



Wealth Management
Dominion Securities

Newsletter

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Ian Fitz-Gerald
Senior Portfolio Manager &
Investment Advisor



Maria Firmino
Associate

Our Monthly Morning Coffee

'If Karl, instead of writing a lot about capital, had a lot more capital, it would have been much better' - Karl Marx's mother



Greetings,

I was hoping for a better Super Bowl game last Sunday from an entertainment point of view, but as feared, the Seattle defense was just too much for New England to handle and quite literally bullied the Patriots offence off the field with every possession. For those folks looking to 'splash some cash', odds makers in Vegas saw a record amount wagered within every spectrum of the Super Bowl weekend. My personal favorite and one that always intrigues me is the ability to bet on the color of

Gatorade that gets dumped on the head of the winning coach. Prior to last Sunday's match on the BetMGM website, orange was the favored color at +225, with yellow, lime green and blue all trailing closely behind as +260. I am still amazed how this secret is maintained prior to game-end, as I can't see it happening without having team training staff on both sides all sign NDAs.

Well, after the final whistle blew on a game that was basically over by halftime, the color dumped on Seattle head coach Mike McDonald was yellow which would've netted you \$260 with a \$100 wager.



A New Addition to Our Team



I am extremely proud to announce that at long last, Maria and I are welcoming a third team member to join our ranks in serving our client base. Sujeesh Sethu has been with RBC Wealth Management for the last year, and hails originally from India. Sujeesh completed his schooling and undergraduate studies in India, arriving to Canada with a bachelor's degree in commerce. He later completed his post graduate certificate in International Business Management and just recently completed the Canadian

Securities Course to further enhance his knowledge of the financial industry. Before joining RBC, Sujeesh worked in various customer-facing roles, gaining hands-on experience in client service, communication, and problem-solving. Outside of work, he is extremely active via outdoor sports like cricket, badminton, and is also a certified fitness instructor as well as an animal lover. Welcome aboard, Sujeesh...!

'Elbows up'... This Recent Market Rotation Might Just Favor Canada

There was somewhat of a violent rotation out of tech leadership last week into some of the more cyclical, "older economy" sectors. As someone on CNBC stated, investors were selling 21st century ideas for 19th century businesses. At this stage, the Canadian TSX index is showing a YTD gain of 2% while the tech-heavy Nasdaq is down 1%. It marked the biggest rotation out of 'momentum-style' stocks since

vaccines were announced in November 2020. In Canada, last week saw a real surge in commodities, with the energy trade leading the charge. Enbridge shares and Suncor both hit a new 52-week high last week. Despite the full-scale selling in these various US sectors highlighted by software, the revisions I'm seeing for earnings in 2026 and 2027 continue to rise for the S&P 500 as investor confidence in economic resilience steadily rose throughout last year. However, for this to continue, I feel two things need to happen:

- (a) momentum in the popular trades (e.g., tech) needs to continue to unwind, and
- (b) cyclical strength improves throughout 2026.

At this stage, we still see emerging value in the tech sector, although the market "pendulum" always overshoots, especially when positioning is this crowded. Similarly, there are encouraging signs on global trade and economic activity despite trade uncertainty, which is constructive for the more cyclical sectors. The



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TSX is very well positioned in this environment given the heavy weighting in commodities (which are benefiting from a weaker USD, amongst other commodity-specific factors) and GDP-sensitive sectors. What's that saying... don't forget to play a little defense. Never should the term 'Balanced Portfolio' ever be ignored...



How would you react if your portfolio suddenly dropped by 10% in a bear market? What about 20% or more? If investors were able to anticipate emotional reactions during tough markets, they would be better prepared to come to terms with risk before facing it. One would also be better able to resist making rash moves during inevitable turndowns like the one we are seeing in technology shares currently. Over the last year, many investors developed a false sense of

security from the roaring success of any equity investment in the AI space. The attraction to this mode of trading has come at the expense of maintaining a balanced portfolio and loading up on 1-2 sectors. Well, I've said for years that this market has a powerful way of humbling investors when they least expect it... and we are now witnessing just that. Here's a list of some CNBC 2025 'fan favorites' that have been talked up by analysts everywhere. I've noted the share price 'high' for the year 2025 as well as the current price level of these shares, as of last week:

- Shopify - \$253 (now trades @ \$153)
- Microsoft - \$555 (now trades @ \$395)
- META - \$796 (now trades @ \$657)
- ServiceNow - \$211 (now trades @ \$102)
- Amazon - \$258 (now trades @ \$204)
- Core Weave Inc. \$187 (now trades @ \$88)

The worst part is that I do not feel the volatility in the tech space is over yet....



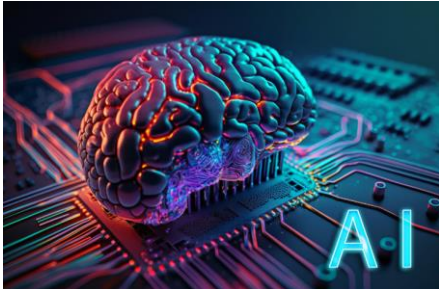
History sometimes has an amazing habit of repeating itself...

Back in the late 90s, we saw shares like JDS Uniphase and Nortel plummet from sky-high valuations down to pennies, all within a year. These days, investors are wondering if we are seeing something similar, as the market witnesses heavy selling around names that have typically been regarded as stable business models; we are now witnessing full scale software companies such as ServiceNow, Microsoft, Thomson-Reuters, Qualcomm and Constellation Software and many others selling off aggressively, as the AI story of 'replacing software' continues to carry momentum.



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In addition, we're seeing AI stocks which certainly have not been able to escape the selling pressure, because shareholders are 'calling out' some of the CEOs who have announced huge investments into AI without a glint of ROI (return on investment) anywhere in the future...



Many investors seeking out some of these highly touted AI firms being talked up face owning shares of firms with extremely high valuations, firms that face very intense competition as well as the potential for a 'bubble' to burst when this market excitement outpaces real-world earnings. While the long-term potential for AI is indeed significant, the short-to-medium term presents risks related to market overcrowding, high capital spending and unpredictable regulatory environments. For example, there may be 10

attractive AI companies out there now which are all being viewed as 'strong buy' recommendations. However, 12 months from now, some of these firms may be out of business while some simply burn cash & struggle to stay afloat. Those AI companies with sustainable models that execute & manage to make it will likely be gobbled up by the larger firms in the sector; those large-cap names with heaps of cash on their balance sheets, firms such as Amazon, Google, and Apple.

Based on this assessment and for stable upside growth, I choose simply to own these large firms long-term and forget about trading this market. However, don't become sellers just yet based on these recent losses in your account - based on my research, AI is transforming software development by automating routine tasks such as code generation, debugging and documentation but is not replacing the need for software engineers. Instead, AI is shifting roles towards higher level system architecture and oversight but roughly about 30 to 40% of coding

tasks potentially automated by the year 2040... that's a long way away. The consensus is that AI will augment developers rather than replace them as human judgment remains essential for complex work.

Be very careful about chasing this AI trend to the extent where it conflicts with the investment objectives of your retirement portfolio... we do not need risk like that in our lives.

As always, please call me directly if you are concerned about any of your holdings....



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Stocks to Watch – ARC Energy



I've owned shares of ARX for ages, as it is a component for energy exposure with many of our discretionary clients. I also hold a personal stake of ARX shares in my TFSA...I guess this is called 'putting my money where my mouth is!

Last week, the firm reported production in the fourth quarter noticeably better than expectations. As a result, free cash flow came in better at \$0.72/share, of which \$0.45 was returned to shareholders through dividends and share buybacks in the quarter. The capital budget

guidance for 2026 was balanced and will easily support its future production. The firm generates healthy cash flow, operates with low debt levels compared to some producers and offers a financial model which looks well-balanced. ARX is a medium-sized producer that sits on a very large land bank in attractive parts of the Western Canadian basin. Last week, however, the company pulled guidance on a project that was giving unreliable performance - this was viewed as a disappointment by investors.

Production growth targets do not look meaningfully altered, however, and for now, the thesis is unchanged. We see ARX as a good way to invest in a Canadian natural gas play and I will look to add for clients at these lower price levels.



Here's an Estate Planning tip to note:

RBC's Joint Gift of Beneficial Right of Ownership (JGBRS): As part of any household's Estate planning process, you may want to establish a joint account with a spouse or another family member. One reason for this is because these assets are immediately available to your spouse upon your death. Another reason may be part of an overall strategy to potentially minimize estate taxes at death. At RBC Wealth Management, one type of joint account available is a JGBRS account. This account may help you achieve some of these planning objectives. However, it is important that you understand the



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benefits & potential drawbacks of this account prior to opening one. It's also important to consider how a joint account fits into your overall estate plan.

This is an account where the beneficial ownership of the value of investments inside the portfolio reside with the primary account holder during your lifetime, while gifting beneficial entitlement to the right of survivorship in the account to any family member or friends named as successor account holders. It is the equivalent of assigning beneficiaries to a taxable account (normally, we are only able to assign beneficiary information to tax-sheltered accounts, such as RSP and TFSA's)

If you would like more information on this topic for yourself and/or your family lawyer, please contact my office directly.



Anyone looking for new streaming ideas needs to check out 'Steal', a British series now on Amazon Prime. The series features Sophie Turner as Zara, an office worker caught in a £4 billion pension heist. It is fast-paced, suspenseful, and at times, very bizarre drama set in London. All episodes were released on January 21st, 2026, on Prime Video so it's quite recent. The story follows Zara and her under-achieving work colleague Luke at a firm called Loch mill Capital, is a pension fund investment company; they become two poorly paid employees who are forced to help armed thieves steal billions of dollars. I'd call it a 'money heist' style thriller with a

distinctly British tone... only six episodes and very much worth the time investment.



Currently, I am halfway through Season II of 'Night Watchman'... I am a huge closet Hugh Laurie fan. and so far, he doesn't disappoint!



The FA Cup is possibly the oldest tournament in the modern world and is unique since it allows teams from all levels in the English soccer pyramid to compete against each other - this year the tournament started with a record 736 teams. The crazy thing about this tournament is just by being in



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one of these leagues means that you're automatically entered... it's not like you need to qualify for this tournament unlike, say the NHL playoffs where only 16 out of 30 teams advance to a post-season playoff round. This year, there was an upset of immense magnitude... I mean huge!! FA Cup holder Crystal Palace's loss to 6th tier Macclesfield in an all-time greatest upset. Macclesfield FC the lowest ranked team currently left in the FA Cup recorded one of the greatest shocks in the competitions history as they stunned holders Crystal Palace... last year's FA Cup champions... in a seismic 2-1 victory last month.

Think of a semi-pro hockey team out of Fairbanks, Alaska hosting the NHL's Winnipeg Jets in their own outdoor rink... and beating them by a goal. As the Brits would say, 'Massive! Absolutely massive!'

Finally...

So, Santa has ignored me over the last few yuletide seasons, but for whatever reason, he left a battery-

powered snowblower beside my empty stocking hanging from the fireplace... guess who's been the most popular guy on the block these last few weeks?!!

That's it from me... BTW, I hope the snow clearance in your district is better than what I've been getting for my municipal taxes.

As always, many thanks for your trust.

Ian



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