

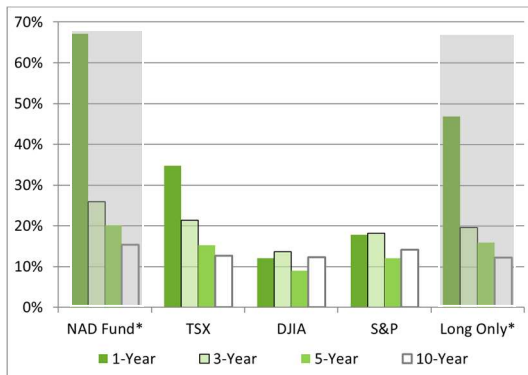
April 2026

"More money is lost preparing for corrections than in them" — Peter Lynch

Market Recap

In Q1/26 saw a sharp divergence between Canadian and US markets. Geopolitical conflict, policy shifts, private credit fears and surging commodity prices spiked the VIX (used as a proxy for fear) and pressured major US indices. Despite reaching new mid-quarter highs, the DJIA and S&P500 dropped by 3.3% and 4.4%, respectively. In contrast, the TSX rose by 3.8%, helped by strength in commodities and industrials. The NAV of the Agilith North American Diversified Fund rose by 17.0%, while the Agilith Long Only Fund rose by 11.3% (Figure 1).

Figure 1: Agilith Performance (03/31/2026)



Economic Backdrop

Gains made earlier in the first quarter by US indices were more than offset by the sharp drawdown following the attack by Israel and the US on Iran at the end of February. Fears of global stagflation, triggered by an energy supply shock, overtook otherwise benign economic growth and gradually declining inflation. Oil prices surged over \$100, while precious metals and other commodities also outperformed as the

crisis raised concerns about supply chain disruptions, input cost pressures, and potential retaliatory measures.

The Federal Reserve found itself in a difficult position during the quarter, ultimately choosing to maintain the funds rate target range at both its January and March meetings, despite conflicting economic signals. Initially, the inflation picture appeared to be cooperating with the Fed's objectives, as year-over-year CPI moved closer to the Fed's 2% long-run target. However, the outbreak of the Iran conflict reversed this progress, sending CPI inflation back to 3.3% by mid-March as energy and food prices surged. The dilemma that the Fed found itself in, was echoed by all the major global central banks as policy makers were forced to contend with the potential of ongoing inflation pressures caused by higher energy prices and the ripple effects throughout the broader economies. In short, the prospect for the start of an easing cycle, which many thought could begin in 2026, has been pushed out by several quarters. This realization has added further pressure to market multiples.

Global trade was also impacted by chaotic US policy reversals. In late March, the U.S. Supreme Court struck down certain tariffs on constitutional grounds, followed quickly by the administration imposing a temporary 10% global import duty for 150 days while ordering new investigations under alternative legal authorities. The confusion deepened further when administration officials indicated they were working to increase the provisional tariff to 15%, creating policy unpredictability. The net result is countries, including Canada are being forced to rethink their global trading partners and reduce reliance, to the extent possible, on the US. On that note, Canada and Mexico are

both faced with the first review of the CUSMA trade agreement. If one of the three countries fails to sign an extension to the original agreement, CUSMA moves to annual reviews and the uncertainty that this would likely lead to some freeze up of new capital investment. Key areas of contention include tighter eligibility rules for automobiles, Canada's supply management system in dairy and sovereignty with respect to Cybersecurity. We do not expect all these issues to be resolved by the first deadline of July 1; however, we do expect that negotiations will continue through the fall. Ultimately it is our expectation that the arbitrator of trade policy will flip back to Congress following the mid-term elections, which currently appear to heavily favour a blue swing. Should Congress flip to the Democrats, we would expect a significant check and balance on unilateral executive moves, reducing the general trade chaos of the past 15 months.

In global markets, the European economic recovery suffered a setback in the quarter as net energy importers saw increased risk of stagflation, resulting from the energy supply shock simultaneously increasing prices and stunting growth. The economic outlook was further dampened because of ongoing trade uncertainty with the US. Similarly, Asian economies, as net energy importers are also facing down higher costs and slower growth outlooks.

Market Outlook

Once again, the Canadian market outperformed the US indices, helped by the outperformance of the commodity sectors and a much lower exposure to technology and private credit. The combination of geopolitical and policy shocks continued the sector rotations that have been predominant over the past year. Energy and materials were both up by double digits, while Information technology was a significant drag. The so-called Magnificent Seven fell by 12%. The US was also negatively impacted by consumer cyclicals, whose outlook was impaired by rising costs, especially following the spike in oil prices.

The sell off in technology was a result of both the challenge to the long-term growth outlook of software models in the world of AI as well as the rise in interest rates which devalues future cash flows. The selloff was exacerbated by the fact that these stocks had benefited from a tailwind of price momentum, which once halted accelerated the momentum to the downside as these traders moved on to other sectors and are notoriously price insensitive. While volatility in both directions will be a driving factor, we do not expect these former market darlings to return to a leadership role.

The financial sector also saw volatility, rooted in the sector's credit exposure to technology. Private debt, in particular, was a major source of the concern as financing to the technology sector became an outsized liability as equity valuations plummeted. However, as some of the larger US financial institutions have reported strong Q1/26 results in the past two weeks, the market has been able to ringfence the risks and bank share prices have stabilized or rallied from lows.

Ultimately some market watchers have been perplexed at the strength in equity markets in the face of global turmoil in trade, inflation and military conflict. However, it is worth noting that in a period of sustained inflation, equities remain the best hedge for investors, far outpacing expected returns in fixed income and real estate. In addition, the risks associated with the opaque nature of private debt and equity was laid bare in the early part of 2026 as we are starting to see bad loans and risky investments marked to market. This has allowed public markets that have much better transparency to become a more attractive investment vehicle. Moreover, although AI is being recognized as a threat to software business models, we are beginning to see the margin expansion opportunities in many other parts of the economy, driving earnings growth and share prices higher.

Portfolio Positioning

The first quarter of 2026 was again more active than usual in terms of trading. Early in the quarter, we took on short positions in a number

of technology software names that had business models that looked vulnerable to the threat of AI, while still priced for excess growth over the long term. Near the end of the quarter, having made a sizable return, we closed out the majority of those short positions. These trades added roughly 300 basis points to the performance of the Agilith NAD Fund, which accounts for some of the gap in performance between Agilith’s two funds.

We also added new positions in IA Financial Corp and Nanoxplore to both portfolios. In addition to insider buying in both names, both companies had share prices that had completed a bottoming cycle and looked poised for recovery. From a fundamental perspective, IA Financial has experienced accelerating operating growth and trades at a relative discount to book value that we believe will position the company for further upside.

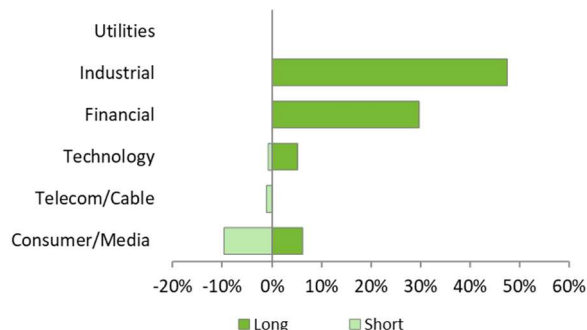
Nanoxplore has developed a lightweight material, graphene, that has a broad base of applications, including in the automotive and industrial sectors. Graphene has also been used in a proprietary technology that has the potential to improve other materials in terms of weight, strength and connectivity. The company has a new management team that is laser focused on driving sales growth. We have seen this start to play out in the company’s recent results.

We also initiated a position in Algoma Steel as we believe the company is poised for multiple expansion given their exposure to the defense industry and various relief measures designed to offset the impact of US tariffs, which created a significant drag to earnings and sentiment in 2025. A broad scale conversion of blast furnaces to electric arc furnaces should lead to a dramatic improvement in operating margins. Algoma’s hydro power source has also given the company a competitive edge when bidding for green European business.

Performance in the quarter was further augmented by strong share price performance in several of our key holdings including AGF, Magellan and Roots as well as our exposure to the energy service sector through our holdings in

Enerflex, Precision Drilling and Trican Well Services. Nutrien, a key supplier of fertilizer in North American experienced a sharp share price rise as fertilizer prices spiked in response to the conflict in Iran.

Figure 2: Agilith NAD Fund Portfolio Positioning (03/31/2026)



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