

2026 Market Outlook

Keeping steady in uneven but resilient markets

Despite tariff pressures, softer labour markets and renewed geopolitical tensions, the global economy showed surprising resilience in 2025. In 2026, it's artificial intelligence, easing inflation, trade tensions, diverging monetary policies and structural challenges that may be the drivers impacting global growth and shaking up markets.

Executive summary

We expect the investment landscape in 2026 to be complex, with notable trends and evolving investment opportunities. In this Market Outlook, we've gathered insights from world class investment managers across our product shelf to help you navigate the year ahead. Five themes stand out, offering context on what's shaping global markets and what may guide investment decisions in 2026.

1 Adaptability will remain critical. Markets are entering a transition period following interest rate cuts in Canada and the U.S., ongoing tariff pressures and accelerating investment in artificial intelligence (AI). Flexibility will be essential to navigate these dynamics.

2 Global growth will continue to surprise. Despite geopolitical challenges and labour market weakness, global gross domestic product at the end of 2025 was stronger than anticipated, driven by AI-related spending. In 2026, economic activity is expected to increasingly revolve around two blocs, with the U.S.-led bloc maintaining advantage in liquidity, scale and technological depth over the China-led bloc.

3 Regional divergence will persist. Canada enters 2026 with subdued demand but room for additional monetary policy easing as inflation nears the Bank of Canada's target. Europe faces uneven conditions, while China balances stimulus with caution.

4 Equity markets will refocus on fundamentals. Company earnings strength will matter more as valuations adjust. AI-driven investment remains a key growth engine. Tariffs and supply-chain disruptions will continue to influence volatility.

5 Portfolio positioning will be decisive. Monetary easing and late-cycle dynamics support fixed income, while defensive sectors such as banks and utilities offer stability. Technology and related companies have provided growth and may continue to do so. Alternatives will gain traction as investors seek diversification, income and resilience against uncertainty.

What to watch in 2026

- Geopolitical developments and trade negotiations
- AI-driven capital flows and technology adoption
- Inflation trends and central bank policy paths
- Earnings resilience amid shifting market fundamentals

Our world-class, multi-manager approach remains central to how we'll support you in 2026. In a period shaped by geopolitical issues, evolving trade relationships and AI dominance, disciplined governance and high-quality portfolios can provide a strong foundation for long-term investing success.

Foreword

Welcome to our 2026 market outlook

Resilience and adaptability

Markets are always evolving but our focus stays the same: we remain committed to helping advisors and investors achieve their long-term goals while adapting to shifting economic and market conditions. Throughout every cycle, we aim to deliver strong, reliable results by staying disciplined in our approach and responsive to your needs.

Adapting to evolving markets with confidence

The past year underscored the importance of flexibility. In 2025, the Bank of Canada and U.S. Federal Reserve Board resumed interest rate cuts as labour data softened later in the year. Trade and tariff discussions dominated the headlines and shaped global investor sentiment. Spending on artificial intelligence (AI) rose to unprecedented levels, as a result of which, technology remained the dominant source of equity market leadership. Overall, 2025 was a year when investors watched the direction of policy, economic growth and global trade to gauge their influence on returns.

Leveraging global expertise

No single asset manager is an expert in every asset class. That is why we use a multi-manager approach that draws on different and complementary management styles, investment philosophies and risk management strategies. We work with leading sub-advisors across fixed income, equities, alternatives and multi-asset strategies to offer you a lineup of world-class investment managers. We also offer exchange-traded fund solutions where they fit to provide lower-cost options.

The investment managers on our product shelf are selected only after we combine these insights under a disciplined investment management review process. See page 27 for more information on our Investment Manager Research team and how they oversee sub-advisors in our fund lineup. Drawing on global expertise and strong governance, we help investors stay diversified and focused through shifting market conditions. This approach helps portfolios adapt as markets and economies evolve.

Foreword

Strengthening our solutions to meet your objectives

We continue to improve our offering to meet advisor and investor preferences. In 2025, we focused on launching targeted offerings in alternatives and income-oriented solutions. We merged and repositioned mandates to reduce overlap, clarify fund roles and introduce additional cost-efficient options. These changes made our lineup easier to understand, more adaptable and better aligned with how investors use our products. The Product Trends chapter on page 5 details how we're improving and rationalizing our offering.

Our ongoing commitment to advisors and investors

Our focus remains on providing the right solutions and tools to our advisors and investors. We will keep our lineup current as needs evolve and continue to produce clear, plain-language materials that educate and inform. By refining communication and providing support through multiple touchpoints that meet your needs, we aim to help advisors and investors work together with clarity and confidence.

Positioned for success in 2026

The themes that shaped 2025 will continue to matter in 2026. As inflation and growth trends evolve, we're keeping a close eye on central bank actions. We're also following trade and tariff developments, especially their impact on supply chains, the costs of goods and business confidence. We'll keep tracking how equity leadership broadens beyond mega-capitalization tech companies.

Throughout this, discipline, diversification and clear roles for each fund remain essential. Our approach for 2026 will be to combine global expertise with a range of actively managed as well as lower-cost strategies to help advisors make the right decisions and help investors stay on track toward their goals.

Thank you for placing your ongoing trust in us. We look forward to continuing this journey together in 2026 and beyond. On behalf of Canada Life Investment Management Ltd. and all of us at Canada Life, I wish you and your loved ones a happy and prosperous new year.

Warm regards,



Sam Febbraro

President and Chief Executive Officer,
Canada Life Investment Management Ltd.

Senior Vice President,
Wealth Solutions, Canada Life

Product trends 2025-2026



Nick Moumos

Chief Operating Officer, Canada Life Investment Management Ltd.

Vice-President, Wealth Solutions, Canada Life

Investor confidence in the market remains strong. There were approximately \$130 billion in total flows across investment funds in Canada (as at October 2025, per Investor Economics). Specifically, interest in fund-of-funds resurged, accounting for about two-thirds of all net flows. We saw some investor preferences shift in the equities space. Demand for global equities increased, while U.S. equity flows softened and Canadian equities moved into outflows.

Demand for alternative funds picked up to complement traditional stocks and bonds. Alternatives are becoming more accessible, and investors view them as a potential source for higher returns, diversification and protection against market uncertainties. After a period of waning interest, global balanced funds returned to favour, with strong positive flows driven by fund-of-fund products. Conversely, domestic balanced funds remained in outflows. Demand for fixed income also remained strong across both domestic and global mandates.

What we've seen in the market


On the new product front, the number of launches in 2025 was relatively consistent with 2024. New products centred on several themes: active management, income, alternative strategies focused on diversification and differentiated outcomes, exchange-traded fund (ETF) series of mutual funds and global mandates for both equity and fixed income.

Fund offering rationalization has remained a central theme as asset managers merge and/or terminate funds to deliver higher-conviction strategies. We've seen a secular trend of fee compression, with asset managers leveraging lower-cost fulfilment to deliver more value for clients.

How we've responded to evolving preferences

We took specific, thoughtful actions to meet the evolving needs of our clients.

- **Alternative investments.** We launched two liquid alternative funds to help build more resilient portfolios: Canada Life Global Multi-Asset Defensive+ Fund and Canada Life Global Opportunities+ Fund. These alternative investments focus on more diverse outcomes and greater diversification for clients. We added them to existing managed solutions programs and continue exploring new alternative investment products to offer clients. These solutions complement our existing alternatives, including direct real estate and private credit.



Product trends 2025-2026

- **Income generation.** To meet our clients' income needs (including those in retirement), we launched three enhanced equity income funds (covered call strategies) that provide exposure to Canada, the U.S. and international markets. They offer potential for enhanced cash flow, long-term capital growth and lower overall portfolio volatility compared to their respective broad-based benchmarks.
- **Fund rationalization.** We want to make navigating our offerings easier for advisors and clients. As such, we executed a few fund mergers in 2025 to keep our offering competitive and relevant. We changed the investment strategies and sub-advisors on a number of existing mandates to deliver higher-conviction strategies for clients. For example, we changed pre-existing strategies and sub-advisors to launch two AGF Dividend funds on our segregated fund shelf.
- **Passive solutions.** We launched a suite of Index ETF segregated funds to offer advisors and clients lower-cost investment options for their portfolios.

“We’ll focus on rationalizing our offerings to make them easier for advisors to navigate while also filling any gaps where we identify new or increasing investor appetite, including alternative investments.”

The path forward

Over the past few years, the product roadmap has been aggressive. Ensuring that we offer a comprehensive range of solutions to meet all client needs, we’ve developed a robust product lineup that now includes:

- Risk-Managed Portfolios to help more conservative clients, or those in or near retirement, to meet their goals
- Growth-focused solutions for more aggressive investors
- Sustainable products for investors who invest alongside their values
- Lower-cost solutions for investors seeking strong diversification at a lower cost
- Concentrated solutions for investors who want greater transparency and a focused set of high-conviction investment ideas.

As we enter 2026, we’ll work to further ensure our existing fund offerings meet the needs of advisors and their clients. We’ll focus on rationalizing our offerings to make them easier for advisors to navigate while also filling any gaps where we identify new or increasing investor appetite, including alternative investments. We appreciate your support and look forward to growing together in 2026!

Macroeconomic environment



Corrado Tiralongo
Chief Investment Officer,
Canada Life Investment
Management Ltd.

Adjusting to a fractured but resilient global economy

As we head into 2026, the global economy continues to show surprising resilience. Despite tariffs, softer labour markets and renewed geopolitical tension, global trade and industrial activity held up through late 2025. We estimate global gross domestic product (GDP) expanded at an annualized pace near 3.5%, supported by strong U.S. technology investment and a modest manufacturing rebound.


We're seeing global fracturing without collapse. Economic activity continues to align around two blocs – one led by the U.S. and the other by China. The U.S. bloc retains a clear advantage in size, liquidity and technological depth, accounting for more than two-thirds of global GDP. China's sphere, although expanding through commodity-linked trade, remains less diverse and more vulnerable to policy and demand shocks.

The U.S.: Productivity and resilience

U.S. exceptionalism is likely to persist through 2026. Despite tariffs and tighter fiscal conditions, the U.S. economy expanded close to 4% on an annualized basis in late 2025. A sharp improvement in productivity, now rising about 3.5% year-over-year, has been the key offset to these headwinds.

Corporate investment in hardware and software related to artificial intelligence (AI) continues to grow at double-digit rates, deepening capital intensity and sustaining output even as job gains moderate. Earnings growth, however, is increasingly concentrated among a handful of large technology firms that now generate a disproportionate share of corporate profits. This reliance on AI-driven investment underscores both the strength and narrow base of U.S. market leadership.

“We anticipate moderate global economic growth and easing inflation volatility, led by sustained U.S. innovation and stable North American demand.”



Macroeconomic environment

Canada: Navigating weaker trade and soft manufacturing

Canada enters 2026 facing subdued external demand and limited leverage in U.S. trade negotiations. Ottawa's efforts to secure tariff relief have yielded little progress. We expect Canada to continue facing an effective tariff rate near 2.5% on exports to the U.S., weighing on competitiveness and manufacturing sentiment.

Canada will likely avoid a recession but remain near stall speed. Rising labour market slack, particularly among younger workers and weak business investment point to a period of below-potential expansion. Real GDP growth should average near 1% in 2026, supported mainly by domestic consumption and infrastructure spending.

Inflation will remain close to the 2% target, giving the Bank of Canada (BoC) room for gradual monetary easing. We expect the BoC's policy interest rate to decline toward 1.75% by mid-year.

Regional divergence and policy outlook

Europe's economic recovery remains uneven. Germany delayed fiscal loosening and structural challenges such as high energy costs and weak competitiveness continue to weigh on economic growth. Globally, inflation has normalized near 2%, with deflationary forces in China offsetting moderate price pressures elsewhere. Most major central banks are expected to continue cutting interest rates in 2026, supporting valuations and easing financial conditions worldwide.

Diversification and portfolio context

Markets will likely continue to reflect regional divergence rather than synchronized cycles, with periods of volatility and shifting correlations testing resilience. This environment reinforces the need for maintaining diversification and a long-term focus, with balanced portfolio structures that can adapt to differing economic growth and inflation paths across regions. We believe portfolios designed to capture global growth while managing downside risk may be better positioned as the world economy adjusts to its fractured but flexible new order.

Outlook for 2026

We anticipate moderate global economic growth and easing inflation volatility, led by sustained U.S. innovation and stable North American demand. Risks are concentrated in trade tensions, energy supply disruptions and uneven monetary transmission across economies. Yet the adaptability of global trade and financial systems continues to surprise on the upside.

For Canada, steady inflation, a stabilizing labour market and gradual policy easing should cushion the effects of trade frictions and soft exports. While the fractured world presents challenges, it also creates opportunities for innovation, diversification and disciplined portfolio construction that help balance risk and return in an increasingly divided global economy.

Asset allocation

J.P.Morgan Asset Management

Looking ahead to 2026, one key asset allocation theme we're watching is economic acceleration and policy support. Lower interest rates and financial stimulus are expected to accelerate U.S. economic growth. This combination could extend the business cycle and keep the economy growing for longer than anticipated. Somewhat counterintuitively, tariffs could lift global economic growth if policymakers continue responding aggressively to offset their effects.

Another theme we're watching is shifting policy and inflation dynamics. Inflation in the U.S. remains above the U.S. Federal Reserve's (Fed) 2% target, but the Fed will likely respond to softer labour market data with rate cuts.

Tactical risk-taking will likely be a prominent feature of our portfolio strategy in 2026. **We favour overweight exposure to equities and a preference for risk, given improving earnings and economic growth potential. High-yield credit markets offer attractive yields and relatively low default risk. However, limited scope for credit spread tightening supports a neutral stance.**

Major risks in 2026 include inflation, tariffs and labour market weakness. Rising prices would erode real returns, so it'll be critical to monitor inflation trends. Tariff disruption to supply chains could also lift costs for businesses.

For our portfolio positioning, we see neutral exposure that balances credit and equity allocations while continuing to monitor price pressures and trade policy updates. Long-term capital market assumptions guide our preference for diversification and flexibility.



Supporting funds to watch:

[Canada Life Sustainable Conservative Portfolio](#)

[Canada Life Sustainable Balanced Portfolio](#)

[Canada Life Sustainable Growth Portfolio](#)

These funds are also available as segregated funds.

Asset allocation

KEYRIDGE ASSET MANAGEMENT

We anticipate economic activity and earnings to be potentially higher than expected in 2026. Higher fiscal stimulus, lower trade tensions and easing monetary policy would be the main growth catalysts.

We think concerns about labour supply in the U.S. may be overdone. Historically, equities have performed well when the U.S. Federal Reserve cuts interest rates in a non-recessionary environment.

Across regions, benefits from the artificial intelligence (AI) theme could spread beyond technology enablers as adoption increases and efficiency is realized. This would close the earnings gap between the Magnificent 7 and the rest of the market. Outside the U.S., more attractive valuations, improved profitability and doubts about sustained U.S. market exceptionalism suggest the performance disparity with the U.S. can narrow.

We believe a positive backdrop will support markets in 2026. But several risks challenge our assumptions, especially since high-equity valuations don't provide much buffer against negative shocks. Trade tensions could reignite, putting stress on supply chains and raising costs for corporations and consumers. Sticky inflation could raise inflation expectations, which limits central banks' ability to cut interest rates and raises the chance of rate hikes. Rising bond yields may pressure valuations in equity markets, considering concerns about inflation, fiscal deficits and central bank credibility.

Additional risks include labour market weakness or a systematic credit event, which may trigger a slowdown. Disappointing investment returns, a failure to roll out commercial products or low adoption rates would weaken AI sentiment. Internationally, any escalation in geopolitical tensions in the Middle East, the Russia-Ukraine conflict or tensions between China and Taiwan could disrupt global supply chains and raise commodity prices. Although these scenarios aren't part of our base case, they'll be closely monitored in 2026.

We're prepared to increase overweight exposure to equities on any dip in the market. Maintaining a well-diversified portfolio across a range of assets and regions combined with a mix of risk management strategies can help to ensure performance.



Supporting funds to watch:

[Canada Life Risk-Managed Conservative Income Portfolio](#)

[Canada Life Risk-Managed Balanced Portfolio](#)

[Canada Life Risk-Managed Growth Portfolio](#)

These funds are also available as segregated funds.

Asset allocation

Portfolio Solutions Group

A division of Canada Life Investment Management

We expect three forces to shape our portfolio positioning in 2026: persistent trade policy uncertainty, a fractured global growth landscape and the accelerating impact of AI.

Trade policy uncertainty and the resulting tensions will remain a defining feature of the global landscape in 2026. The U.S. is moving through a structural change in trade policy, with aggressive protectionism through tariffs as a central measure. While tariff threats and retaliatory measures continue to disrupt supply chains and investment flows, businesses and markets have shown strong adaptability by rerouting trade, front-running policy shifts and finding new paths to resilience.

While geopolitical and policy volatility continue to shape near-term dynamics, liquidity conditions and funding markets are also in transition. The U.S. Federal Reserve's balance sheet normalization is nearing completion, and the restoration of reserve balances could ease some financial strains that surfaced in 2025. These shifts reinforce the importance of maintaining balanced duration exposure and diversified sources of liquidity across asset classes.

Globally, growth remains uneven. The U.S. economy is likely to continue to outperform, supported by productivity gains and consumer spending. Meanwhile, Canada, Europe and emerging markets face structural headwinds from demographics and limited fiscal flexibility. Fragile growth, constrained by high debt and uneven consumer demand, will favour defensive equity sectors, quality credit and actively managed fixed-income holdings.

Our balanced geographic and sectoral exposure, combined with tilts (such as liquid alternatives and private credit) will continue to be an asset in a fragmented global economic environment.

AI will remain a key driver of market performance. The durability of AI-driven productivity gains will depend less on headline valuations and more on how efficiently capital is being allocated across the broader economy.

Our portfolios remain tactically diversified in holdings aligned with reshoring and regionalization themes, such as real estate, to help offset the impact of volatility. Alternative strategies can provide income and a cushion against economic shocks.



Supporting funds to watch:

[Canada Life Conservative Portfolio](#)

[Canada Life Moderate Portfolio](#)

[Canada Life Balanced Portfolio](#)

[Canada Life Advanced Portfolio](#)

[Canada Life Aggressive Portfolio](#)

These funds are also available as segregated funds.

Canadian fixed income



We're seeing signs of fragility in the Canadian economy and believe the Bank of Canada (BoC) will respond with more interest rate cuts. Consequently, investors may find bonds maturing in the next two to five years to be valuable, especially if policy is favourable. The short end of the Canadian sovereign curve remains in focus, particularly if markets are slow to price in an accommodative path.

The 2026 federal budget revealed a widening fiscal deficit, which could put upward pressure on longer-term yields. If the Canadian yield curve steepens, repositioning along the curve will likely be advantageous.

In an uncertain climate, investors often look to stable industries dominated by a few major businesses. These include Canadian banks, grocery chains, telecommunications and utilities.

Several risks are worth considering. Deglobalization tends to be inflationary, leaving Canada's export-sensitive sectors vulnerable to trade and tariff policies that could disrupt supply networks, elevate input costs and affect employment. In the U.S., economic data is robust, but financial stress is building among lower-income households. The growing gap in consumers' spending power could destabilize demand and complicate the policy response.

The U.S. Federal Reserve (Fed) could also misstep with excessive interest rate cuts, which could reignite inflation, especially if cuts outpace economic slowdown. As global central banks diverge, the Fed's actions are becoming a primary driver of cross-asset performance. We expect renewed market sensitivity to Fed policy to persist throughout 2026, reinforcing the importance of flexible in-portfolio construction.

We also see that credit is expensive, but high all-in yields and positive fund flows support tight credit spreads. Valuations appear stretched, particularly where financial conditions have deteriorated.

For portfolio positioning, we maintain a disciplined approach to credit selection, emphasizing higher-quality issuers and sectors with defensive characteristics. Conversely, we're underweight in the automotive and logistics segments, where trade and profit margin pressures pose risks. The addition of asset-based and specialty finance exposures has enhanced diversification and contributed to attractive, risk-adjusted returns.



Supporting funds to watch:

[Canada Life Canadian Core Bond Fund](#)

[Canada Life Canadian Core Plus Bond Fund](#)

These funds are also available as segregated funds.

Global fixed income



We expect global growth, trade, employment and geopolitics to drive markets in 2026. **The view that economic growth will slow without contracting has so far prevailed. However, weaker labour markets and conflicting policy signals suggest a need for caution.** Global growth has been more resilient to tariff shocks than anticipated, with higher prices taking longer to pass through the supply chain. Artificial intelligence (AI) capital spending has also supported growth.

In the U.S., as job growth weakens, consumption patterns will largely determine the macroeconomic backdrop. Tariff revenues have risen in recent months, but the Supreme Court's ruling on emergency tariff powers may reset the framework. The extended government shutdown delayed economic data releases and could increase near-term uncertainty.

AI spending continues to lay the foundation for growth and equity leadership. However, the gap between capital investment and revenues may prompt investors to differentiate between businesses with sustainable revenues and those that have over invested in projects.

We believe the economy will remain resilient, but recession risk would rise if wage growth weakens alongside rising prices. Prolonged fiscal uncertainty or government shutdowns could weigh on growth. Further, we're monitoring for any stress signals in the private credit market. There's also a risk to global rates if Japan leans into fiscally driven stimulus that pressures long end yields across G10 markets. In Europe, political instability could strengthen the U.S. dollar and add to market volatility. Collectively, these risks argue for selective risk taking and a premium on liquidity and quality.

For our positioning, we're neutral on G10 duration after prior overweight exposure. In currencies, we've trimmed aggregate short positions in the U.S. dollar. We favour select emerging market debt and short-dated, high-yield bonds for income and resilience. We've also reduced our agency mortgage-backed securities overweight following sharp spread tightening as a form of profit taking.



Supporting fund to watch:
[Canada Life Global Multi Sector Bond Fund](#)

This fund is also available as a segregated fund.

Global fixed income

J.P.Morgan Asset Management

After years of lower yields, global bonds have strengthened. Central banks' restrictive policy has restored value to cultivate the highest U.S. and U.K. yields since prior to the 2008 global financial crisis. This makes fixed income a compelling source of real income and portfolio diversification. With the difference between corporate and government bond yields of similar maturities near historical lows, diversified income from corporate credit and the securitized market seem attractive.

The U.S. Federal Reserve's (Fed) transition to rate-cutting cycles alongside major peers opens a window for investors to lock in attractive bond valuations before additional cuts push yields lower. The slowing U.S. labour market and potential layoffs could lead to aggressive interest rate cuts. While this may benefit bonds, it signals rising recession risk. A resurgence of U.S. inflation remains a risk to monitor. Meanwhile, government debt in Europe could influence bond supply and valuations. Regulatory changes, such as Dutch pension reforms, may reduce demand for long-dated bonds.

We anticipate below-average global economic growth for 2026. A downturn is possible, but it's one of our less likely scenarios, especially given stable wage growth and global fiscal stimulus efforts. Markets have so far absorbed U.S. tariff effects and the Fed's renewed easing cycle. The One Big Beautiful Bill Act in the U.S. and spending increases in Germany and China should support growth into 2026. Inflation remains above targets but is concentrated in goods, not services.

As stimulus takes hold, low-volatility and high-returns may persist. Resilient businesses and households backed by supportive policy underpin economic growth expectations.

In our portfolio, we favour diversified strategies across corporate credit and securitized markets to capture attractive yields while using exposure to interest rates to help protect against risk. We continue to hold overweight duration on the U.S. and U.K. and overweight exposure to investment-grade corporate credit. Within Europe, we're overweight to Italy versus Germany.



Supporting fund to watch:
[Canada Life Sustainable Global Bond Fund](#)

This fund is also available as a segregated fund.

Canadian equity



In our view, Canada's economic outlook has strengthened under Prime Minister Carney. Strategies to reduce interprovincial trade barriers, relax regulations and start infrastructure projects have lifted business confidence. Interest rate cuts and government measures to improve competitiveness provide fertile ground for domestic growth.

Canada's role in the global energy transition also adds long-term value. Our copper, uranium, gold and natural gas reserves are essential for electrification and energy security. These sectors are poised to re-rate as supply tightens and demand surges. Further, six liquified natural gas export terminals are targeted to become operational in 2030, expanding Canada's export capacity by about 40%.¹ This would open access to Asian markets and underscore Canada's resource and geopolitical advantages.

Artificial intelligence (AI) is another major theme shaping Canadian equities. Earnings are being pushed up by AI-related investments. Companies connected to data center infrastructure, semiconductor manufacturing and automation are well positioned to benefit. As more companies adopt AI into their workflows, costs are decreasing while profits and efficiency rise.

¹ Natural Resources Canada. Canadian liquified natural gas projects. <https://natural-resources.canada.ca/energy-sources/fossil-fuels/canadian-liquified-natural-gas-projects>

Gold also offers an attractive opportunity. It represents roughly 15% of the S&P/TSX Composite Index. Central banks are leaning away from the U.S. dollar to gold. Rising prices, tighter capital discipline and strong cash flow are elevating gold's investment appeal.

While the outlook is constructive, some risks remain. If the impact of tariffs materializes with a lag, global manufacturing could slow, raising import costs and pressuring profit margins. This may bring back inflation and slow policy easing.

We see Canadian equities trade at a discount to U.S. peers despite improving fundamentals. With double-digit earnings growth projected for 2026, investors may consider rebalancing towards Canada, which will offer asymmetric upside, value and diversification alongside exposure to secular growth trends.

Our portfolio positioning reflects a balanced but optimistic view. At the end of 2025, we reduced exposure to stable growth holdings. The capital was reallocated to autos, alternative asset managers and economically sensitive industrials. Overweight allocations include companies benefiting from AI infrastructure such as data centers, semiconductors and industrial automation.



Supporting fund to watch:
[Canada Life Canadian Fundamental Equity Fund](#)

This fund is also available as a segregated fund.

Canadian equity

PICTON INVESTMENTS

In 2026, we expect AI, via large language models, to be a focal point for investors, although we remain somewhat cautious about unprecedented capital expenditure and elevated expectations. Selecting clear winners or losers of these models is a tough task in this environment. **At Picton Investments, we've chosen to focus on the “picks and shovels” of AI by investing in companies that provide vital infrastructure for these models.**

On the geopolitical front, the dismantling of existing global trade relationships has already filled investors' news feeds and will likely remain a focus for them. The U.S. administration has bet on tariffs and re-onshoring of businesses to the U.S. However, in an environment of disruptive policy changes, we anticipate businesses will struggle to execute effective long-term plans until new trade relationships form to deal with U.S. restrictions.

Regarding monetary policy, given the market's concentration in AI and technology, we believe investors should focus on the U.S. Federal Reserve and their path to lowering interest rates. If this course shifts, equity market turbulence could follow.

Broadly, we believe that the risk of short-term stagflation needs to be highlighted. In that situation, inflation would persist as growth moderates and unemployment claims go up.

Regarding our portfolio positioning, our core discipline is to identify unique company growth stories that would remain largely insulated from the macroeconomic risks mentioned so far. We anticipate our focus will remain on high-quality companies with strong earnings potential as we move into 2026.



Supporting fund to watch:
[Counsel Canadian Growth](#)

This investment manager is only available for individual fund mandates on the Canada Life shelf. The individual fund mandates may vary slightly from group retirement savings and investment-only funds.

U.S. equity



MARSICO CAPITAL MANAGEMENT

Looking ahead to 2026, we see powerful structural trends driving economic growth and corporate transformation. Artificial intelligence (AI) adoption is reshaping capital investment as global consumer behaviour shifts. We believe AI utilization, AI infrastructure and the evolving experience economy will determine market performance over the next few years. These themes offer a source of innovation and opportunity that aligns with our long-term investment philosophy and high-conviction portfolio.

AI utilization is ushering in a new productivity cycle as experimentation gives way to large-scale adoption. Automated workflows, customer engagement and enhanced decision making have created the most significant productivity shift since the internet. Enterprises are using generative and predictive tools to streamline operations and raise per-employee output. This means leaner teams that can achieve more with fewer resources. However, AI's next phase of influence will extend to the physical world of robotics and autonomous transportation. We anticipate these innovations will enhance supply chain efficiency, improve safety and unlock productivity, leading to lower costs and expanded margins that support earnings.

This investment manager is only available for individual fund mandates on the Canada Life shelf. The individual fund mandates may vary slightly from group retirement savings and investment-only funds.

The computational demands of AI models are also fueling one of the largest capital-spending cycles in decades. Data centers' massive energy requirements are driving investment in natural-gas bridge power, renewable integration, nuclear capacity and transmission upgrades. Simultaneously, the semiconductor value chain is rapidly innovating to manage AI workloads, while power grid modernization creates a long-term opportunity. We expect higher infrastructure spending as enterprises expand capacity, and our portfolios hold select companies enabling this digital supply chain.

As technology transforms production, consumers are rewarded with convenience and easy access. Our portfolios favour companies enabling this evolution.

Transparent pricing on digital platforms supports on-demand services, enabling consumers to redirect time and money towards leisure. Digital efficiency and consumer preferences are fueling demand for travel in the experience economy, which supports aerospace manufacturers.

AI integration, backed by infrastructure investment and consumers' evolving tastes, is creating a cycle of efficiency gains, disinflationary pressure and earnings potential. We expect these long-term trends to shape market leadership through the early stages of this new productivity-driven expansion.



Supporting fund to watch:
[Counsel U.S. Growth](#)

U.S. equity



The U.S. economy and equity markets were resilient to macroeconomic challenges in 2025. These included a softer labour market, growing bifurcation in the consumer sectors and the implementation of tariffs. However, the full force of tariffs hasn't yet hit the economy. So, we remain mindful of the potential delayed effects on inflation and consumer spending.

Based on the general direction of economic data, markets are optimistic about the prospect of interest rate cuts from the U.S. Federal Reserve (Fed). However, we believe the data doesn't point towards a clear rate path, and Federal Open Market Committee members are divided. The U.S. administration's policy choices will have consequences on economic growth and investor confidence. At the same time, rich equity valuations leave stocks vulnerable to negative developments that are more common at this stage of the economic cycle.

Corporate earnings have remained strong and are expected to grow, albeit at a slower pace than previously anticipated. The implementation of tariffs could have a significant impact on earnings growth, stressing current expensive multiples. Financials are a considerable component of the value universe, and we're watching for proposals that could ease the regulatory burden on banks and boost long-term return potential for the sector. As value investors, we recognize that market disruptions can present attractive investment opportunities during uncertainty.

We continue to analyze the market environment in the context of how it affects our individual stock holdings. Our focus is on stock selection, while aiming to keep the portfolio as immune as possible to macroeconomic challenges. This includes stress testing the portfolio against scenarios such as rising interest rates, recessionary pressures and style rotations.



Supporting funds to watch:

[Canada Life U.S. All Cap Growth Fund](#)

[Canada Life U.S. Value Fund](#)

These funds are also available as segregated funds.

International equity

J.P.Morgan
Asset Management

When anticipating key themes for 2026, if we put artificial intelligence (AI) three times on the list, that would still probably understate its impact on equity markets around the world.

Substantial investments in data centers to support the latest generation of AI models are being felt in semiconductors, power management and energy generation segments in the industrials and utilities sectors.

In the U.S., gross domestic product is likely being sustained by AI spending, given the muted activity in other areas such as consumer spending. We see a growing list of industries being disrupted by AI, including information services providers, software and information technology consultants. Consumer adoption and improvements in models and power efficiency could have big implications on data center investments and equity market leadership.

In international markets, we expect attention will focus on where and how quickly Germany uses its fiscal stimulus. Defence is expected to benefit, but other countries in Europe with large commitments may not have the financial capacity to follow through.

Japan's corporate governance reform is producing positive results, somewhat under the radar. Progress is leading to leaner, more efficient companies with higher shareholder payouts.

Risks in 2026 stem from narrow market leadership concentrated around AI-related sectors. Any disappointment in AI deployment or adoption could challenge the large-scale data center investments. Even if AI's potential materializes, valuation cycles may temporarily depress returns. Fiscal pressures in certain countries also warrant attention, with particularly France and the U.K. exposed to political volatility.

Our portfolio has selective exposure to AI opportunity where valuations are supportive. We're avoiding certain industrials and information technology sector stocks where we see AI sentiment has become euphoric in terms of valuations. These include some electrical cable manufacturers and gas turbine companies.

The power of our research platform means we can always find relative value within sectors. We expect to realize some of this value if the market's focus on AI shifts elsewhere and market returns broaden.



Supporting fund to watch:
[Canada Life International Equity Fund](#)

This fund is also available as a segregated fund.



International equity

MAWER

A major theme we see in 2026 is capital expenditure. Corporate spending on data center infrastructure and semiconductors is projected to be several trillion dollars over the next three years. Since the introduction of ChatGPT in 2022, AI-related stocks have accounted for the majority of capital spending growth, earnings growth and U.S. equity gains.

AI questions remain about how investments will be funded and when returns will materialize. Many technology giants are cash generative, governments are becoming more involved given AI's strategic importance, and the long-term potential of AI is indeed transformative. However, we know that periods of rapid investment can invite excess. Even well-intentioned spending can lead to misallocation or overcapacity if expectations are too optimistic. While enthusiasm for AI is grounded in real technological progress, the path to realized returns may not be smooth or predictable.

We're also seeing the contrast between record-high equity markets and the generational rise in gold prices, typically associated with risk-averse sentiment, as curious developments. Even pockets of weakness and a significantly weaker U.S. dollar through 2025 didn't calm market exuberance.

Other themes we're watching include Europe, where a shift is underway to fix decades of underinvestment in defence. In Japan, corporate governance improvements may counteract underinvestment in information technology and a declining population. We're also monitoring global trade policy, geopolitical alliances and conflicts.

Against this backdrop, we remain focused on the fundamentals. We prefer companies with meaningful competitive advantages, prudent balance sheets and ability to generate sustainable cash flows across a full cycle. **We believe it's important to distinguish between companies benefiting from AI investment demand, and those strengthening their competitive advantage. While we're alert to new opportunities, we're also mindful of the risks when optimism runs high.** As such, valuations and diversification remain important.

Our portfolio positioning strategy continues to be balanced, steady, disciplined and rooted in the belief that when markets are unpredictable, boring consistency can be a sensible investment strategy.



Supporting funds to watch:

[Counsel International Growth](#)

[IPC Private Wealth Visio Global Advantage](#)

[Balanced Pool](#)

Emerging market equity

J.P.Morgan Asset Management

We're seeing a clearer picture of where the U.S. administration's tariffs will likely settle. We predict they'll decelerate and increase inflation, creating challenges for emerging markets (EM). Many EMs have already responded with interest rate cuts, despite uncertain inflation trends in developed markets. Emerging economies with large domestic markets, such as China, India and Brazil may be more resilient. **We see investors re-evaluating the attractiveness of U.S. assets as growth expectations shift, which may weaken the U.S. dollar, benefiting EMs.**

Perceptions about China's property and technology sectors has improved since the second half of 2024. For the first time in three years, real estate inventory is dropping to long-term averages, a sign of market clearing. The technology sector will still face trade policy uncertainty during the current U.S. administration's term in office.

Latin America fought against inflation earlier than other regions and is less exposed to U.S. trade. There, lower interest rates should support consumer sentiment and benefit financials and consumer stocks. Mexico was less affected by U.S. tariffs than peers and could receive lower tariffs on goods not included in the United States-Mexico-Canada Agreement.

Looking at EMEA countries, South Africa's economic weakness has been linked to power shortages. We see a recovery as the government considers structural reforms. An improved balance of payments allowed the South African Reserve Bank to cut interest rates. The Gulf states are set to offer opportunities in consumer sectors as they reduce reliance on the energy sector.

India appears prepared for its next growth phase. Rising investments, steady inflation and an accommodative central bank should keep growth above 5% over the next several years. Finally, North Asia remains integral to the global artificial intelligence supply chain. We expect demand to grow but valuation discipline will be important due to risks to demand.

For our portfolio positioning, we've reduced underweight exposure to China, where we see opportunities to find new investments. The Middle East will be another near-term focus.



Supporting fund to watch:

[Canada Life Sustainable Emerging Markets Equity Fund](#)

This fund is also available as a segregated fund.

Emerging market equity



Looking ahead to 2026, we see rising geopolitical tensions in the Middle East and Indo-Pacific region likely shaping global capital flows, supply chain strategies and defense-related investments.

We also believe a new phase of the artificial intelligence (AI) investment cycle has arrived. Hyperscalers and global enterprises are spending more on next-generation models and agentic systems. The focus will shift from experimentation to monetization, with infrastructure, accelerators and software platforms driving returns.

Another major theme we're watching is the tug-of-war between economic slowdown and potential reacceleration, driven by fiscal stimulus, productivity gains and AI adoption. Inflation pressures from wage growth and energy prices could complicate interest rate paths and asset allocation decisions.

We remain vigilant about several macro and geopolitical factors. Recessionary pressures, particularly in developed markets, could lead to volatility and shifts in investor sentiment. Possible trade disruptions, regional conflicts, or regulatory shifts could pose additional challenges, especially for global portfolios.

Within this uncertain environment, our portfolio remains anchored in a core, all-weather approach, which has consistently served us well across a range of market environments. Our approach aims to isolate stock-specific signals across diverse market conditions.

We update our models with new information, emerging factors and alternative data sources, which include leveraging machine learning and large-language model insights. These tools enhance our ability to detect early signals and adjust our positioning accordingly.

Although our investment frameworks are continuously refined, we aren't 'black-box quants.' We believe technology should amplify, not replace human insight. The disciplined integration of technology and experienced judgement gives us an edge in navigating complex markets.



Supporting fund to watch:
[Canada Life Emerging Markets Large Cap Equity Fund](#)

This fund is also available as a segregated fund.

Global equity



In 2026, global equity markets could transition to a renewed focus on underlying fundamental strengths. In 2025, major central banks moved into easing cycles or paused interest rates at lower levels. As fiscal support normalizes, easing policy is expected to fade. Inflation remains above target in the U.S. at around 3%, and near 2% in Europe, where interest rate cuts have been paused. This suggests a more balanced environment where a company's earnings matter more than liquidity.

Over the past few years, we've seen a narrow rally around artificial intelligence (AI) related technology stocks, but the trend is expected to broaden. As capital investment flows into semiconductors, automation and digital infrastructure, we expect more companies to turn innovation into cash flow.

One area of concern is the wide disparity in regional valuations. Europe continues to trade at a discount to the U.S., while its 2026 earnings growth is forecasted to outpace that of the U.S. Interest rate relief and large public investments, including German defence and infrastructure initiatives, support this prediction. In Japan, we anticipate opportunities from improving corporate governance. In China, supportive policies and technology are near-term drivers, but possible slower growth into 2026 means investors should be selective.

We're concerned that while markets have been resilient, tariff uncertainty and supply-chain realignment may still cause volatility. **Global equity returns have been robust, but the rally has been uneven across countries and sectors. The concentrated narrow leadership means markets will be sensitive to changes in sentiment or regulations affecting technology companies.**

We also see that valuations remain elevated, while tight credit spreads offer limited compensation for risk. These conditions suggest investors are expecting a stable economy and may be unprepared to manage more policy shocks.

Overall, we expect opportunities to favour high-quality companies, disciplined valuations and regional diversification as speculation fades. Active management, informed by systematic insights and a global perspective, should add sustainable value.



Supporting funds to watch:

[Counsel Global Dividend](#)

[IPC Private Wealth Visio Balanced](#)

[Income Pool*](#)

*This fund is also available as a segregated fund.

This investment manager is only available for individual fund mandates on the Canada Life shelf. The individual fund mandates may vary slightly from group retirement savings and investment-only funds.

Global equity



We expect a gradual normalization of market breadth, a continued role for dividends in supporting total returns and selective opportunities from global diversification in 2026. After a year dominated by AI mega-capitalization companies, we expect more even performance across sectors. We're positive about the role of dividends and global diversification. Dividend-paying companies with strong cash flows could support gains.

While we acknowledge the transformative potential of AI, we see parallels to past periods of market exuberance and caution that stock selection matters. While we continue to hold core AI beneficiaries, we're avoiding the more speculative entrants that may need large capital injections and use economic strategies that haven't been tested. Our philosophy remains rooted in quality, durability and cash-flow resilience—not in chasing momentum.

We expect slower global activity as tighter policy affects the economy. Overvaluation in concentrated equity indices could lead to a reset. Inflation has eased but remains above target, and high real interest rates could strain consumer resilience. Continued global trade tensions and conflicts affecting energy and supply chains add further unpredictability. A poorly timed monetary easing cycle could reignite inflation or destabilize currencies and growth expectations.

Despite these challenges, **we're positive about the long-term outlook for global equities. The valuation gap between market leaders and other quality businesses has widened, providing opportunities for patient investors. As market breadth improves, we believe our diversified, quality-income approach will show its resilience and compounding power.**

In our portfolio, we continue to emphasize high-quality, dividend-paying businesses with strong cash generation and careful use of capital. Overweight allocations include healthcare and technology companies with strong earnings. We increased exposure to developed markets outside the U.S. with attractive dividends and policy trajectories.

Our goal remains to compound capital through ownership of enduring businesses capable of yielding dividends and intrinsic value across cycles. We're patient and disciplined and view the current environment as one that will reward these attributes.



Supporting fund to watch:
[Canada Life Global Equity Fund](#)

This fund is also available as a segregated fund.

Sector equity

COHEN & STEERS

We expect strong demand for alternative investments in 2026. These assets offer diversification and inflation protection due to their low correlation to traditional market swings.

Due to the high correlation among stock-bond allocations and concentration risk within global equities, we believe diversification will increasingly guide investors' asset allocation decisions. In times of elevated market volatility, inflation and interest rates, the traditional 60/40 equities-to-bonds portfolio may not be as effective as in the past. We believe investors can improve risk-adjusted returns with a larger allocation to real assets.

We've seen global equity markets benefit from supply chain diversification, population growth, urbanization and digital infrastructure expansion. As investors seek diversification and compelling returns, market leadership could move from the U.S. to other growing global economies in 2026.

Some of our concerns include the slackening labour supply and pace of hiring in the U.S. labour market. Consequently, the risk of a near-term rise in unemployment is higher than usual. We see pockets of weakness in the U.S. credit market based on expanding private credit, non-bank lending and sub-prime exposure. Default risk seems higher than normal.

Governance, debt and political issues in major economies such as the U.S., France and the U.K. may have deeper implications for bond markets than investors expect. Moreover, if disruptions to U.S. economic data releases become the new normal, confidence in policy decisions may dip.

The most challenging phase of the trade war that began in April 2025 seems to be over. However, negotiations have oscillated between escalation and de-escalation. U.S.-China relations and the race to secure precious resources for semiconductor chip production could spark disagreements again.

We continue to favour natural resource equities for their attractive near-term return potential. We also favour infrastructure for its valuation and defensive attributes. We've eased our underweight exposure to real estate in response to market conditions. We maintain underweight exposure to commodities due to excess oil supply.



Supporting fund to watch:
[Canada Life Diversified Real Assets Fund](#)

This fund is also available as a segregated fund.

This investment manager is only available for individual fund mandates on the Canada Life shelf. The individual fund mandates may vary slightly from group retirement savings and investment-only funds.

Sector equity



In 2026, monetary policy will likely ease more and support refinancing as central banks prioritize growth over containing inflation. As regulations tighten banks, we expect private credit to be a preferred source of flexible capital.

The U.S. Federal Reserve's interest rate cuts in late 2025 were accommodative, but lower interest rates may bring back competitive lending behaviour. Uneven regional recoveries and persistent inflation in Europe and emerging markets could challenge cross-border credit exposures.

Public market volatility could drive investors toward safer, yield-oriented assets, tightening liquidity and intensifying competition for quality opportunities. At the borrower level, refinancing pressures may persist for highly leveraged issuers struggling to adjust to changing rates, even as funding costs decline.

We expect institutional investors to turn to private credit for its income stability during moderate inflation. With fiscal expansion likely to persist, the asset class's floating-rate, collateralized structure should continue to offer stable yield within diversified portfolios.

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Key risks stem less from credit market conditions and more from shifts in policy and geopolitical developments. Changes in U.S. fiscal direction, trade realignments or new tariffs may reignite inflation. High sovereign debt is another limiting factor, which lowers policymakers' ability to respond to economic shocks and support global growth. Borrowers with high leverage may still feel refinancing pressures despite easing funding conditions.

We expect private credit to normalize as it becomes a mainstream asset class. Data-driven credit analysis, closer borrower partnerships and sustainability-linked structures will likely define its next stage of expansion.

Private credit offers contractual income with built-in downside control, which should be valuable as investors rebalance away from public fixed income.

In our portfolio, we expect the investment pipeline to remain active and diversified across sectors. With refinancing and recapitalization expected to accelerate in 2026, we're well positioned to sustain stable cash flows, regular distributions and long-term value for investors.



Supporting funds to watch:

[IPC Private Wealth Visio Income Pool*](#)

[IPC Private Wealth Visio Balanced Income Pool](#)

*This fund is also available as a segregated fund.

Meet the IMR team

The Investment Manager Research (IMR) team oversees the investment managers of Canada Life Mutual Funds™, Canada Life segregated funds and Counsel Portfolios. With more than 100 years of combined experience in wealth management, the team uses a rigorous, objective governance process to select, continuously monitor and evaluate fund managers.

The IMR team searches for best-in-class investment managers to complement existing funds and skill sets on the shelf and replace underperforming ones. The team's goal is to give you confidence that our fund offering is relevant and competitive and can help set up your portfolios for success.

A disciplined review process

To oversee the investment managers on our wealth platform, the IMR team uses a process that underpins the quality and strength of our investment offerings. This process aims to position the managers on our platform as best-in-class.

The IMR team assesses all asset managers on each area of its three-step process: **quantitative analysis, qualitative analysis and early trends analysis**. Strength in one area can't override weakness in another area, and managers need to pass in all three areas. Managers and their funds that don't pass are automatically placed under review for a period typically not exceeding 12 months.

“At the end of the day what we’re aiming to achieve with our process is to identify managers that have a competitive advantage in their discipline and are able to consistently exploit that competitive advantage to drive alpha.”

Brent MacLellan, CFA

Vice President, Investment Manager Research & Performance Analytics, Canada Life

A rules-based process

- Aligns with industry best practices
- Enhances consistency and transparency
- Focuses on a high-conviction platform
- Is applied consistently and objectively to both internal and external managers

The IMR process provides greater consistency and sets a high standard of performance expectations for all the funds on our shelf, so you can feel confident in the quality, relevance and competitiveness of our fund offering.

A multi-manager, best-in-class approach



Looking for expertise of leading investment managers from around the world? We believe that no single asset manager is an expert in every asset class. That's why the IMR team searches for investment managers with a track record of success, no matter the asset class, sector or region.

The team uses a multi-manager, best-in-class approach that draws on different management styles, investment philosophies and risk management strategies from around the world. This approach gives you access to a broad global network of specialized investment managers who offer deep expertise within their specialized areas of portfolio management.

Meet our investment managers

Canada Life Mutual Funds™ and segregated funds investment managers



Counsel Portfolios investment managers



*Sub-advisor for segregated fund policies only.

**Sub-advisor or manager of underlying funds. For further information on the underlying funds, please see the investment objectives and strategies in their simplified prospectus or fund facts.

2026 Market Outlook

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The Canada Life Canadian Enhanced Equity Income Fund, Canada Life U.S. Enhanced Equity Income Fund, and Canada Life International Enhanced Equity Income Fund (the “Funds”) seek to generate income and long-term capital growth through an options-based strategy designed to enhance cash flow and reduce portfolio volatility. The Funds aim to do this by selling (writing) call options on an equity index. Distributions to unitholders will depend on the yield from the underlying equity holdings and premiums from the written options and are not guaranteed. The amount and frequency of these distributions may vary with market conditions. Any portion of a distribution in excess of a Fund’s current and accumulated earnings and profits will be classified as a return of capital and reflects a return of the investor’s principal, not income or yield. Writing call options carries risks, including potential losses if the underlying assets must be sold below market value. Option premiums may underperform direct equity investments. Please refer to the Funds’ prospectus for more details of these and other risks.

Segregated funds: A description of the key features of the segregated fund policy is contained in the information folder. **Any amount allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.** These funds are available through segregated funds policies issued by Canada Life.

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