RAYMOND JAMES | DOUGLAS DUNCAN wealth management

JUNE 2026 NEWSLETTER

MARKET REVIEW

Markets have recovered meaningfully during the 2nd quarter of 2026. WTI crude oil has fallen from the $114.58 high in April to $68.58, a 40.2% pullback, as oil markets are pricing in a U.S./Iran agreement. The TSX has underperformed the U.S. and the ex-U.S. world markets due to the significant pullback in oil & gas and precious metals shares. Markets have continued to be "risk off" with the price of gold decreasing 24.7% from the January high of $5,355 and Bitcoin down 30.6% year-to-date. The SpaceX IPO was priced at $135, opened in the markets around $150, was quickly bid up to $225.64 and now trades at $170.86. In general, conservative companies with strong tangible businesses are performing better than many of the "hot" companies that were popular with momentum investors in 2024 and 2025.

Index	June 30, 2025 Close	Mar. 31, 2026 Close	June 30, 2026 Close	90-Day Change	1-Year Change
S&P 500*	**6,205**	**6,529**	**7,499**	**14.9%**	**20.9%**
S&P/TSX Composite	**26,857**	**32,768**	**34,857**	**6.4%**	**29.8%**
Vanguard FTSE All World ex U.S. ETF*	**$67.22**	**$75.10**	**$83.75**	**11.5%**	**24.6%**

**Currency reported in USD* *Source: FactSet*

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FIXED INCOME

Bond yields have declined in Canada and most world bond markets during the last 90 days but have increased over the last year. The outlier is Japan, which has seen close to a doubling of their 10-year bond yield during the last year. We continue to be surprised that bond yields have not risen higher in the face of increasing inflation. At current inflation levels most bond investors, including those in Canada and the U.S. earn an after-inflation return of close to zero.

Conventional economic theory says that inflation is constrained by the free movement of capital, goods and people, and inflation is fueled by government deficit spending. Currently the free movement aspect is under government pressure, but government deficit spending is going strong. Time will tell whether a lot of bond investors are "drinking the Kool-Aid" or if we are missing something.

Current official inflation levels as of May are below:

May Inflation Data (Index Change Y/Y)

Country	Δ Consumer Price Index: May, 2026	Δ Producer Price Index: May, 2026
Canada	3.2%	13.6% [1]
United States	4.2%	6.5% [2]

Source: FactSet

While we do not doubt the official Consumer Price Inflation numbers, each individual has a different basket of goods and services they consume, so have different personal inflation numbers. If your basket includes Nanaimo property taxes (up 6.4%), domestic airfares (up 11% to 26% not including surcharges,) restaurant meals (more than 3.2%,) fresh vegetables (up 9.0%), smartphones (perhaps up 20.0%,) and gasoline (up 33.2%) you would be delighted if your personal consumer price index was 3.2%. While we hope that these inflation levels will subside or reverse, we do not see value or an adequate margin of safety to purchase any long duration bonds at this time.

[1] *Industrial Product Price Index (Canada)*
[2] *Producer Price Index (USA)*

Canadian T-Bills and Bond Yields

T-Bills & Bonds	June 30, 2025	Mar. 31, 2026	June 30, 2026
3-Month	2.67%	2.32%	2.28%
6-Month	2.65%	2.41%	2.35%
1-Year	2.62%	2.66%	2.55%
2-Year	2.59%	2.82%	2.75%
5-Year	2.82%	3.07%	3.01%
10-Year	3.24%	3.44%	3.38%
30-Year	3.56%	3.86%	3.78%

Source: FactSet

International Bond Yields (10-Year)

Country	June 30, 2025	Mar. 31, 2026	June 30, 2026
India	6.36%	7.00%	6.70%
United Kingdom	4.48%	4.85%	4.76%
United States	4.23%	4.31%	4.47%
Italy	3.48%	3.91%	3.58%
Greece	3.28%	3.84%	3.53%
France	3.29%	3.72%	3.54%
Canada	3.24%	3.47%	3.38%
Germany	2.60%	3.00%	2.86%
Japan	1.43%	2.35%	2.68%
China	1.65%	1.80%	1.71%

Source: FactSet

TFSA: A FREE LUNCH

Since Tax Free Savings Accounts were originally launched in Canada on January 1st, 2009 they have been very popular with Canadians and Douglas Duncan clients. With an initial $5,000 per year limit, and currently at $7,000 per year, savers who were 18 or older in 2009 now have a total of $109,000 contribution room. As over 17 years of time has passed, investors who contributed the maximum each year have accumulated significant pools of capital, growing tax free.

While no two investment experiences are identical, and the benefits are different depending on marginal tax rates, we have tried to quantify the benefits to TFSA holders.

We made some assumptions:

1) A 7.5% annual return
2) 30% of the return from dividend income and 70% from capital gains
3) Flat $7,000 per year contributions (we did not factor in contribution growth)
4) 25 years of growth
5) Three different investors, investor A with taxable income of $60,000, investor B at $120,000, and investor C at $270,000 (near the maximum tax rate). While $270,000 of taxable income may seem far-fetched for most investors, it is not that uncommon if the gains are triggered upon death, when a lifetime of unrealized capital gains get taxed.

The results are:

Investor	Taxable Income	TFSA Account Value after 25 Years	Taxable Account Value after 25 Years	TFSA Advantage
A	$60,000	$511,533	$481,041	$30,493
B	$120,000	$511,533	$422,714	$88,819
C	$270,000	$511,533	$349,762	$161,772

Source: Mackenzie Investments calculator

This chart does not include the additional benefits to investors with taxable incomes between $95,323 and $154,708 ($157,923 if aged 75+.) By holding assets in a TFSA they avoid the investment income being caught in the OAS clawback. We also did not include the benefits to lower income Canadians as income is sheltered to not interfere with various government income-tested benefits.

The other benefit that we did not quantify is having your spouse listed as a successor annuitant, or children or other beneficiaries as designated beneficiaries. Upon death TFSAs can be distributed to heirs in a very short time and avoid the process and cost of probate.

Potential TFSA Pitfalls

While TFSAs are an amazing tax shelter there are a few potential pitfalls:

1) Listing your spouse as a Designated Beneficiary rather than a Successor Annuitant: If one spouse passes away and the other is a successor annuitant, the assets flow tax-free to the TFSA of the surviving spouse. In this way the maximum household capital remains tax free. If the surviving spouse is a designated beneficiary, the TFSA is collapsed and the assets go tax free to the survivor but future income from those assets becomes taxable.

2) Over Contributing: If there is an over contribution there is a 1% per month penalty. If you are uncertain of your allowable room please consult your accountant, check your CRA "My Account," or call the CRA tax information line 800-267-6999. The information on the CRA information line is only accurate up to January 1st of the current year.

3) You cannot open a TFSA until you reach the age of majority (19 in B.C.) but can accrue contribution room starting at age 18.

4) You have to be a Canadian resident for tax purposes.

5) U.S. citizens can technically open a TFSA, but the IRS will tax them on all interest, dividends, and capital gains. In addition, there are extra U.S. tax filing requirements. Unless U.S. / Canadian tax treaties change for the better, U.S. citizens want to avoid TFSAs.

6) We discourage speculating or taking "long shots" at TFSAs. The goal is to get as much of your capital sheltered from tax, and the assets lost in a big "blow up" can't be replaced due to the finite contribution room.

We realize that we are "preaching to the choir ", but we think that it is appropriate to cheerlead for these great tax shelters.

DIVIDEND INCREASES

The second quarter of 2026 was a good one for dividend income investors with the Canadian Banks having meaningful dividend increases.

Holding	Previous Dividend (Q1, 2026)	New Dividend (Q2, 2026)	% Increase
Costco Wholesale	$1.30	$1.47	13.1%
Royal Bank of Canada	$1.64	$1.76	7.3%
National Bank	$1.24	$1.32	6.5%
Alphabet Inc.	$0.21	$0.22	4.8%
Sun Life Financial	$0.92	$0.96	4.3%
Apple Inc.	$0.26	$0.27	3.8%
Toronto Dominion	$1.08	$1.12	3.7%
Bank of Nova Scotia	$1.10	$1.14	3.6%
Johnson & Johnson	$1.30	$1.34	3.1%
Bank of Montreal	$1.67	$1.71	2.4%

Source: FactSet

As Royal and TD are our #1 and #2 positions, these dividend increases will be meaningful in adding to your overall investment income.

We had no dividend reductions among our top 30 positions but there is concern that Telus (our #14 position) may reduce its dividend. As Telus currently yields 11.1% this possibility is likely already recognized in the current stock price.

WINNERS AND LOSERS

As markets have been volatile and there is plenty of geopolitical uncertainty it is important to see what is working and what is not working so well.

The trend of positive results from resilient, simple and transparent companies continues. Here are some examples:

Year-to-Date Total Return	
Brookfield Renewable Power LP	35.7%
TC Energy	26.7%
CN Rail	26.2%
Fortis Inc	15.8%
Costco Wholesale	8.8%

Source: FactSet

Canadian Banks have been faring well as compared with their U.S. counterparts:

Year-to-Date Total Return	
Toronto Dominion	35.5%
National Bank	29.8%
Royal Bank	27.3%
Bank of America	4.7%
JPMorgan Chase & Co	2.6%

Source: FactSet

There has been concern in the marketplace that AI will significantly hurt the earnings of engineering firms and investment firms. We don't share this belief, but it has affected their stock prices negatively:

Year-to-Date Total Return	
Stantec (engineering)	-24.1%
WSP Global (engineering)	-29.0%
Charles Schwab (investments)	-7.0%
Raymond James (investments)	-4.7%

Source: FactSet

The large U.S. technology companies are also having challenges as their attempts to dominate the AI business have been using up significant cash flow. The problem for companies seeking to dominate AI is that a lot of very well-capitalized companies are chasing the same market. When a lot of competitors are fighting for market share this drives prices down, and as the AI market progresses there is no guarantee that they will all earn acceptable rates of return on their capital outlays.

Year-to-Date Total Return	
Alphabet (Google)	12.7%
Apple Inc	6.6%
Nvidia Corp.	7.4%
Amazon Inc.	3.3%
Palantir Tech Inc.	-34.4%

Source: FactSet

There is no fool-proof solution for navigating such a choppy market, but as a rule we try to avoid "catching falling knives", hang on to companies that are thriving, and diversify to avoid too much pain when we get the inevitable unexpected pullback.

WELCOME KRISTIN!

Kristin Houston-McMillan joined the Douglas Duncan Wealth Management team in May 2026, after recently completing her MBA with distinction at Vancouver Island University. She is currently studying for the CIRO licensing exam and is excited to continue building her career while contributing to the team in Nanaimo. Outside of work, Kristin enjoys reading, exploring nature, baking, and spending time with family and friends.

SUMMARY AND STRATEGY FOR 2026

Today we find ourselves in a time of multiple uncertainties. These include potential disruption from AI, the uncertainty of Middle East oil supply, trade uncertainty around tariffs, potential leadership changes in the U.S. House and Senate in November, and likely a few other issues that we haven't thought of. Combined with the background of many high stock valuations, lots of speculation and confidence in the stock market, and what we believe may be mispriced bond markets, we remain defensive.

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We also realize that investors holding cash on the sidelines are losing ground to inflation, so there is no magic alternative that will give acceptable returns with no risk.

With these factors considered we continue to believe that investors should have equity allocations perhaps 10% less than normal, with the balance in guaranteed daily interest accounts.

We also feel that the newsworthy "hot" stocks have the potential for big disappointments and investors should be very careful before purchasing companies that have already made recent parabolic gains.

As we are investors rather than traders or speculators, we feel that owning a core of high quality companies such as our top 30 positions will continue to serve us well over the next few years.

If you have any changes to your financial situation or concerns with your investments, please keep Meaghan or Mark informed so we can help you prepare in advance.

Mark Duncan	**Meaghan Douglas**	**Ian Douglas**	**Heath Dean**	**Michelle Dieterich**	**Kristin Houston-McMillian**
Senior Financial Advisor	Senior Financial Advisor	Consultant	Investment Associate	Administrative Assistant	Administrative Assistant

If you have friends or family who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!