CIBC PRIVATE WEALTH

INVESTMENT STRATEGY COMMITTEE

Quarterly Portfolio Strategy Report

NORTH AMERICAN YIELD EQUITY MODEL PORTFOLIO

May 2026

Inside this issue

See Disclosures And Disclaimers at the end of this report for disclosures, including potential conflicts of interest. Complete research on any equities mentioned in this report is available from your Investment Advisor.

Unless otherwise noted, all prices quoted in this report are as of the close of markets on March 31, 2026.

Market Review: Q1/2026

North American equity markets delivered mixed results in the first quarter of 2026, with a sharp sell-off in March bringing down overall returns. The S&P/TSX Composite Index (TSX) delivered a gain for the quarter, lifted by strong commodity prices that supported the energy and materials sectors. In contrast, the S&P 500 Index (S&P 500) declined, weighed down by weakness in technology and financials. Market sentiment reflected heightened macro uncertainty, with the conflict between the U.S. and Iran escalating. Iran effectively closed the Strait of Hormuz, a critical passage for about 20% of global oil shipments. This disruption sent oil prices sharply higher: West Texas Intermediate (WTI) crude surged more than 77% during the quarter, crossing above US$100 for the first time since 2022. This energy shock pushed inflation pressures higher and prompted central banks to reassess interest-rate policy amid the ongoing uncertainty. Bond yields rose as investors began to price in the possibility of a period of elevated inflation and of central bank rate hikes. Gold prices ended the quarter higher, though there was a sharp reversal in March. The technology sector, which has been a key driver for U.S. markets in recent years, was notably weak as concerns about AI disruption weighed on software stocks. On the trade front, the U.S. Supreme Court ruled against the Trump administration's use of emergency authorities under IEEPA to impose tariffs, but did not provide guidance on potential refunds. Shortly after, Trump imposed a 10% global tariff under Section 122. CUSMA negotiations continued, but no breakthroughs were announced.

In Canada, the TSX delivered a price return of 3.3% for the quarter, supported by ongoing strength in resource-focused sectors. Energy, Materials, and Utilities were the top performing sectors, posting price returns of 29.0%, 10.4%, and 10.2% respectively. In contrast, Information Technology, Real Estate, and Health Care lagged, with respective price returns of -22.5%, -5.2%, and -5.0%.

In the United States, the S&P 500 posted a price return of -4.6% for the quarter. Leading sectors included Energy, Materials, and Utilities, with respective price returns of 37.2%, 9.3%, and 7.5%. Conversely, Financials, Consumer Discretionary, and Information Technology lagged, with price returns of -9.8%, -9.3%, and -9.3%, respectively. The tech-heavy Nasdaq Composite Index posted a price return of -7.1%.

International equities posted mixed results this quarter. In Europe, Germany's DAX declined by 7.4%, while France's CAC 40 fell 4.1%. The U.K.'s FTSE 100 advanced 2.5%. Elsewhere, Japan's Nikkei 225 rose 1.4%, Hong Kong's Hang Seng Index declined 3.3%, Australia's ASX 200 fell 2.7%, and India's Sensex 30 dropped 15.6%.

The Bank of Canada held its benchmark interest rate at 2.25% in both January and March, following a 25 basis point cut in October 2025. Canada's annual inflation rate eased to 2.3% in January (down from 2.4% in December), and further to 1.8% in February. The Canadian unemployment rate, which ended 2025 at 6.8%, improved to 6.5% in January, before rising to 6.7% in February.

In the U.S., the Federal Reserve maintained the federal funds rate in January and March 2026, following a 25 basis point reduction to a range of 3.5% - 3.75% in the fourth quarter of 2025. The annual inflation rate held steady at 2.4% in both January and February. The energy price surge will be reflected in the March report and there is a risk that further Fed cuts could be delayed if oil prices remain elevated. After a decline of 92,000 in February, nonfarm payrolls rebounded by 178,000 in March and the unemployment rate edged down to 4.3%.

The FTSE Canada Bond Universe Index gained 0.2% for the quarter. Yields on U.S. Treasury securities rose by 32 basis points for the 2-year and 15 basis points for the 10-year. The spread between 10-year and 2-year Treasury yields, finished at 53 basis points. Canadian Treasury yields also moved higher: the 2-year yield rose 23 basis points, and the 10-year yield increased by 1 basis point. The spread between Canadian 10-year and 2-year yields ended the quarter at 62 basis points. At quarter-end, the yield on the Canadian 10-year bond was 3.44%, compared to 4.32% for the U.S. 10-year bond.

Portfolio Performance

ISC North American Yield Equity Model Portfolio

The CIBC Private Wealth North American Yield Equity Portfolio delivered a solid absolute return in the first quarter of 2026, although it modestly underperformed its benchmark. The primary detractor was the energy sector, driven by unfavorable stock selection. The information technology sector also weighed on performance, as rising concerns around generative AI negatively impacted select holdings. Conversely, the industrials sector was the largest contributor, benefiting from strong stock selection.

The energy sector underperformed on a relative basis, primarily due to our positioning within the sector. The portfolio was overweight in midstream, pipelines, and uranium compared to the benchmark, while maintaining an underweight position in oil and gas producers. The latter outperformed as energy prices surged following an oil supply shock stemming from the conflict in the Middle East. Additionally, Arc Resources (ARX) saw its share price decline in response to Q4 2025 financial results where the company provided a mixed outlook that reflected operational setbacks at Attachie, its flagship Montney project. Arc Resources' stock rebounded and produced a solid return for the quarter but lagged relative to peers. We remain constructive on the company, and its longer-term fundamentals remain intact. Despite solid absolute performance, Cameco (CCO) was a detractor in the first quarter, as it lagged the robust gains of oil and gas producers. Within the information technology sector, Broadcom (AVGO) and International Business Machines (IBM) detracted from performance, as generative AI-related stocks came under pressure from elevated valuations, rising competition, concerns about AI-driven disruption, and general market weakness.

Partially offsetting the negative relative performance was the industrials sector, which emerged as the largest positive contributor to relative performance, primarily due to strong stock selection. Honeywell (HON) was the single largest contributor within the sector, benefiting from good quarterly financial results, a positive outlook, and the announcement of a faster-than-expected planned separation of its Aerospace and Automation businesses. Caterpillar (CAT) also made a notable contribution, supported by significant growth in its power business as well as solid performance across its core legacy businesses.

During the quarter, we reduced our position in Maple Leaf Foods (MFI) to capitalize on strong share price appreciation. Maple Leaf Foods shares have performed well, as investors responded positively to the company's ongoing simplification process following the spin-off of Canada Packers (CPKR) last year. Additionally, a recent investor day offered further clarity on the company's forward strategy.

Equity markets were mixed in the first quarter of 2026, as broader indices faced headwinds from weakness in technology and AI-related equities, heightened geopolitical risks, and concerns surrounding private credit. In contrast, yield-oriented benchmarks in both the U.S. and Canada outperformed meaningfully, which benefited the portfolio. Looking ahead, our near-term outlook has become more cautious. Persistent geopolitical tensions in the Middle East, ongoing concerns about inflation expectations, and continued uncertainty in global trade policy present headwinds for risk assets. The portfolio remains well-diversified and defensively positioned, with an overweight in yield-oriented sectors and a focus on high-quality, well-capitalized companies that we believe are well equipped to navigate the current elevated volatility. We remain disciplined in our approach and attentive to the selective buying opportunities emerging from ongoing market dislocation.

The team here at CIBC will continue to deploy a multi-disciplined investment approach that uses fundamental, quantitative and technical research methods to construct a balanced portfolio of North American securities that aims to achieve long-term growth of capital and income for our clients.

Results as of the end of March 2026

Portfolio Performance	3 month	YTD	1 year	3 year	Since Inception[1]
North American Yield Equity	7.82%	7.82%	27.21%	18.08%	11.95%
Benchmark[2]	8.65%	8.65%	24.12%	17.18%	NA
Relative	**-0.83%**	**-0.83%**	**3.08%**	**0.90%**	**NA**

[1] March 28, 2017.

[2] Benchmark: 63% S&P/TSX Composite Dividend Index + 32% Dow Jones US Div. 100 Index (CAD) + 5% FTSE Canada 91-Day T-Bill Index.

Current Environment

Although tensions in the Iran conflict have eased, the situation is far from resolved and we remain in the midst of an oil shock. Historically, oil shocks have often come before recessions: the 1973 OPEC oil embargo led to a severe downturn, the early 1980s double-dip recession was triggered by an oil shock, the 1991 recession followed a similar pattern, and even the 2008 financial crisis came after a substantial rise in oil prices. It's important to note, though, that it wasn't the oil shocks themselves that directly caused these recessions. Instead, it was the response from central banks, tightening monetary policy to counteract the inflationary effects of supply disruptions, that triggered the downturns.

How central banks respond this time will depend on the severity of the shock, which is shaped by four factors: the state of the oil market at the onset of the crisis, the health of the economy, the magnitude of the shock, and its duration. This crisis began with the energy market in a relatively balanced position, which has helped to cushion some of the impact. Still, both the U.S. and Canadian economies were already showing signs of weakness before the crisis began. The near 50% increase in oil prices since late February is significant by any measure. The duration of this shock remains uncertain, but even if the conflict were to end tomorrow, which seems unlikely, it would take weeks or months for oil flows to normalize and much longer for the natural gas market to return to balance. By all accounts, we are in the midst of a significant oil shock.

Given that both the U.S. and, to a greater extent, the Canadian economy were already showing clear signs of weakness, with labour market activity slowing and consumer confidence weakening, we believe that, if not for the war with Iran, both central banks would have signaled an easing move by now. However, the inflationary impact of the crisis is shifting that narrative. While we expect economic weakness to offset some of the oil-driven acceleration in inflation, our forecast is that the Bank of Canada will keep interest rates unchanged through the rest of the year, while the Federal Reserve will delay its first rate cut until later in the year. Long-term bond yields could drift higher as markets start to anticipate modest rate hikes in 2027 and feel the effects of elevated government financing needs.

This outlook aligns with our working assumption that oil prices will remain elevated through the summer and ease to around $70-$75 per barrel by the fall. We also expect that the current inflationary impact of the war will prompt some compromise on the tariff front. We anticipate CUSMA will be renegotiated, with most of the impact likely to be sector-specific (dairy, lumber, auto) rather than broad-based.

This environment points to GDP growth in 2026 averaging a subdued 1.2%, with a recovery to 2% in 2027 as uncertainty fades and pent-up demand is released. In many ways, we see 2026 as a transition year, moving from a challenging period toward something better.

Outlook

The first two months of Q1 2026 saw equity markets moving higher on optimism regarding the overall economic outlook and corporate earnings strength. This changed at the end of February with the decision by the U.S. and Israel to launch missile strikes on Iran in an attempt to force the Iranian government to cancel its nuclear weapons program. As the attacks continued through March, sentiment reversed from bullish to bearish and equity markets sold off with the S&P 500 Index (S&P) and the S&P/TSX Composite Index (TSX) falling 5.1% and 4.6%, respectively. For the quarter, the S&P declined 4.6% while the TSX outperformed, gaining 3.3%.

The quarter began amid corporate demand for artificial intelligence (AI) continuing to exceed supply. The massive increases in spending on AI by hyperscalers, have signaled that the enormous spending on AI infrastructure will need to continue in order to close the supply-demand gap. At the same time, fears that AI platforms provided by Anthropic, OpenAI and other providers will disrupt traditional enterprise software demand have hit investor confidence in enterprise software companies, triggering a sell-off in software companies' shares and dragging the technology sector lower. Private credit markets are also being affected as several private credit funds that have large portfolios of loans to software companies have received many redemption requests from their investors and the resulting pressure on the share prices of several alternative asset management companies is weighing on the financial sector. In sovereign debt markets, the Canadian and U.S. markets delivered positive quarterly returns, although the yield curves flattened modestly, with long-term bond yields rising less than short-term yields.

As the second quarter begins, U.S. consumer spending continues to hold in as unemployment remains below 5%, in spite of a loosening of the job market as corporations adopt AI to become more efficient. Overall, the outlook for corporate earnings is healthy and with the impact of the U.S. reshoring many manufacturing jobs, the anticipated boost from President Trump's One Big Beautiful Bill, as well as continued huge spending on AI infrastructure, there is reason for optimism. Offsets to this include: i) concerns over private credit loans to software companies that have raised fears that these might impact the wider U.S. financial system; ii) the uncertainty regarding interest rate policy under a new incoming Federal Reserve chairman; iii) high U.S. government debt; and iv) the duration of the war on Iran and whether inflation, which was 2.4% in March, will move notably higher due to the inflationary impact of higher oil prices.

In Canada, a strong earnings outlook, the potential for a boost to corporate earnings from AI adoption, and high prices realized oil prices by Canadian energy companies are tailwinds for equity markets. Offsets include: i) high unemployment of 6.7%, which is up 20bps from the previous month; ii) an uncertain housing market and the potential negative impact on consumer spending as mortgages are refinanced at significantly higher rates for certain borrowers; iii) the impact of tariffs; iv) constraints on immigration; v) the renegotiation this year of the trade agreement with the U.S. and Mexico; and vi) the possibility of significantly higher inflation from high energy prices caused by the war with Iran.

The S&P began the quarter trading at a forward P/E of 25.6x, well above its 10-year average of 20.9x, and the TSX traded at 19.2x versus its 16.5x 10-year average. The war on Iran and the corresponding decline in equities in March saw the S&P finish the quarter trading at a forward P/E of 20.6x and the TSX trading at 16.7x. The move down in markets this quarter and the retracement by both indices closer to their respective provides a case for upside from here, given for the healthy earnings growth outlook on the S&P and the TSX.

For both the S&P and the TSX, energy, materials and utilities were the top performing sectors and information technology was a laggard. However, the TSX outperformed the S&P given the higher weight of energy, materials and utilities in the TSX versus the S&P, and the TSX's lower weighting in information technology. Assuming that high oil prices continue, the TSX should benefit more from this than the S&P, given the TSX's higher weighting to energy. Higher inflation due to increased energy prices should reduce the chance of rate cuts by the Bank of Canada and the Federal Reserve, while corporate AI adoption should provide support for the current earnings outlook in Canada and the U.S. Overall, we are cautious regarding financial markets in the near-term, given the uncertain situation in the Middle East and the possibility of higher inflation. Both of these could offset the current resilience in consumer spending and the strong corporate earnings outlook as the year progresses.

Appendix A: Investment Strategy Committee Members

Wincy Wong, CFA, FSA credential holder

Executive Director, Investment Strategy Group, CIBC Private Wealth

Wincy Wong joined CIBC in 2021 and has over 20 years of investment experience. Previously, she held lead portfolio management responsibilities for a number of large cap dividend mandates at Mackenzie Investments. Wincy is the chair of the Investment Strategy Committee's (ISC) Stock Selection sub-committee. She is also a member of the CIBC Asset Allocation Committee. Wincy is a CFA charterholder and a holder of the Fundamentals of Sustainability Accounting (FSA) credential awarded by SASB.

Sid Mokhtari, CMT

Chartered Market Technician & Research Analyst, CIBC World Markets Inc.

Sid Mokhtari is a chartered market technician (CMT) and a research analyst with CIBC World Markets Inc., with a mandate in technical-model trading aspects of the Canadian stock universe. Sid assesses the internals of the broader indices for a top-down analysis, while his TrendSpotting Matrix provides bottom-up analysis from technical perspective. Sid plays an important role in educating CIBC's clients through technical disciplines and models. Sid has been selected as the first Canadian technician to hold a seat on the Market Technicians Association's Journal Review Board. He is a regular guest speaker on the Business News Network (BNN), at Canadian conferences, and is often quoted by the Canadian financial press.

Michael O'Callaghan, MBA, CFA

Director, Investment Strategy Group, CIBC Private Wealth

Michael O'Callaghan joined CIBC in 2011 and is responsible for providing market commentary, portfolio strategies and investment recommendations to CIBC Wood Gundy Investment Advisors and their clients. Prior to joining CIBC, Michael was in a similar position at another Canadian investment dealer. A graduate of the Richard Ivey School of Business's MBA program and a CFA charterholder, Michael has more than 15 years of experience in the financial industry.

Andrew O'Brien, CFA

Director, Investment Strategy Group, CIBC Private Wealth

Joined CIBC in 2023 and is a member of the Investment Strategy Committee's (ISC) stock selection sub-committee. Andrew brings over 10 years of experience in the investment industry, spanning equity research, investment strategy, and asset allocation. Prior to joining CIBC, he held the role of Director Investment Research at a large Canadian asset management firm, where he focused on Canadian equities. Andrew holds a Bachelor of Commerce degree and a Masters in Business Studies specializing in Finance from University College Dublin (UCD) in Ireland. He is also a CFA charterholder and holds a Certificate in ESG Investing from the CFA Institute.

Christopher Harvey, MBA

Managing Director & Head, Equity & Portfolio Strategy, CIBC Capital Markets

Christopher Harvey joined CIBC in late 2025 and is responsible for the firm's equity outlook, sector & factor calls, and cross-asset ideas. He has held positions at both investment management firms and brokerage institutions, working across equity and fixed income desks, with experience encompassing both quantitative and fundamental approaches. He is the former Head of Equity Strategy at Wells Fargo Securities. Mr. Harvey is a five time II All-American in Accounting and Tax, a featured contributor at CNBC, Bloomberg, and Barron's and is well known for his contrarian calls. Christopher received an MBA from NYU and a BSBA from Bucknell University.

Disclosures and Disclaimers

This report is issued and approved for distribution to clients in Canada by registered representatives of CIBC Wood Gundy, a division of CIBC World Markets Inc., Member CIPF, and also by affiliates of CIBC Wood Gundy via their registered representatives. This report is not authorized for distribution in the United States. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The CIBC ISC Model Portfolios are model portfolios of securities prepared by members of CIBC Wood Gundy's Investment Strategy Group, CIBC World Markets and CIBC Asset Management. The Model Portfolios are not mutual funds. The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC Wood Gundy. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. CIBC Wood Gundy suggests that, prior to making an investment decision with respect to any security recommended in this report, the recipient should contact one of our client advisers in the recipient's jurisdiction to discuss the recipient's particular circumstances. Non-client recipients of this report should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. CIBC Wood Gundy will not treat non-client recipients as its clients by virtue of their receiving this report. Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report.

Important disclosure footnotes for companies mentioned in this report that are covered by CIBC World Markets Corp./Inc.:

Stock prices as of April 10, 2025:

Agnico Eagle Mines Limited (2g, 7, 9) (AEM-NYSE, US$218.75)

ARC Resources Ltd. (2a, 2e, 2g, 3a, 3c, 7) (ARX-TSX, C$26.09)

Bank of Nova Scotia (2g, 3a, 3c, 7) (BNS-TSX, C$100.85)

Cameco Corporation (2a, 2c, 2e, 2g, 7) (CCO-TSX, C$160.73)

Canadian Natural Resources Ltd. (2a, 2c, 2e, 2g, 7) (CNQ-TSX, C$64.16)

Constellation Software Inc. (2g, 7) (CSU-TSX, C$2295.18)

Enbridge Inc. (1b, 2a, 2c, 2e, 2g, 7) (ENB-TSX, C$75.17)

Intact Financial Corp. (2a, 2c, 2e, 2g, 3a, 3c, 7) (IFC-TSX, C$251.7)

Maple Leaf Foods Inc. (1b, 2g) (MFI-TSX, C$31.18)

Restaurant Brands International Inc. (1b, 2g, 7) (QSR-NYSE, US$76.39)

Rogers Communications Inc. (2a, 2e, 2g, 7, 13) (RCI.B-TSX, C$44.86)

Shopify Inc. (2g, 7, 12) (SHOP-NYSE, US$110.79)

Suncor Energy Inc. (2a, 2c, 2e, 2g, 7) (SU-TSX, C$89.29)

TC Energy Corporation (2g, 7, 9) (TRP-TSX, C$88.39)

Toronto-Dominion Bank (2g, 3a, 3c, 7) (TD-TSX, C$139.28)

Waste Connections Inc. (2a, 2c, 2g, 7) (WCN-NYSE, US$161.59)

WSP Global Inc. (2a, 2c, 2e, 2g, 7) (WSP-TSX, C$218.87)

Key to important disclosure footnotes:

1 CIBC World Markets Corp. makes a market in the securities of this company.

2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.

2b CIBC World Markets Corp. has managed or co-managed a public offering of securities for this company in the past 12 months.

2c CIBC World Markets Inc. has managed or co-managed a public offering of securities for this company in the past 12 months.

2d CIBC World Markets Corp. has received compensation for investment banking services from this company in the past 12 months.

2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.

2f CIBC World Markets Corp. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

3a This company is a client for which a CIBC World Markets company has performed non-investment banking, securities-related services in the past 12 months.

3b CIBC World Markets Corp. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.

3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.

4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.

4b CIBC World Markets Corp. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.

4c CIBC World Markets Inc. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.

5a The CIBC World Markets Corp. analyst(s) who covers this company also has a long position in its common equity securities.

5b A member of the household of a CIBC World Markets Corp. research analyst who covers this company has a long position in the common equity securities of this company.

6a The CIBC World Markets Inc. fundamental analyst(s) who covers this company also has a long position in its common equity securities.

6b A member of the household of a CIBC World Markets Inc. fundamental research analyst who covers this company has a long position in the common equity securities of this company.

6c One or more members of Investment Strategy Group who was involved in the preparation of this report, and/or a member of their household(s), has a long position in the common equity securities of this company.

7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.

8 A partner, director or officer of CIBC World Markets Inc. or any analyst involved in the preparation of this research report has provided services to this company for remuneration in the past 12 months.

9 A senior executive member or director of Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household is an officer, director or advisory board member of this company or one of its subsidiaries.

10 Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., has a significant credit relationship with this company.

11 The equity securities of this company are restricted voting shares.

12 The equity securities of this company are subordinate voting shares.

13 The equity securities of this company are non-voting shares.

14 The equity securities of this company are limited voting shares.