2026 Market outlook

Investing in an era of change

Contents

Introduction

2025 was an exceptional year.

Canadian, U.S., European and global stock indices hit numerous all-time highs. So did gold, bitcoin and most artificial intelligence (AI) thematic stocks. For instance, baskets of AI leaders rose over 50%, non-profitable technology stocks surged more than 70% and quantum computing plays are close to 100% higher this year.

There were many factors driving what I like to call the "great melt-up." Falling central bank interest rates across the globe, record-breaking fiscal stimulus programs in the U.S. (the *One Big Beautiful Bill Act*) and, of course, a once-in-a-generation corporate technological spend in AI infrastructure are all part of the equation.

However, as we look ahead, we believe investment returns will moderate. The S&P 500 Index has seen a three-year growth rate close to 25% per year. There are only three periods when returns were this strong: 2025, 2021 and during the dot-com boom (1998–2000). To be clear, we are not calling for the great melt-up to be followed by the great meltdown as there are too many positives in the macroeconomic environment. Going forward, we expect market returns to be more fundamentally driven by earnings growth, not multiple expansion. Perhaps we can call it the great moderation.

The next chapter begins

There are many other changes that investors will need to navigate. In fact, 2026 and beyond will ask for something new from investors. The world we have known for four decades, where global trade was a tailwind for global economic growth and lower inflation, steady geopolitics created a "peace dividend," and baby boomers drove investment and economic growth, is structurally shifting. This is true for many longer-term investment trends. Globally, long-term interest rates in the U.S., Japan and the U.K., among others, have broken out of their decades-long downward trend. On the currency front, the U.S. trade weighted dollar looks to have peaked after a 10-year bull market.

Climate volatility, once distant, is now a constant source of cost and disruption. Extreme weather is becoming more frequent and expensive, forcing countries to spend heavily on infrastructure. Technology, led by AI, is both an opportunity and a disruptor, driving a new wave of productivity investment while reshaping work and social balance. These are not short cycles. They are secular transitions. Investors are now navigating a world that is still growing but under new rules.

Short-term momentum remains strong

Central banks will likely keep monetary easing through 2026, and fiscal spending remains heavy. In the U.S., new tax rebates and record AI investment should keep economic growth above trend. The Canadian government's 2025 budget targeted productivity and infrastructure, which is a step in the right direction. Those supports explain why markets remain firm and corporate earnings are solid.

That momentum, however, comes with challenges. The same policies that keep growth strong also keep inflation sticky. High valuations, rising long-term bond yields and elevated public debt point to a system

John Bai
Senior Vice President,
Chief Investment Officer

that looks stable on the surface but is increasingly stretched underneath. Governments are spending aggressively in good times, leaving less room to act when the next shock hits.

Opportunities in transition

In a rapidly changing environment, balance, quality, discipline and active management matter more than ever. Building a high-quality portfolio remains the best way to manage uncertainty and capture opportunity over time. Success will come less from reacting to market noise and more from designing portfolios that can succeed across vastly different conditions.

Diversification is still key, but it is evolving. The traditional stock-bond offset is not broken, but it is less predictable. Periods when both move in the same direction, as we saw in 2022, can happen again. That means investors need to think beyond the traditional stock-bond diversification and incorporate other exposures such as gold, infrastructure and alternatives that respond differently to inflation, growth and policy. This is where active management can play a critical role.

In equities, dispersion across regions and sectors creates opportunities. Going forward, policy cycles are diverging, trade blocs are re-forming and regional shocks will likely appear more often. A weaker U.S. dollar could support resource-linked and emerging markets after years in the background. Renewable energy and climate adaptation is attracting capital as economies harden infrastructure and secure supply chains. Companies positioned for these shifts stand to benefit. Over the past three years, active managers lagged major benchmark indices as growth was concentrated in a few mega-cap companies. However, strong fiscal and monetary stimulus should help earnings growth broaden to other areas of the market, which should benefit active managers.

In fixed income, asynchronous central-bank paths, with monetary policy easing in the U.S., tightening in Japan, and Canada and Europe waiting, are creating differences in yield and currency dynamics between regions. These conditions allow active managers to add value through thoughtful positioning across regions, credit quality and duration.

The pace of change in interest rates, demographics, technology and geopolitics is accelerating, making a return to "normal" unlikely. The rules that worked for 40 years may not guide us through the next five. But investors who adapt early, broaden their sources of return and stay flexible will be positioned to turn volatility into opportunity. In 2026, investors can adapt by building portfolios that respond to the realities of the current world and thrive in an era of change.

At NEI, we have the advantage of access to active managers across asset classes globally, each with deep expertise in their areas. That breadth and depth give us the ability to navigate a world in transition, adapt to shifting market dynamics and uncover opportunities others might miss. In addition, our team at NEI continues to focus on what matters most: understanding evolving markets, staying ahead of key developments, and using the right tools and insights to meet investor objectives in a world that does not stand still. These are the strengths we rely on to deliver value for investors when the old playbook no longer applies.

We hope 2026 proves successful for you and that our *2026 Market outlook* helps guide you on the right path to performance. In the following pages, you will find insights from our sub-advisors from around the globe. We are confident that their perspectives on markets and asset classes will offer valuable guidance for navigating the year ahead.

Responsible investing

After a turbulent year, responsible investing emerges leaner and more grounded in the new reality.

2025 was a turbulent year for responsible investing. We saw a meaningful shift in the mood around the environmental, social and governance (ESG) efforts of companies and investors alike, with some walking back commitments to everything from DEI to climate change. This was primarily because of the shifting power dynamics in the U.S., but not exclusively so. The rumblings were coming from many jurisdictions, including the European Union and Canada. It would also be a mistake to think that this shift started with the first 60 days of the new U.S. administration, as the change in mood had been growing steadily over the last couple of years.

What does this shift mean? The rumours around the demise of ESG are greatly exaggerated. Nothing has fundamentally changed that would render the rationale for addressing material ESG risks irrelevant. Systemic risks such as climate change or inequality, or company-specific risks like human capital and access to water, remain. If anything, their importance and materiality have grown, and many investors have responded to the pushback by deepening their fundamental integration of ESG factors. What might have died, we hope, are performative nods to sustainability or responsible investing that never had much substance in the first place. Out of their ashes will grow a more robust and meaningful commitment to sustainability that is based on ambition and realism, and that is genuinely tied to business models. It will be a full-circle return for investment managers to the underlying premise of responsible investment and long-term value creation for our clients.

Responsible investing themes to watch for in 2026

A focus on positive outcomes

The conversation will shift from focusing on what we do not want, or what we need to avoid, to what it is we are hoping to create; namely, a cleaner, more affordable and more equitable future. While the discussion of risks will always have a role to play, especially for investors, we are seeing the limitations of focusing on the downside. The way forward will inevitably have to entail a clear story around how things will get better if we pursue sustainability objectives.

Clean technology

The incredible pace of innovation in the clean tech space, from solar panels and wind turbines to battery storage and electric vehicles, will continue in 2026. The combination of rapid innovation, increasingly attractive economics and geopolitics (think energy security) means the transition is happening before our eyes on the global stage, and the growing gap between the U.S. and the rest of the world will be a challenge for investors to navigate. Combined with the increasing trend towards electrifying everything, the increased demand for electricity means a growing market for solutions.

Jamie Bonham

Head of Responsible Investing

AI issues come to the forefront

AI is transforming tech companies and becoming a key factor in making safe ESG holdings, an ESG darling (low carbon, socially conscious, making our lives easier, etc.), to being the nexus of most every core responsible investing concern. The rapid evolution of AI is magnifying the already huge concerns around privacy, digital rights, misinformation and security, while the growth of data centres to feed the AI boom is already running into energy and water limitations that make tech companies a growing climate and water security concern. Investors will be grappling with how to address this convergence of risk in some of their most held names.

Building out infrastructure responsibly

To achieve the future we want, we need to build a lot of things. There is a huge government and industry focus on the need to build out key infrastructure, from transmission lines that will help expand a low-carbon electricity grid, to mining and processing the raw materials for batteries and smartphones. How we build these things will matter. The goal of removing unnecessary barriers will be broadly embraced, but this will turn an even greater focus to the "how." In Canada, this will be a true test of the nation's commitment to reconciliation and supporting Indigenous rights as well as to the oft-quoted commitment to the tenets of sustainability.

Policy outlook for Canada

One of the biggest policy developments will be how the federal government rolls out its climate competitiveness agenda and creates the right policy environment to unlock climate-focused investor capital at scale. It has signalled a focus on the opportunity side of the transition, which should bode well for investors looking to support climate solutions and the supply of critical minerals such as copper, nickel, lithium and rare earths. Likewise, the focus on large nation-building infrastructure projects should create lots of opportunities for investors. However, governments at every level will need to show they have learned from the mistakes of the past and ensure these projects address key Indigenous and community concerns if they are to succeed.

Foundational regulations governing industrial carbon pricing and methane emissions will continue to be part of the regulatory framework but will face continued pressure. The federal government has set a clear agenda of reducing regulatory barriers and streamlining development – all good things that will create opportunities for investors. Those investors need to let governments know that streamlining is only part of the equation. If we are going to give investors confidence in a Canadian development boom, corporations and governments will need to ensure that Indigenous rights are central to their plans.

While the Canadian Securities Administrators (CSA) has paused development of mandatory climate-related disclosure rules, the investor appetite for better disclosure will not disappear. Whether the CSA will move on the issue when the U.S. is going in the opposite direction is uncertain, but the federal government has indicated an interest in pursuing better disclosure standards. It also appears that the federal government has listened to stakeholder concerns about the negative impact of Bill C-59 on the sustainability disclosure of companies in Canada, particularly energy names. Changes to the bill in 2026 will hopefully bring back the disclosures investors need.

Looking ahead with optimism

At a time of heightened complexity and multiple crises, it is essential to have investment firms using their influence and leverage to address these risks and opportunities in a thoughtful and meaningful way. It is also right to be skeptical and to ask the tough questions of investors to ensure they are doing the real work required of them to drive positive outcomes. We also need to have the requisite humility when we talk about what we can achieve. It should also be a time of optimism. Guarded optimism, to be sure, but optimism nonetheless. The seeds have been planted for real change, but it does not happen on its own. Investment managers have the power to influence positive outcomes if they act with intention and a commitment to creating long-term value for their clients.

The outlook for fixed income

Fixed income markets are on a firm footing. Growth is slowing but remains positive, inflation is moderating and central banks are moving gradually into a monetary easing mode after several years of tightening. The result is a supportive backdrop for bonds, with credit fundamentals still sound. Conditions favour disciplined investors able to navigate differences in policy and valuation across markets.

Opportunities are broadening. Divergent policy paths among major economies create differences in yield and currency dynamics that active managers can capture. Investment-grade credit, select emerging-market debt and securitized assets offer meaningful income and diversification potential. While debt concerns and policy uncertainty remain, lower interest rates should relieve pressure on corporate borrowers and improve financing conditions.

This environment demands balance. While policy shifts could trigger market volatility, the potential for generating strong income remains. With high-quality issuers well-positioned and refinancing conditions improving, fixed income is a dependable contributor to returns, and it can anchor portfolios through a period of slower global economic growth.

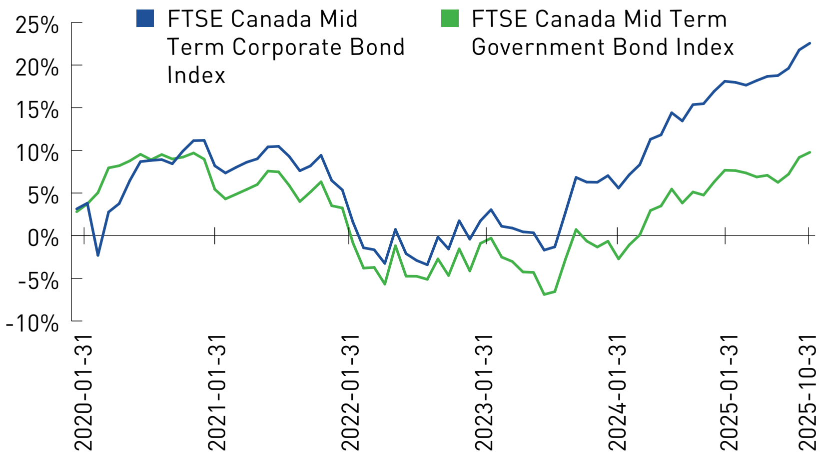
GUARDIAN CAPITAL LP

Guardian Capital on Canadian fixed income

In 2025, the Canadian fixed income market experienced a transition as the Bank of Canada (BoC) slowed the pace of its interest rate cuts as it monitored the impact of U.S. tariffs on the Canadian economy and signs that inflationary pressures were moderating. The BoC lowered its benchmark overnight rate to 2.25% in October, citing softer economic activity and a slowing labour market due in part to trade tensions with the U.S. These policy shifts helped drive a twist steepening in the Canadian yield curve, with front-end yields falling more sharply than mid-term yields, while long-term yields increased. The 2-year yield declined to 2.40% by the end of October, while the 10-year yield edged lower to 3.12%. Fiscal concerns, however, enabled longer-term yields to rise, as investors weighed the impact of continued government spending, a declining trade balance and a softer Canadian economy.

Corporate bonds remained broadly firm, supported by solid demand and tight spreads over much of the year. Yet valuations stayed elevated, raising the risk of volatility should economic growth falter or inflationary pressures accelerate. Credit spreads compressed over the year, suggesting investors remained cautiously optimistic about corporate borrowers. High-yield bonds delivered solid returns over the year and outperformed investment-grade bonds. Overall, investors navigated a complex backdrop marked by renewed monetary easing near year-end, fiscal headwinds and a focus on diversification and high-quality assets to balance opportunity with resilience.

Canadian Mid Term Corporate Bonds vs. Mid Term Government Bonds Cumulative Returns



Source: Bloomberg Finance L.P.

> We expect economic growth in Canada to remain subdued until tariff issues are resolved. ... Beyond artificial intelligence (AI), stronger investment and capital expenditure incentives are needed to shift the growth trajectory.
>
> — Guardian Capital

2026 Canadian fixed income outlook

We expect economic growth in Canada to remain subdued until tariff issues are resolved. Lower interest rates alone are unlikely to meaningfully boost consumption or lift employment. In fact, fiscal stimulus through tax cuts may be required. Housing is expected to remain a marginal contributor as affordability challenges and elevated interest rates dampen both investor and non-investor activity. Beyond AI, stronger investment and capital expenditure incentives are needed to shift the growth trajectory. Labour growth in 2026 is likely to be muted as a result of lower immigration, AI adoption and tariff-related costs. With inflation closer to the BoC's target, further interest rate cuts appear unlikely.

Key factors we will monitor include inflation breakeven rates, which have yet to signal a meaningful rise in inflation despite trade-related headlines. Our approach to key-rate duration exposure remains systematic, grounded in long-term yield curve relationships.
From a credit perspective, we will continue to focus on corporate earnings health and management guidance. Credit spreads are historically tight, leaving them vulnerable to shifts in sentiment that could trigger widening.

If recession risks continue to fade, supportive fundamentals, such as strong corporate profitability, manageable leverage and easing financial conditions, would make any spread widening a buying opportunity. Conversely, risks to spreads include renewed recession fears, liquidity constraints and an inflection in net corporate bond supply.

Given the current yield curve steepness, we see value in lower spread beta issues that maximize roll-down returns while minimizing credit spread risk. Structurally, overweighting high-quality short-term credit offers a way to maintain carry while insulating portfolios from widening spreads.

We view both known and unknown negative shocks that lead to credit spread widening as opportunities to add exposure. From a rates perspective, the risk profile is skewed toward positive surprises: if the U.S. and Canada resolve trade tensions sooner than expected, the yield curve may bear steepen, pushing long-term yields higher relative to short and mid-term yields and potentially compressing credit spreads further. This could lift consumption and labour growth, increase prices and potentially lead to renewed interest rate hikes.

Guardian Capital is sub-advisor to NEI Canadian Bond Fund.
Learn more about them and this Fund.

Amundi
ASSET MANAGEMENT

Amundi Asset Management on global fixed income

2026 global fixed income outlook

There were several large policy shifts in 2025, starting with the removal of Germany's debt brake and historic increases in U.S. tariffs, along with the passing of the One Big Beautiful Bill into law and concerns around fiscal dominance. These shifts resulted in a substantial increase in volatility as both markets and policymakers tried to understand their impact on global economic growth and inflation. Economic fundamentals have, however, remained resilient, and focus has shifted towards artificial intelligence (AI)-related growth and an easing monetary cycle in the U.S., which have been driving strong performance for both equity and fixed income markets.

Looking ahead into 2026, a stagflationary environment is gaining ground in the U.S., where we expect a softening economic growth backdrop alongside sticky inflation and staggered monetary easing. The U.S. looks set for slower consumption growth as real incomes are squeezed by persistent services inflation and softer wage gains. Labour markets should moderate but not collapse. A shallow economic growth slowdown rather than a full recession is our base case. We expect the U.S. Consumer Price Index (CPI) to remain above the U.S. Federal Reserve Board's (Fed) 2% target in the near term, and to increase in the coming months.

Central banks will be data-dependent, and the Fed and Bank of England may be forced to reduce policy interest rates as growth pressures increase. We maintain our expectation of two further interest rate cuts by the Fed in 2026, with terminal rates reaching around 3.25% by the end of the first half of 2026. In contrast, we expect the European Central Bank to cut interest rates less than the Fed, with our terminal rate expectations remaining unchanged at 1.50% and to be reached in the first quarter of 2026.

Opportunities in global fixed income

Real yields make global bonds attractive

We find the level of real yields and overall carry in global fixed income markets attractive. We see relative value opportunities within the asset class. There is room for European and U.K. duration to perform, while we remain cautious on the U.S. and Japan. On yield curves, we believe steepening in the U.S. and European Union should continue as fiscal concerns and pressure on government budgets are unlikely to be resolved quickly.

European corporate bonds

European investment-grade corporate bond fundamentals remain solid, and the trade deal with the U.S. has boosted sentiment. We favour medium-term maturity (3- to 7-year) instruments in BBB- and BB-rated credit. We also like short-dated instruments in subordinated

> Supply chain realignment creates opportunities in India and the ASEAN region while reducing China's share in some sectors. As a result, mandates need regional flexibility and country risk overlays to navigate this evolving trend.
>
> — Amundi Asset Management

financials and corporate hybrid securities. At a sector level, we like banks, insurance and real estate.

Emerging market debt

We also like emerging market debt and currencies with strong fundamentals and an outlook of falling policy interest rates, which offer attractive carry and lower yield potential. We remain positive on select emerging market foreign exchange and local debt, with a focus on liquidity and issuer quality.

Secular trends impacting financial markets

AI-driven productivity and capital expenditure (capex)

Industries are set to be transformed by AI, potentially enhancing productivity and raising economic growth. That should translate into continued increase in demand for software, semiconductors and cloud-computing services. While AI is set to drive meaningful improvements in productivity, its valuation models show that assets are priced well above fundamentals, and historic precedents around AI revenue growth are lacking.

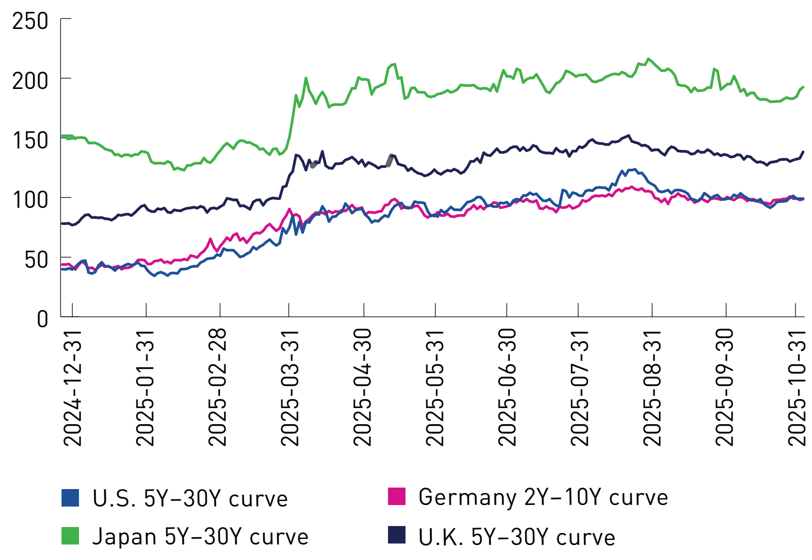
Multipolar trade and friendshoring

Supply chain realignment creates opportunities in India and the ASEAN region while reducing China's share in some sectors. As a result, mandates need regional flexibility and country risk overlays to navigate this evolving trend.

Demographics and fiscal constraints in developed markets

Aging populations and high debt favour real assets, inflation hedges and high-quality yield providers. We believe fixed income portfolios should hold curve steepener positions and inflation-linked bonds and emphasize cash flow resilience.

Global 5Y–30Y Curves 2025



Source: Bloomberg Finance L.P., as at November 12, 2025.

Managing through change

The outlook, as always, is uncertain, and valuations in both credit and equity markets look stretched relative to history. While we remain optimistic that the positive risk sentiment will stay with us a bit longer, we are mindful of the risks and remain focused on navigating them.

A renewed inflation surge or rise in term premia would present a fresh blow to fixed income markets, and we could see a further steepening in the yield curve and a sell-off in long duration assets. While we tactically took some profits on our curve steepeners in the U.S. and Europe, we still maintain a strong steepening bias in global fixed income, and we have also moved to a shorter-than-benchmark duration in the U.S.

Policy/geopolitical shocks such as trade escalation, a geopolitical incident in Taiwan or a U.S. fiscal impasse could depress global trade and risk appetite. As a result, we maintain our strong regional diversification bias, maintain liquidity buffers, and use foreign exchange hedges such as shorts in European currencies and the Asia currency block.

While a global recession is not our base case, a meaningful delayed response to tariffs and trade fragmentation could see a fast decline in corporate earnings starting to weigh heavily on economic growth. As a result, we have become slightly more cautious on credit and rotated into quality and short-dated corporate investment-grade bonds.

Amundi Asset Management is sub-advisor to NEI Global Total Return Bond Fund. Learn more about them and this Fund.

WELLINGTON MANAGEMENT®

Wellington Management on global impact bonds

2026 market outlook

The 2026 fixed income credit market is set against a complex macroeconomic backdrop. Valuations remain elevated across most sectors, even as cyclical indicators suggest a slowing U.S. economy. Inflation has moderated, yet renewed tariff pressures and persistent labour market constraints could drive a reacceleration, with businesses likely passing higher input costs on to consumers. These factors point to ongoing inflationary pressures, even as slower job growth gives the Fed greater flexibility to ease monetary policy.

Political volatility and a wider range of policy-interest-rate forecasts further complicate the outlook, with the Fed's decisions increasingly shaped by political dynamics.

Despite these challenges, consumer and corporate balance sheets are healthy. Structural supports, including fiscal stimulus from the U.S.'s *One Big Beautiful Bill Act*, deregulation, reduced trade-policy uncertainty and robust investment driven by AI adoption, support a cautiously constructive medium-term view. Credit spreads remain tight, especially in U.S. high yield, which now sits in its tightest historical decile. Technical factors such as yield-based buying and limited new issuance have kept valuations elevated. The yield curve remains flat, and mixed signals from predictive indicators warrant a modestly defensive posture. Equity and fixed income markets are likely to see bouts of volatility, with sector and security-level differentiation becoming increasingly important.

In this evolving environment, several indicators will be crucial to watch. Central bank meetings will remain pivotal as policy decisions respond not only to macroeconomic data but also to political dynamics. While flexibility to ease monetary policy exists, the risk of policy missteps remains high. Inflation and jobs data will continue to guide market expectations around interest rates. Fiscal, trade and tariff policy will be a major factor, shaping both economic growth and inflation trajectories. Policy shifts in China and Europe, including Europe's fiscal expansion, especially around defence and infrastructure spending, will influence global credit fundamentals. Finally, technical market factors such as yield-based demand, new issuance levels and spread movements will help gauge market sentiment and risk appetite.

Opportunities across global credit

Amid a shifting macroeconomic backdrop, several long-term forces are shaping where we see the most compelling opportunities. Ongoing fiscal stimulus, particularly in infrastructure and defence, continues to support credit fundamentals and creates sector-specific opportunities. Deregulation and reduced trade uncertainty are improving the global

> Macro uncertainty remains elevated. Slowing U.S. economic growth, lingering inflation and political uncertainty could disrupt credit markets. To navigate this, maintaining a moderately defensive stance that emphasizes sectors with favourable convexity and strong fundamentals remains prudent.
>
> — Wellington Management

investment climate, lowering risk premiums and supporting credit performance. At the same time, robust investment in AI is transforming industries such as health care and pharmaceuticals, creating new avenues for growth and innovation. Together, these forces are enhancing sector rotation and security-level precision, allowing for resilient performance across varied economic outcomes.

Securitized credit

Residential mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities are attractive. These sectors benefit from strong housing fundamentals: low supply, high homeowner equity and conservative underwriting standards. These factors have created a foundation of resilient yields supported by healthy consumer balance sheets and disciplined lending.

European high yield

While cyclical cheapness has faded, the asset class remains structurally undervalued compared to U.S. high yield. Within this market, European REIT debt and Additional Tier 1 bank capital from high-quality issuers stand out. Both benefit from Europe's ongoing fiscal expansion.

Convertible bonds

Convertibles offer positive convexity and are well-positioned for both upside and downside scenarios. Issuers in health care, pharmaceuticals and AI-driven industries are favoured for their ability to participate in equity upside and provide bond floor protection.

Managing through uncertainty

While the opportunity set is broad, several challenges could impact our outlook. Macro uncertainty remains elevated. Slowing U.S. economic growth, lingering inflation and political uncertainty could disrupt credit markets. To navigate this, maintaining a moderately defensive stance that emphasizes sectors with favourable convexity and strong fundamentals remains prudent.

Policy and trade developments and government election results also pose challenges. Shifts in fiscal priorities or unexpected tariff announcements could disrupt markets. Active monitoring of policy signals and flexibility in portfolio positioning flexibility are essential to manage these effectively. Valuations are also an issue as tight credit spreads, particularly in U.S. high yield and bank loans, leave limited upside and raise the probability of negative excess returns. Avoiding areas with poor convexity or unfavourable risk-return characteristics is critical to preserving value. Each of these reinforces the need for diversified exposure and continuous macro monitoring to refine positioning and deliver results.

Wellington Management is sub-advisor to NEI Global Impact Bond Fund. Learn more about them and this Fund.

Principal℠

Principal Asset Management on global high-yield fixed income

2026 global high-yield fixed income outlook

The 2026 macroeconomic environment is expected to remain broadly balanced and moderately supportive of growth. We expect that U.S. gross domestic product (GDP) will slightly decelerate compared to 2025 but still remain positive, reflecting economic activity that is resilient enough to avoid contraction. The U.S. labour market may soften further given its recent vulnerabilities, although we do not anticipate a sharp deterioration in employment. We expect inflation to remain contained at a tolerable level, but we are not forecasting it to reach the Fed's 2% target next year as the full impact of tariffs continues to filter through consumer prices. This combination of softness in the labour market and moderate inflation should provide the Fed enough room for a few additional interest rate cuts in 2026 following the recent reductions in September and October. Against this backdrop, a gradual decline in interest rates from monetary easing alongside a steady macroeconomic environment is expected to foster a constructive setting for fixed income markets, particularly within high yield, supported by lower volatility and stable financing conditions.

The Fed's trajectory will be important

We are closely monitoring several key dynamics that could shape the landscapes for fixed income and high yield. The trajectory of Fed policy remains central as deviations from the anticipated gradual easing cycle could quickly alter yield curves, investor sentiment and risk appetites. Inflation developments, particularly through hot CPI and Personal

Housing-linked and construction-related credits such as building materials and home construction stand to benefit from easing borrowing costs and renewed project activity as mortgage rates decline. Media and telecommunications issuers present select value amid industry consolidation, improved profitability and continued refinancing access.

— Principal Asset Management

Consumption Expenditure readings, could keep interest rates elevated or even force the Fed to hike interest rates. Weak labour market trends, such as higher jobless claims and unemployment, could cause the Fed to lower interest rates dramatically.

Potential risks we are monitoring

A potential monetary policy misstep, whether through excessive tightening or premature easing of interest rates, which could increase volatility in Treasury yields and potentially widen credit spreads, is something we are watching. To navigate such scenarios, we would proactively adjust duration exposure and emphasize high-quality, less interest-rate-sensitive and fundamentally stable issuers. Another wildcard event to consider is a geopolitical or external shock that disrupts capital markets and strains liquidity. We would mitigate this through diversification, defensive sector positioning and maintaining dry powder to take advantage of market dislocations. Another possible issue is a consumer-driven slowdown pressuring retail, leisure and discretionary sectors as elevated financing costs weigh on consumer spending. In such a situation, we would remain underweight in lower-rated consumer cyclicals and favour companies with resilient demand, pricing power and cash flow generation. In our view, a focus on BB- and B-quality, liquidity discipline and rigorous stress testing helps preserve income stability and downside protection.

Opportunities in global fixed income

Despite tighter valuations, several areas within high yield offer attractive opportunities going into 2026. Housing-linked and construction-related credits such as building materials and home construction stand to benefit from easing borrowing costs and renewed project activity as mortgage rates decline. Media and telecommunications issuers present select value amid industry consolidation, improved profitability and continued refinancing access. Additionally, event-driven credits tied to mergers, acquisitions or restructuring offer catalysts for spread compression and idiosyncratic upside. Across these themes, fundamentals continue to stabilize while technical support remains firm. The anticipated Fed easing cycle should lower financing costs and extend refinancing windows, strengthening issuer balance sheets. In an environment of stable economic growth and falling interest rates, opportunities will favour seasoned issuers with deleveraging momentum, disciplined capital structures and exposure to cyclical recovery segments capable of outperforming through both income generation and spread tightening.

Two secular forces continue to define the investment opportunity in the high-yield market. The first is the ongoing quality upgrade of the high-yield index, driven by several large fallen angels, minimal CCC-rated issuance and an upgrade-to-downgrade ratio that has remained consistently above one. This evolution has created a structurally stronger, higher-quality market that is less vulnerable to defaults and offers improved recovery values relative to historical norms. The second force is the persistent technical strength that has characterized the market since early 2024. Robust retail inflows, complemented by growing institutional demand from pensions, insurers and global allocators seeking durable income, have provided a strong source of demand. This steady technical support is expected to keep spreads tight as investors continue to value high yield's attractive income-generating profile.

Principal Asset Management is sub-advisor to NEI Global High Yield Bond Fund. Learn more about them and this Fund.

The outlook for U.S. and Canadian equities

North American equities enter 2026 from a position of strength but not without challenges. While growth has moderated and valuations have climbed, earnings resilience and innovation continue to support long-term opportunities. In the U.S., large-scale investment in AI and infrastructure is fuelling capital spending. In Canada, policy support for productivity and trade diversification is taking hold, offering a constructive backdrop for quality domestic companies.

The coming year will test the resilience of companies as tariffs, fiscal realignment and political uncertainty shape investor sentiment. Still, some industries have proven adaptable, managing costs and finding new paths for growth. Market leadership is narrowly concentrated, but it is likely to broaden as investors refocus on fundamentals. Sectors tied to industrial modernization, technology enablement and the energy transition may stand to benefit most.

Change in trade activity for Canada to external trade partners

Trading Partner	Dec 2024 Total Trade ($M)	Trading Partner	July 2025 Total Trade ($M)
United States	57837	China	8329.02
China	11050.64	Mexico	4457.69
Mexico	3785.38	Germany	2589.87
Japan	2261.52	Japan	2388.94
Switzerland	2007.22	South Korea	1911.3
Germany	1800.07	Vietnam	1567.95
South Korea	1448.99	United Kingdom	1429.8
United Kingdom	1113.4	Italy	1266.38
Vietnam	997.07	Brazil	1116.6
Italy	945.01	India	976.91
France	889.43	Switzerland	846.65
India	873.52	Netherlands	778.21
Brazil	828.38	Belgium	627.84
Peru	683.01	Peru	529.96
Netherlands	681.26	Spain	517.37

Source: Bloomberg Finance L.P.

For investors, 2026 is a time to stay invested but remain highly discerning. The combination of solid corporate balance sheets, easing monetary policy and ongoing AI innovation suggests equities can deliver reasonable returns even amid volatility.

AllianceBernstein on U.S. equities

2026 U.S. equity outlook

After an uncertain economic policy outlook dominated the first half of 2025, there's was more clarity in the second half of the year. The tariff regime in the U.S. appears clearer at this point, the passage of the *One Big Beautiful Bill Act* resolved fiscal policy and the Fed cut interest rates in September. The environment remains somewhat uncertain, but the risks around our central scenario for the next few quarters have diminished meaningfully.

Even as uncertainty wanes, investors are now left to wrestle with the tangible impact of tariffs. Economic growth has slowed throughout the developed world and we believe it will likely continue to do so as businesses face the reality of higher input costs and consumers face the reality of higher prices. Hiring has slowed sharply as businesses brace for a higher cost structure. At the same time, some price pressures are passing through to consumers, which has slowed final domestic demand. If slower hiring turns into layoffs in the coming months, the modest slowdown underway could spiral into something more pernicious.

While growth is slowing, prices are rising. Goods prices in the U.S. have risen since tariffs were announced in April, and we expect more to come as businesses pass tariff costs through to consumers. Growth has slowed over the course of the year and is on pace to be below the growth rate of the last few years. Still, it is likely to remain positive, which is an environment that looks like a soft landing.

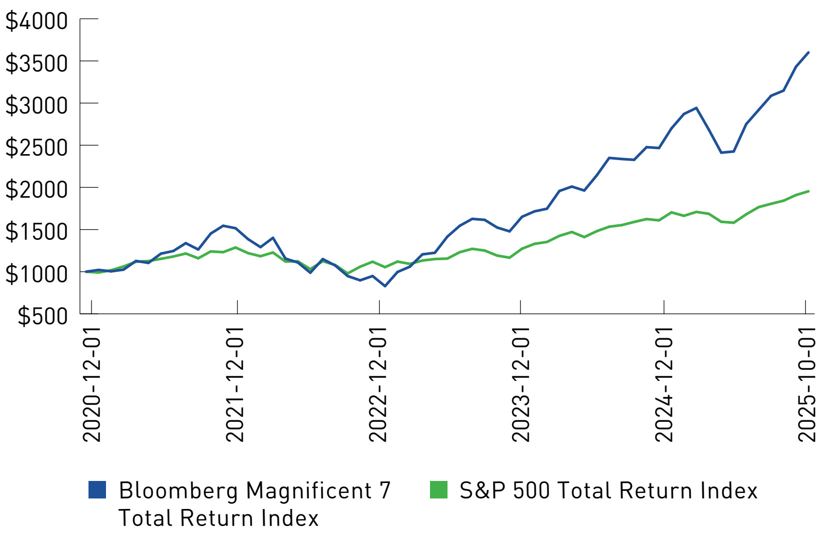
The labour market is in flux. Demand for workers has deteriorated as economic growth has slowed, but migration and deportation policies have reduced labour supply almost in parallel. That has left the labour market in a curious equilibrium in which slow hiring by historical standards may be sufficient to absorb the much slower growth rate of the available workforce. If sustained, this equilibrium would lead to lower growth over time.

Inflation is a mixed bag. Goods prices are clearly being impacted by tariffs and are moving higher, while shelter inflation continues to decelerate. Overall, inflation is above the Fed's target and unlikely to fall to that level over a reasonable forecast horizon. How the Fed responds to that systematic miss will be an interesting question in the years to come. All major central banks, save the Bank of Japan, are easing monetary policy. Most seem likely to end this cycle with policy interest rates at or slightly below neutral.

We are growing increasingly concerned about longer-term structural fragilities in the system. For now, markets appear content to ignore the long-term risks and to focus on the near term, but the fuel for future crises continues to accumulate. Investors should remember that when crises come, they tend to arrive suddenly and without advance warning.

Risk-on sentiment has fueled U.S. technology stocks, which have surged by more than 50% since their April 8, 2025 lows. At the same time, the performance of the Magnificent Seven mega-cap technology stocks has diverged. Investors have rewarded companies that are spending more on AI and are paying closer attention to their exposure to trade wars and valuations. As their share price patterns continue to diverge, we think selectivity among the U.S. mega-caps is paramount.

Magnificent 7 vs. S&P 500 Index



Source: Bloomberg Finance L.P. Total returns from January 1, 2021 to October 31, 2025.

Magnficent 7 is comprised of Alphabet Inc., Amazon.com Inc., Apple Inc., Meta Platforms Inc., Microsoft Corp., NVIDIA Corp. and Tesla Inc.

Looking ahead, we will continue to search for companies that offer a combination of quality and stability at attractive prices. These three core elements underpin our investment philosophy and are key to navigating the current market environment. Quality, stable companies can cushion on the downside across a broad array of sectors and industries.

AllianceBernstein is sub-advisor to NEI U.S. Equity RS Fund. Learn more about them and this Fund.

QV INVESTORS

QV Investors on Canadian equities

2026 Canadian equity outlook

We generally expect the Canadian economy to enter a "soft landing" as our base case. Namely, we would expect overall economic growth to remain low but still positive. We would also expect inflation rates to remain within the BoC's target of around 2%. As such, we still expect interest rates to become more accommodative, but we would not expect similar levels of interest rate cuts in Canada as we saw in 2023/2024.

We wrote last year that we felt optimistic about the Canadian markets in 2025 despite a strong year in 2024. We felt that the valuation differential between the Canadian and U.S. markets was simply too wide and had room to expand in a strong market or protect the downside in a weaker market. We continue to see the relative valuation opportunity. But, today, we are aware that overall market valuations have risen considerably over the year, and we do not feel that Canadian markets display the same levels of opportunities overall.

Opportunities in Canadian equities

We see opportunities in the transport space. North America is currently experiencing an unprecedented and long transportation recession. The influx in capacity was driven by a surge in demand in goods during the COVID-19 pandemic period, which fell as rapidly as the demand rose. Companies across the transportation space have seen absolute and relative share price weakness owing to tepid or negative short-term growth. This includes both highly cyclical companies such as TFI International Inc., but also relatively defensive,

> We view progress (or lack thereof) of tariff negotiations between Canada and the U.S. to have the most near-term material impact on Canada's economy. While Canada continues to enjoy a favourable status on tariff rates relative to the rest of the world, we believe that a long-term resolution would nonetheless materially improve business sentiment and spending.
>
> — QV Investors

high-quality compounders like the Canadian railways. In all of these instances, we are confident in our investment companies' financial capability to withstand the current downturn, and we find the prevailing valuations these companies trade at to be attractive.

Another area that we see opportunity is in companies that the market fears will be significantly negatively affected by AI. In some cases, the fear is that AI will displace the need for consultants (or substantially lower the need for consultants). In others, the fear is that the use of AI will render the software a company sells to be uncompetitive. These fears have resulted in certain companies to rapidly devalue and today are trading at multi-year lows. This would apply even in situations where results do not support the notion of displacement. We believe companies such as Constellation Software Inc. and CGI Inc. will continue to fare well into the future, and we believe their current valuations to be attractive entry points.

Between weaker global demand and strong global supply, the prices of oil and gas have been volatile throughout 2025. We believe that this current weakness is short-to medium-term in duration, and we seek to take advantage of lower valuations should energy companies reflect the concerns that we see in the commodity prices themselves.

Opportunities in Canadian small-cap equities

Pockets of small-cap companies in Canada continue to appear inexpensive relative to their own history and relative to larger-cap companies, especially when excluding companies that benefited from the recent run-up in precious metal prices. While this may be appropriate for the small-cap space generally, due to perceived or real sensitivity to the economy and interest rates, there are some well-run companies with attractive runways, sound balance sheets and above-average margins of safety that are available. We have seen this validated by takeover offers at healthy premiums for several of our holdings.

Other sector-related opportunities are increasingly apparent in the industrials and consumer discretionary sectors, where select businesses have increasingly priced in tough environments, on both a cash flow and a valuation basis. Opportunities have emerged where the difficult conditions seem more than priced in or are less likely to be a challenge over a longer perspective than the upcoming year due to sound business positions.

Another theme is that, with both equities and corporate fixed income pricing in benign outlooks, there are reduced margins of safety available in the market. Should consensus be off in expectation, and unexpected scenarios of rising inflation, weak economy or a combination of the two arise, active management may play a more substantial role than in recent years, both with respect to idiosyncratic opportunities and in managing risk for a range of scenarios.

2026 economic outlook

We view progress (or lack thereof) of tariff negotiations between Canada and the U.S. to have the most near-term material impact on Canada's economy. While Canada continues to enjoy a favourable status on tariff rates relative to the rest of the world, we believe that a long-term resolution would nonetheless materially improve business sentiment and spending. On the opposite side, any deterioration in the tariff environment would likely add additional near-term risks to the Canadian economy.

Canada's unemployment rate has been moving up, driven by select layoffs in certain challenged industries and by the remnants of a growing population and labour force. High rates of unemployment are often a precursor to major credit events, which can have cascading negative effects through the economy. Our base case assumption is that falling interest rates and additional fiscal stimulus could prevent unemployment from rising further. If we start to see unemployment move up, we would be concerned about the knock-on effects for the overall Canadian economy.

House prices comprise a substantial component of the net worth of Canadian households. As such, negative trends in home prices can influence a variety of economic outcomes in Canada, including credit losses, household spending and consumer sentiment. We are watching the weak housing market closely in key areas, including Ontario and B.C. Given population growth is largely expected to be below trend again in 2026, we would not expect significant increases in demand or house pricing. However, lower interest rates likely improve affordability and allow incrementally more buyers into the market. Our base case assumes that an easing interest rate environment could slow or halt further house price declines.

QV Investors is sub-advisor to NEI Canadian Equity RS Fund and NEI Canadian Small Cap Equity RS Fund. Learn more about them and these Funds.

PICTON INVESTMENTS

Picton Investments on North American equities/alternatives

2026 North American equity outlook

North American equities posted gains in 2025, supported by resilient corporate earnings and ongoing investment in AI. The U.S. market saw leadership concentrated in a handful of mega-cap technology companies, while Canada contended with tariff-related challenges that weighed on trade and industrial activity. Inflation remained sticky, and while economic growth slowed, a recession was avoided as fiscal and monetary conditions gradually improved.

Markets grew more uneven as the year progressed. Valuations stretched, especially in sectors linked to the AI theme, while supply-

> Given the re-ordering of global trade as a result of U.S. policy, we continue to emphasize quality and positive change in our long positions, while actively managing exposures through both fundamental short positions and tactical hedges. This becomes especially important as market drivers are becoming increasingly sentiment driven.
>
> — Picton Investments

chain disruptions created periods of volatility. Against this backdrop, investors increasingly emphasized corporate fundamentals and quality. These late-year dynamics help set the stage for a more selective market environment.

We believe there is a higher likelihood for some acceleration ahead given that global fiscal and monetary stimulus could be primed to benefit the economy in 2026. That said, we remain concerned longer-term about the concentration of the AI theme throughout every sector, and we are monitoring that risk accordingly. We would also anticipate further volatility in markets as winners/losers are created as a result of the U.S.'s decisions to re-onshore many parts of the global supply chain.

Issues and events to watch for

Any changes to the Fed policy tilt.

At the moment, the Fed is facing opposing forces to its mandate in that both inflation in the U.S. has not moderated and the U.S. labour market has weakened. With inflation easing only gradually and employment data softening, the Fed's starting point in 2026 is delicate. For now, the central bank seems to be prioritizing the labour market and has leaned dovish, but any changes to this stance would likely be important to markets. Changes to the labour market will be monitored throughout 2026. The recent ADP National Employment Report showed a contraction and, if this trend continues, it could raise concerns about a U.S. recession.

In Canada, the impact of tariffs resulted in a deeply negative GDP figure for the second quarter of 2025. Canadian equities reflected this slowdown, with select industries facing pressures while gold and other safe-haven assets advanced. Any new developments on the tariff negotiation front will be important. The recent surge in the price of gold to all-time highs shows the impact of currency debasement and how deep of a hole unsustainable fiscal balances have gotten. We are watching 30-year government yields for signs that the bond market has finally had enough.

Potential risks and how we are managing them

AI theme broadly influencing market

The AI narrative continues to be a key driver of stock performance across sectors, including information technology, industrials, materials (e.g., uranium) and even utilities. While we view this as a positive structural shift, we remain mindful of concentration risk and have actively implemented hedges to help manage our exposure to this single theme within our risk framework. The experience of 2025, when gains were driven by a few large companies, reinforces the importance of managing this exposure.

Weakening macroeconomic data

We remain somewhat cautious given stretched equity valuations and a multitude of short-term stagflationary risks, including sticky inflation, moderating economic growth given tariff impacts and an acceleration in jobless claims. We believe the market is largely discounting these risks. Our top two concerns are interest rates and inflated valuations. After a year of solid but uneven returns, we view market expectations as high, leaving little margin for disappointment should data weaken further.

Geopolitical risks

Given the re-ordering of global trade as a result of U.S. policy, we continue to emphasize quality and positive change in our long positions, while actively managing exposures through both fundamental short positions and tactical hedges. This becomes especially important as market drivers are becoming increasingly sentiment driven. The experience of 2025 was marked by tariff escalation and policy realignment, and it demonstrated how geopolitical shifts can quickly alter investor sentiment and market leadership.

Picton Investments is sub-advisor to NEI Long Short Equity Fund. Learn more about them and this Fund.

The outlook for global equities

Global equity markets enter 2026 positioned for growth. Inflation has cooled from its highs, and interest rates are beginning to ease, which provides breathing room for companies and consumers alike. Governments are investing in infrastructure, energy transition and defence across regions, while advances in AI and automation could unlock further productivity gains worldwide.

Regional differences remain a key source of opportunity. Europe's fiscal expansion and Japan's renewed domestic momentum add some breadth to equities being dominated by the U.S. Emerging markets, aided by a softer U.S. dollar and steady commodity demand, are regaining attention as sources of both growth and diversification.

Companies with strong governance, pricing power and exposure to secular growth trends are positioned for success. Despite geopolitical issues, the global backdrop is one of opportunities, which should reward a disciplined, long-term approach to investing.

Federated Hermes

Federated Hermes on global equities

2026 global equities outlook

We are optimistic about the macroeconomic environment heading into 2026. U.S. GDP growth is expected to improve, supported by potential deregulation, tax reform, interest rate cuts and the deployment of the remaining US$700 billion in infrastructure funding. Corporate earnings are expected to rise, and the U.S. administration's policy agenda of tax cuts and deregulation should be market-friendly.

Additionally, productivity gains driven by AI adoption could support margin expansion and earnings growth, while a potential easing of tariff tensions may unlock global economic activity and broaden market participation.

In Japan, the election of Sanae Takaichi, a protégé of Shinzo Abe, is viewed positively. Interest rate normalization is progressing, and the end of a prolonged deflationary period, reflected in strong wage growth, should support consumption and nominal GDP.

While the outlook is constructive, risks remain. These include political instability in Europe, escalating U.S.-China tensions, the ongoing war in Ukraine and elevated valuations. With markets near all-time highs and multiple sources of potential volatility, maintaining a diversified approach will be essential.

Opportunities in global equities

Broadening market leadership

As interest rates fall, we expect a broadening of the market rally, bringing fundamentals back into focus. This should benefit diversified portfolios, particularly those exposed to sectors and styles beyond the recent leadership of stocks of mega-cap companies. One area of opportunity is U.S. housing, supported by improving consumer confidence and policy momentum aimed at strengthening the mortgage market ahead of the U.S. mid-term elections in 2026.

AI growth

While we anticipate broader market participation, our conviction in the AI opportunity remains positive, although it is not without risk. AI is an era-defining technology, and although the narrative is compelling, fundamentals and valuations cannot be overlooked indefinitely. We are mindful that the scale of capex, combined with uncertainty around the timing and magnitude of returns, leaves the AI rally vulnerable to shifts in risk appetite. For sentiment to remain supportive, 2026 will need to deliver tangible evidence that AI investment is translating into margin expansion.

> U.S.-China trade tensions remain a key risk. Both economies are deeply interlinked: China relies on U.S. consumer demand, and the U.S. depends on Chinese manufacturing despite efforts to diversify and reshore. Longer term, a full decoupling is unlikely, with a gradual disentanglement more plausible. Overall, we expect a truce of sorts, but any escalation could hit sentiment.
>
> — Federated Hermes

Chinese equities

China presents another opportunity where we see potential in consumer and technology sectors. Valuations are attractive, and improving domestic consumption indicators suggest a gradual recovery. China's efforts to play a leading role in technology are also being recognized, demonstrated by rapid progress in AI inferencing.

Secular trends shaping financial markets

Sustainable companies have historically enjoyed a structural advantage, often reflected in premium valuations. However, the rise of the "anti-ESG" movement and a higher interest rate environment have pushed valuations of sustainable companies to a discount. ESG is evolving, with greater emphasis on governance and financial materiality. While some companies with weaker governance are currently performing well, history and our research suggest they struggle to deliver durable returns. We expect sustainability to regain investor focus over time.

Infrastructure is another long-term theme gaining momentum. With US$700 billion set to be deployed in the U.S. and Germany's fiscal stimulus ramping up, global infrastructure investment is accelerating. Much of this is tied to climate resilience and industrial demand, creating ripple effects across economies. This aligns well with our approach, which favours companies positioned to adapt to or thrive in a reshaped global economy.

The continued concentration in mega-cap stocks presents challenges for active managers. As markets broaden, more sophisticated risk tools such as shorter-term models incorporating customizable factors like AI are essential. A balanced approach across factors and styles helps mitigate concentration risk and navigate shifting market dynamics.

Managing through change

U.S.-China trade tensions remain a key risk. Both economies are deeply interlinked: China relies on U.S. consumer demand, and the U.S. depends on Chinese manufacturing despite efforts to diversify and reshore. Longer term, a full decoupling is unlikely, with a gradual disentanglement more plausible. Overall, we expect a truce of sorts, but any escalation could hit sentiment.

With inflation still above target, potential U.S. consumer weakness is another concern. Given the scale of U.S. consumption, any sustained slowdown could have global repercussions. We continue to track key indicators such as spending trends, employment data, inflation and credit conditions to assess resilience and potential vulnerabilities.

European political instability, particularly in France, is creating policy uncertainty. Leadership turnover and rising polarization are weakening consensus-building across the European Union, complicating its ability to respond cohesively to economic and geopolitical challenges.

Overall, while cautiously positive, there is plenty of uncertainty, reinforcing the importance of sector and regional diversification, a focus on idiosyncratic stock selection and disciplined risk management.

Federated Hermes is sub-advisor to NEI Global Equity RS Fund. Learn more about them and this Fund.

ecofin at redwheel

The Ecofin team at Redwheel on infrastructure

2026 clean infrastructure outlook

Rising demand for power

Global power demand is being revised upward, driven by multiple sectors of structural growth – AI and data centres, electrification of transport and industry, the expanding digital economy, and the recovery in retail consumption – now that major efficiency gains from technologies such as LEDs have largely been realized. In the U.S., the onshoring of manufacturing is also contributing to higher electricity use. We expect these trends to strengthen over the coming quarters, with forward power prices firming amid a tightening supply-demand balance.

Near-term rush for renewable energy developments

The U.S.'s *One Big Beautiful Bill Act* significantly restricts wind and solar tax credits to projects already underway, effectively ending such credits for most new renewable energy developments beginning in 2028. This change supports valuations for renewable-exposed assets in the U.S. market while setting the stage for slower capacity additions toward the end of the decade, both factors that should exert upward pressure on power prices. We anticipate a meaningful acceleration in activity as developers move to capture remaining incentives.

> Global power demand is being revised upward, driven by multiple sectors of structural growth – AI and data centres, electrification of transport and industry, the expanding digital economy, and the recovery in retail consumption… .
>
> — The Ecofin team at Redwheel

Broadening sources of power

From a supply perspective, varying forms of power demand require differentiated solutions. AI and hyperscale data centres are highly power-intensive users, requiring continuous, high-quality electricity with strong voltage and reliability controls. In contrast, transportation electrification can rely more on intermittent sources, as charging schedules can be managed and optimized. Meeting this diverse and expanding demand will likely require an "all-of-the-above" strategy. While renewables still account for up to 80% of new power generation capex, their market share may have peaked. We expect a broader technology mix to emerge, including a resurgence of nuclear power, selective natural gas development and the growing role of battery storage as a critical balancing asset.

Power grids need updating

Following years of underinvestment, many power grids are now outdated and poorly equipped for a growing distributed energy future. This has triggered large-scale capital flows into transmission and distribution networks, which benefit from regulated returns and a high degree of predictability. Notably, European regulators are raising allowed returns to attract the massive capital required over the next decade.

Lower interest rates are favourable for utilities and renewables

After the steep rise in interest rates between 2021 and 2023, and lingering uncertainty stemming from inflation concerns, the prospect of lower interest rates presents a more favourable environment for utilities and renewables. Lower yields improve discount rates, reduce financing costs, enhance dividend appeal and bolster investor sentiment. In the U.S., recent policy clarity has brightened the outlook for the sector. With the turbulence of the COVID-19 pandemic and energy market volatility subsiding, the combination of stable earnings, infrastructure modernization and an ongoing shift toward renewable energy positions the sector to benefit from a lower interest rate backdrop. Similar to their European peers, U.S. utilities are influenced by interest rate dynamics, with valuations on both sides of the Atlantic partially linked to movements in interest rates.

Potential issues to watch for

Data centre power needs

There exists the potential for an overestimation of AI-driven data centre power needs. This could manifest in two ways: downward revisions to expected demand if compute requirements prove less than forecasted, or overinvestment in generation capacity, leading to oversupply, weaker power prices and lower returns. A major variable here is the energy efficiency of graphics processing units, or GPUs. While new microchips consume increasingly more power, it is plausible that future innovation could deliver meaningful efficiency gains, curbing electricity growth expectations.

Gas prices

Sharply falling gas prices could depress power prices and could delay renewable energy deployment by undermining the economic case for new capacity investments.

Affordability

As large-scale investments in generation and grid infrastructure accelerate and electricity usage rises, consumer bills will increase. This could quickly evolve into a political pressure point, with policymakers seeking to limit price growth and constrain returns to preserve affordability.

Heading into 2026, the utility sector's outlook has strengthened considerably as the shocks of recent years, including COVID-19 pandemic disruptions, energy market instability resulting from the Ukraine conflict and U.S. policy uncertainty, have receded. The growing likelihood of declining interest rates should aid the utilities sector, which remains attractively valued despite these improving fundamentals.

The Ecofin team at Redwheel is sub-advisor to NEI Clean Infrastructure Fund. Learn more about them and this Fund.

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IMPAX Asset Management

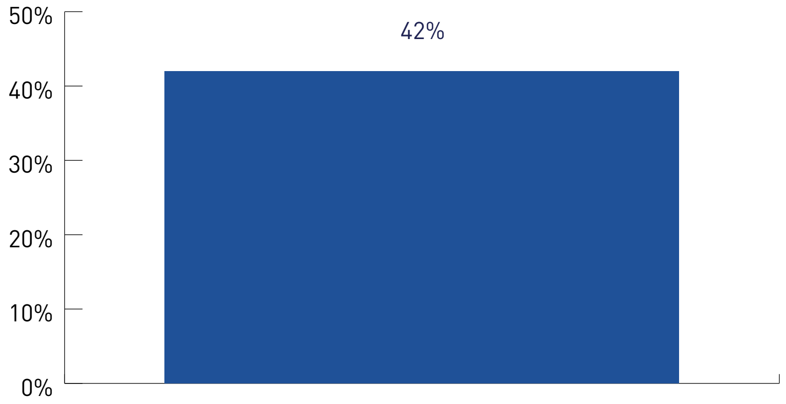
Impax Asset Management on thematic global equities

2026 global equities outlook

We are encouraged by several factors that we believe should create a positive backdrop for global equities in 2026, and particularly for investors focused on longer-term, secular growth opportunities. Moderating economic growth should benefit from the assistance of fiscal and monetary stimulus next year. While tariffs have slowed progress on U.S. inflation, a moderating inflation trend should continue as consumers push back on further price increases. Moderating inflation, slowing economic growth and a softer labour market will likely facilitate further interest rate cuts. A more accommodative central bank environment should be supportive for risk assets and equity market gains.

Equity valuations across regions are expensive relative to longer-term averages. However, pockets of opportunity should provide support for active managers. Narrow leadership has been exceptional since the start of 2023, with a handful of mega-capitalization companies accounting for an outsized share of the overall MSCI ACWI Index's return. As a result, capitalization-weighted benchmarks, such as the MSCI ACWI Index, have become increasingly top-heavy, now operating at historic levels of concentration. We believe a broadening of the stock market towards overlooked stocks with quality business models looks overdue.

Top 10 stocks in the MSCI ACWI Index, contribution to market cap gain since January 1, 2023 through September 2025



Source: Bloomberg L.P.

Despite elevated valuations and increased market concentration, the investment team believes opportunities exist in stocks that have been devalued despite strong earnings momentum and among companies demonstrating strong secular growth. The investment team remains focused on identifying businesses with durable growth drivers, sound management and attractive relative valuations. Additionally, while market dynamics favouring hypergrowth, cyclical and value stocks have created challenges, a rotation back towards sound fundamentals should provide opportunities for quality-focused managers.

Potential risks we are monitoring

The continuation of a speculative, risk-on environment led by momentum and hypergrowth at the expense of quality would be a challenge to our outlook. Our approach is founded on the conviction that superior long-term returns come from owning a concentrated portfolio of high-quality, durable growth businesses. These are companies capable of compounding value sustainably above their cost of equity. The focus remains on quality companies; that is, those with a demonstrable ability to capture and retain value from that growth through strong returns on invested capital, durable moats and governance discipline.

The continuation of mega-capitalization company dominance and market preference towards the largest names in the capitalization-weighted index would also be a challenge in 2026, given a structural underweight posture towards this cohort. However, a long overdue broadening of markets would support relative returns.

The evolution of global trade policy and the potential for a re-escalation in tariffs remain potential impacts on markets in 2026. Given the potential for volatility associated with tariffs and broader economic weakness, the investment team continues to maintain ample exposure to high-quality, operationally defensive businesses with strong market share and pricing power operating in oligopolistic markets, such as waste and recycling, and industrial gas.

> Despite elevated valuations and increased market concentration, the investment team believes opportunities exist in stocks that have been devalued despite strong earnings momentum and among companies demonstrating strong secular growth.
>
> — Impax Asset Management

Opportunities in global equities

Digital infrastructure enablers of AI

The AI revolution is driven by three key factors: the exponential increase in data availability, advancements in computing power and recent scientific breakthroughs, particularly in machine learning and AI model architectures. Insatiable demand for AI is leading to surging energy consumption. We believe companies at the vanguard of innovation can radically reduce the resource intensity of the global economy. Opportunities include chipmakers, chip-making equipment manufacturers, chip design tools and cloud-computing infrastructure.

Electrification and power demand

Geopolitical uncertainty, reshoring and the related policy support have led to a rapid reinvigoration of U.S. infrastructure spending. Additionally, global electricity demand is growing rapidly. Trillions of dollars must be invested in electricity networks over the coming decades to power growth in an increasingly digitalized global economy, and to avoid potentially devastating blackouts. Power grids must expand and get smarter to accommodate the rise of renewable energy sources and bi-directional electricity flows. This supports growth opportunities for companies providing energy optimization solutions.

Health care positioned to rebound

Health care has been under pressure due in part to U.S. policy uncertainty, but challenges that have weighed on the sector may have peaked. Beyond policy issues, these challenges include tariff concerns, a slowdown in China demand and de-stocking headwinds, leading to attractive valuations. These temporary challenges have not diminished the long-term drivers of growth for businesses in the health care sector. With results indicating a recovery in corporate operating earnings, a re-rating looks overdue.

Impax Asset Management is sub-advisor to NEI Global Corporate Leaders Fund, NEI Environmental Leaders Fund and NEI Global Sustainable Balanced Fund. Learn more about them and these Funds.

Opportunities snapshot

Investors are navigating an era of new global trade dynamics and rapid technological change. The world is still growing – but under new rules. Longstanding forces such as globalization, stable geopolitics and falling interest rates are giving way to structural transitions that will define investing moving forward. In this environment, resilience and adaptability remain essential.

Opportunities span asset classes as monetary easing policies, solid corporate fundamentals and AI innovation support growth. Global growth remains supported in the near term by heavy fiscal spending even as long-term bond yields and public debt levels point to a system under strain. For investors, success will come from building balanced, high-quality portfolios that can succeed in vastly different conditions, turning a world in transition into a world of opportunity.

Responsible investing

Responsible investing entered 2026 on firmer ground after a challenging year. Despite political pushback in some regions, the rationale for addressing material ESG risks remains strong. Looking ahead, investors are focusing on tangible outcomes such as clean technology, responsible infrastructure and managing AI-related risks. In Canada, supportive climate policies and disclosure reforms could unlock new opportunities, while success will depend on balancing progress with integrity and Indigenous engagement.

Canadian fixed income

Easing inflation and solid corporate fundamentals are creating opportunities across credit markets. Tight spreads may widen at times and offer entry points to invest in high-quality issuers. Short-term credit remains attractive for its defensive characteristics, while potential trade progress between the U.S. and Canada could further support investor sentiment. Active management will be key to capturing yield while maintaining resilience in a still-uncertain policy landscape.

Global fixed income

Global bond markets are regaining interest as inflation moderates and policy cycles diverge. Attractive real yields and strong fundamentals in European and U.K. credit provide opportunities, while select emerging market debt offers foreign exchange potential. Shorter-dated, high-quality corporate bonds remain appealing amid fiscal uncertainty. The environment continues to reward active positioning across regions, durations and credit tiers.

Global impact bonds

Opportunities are emerging across global credit, supported by fiscal spending in infrastructure and defence, deregulation and reduced trade uncertainty. Government and corporate investment in AI are creating growth potential in sectors such as health care and pharmaceuticals. Securitized credit is offering resilient yields, while European high-yield and convertible bonds are providing value. Selectivity and diversification remain essential to managing tight valuations and navigating varied economic conditions.

Global high-yield fixed income

High-yield markets enter 2026 with stable fundamentals. Easing monetary policy and steady economic growth are creating a constructive backdrop for income generation. Opportunities are emerging in housing-related, media and telecommunications issuers, where refinancing access and improving profitability support value. Event-driven credits tied to mergers, acquisitions or restructuring offer catalysts for spread compression and idiosyncratic upside. Quality upgrades across the market and disciplined capital structures continue to enhance resilience and downside protection for investors.

Canadian equities

Canadian equities present selective value after a strong run. Transportation companies and railways offer opportunities after a period of underperformance, while software and consulting companies such as Constellation Software Inc. and CGI Inc. appear attractively valued despite AI-related concerns. Opportunities to invest in small-capitalization companies are emerging where company balance sheets are strong. Opportunities are improving in the industrials and consumer discretionary sectors, where select businesses have increasingly priced in tough environments, on both a cash-flow and valuation basis.

U.S. equities

The U.S. equity landscape remains rich with opportunity. The AI-driven investment cycle continues to transform industries. Disciplined stock selection that can separate durable innovators from speculative excess will become ever more important. Quality companies with stable earnings and pricing power remain well-positioned to navigate market and economic volatility. As interest rates fall and capital spending broadens beyond mega-capitalization companies, diversified portfolios stand to benefit.

Global equities

Market strength among global equities is widening. Falling interest rates, renewed infrastructure investment and AI are expanding earnings potential across regions. Europe's fiscal stimulus and Japan's reflation support diversification efforts. Emerging markets are benefiting from a weaker U.S. dollar and rising commodity prices. With valuations uneven but fundamentals improving, companies focused on governance, innovation and adaptability are placed to capture the next wave of global economic growth.

For more information about the *2026 Market outlook* or the investment opportunities set out in this report, please visit www.neiinvestments.com

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