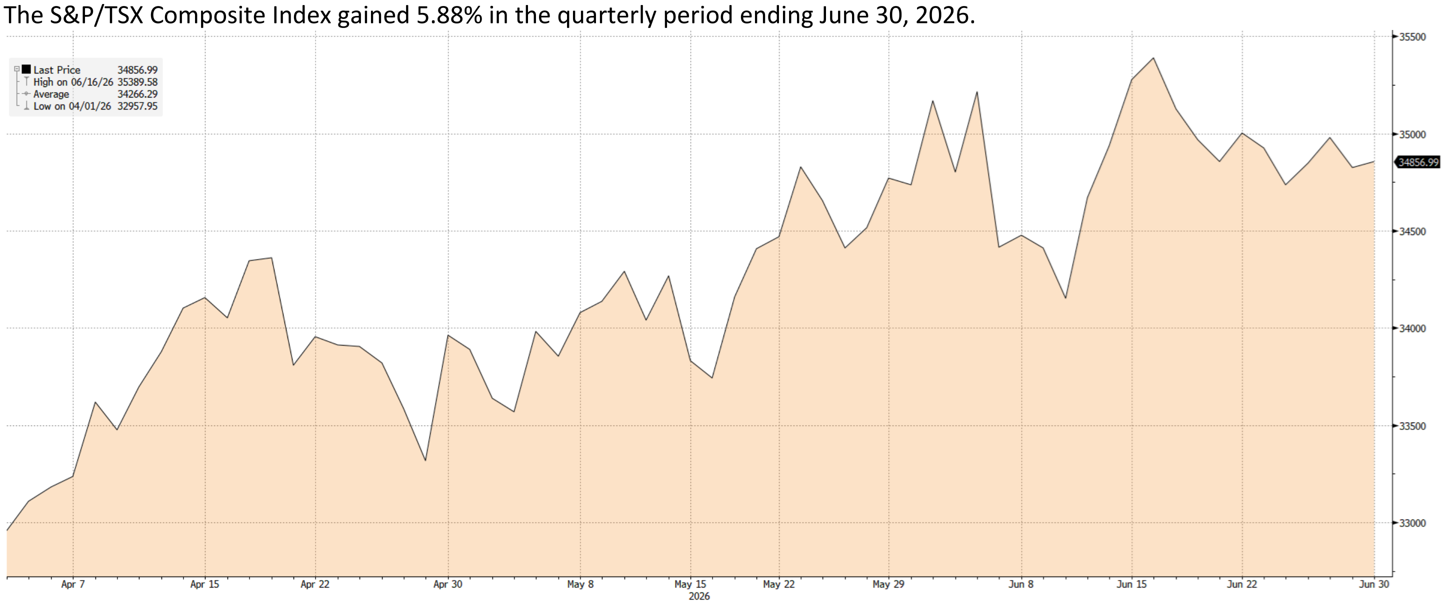
For families with children who have not yet reached post-secondary, we encourage you to make use of contribution room and potentially earn government grants at a 20% matching rate. A contribution of $2,500 generally attracts the maximum basic Canada Education Savings Grant (CESG) of $500 for the year. Even modest contributions today may earn grants if your child is an eligible age, and have time to grow and support future education costs. CESG eligibility generally continues until the end of the calendar year in which the beneficiary turns either 15 or 17. Do not hesitate to contact our team to discuss plans for a RESP in your family's context.

MARKET RECAP

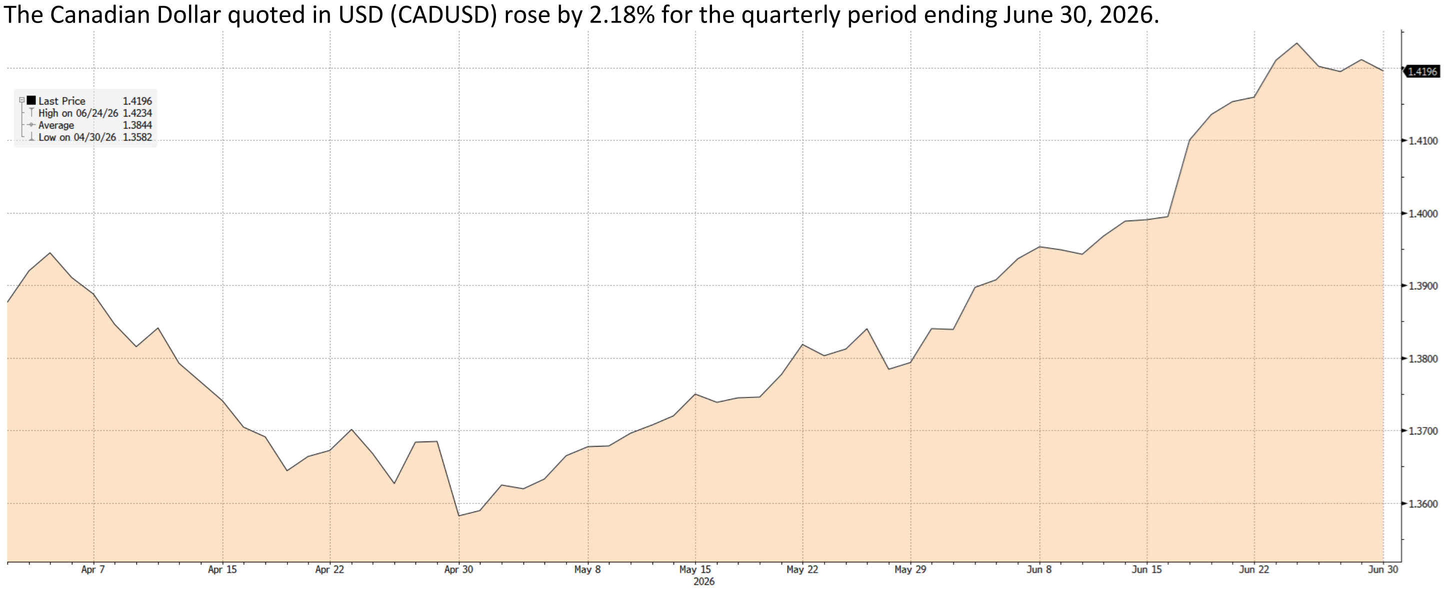
The S&P 500 Index (in USD) increased by 14.38% in the quarterly period ending June 30, 2026.



The S&P/TSX Composite Index gained 5.88% in the quarterly period ending June 30, 2026.



The Canadian Dollar quoted in USD (CADUSD) rose by 2.18% for the quarterly period ending June 30, 2026.



COMMENTARY

In this quarter's newsletter we are going to cover a lot of ground. We are first going to discuss a very important part of the Canadian economy which we do not think is getting enough attention from policymakers. The second part of this letter is "where do we go from here?" since all of our clients' accounts, regardless of level of risk, have done very well.

Part 1. Manufacturing and strong economies

As countries move from agrarian to industrial societies their economies also transform. They start offering more services and become more complex as people move from farms to cities.[1] Financial, legal and government services begin to form a larger part of society.

However, the importance of agriculture and manufacturing does not go away, and these sectors remain critical for a healthy economy. According to the Government of Canada and Statistics Canada, manufacturing is just over 10% of Canada's GDP and equates to 1.7 million full-time, good paying jobs. The Province of Ontario accounts for about 50% of all manufacturing.[2]

In this quarter's newsletter we will review Canada's manufacturing sector. KPMG Canada is a national audit, accounting, tax and advisory services firm. They just released a study looking at Canadian manufacturing.[3] The results are, frankly, devastating.

> *"4 in 10 Canadian manufacturers eye U.S. production moves… Nearly 6 in 10 manufacturers have delayed, reduced or cancelled capital investments amid trade uncertainty and competitiveness concerns."*

In a survey of 275 manufacturing companies,

- 57% have stopped, reduced or cancelled their plans for capital spending. In other words, they are not building new manufacturing facilities and are not spending money on expansion.
- 42% of companies surveyed are reducing or have stopped spending money on research & development (R&D). R&D is critical for any company in order to stay competitive over the long term. A reduction or stoppage of this spending is a massive red flag for the future of manufacturing in our country.
- 52% are in endurance mode. *"Last year, the conversation was about survival. This year, it's about endurance"*

Reading between the lines we suspect that manufacturers are just spending enough money to maintain their existing production facilities, if even that. If a manufacturing plant's focus is only on survival there is clearly nothing that can be spent on preparing for future growth.

> *"Sustaining Canada's manufacturing sector will require businesses to continue investing in productivity, technology and market diversification, while governments work to reduce uncertainty and improve competitiveness. The question now is whether Canada can create the conditions that give manufacturers the confidence to keep building, investing and staying here."*[3]

This is not an encouraging conclusion. It means no pay raises to keep up with inflation, the number of employees stays the same, and everyone is worried about paying for either groceries or their mortgage.

Here's the final kicker in the KPMG survey: 11% plan on moving their headquarters to the U.S. in the next 5 years. Since manufacturing is 10% of Canada's GDP, even a 1% loss will be incredibly painful to our economy. The reason is straightforward: Most of Canada's trade is with the U.S., 61% of surveyed companies say they cannot live without access to the U.S. market and President Trump's tariff and trade threats have made for great uncertainty.

There is no doubt President Trump has more than nudged Canadian companies into thinking of moving. In April of this year, he offered *immediate* tariff relief to any Canadian or Mexican aluminum or steel company if they commit to move production the U.S. *in the future* (emphasis ours).[4]

A company does not have to say when, how, or even how much. They just need to make a commitment to the American administration they will move a plant to the U.S. and there will be immediate tariff relief. Even with a free trade agreement, this is quite an offer that

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[1] *https://www.nber.org/digest/20233/urbanizing-us-agriculture-manufacturing-services?page=1&perPage=50*

[2] *https://ised-isde.canada.ca/site/canadian-manufacturing-sector-gateway/en*
https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1610004801

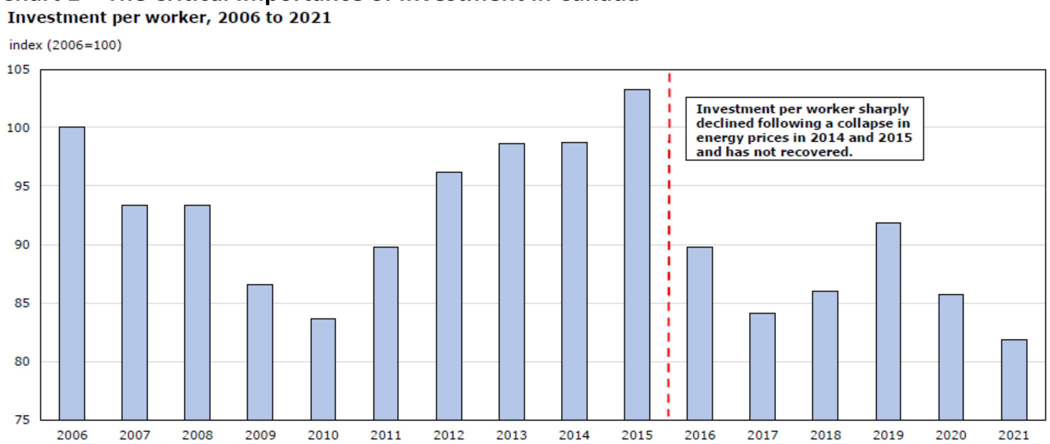
[3] *https://kpmg.com/ca/en/media/2026/07/canadian-manufacturers-eye-us-production-move.html*

[4] *https://www.cbc.ca/news/politics/american-offer-canadian-aluminum-steel-companies-tariff-relief-9.7176321*

has removed one of the chess pieces from the Canadian side for the free trade negotiations set for this summer.
A corporation is privately owned, and it can make decisions regardless of what Canadian governments want; the only realistic way to prevent a plant from moving is for a government to give financial incentives. Monetarily enticing companies to stay in Canada is not a long-term solution.

It is tempting to blame President Trump for Canada's manufacturing problems. However, our problems started well before Trump. He became President at the end of 2024. In our Q4 2024 newsletter, we wrote about Canada's productivity problem, and we put up these charts…

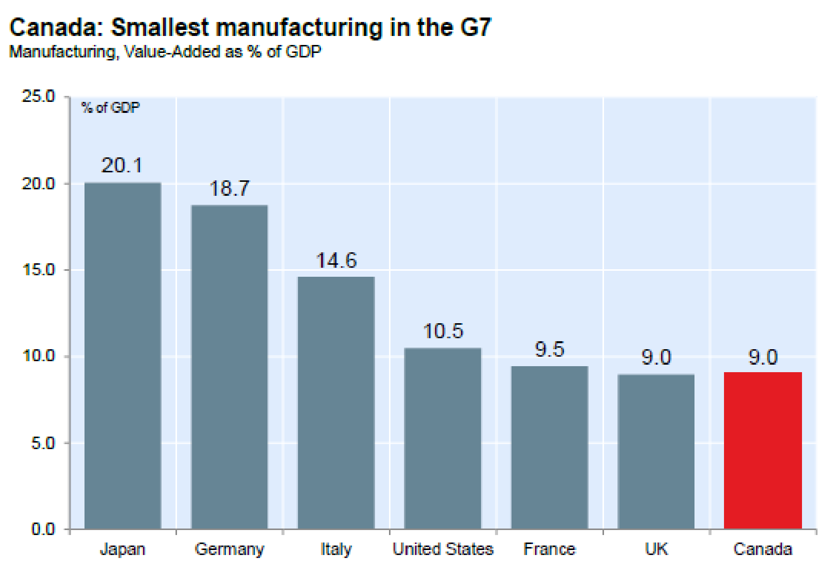
Chart 1 – The Critical Importance of Investment in Canada



Source: StatsCan, Catalogue no. 36-28-0001, ISSN 2563-8955

This first chart was taken straight from Statistics Canada ("StatsCan") and covers a time period far longer than any recent politician's time in office – above or below the border. StatsCan bluntly stated the importance of a strong manufacturing base in Canada. *"Improvements in productivity will require sustained increases in capital spending... Indeed, the* ***amount of fixed capital invested per worker was the most important source of labour productivity growth over the past 30 years****."* [5]

Chart 2 – No prizes for being at the bottom



National Bank Financial, Special Report: Economics & Strategy, December 23, 2024

This second chart shows Canada and the U.K. are dead last in the G7 for having manufacturing as a percentage of the economy. [6] As StatsCan has warned in Chart 1, a larger manufacturing base is critical to the long-term health of the Canadian economy.

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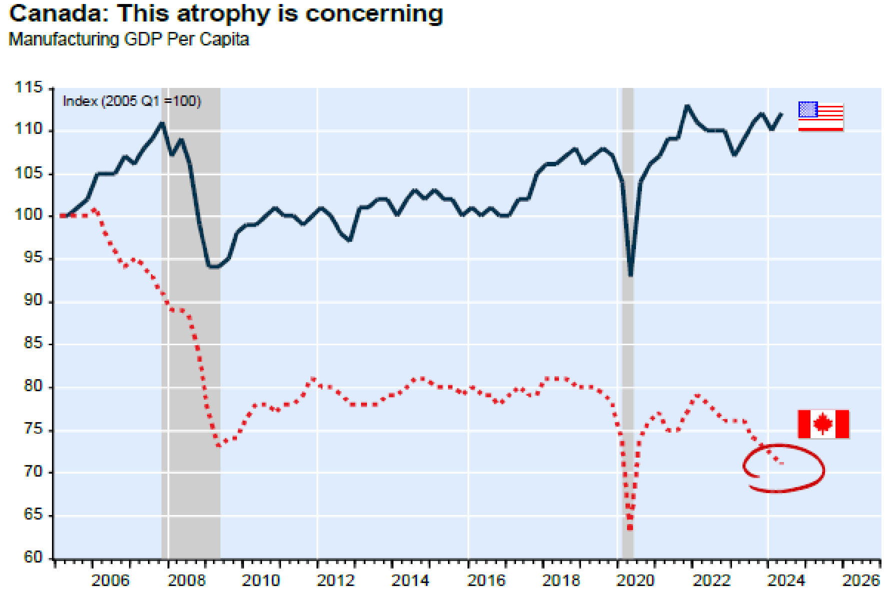
[5] *StatsCan, Catalogue no. 36-28-0001, ISSN 2563-8955*
[6] *National Bank Financial, Special Report: Economics & Strategy, December 23, 2024*

Chart 3 – Manufacturing GDP per capita (productivity): US improves, Canada declines



National Bank Financial, Special Report: Economics & Strategy, December 23, 2024

Finally, when we look at the all-important measure of manufacturing productivity, namely manufacturing GDP per person, we see productivity has fallen in the past 20 years.

Conclusion. The Trump administration knows Canada depends on U.S. purchases of products for our economic survival. It must know Canada's productivity is weaker, unemployment is worse, and economic growth after inflation is less strong. The current U.S. administration may not be responsible for Canada's risk points, but it will take advantage of our weaknesses in the current Canada-U.S.-Mexico free trade negotiations.

The crack economics team at BMO provides this summary as of July 17, 2026. For 2026 the U.S. economy has continued to be stronger than expected. If this continues, 2027 economic growth for the Americans may also be revised upwards.

Chart 4 – Canada versus U.S.A.

CANADA	**2025A**	**2026E**	**2027E**	**Comments**
Real GDP *	1.9%	0.7%	2.0%	Economy significantly weaker
Unemployment Rate	6.8%	6.7%	6.3%	Structurally higher than U.S.
Bank of Canada Rate	2.65%	2.25%	2.25%	

U.S.A.	**2025A**	**2026E**	**2027E**	**Comments**
Real GDP	2.1%	2.2% ⬆	1.9%	2026 estimates going up
Unemployment Rate	4.3%	4.3%	4.2%	
Fed Funds Rate	4.21%	3.63%	3.52%	

Source: BMO Economics, Focus, July 17, 2026 * Real GDP is GDP after inflation

Part 2. Where does the market go from here?

All clients regardless of risk have enjoyed excellent returns in the past 2 ½ years. Clients are now wondering if there will be a pullback in the stock markets.

Chart 5 – S&P500 Last 5 Years

Chart courtesy of Yahoo Finance, July 20, 2026

Short answer. We think there will be more of the same. Namely, there will be periodic drops in the stock market, but they will likely be short lived. Over the medium to long term, the stock market will continue to grind its way higher.

Long answer. The first piece of evidence is something we have already written about. The U.S. economy is strong and doing very well. A strong economy will pull Canada along as we do the majority of our international trade with the U.S. We may still be weaker economically, but we will get some benefit.

There are 2 main ways a stock market goes up.

1. The first way is an earnings-driven rally. The market is going up because of solid, fundamental reasons.
2. The second way is for stocks to go up simply because they are going up. This method is related to investor behavior called *price momentum* or *chasing prices*. This often ends badly.

Fundamental results overwhelm price momentum over the long term. Keep in mind that owning a share of a company is owning a piece of the net profits ("earnings per share"). So, if the company does well in a strong economy, the earnings grow and the share price should benefit (all else being equal). The investment markets may behave irrationally for a period of time, but over the long term it will always revert to fundamentals.

The stock market's earnings are affected by a good economy (Part 1). Stocks owned by our clients are going up because their earnings per share are positive and growing. This supports a higher share price. In our opinion, we have a reasonably strong earnings-driven market expansion.

If stock markets are going up even though the *expected* earnings are not moving up in a commensurate way, then we have a momentum-driven rally, which would be quite dangerous.

We are not the only asset manager that believes the current rally is strong and fundamentally driven. Goldman Sachs released a report on May 28, 2026, stating *"The US stock market's strong rally in 2026 has been powered **entirely by corporate profit growth** rather than rising stock valuations... That dynamic is expected to continue through the rest of the year and into 2027."* [7]

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[7] *https://www.goldmansachs.com/insights/articles/s-and-p-500-forecast-to-climb-as-earnings-growth-powers-stocks-higher*

This chart is courtesy of Goldman Sachs. They are forecasting the S&P500 to hit 8,000 by December 31, 2026. At Goldman's publication date of June 1, 2026, the S&P500 was 7,443. This is underpinned by 24% earnings growth in 2026 and 13% earnings growth in 2027.[7]

Chart 6 – Goldman Sachs says stock market is wholly earnings driven

https://www.goldmansachs.com/insights/articles/s-and-p-500-forecast-to-climb-as-earnings-growth-powers-stocks-higher

Conclusion. We believe the main U.S. index, the S&P500, is in an earnings-driven bull market. We also believe the strong stock market in the U.S. has also had some beneficial side effects for the Canadian stock market.

All clients in all-equity or balanced mandates will have some exposure to non-Canadian markets, specifically the U.S. This is by design as we want to be able to have clients' accounts benefit from the U.S. markets.

We have a couple of other data points that make us more confident.

Firstly, there is the bond market. The other competing asset to the stock market is the bond market. The Bank of Canada has been cutting interest rates from a peak of 5% in 2025 to the current 2.25% as of July 15, 2026.[8] There should be pressure to consider lowering rates even further, given Canada's weak economy, poor productivity, inflation rate, unemployment rate, and the fact that we are in a recession right now.[9]

The actual decline in interest rates should have been massively bullish for the bond market. If bond yields fall, that is enormously bullish for the bond market. Yet that hasn't really happened. 10-year Government of Canada bond yields bounced off 3% and are currently 3.6%.[10] This is bearish. If bonds are competing against equities for investment dollars, the bonds are losing. To us, this means there may be more money flowing into the stock markets.

Chart 7 – 10-year GoC bond yields not falling, a bearish sign

https://tradingeconomics.com/canada/government-bond-yield

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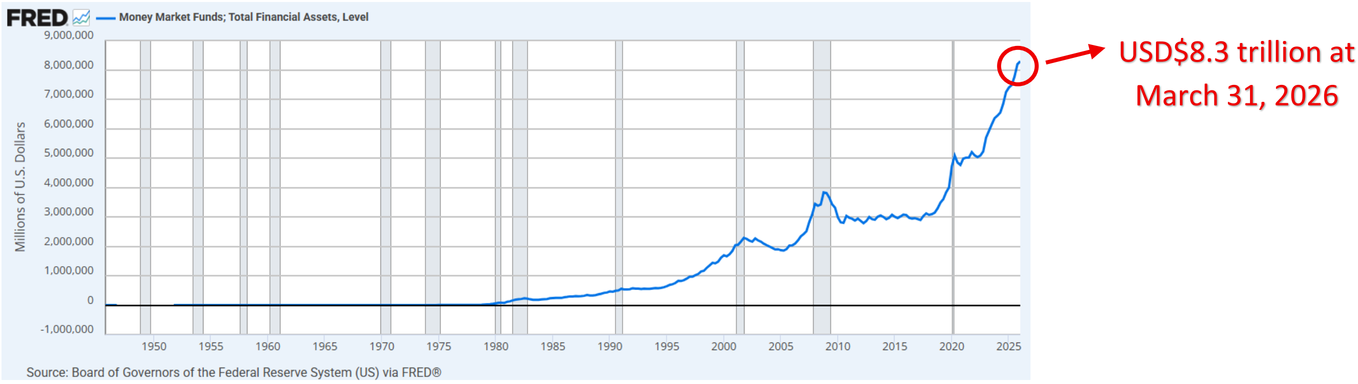
[8] *https://www.bankofcanada.ca/*
[9] *https://www.bbc.com/news/articles/c70y1y909pdo*
[10] *https://tradingeconomics.com/canada/government-bond-yield*

The second data point is the level of cash in the sidelines. We have put this chart up before, and we show an updated chart again.

Chart 8 – Cash on the sidelines



https://fred.stlouisfed.org/series/MMMFFAQ027S#

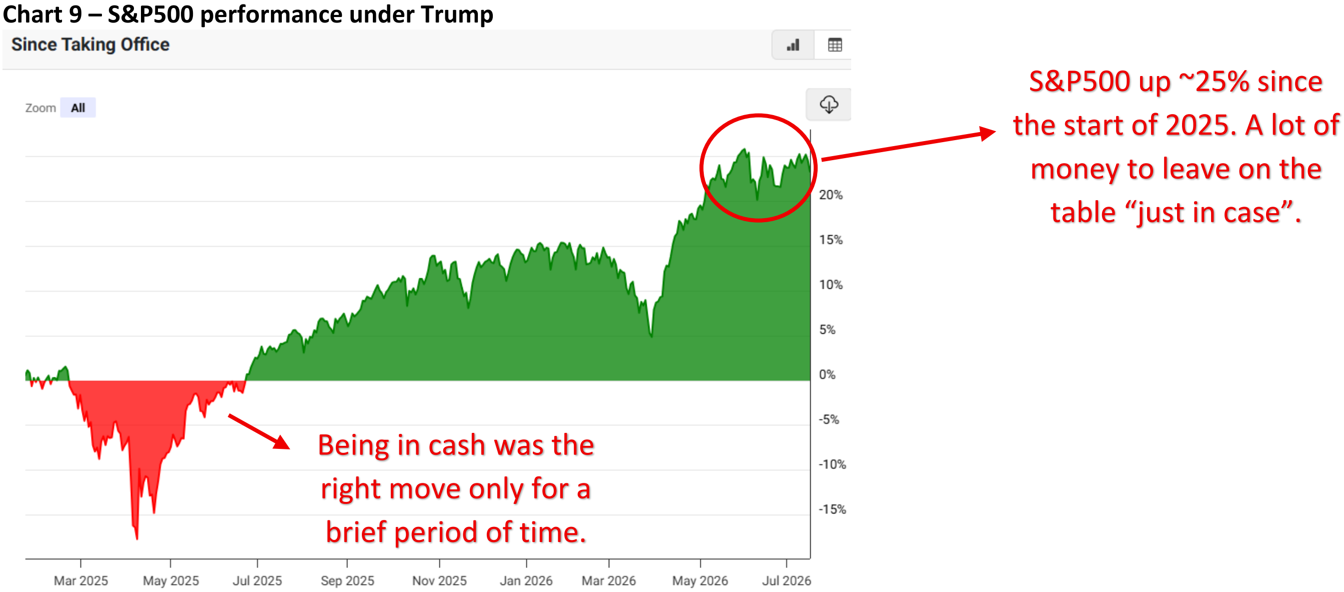
This chart is courtesy of the Federal Reserve, which is the U.S. central bank. It is the cash sitting on the sidelines in money market funds, which to us represents cash available for investment as it is not cash in chequing accounts.

The gray bars show recessions, and we note the level of cash has gone up despite the U.S. not being in recession since 2020.

This is a multi-decade chart that shows a parabolic pattern. Any time we see a parabolic investment chart we get interesting information, especially a multi-decade pattern. Cash on the sidelines has gone parabolic since the second Trump presidency, but it also happened under President Biden.

In our opinion, such a high level of cash is an excellent *contrarian* indicator. This means the greater the number of people who have moved to the sidelines waiting for a correction, the more bullish it is for the market. Take a look at the next chart, courtesy of Macrotrends.net:

Chart 9 – S&P500 performance under Trump



https://www.macrotrends.net/2507/sp500-performance-under-trump

This chart shows the performance of the S&P500 since Trump's second presidency. Sitting in cash would have yielded a safe and solid return of low single-digits. But it did not keep up with inflation (Chart 4), and it will not build one's retirement account.

Part 3. Summary

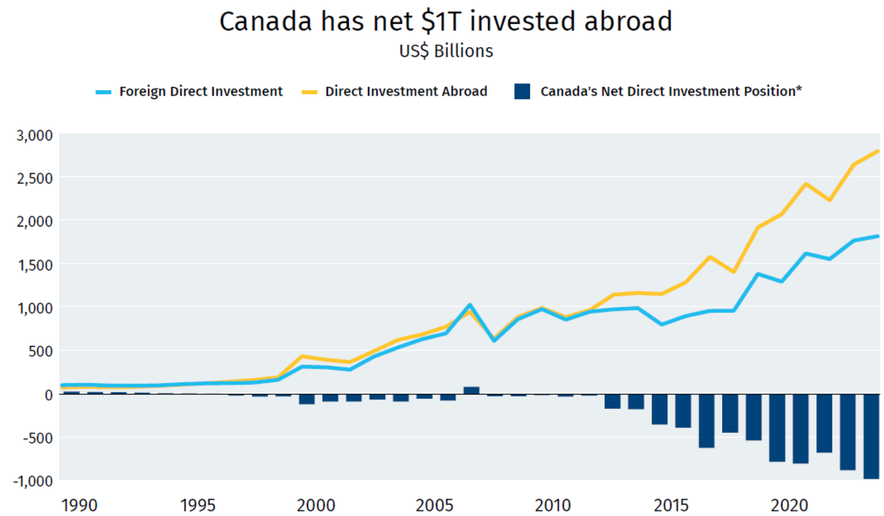
We are in a solid, fundamentals-driven market rally. There is limited competition coming from the bond market and cash on the sidelines is an excellent contrarian indicator.

Sadly, Canada's manufacturing sector continues to be in a secular decline, and we do not see any signs of improvement. The manufacturers themselves claim they are in a state of just surviving. Even Statistics Canada and the Government of Canada explicitly state the importance of manufacturing to our economy (Chart 1 and footnote 2).

Canada, as a country, absolutely needs continued investment for growth. The exact opposite has happened. Net investment is the difference between foreign direct investment less direct investment abroad. If the net amount is positive, it means money is being spent on building Canada.

Unfortunately, net investments started leaving the country after 2010 and aggressively accelerated from 2015 to today. According to a recent study by RBC there have been net ***US$1 trillion*** of investment capital that has left the country. RBC suggests Canada needs $1.8 trillion of investments for a successful economy.[11] We point out the obvious. To go from -$1 trillion to +$1.8 trillion is a spread of $2.8 trillion, all in US dollars. This is an enormous mountain to climb.

Chart 10 – There is net US$1 trillion of investments that have fled Canada



RBC Thought Leadership: Capital Gains - How Canada can unlock the $1.8 trillion it needs for growth, April 2026

The net capital flight of $1 trillion is in greenbacks. At an exchange rate of 1.4x - that's CAD$1.4 trillion.[12] CAD$1.4 trillion is a staggering amount of money that has fled. $1.4 trillion is $1,400 billion, or 1.4 million, million dollars. It is no wonder StatsCan and economists are ringing the fire alarm.

We are not the Prime Minister, so policy is beyond our control. However, we can mitigate risk for clients. All clients in balanced mandates (stocks & bonds) or all-stock accounts have a portion of their investments outside of Canada. All client portfolios have had positive returns in the past 12 months and year-to-date. While we have pointed out the macro risks in this newsletter, we have already aimed to fortify clients' accounts against such risks.

We conclude with a quote from one of the most astute investors of all time:

"Don't look for the needle in the haystack. Just buy the haystack!" — John Bogle

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Thank you for entrusting us with your investments. As always, we welcome your questions and comments. You can contact GIM by telephone: 1.888.436.9955, fax: 1.866.541.7947 or email: invest@gold-im.com

Yours truly,
GOLD INVESTMENT MANAGEMENT LTD.

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[11] *RBC Thought Leadership: Capital Gains - How Canada can unlock the $1.8 trillion it needs for growth, April 2026*
[12] *https://www.bankofcanada.ca/rates/exchange/daily-exchange-rates/*

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