JULY 2026

The Andras Group Newsletter

We hope everyone is enjoying the summer and finding time to relax with family and friends.

As always, we'd like to share a few thoughts on the markets.

It's easy to get caught up in the day-to-day headlines, but we believe successful investing is built by looking beyond the short-term noise and focusing on the trends that shape the years ahead.

BEYOND THE HEADLINES

If there's one message investors have heard this year, it's that the world feels more uncertain. Tariffs, geopolitical conflict, rising defence spending and artificial intelligence dominate the headlines almost daily.

While each story is different, they all point to the same underlying trend: the global economy is changing. Governments are placing a higher priority on secure supply chains, reliable energy and domestic manufacturing. Businesses are discovering that resilience sometimes matters more than squeezing out the last dollar of efficiency.

That shift creates uncertainty, but it also creates opportunity. Periods of change have often been the times when patient, long-term investors are rewarded the most.

ANDRAS GROUP
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THE NEXT INVESTMENT CYCLE

Every major technological advance has required new infrastructure. Railways needed steel. The internet needed fibre-optic networks and data centres. Artificial intelligence needs electricity.

Today, the AI race is no longer just about software or semiconductors. It is increasingly about building enough power generation, transmission capacity and physical infrastructure to support a new generation of data centres.

This could lead to one of the largest global investment cycles in decades.

Technology companies, utilities and governments are committing hundreds of billions of dollars to expand electricity generation, transmission networks and digital infrastructure.

The opportunity extends well beyond technology. Utilities, pipelines, engineering firms, industrial manufacturers, infrastructure companies and the financial institutions funding these projects all stand to benefit.

Even if AI investment eventually slows, much of this infrastructure has already been committed. These projects will shape the economy for years to come.

PUTTING TARIFFS IN PERSPECTIVE

The proposed **50% tariff on a number of Canadian goods** has understandably captured investors' attention. However, the products identified represent only about 5% of Canada's exports to the United States, making this a targeted negotiating tactic rather than a broad assault on Canadian trade.

The administration is relying on Section 338 of the Tariff Act, an obscure provision that would likely face legal challenges if it were used to bypass CUSMA. At the same time, many large U.S. manufacturers and retailers have little interest in paying more for Canadian goods.

This also follows a familiar negotiating pattern: begin with a strong position, create urgency and leave room for compromise. There is no certainty about the final outcome, but markets often react to the worst-case scenario long before negotiations are complete.

WHY CANADA MATTERS

Canada enters this period from a position of relative strength.

The world needs more reliable energy, electricity and critical minerals, and Canada has them in abundance. Our hydroelectric resources, growing nuclear industry, natural gas reserves and critical mineral deposits position us well to support artificial intelligence, electrification and advanced manufacturing.

Canada also offers something equally valuable: political stability, strong institutions, transparent regulation and one of the world's most dependable financial systems.

Just as importantly, Canada is well positioned to produce the energy the world needs responsibly.

The question is not whether the world will continue to need energy. It is where that energy should come from.

Meeting global demand in countries with strong environmental standards, transparent regulation and accountable governance is a better outcome than shifting production to jurisdictions with weaker oversight.

Responsible energy development and environmental stewardship are not mutually exclusive. Canada has the opportunity to show that economic growth, technological innovation and environmental responsibility can work together.

The global energy transition is not a transition away from energy. It is a transition toward different sources of energy, all of which require more infrastructure, more investment and more reliable suppliers.

Canada certainly has challenges. Productivity growth has been disappointing, major projects can take longer than they should and our economy remains heavily influenced by housing.

Even so, as companies diversify supply chains and governments look for trusted trading partners, Canada's long-term advantages remain significant.

FINDING OPPORTUNITY

Whether or not these specific tariffs take effect, the bigger picture is becoming clearer.

Defence spending is increasing. Manufacturing is returning closer to home. Investment in electricity infrastructure continues to accelerate. Companies are paying more to build secure supply chains rather than relying solely on the lowest-cost producer.

These are not isolated events. They are part of a broader shift that is likely to influence investment returns for the foreseeable future.

Some of the best opportunities emerge when uncertainty is highest. We remain focused on identifying the long-term trends behind today's headlines and positioning portfolios to benefit from them over time.

HOW WE INVEST

Our investment decisions are never based on next week's headlines.

Instead, we focus on owning high-quality businesses and structured products that offer attractive risk-adjusted return potential. For our business investments, we look for durable competitive advantages, strong balance sheets, capable management teams and reasonable valuations.

We also believe diversification matters. Markets periodically reward concentration, but leadership eventually changes. That is why we continue to build diversified portfolios, add to quality businesses during periods of volatility and rebalance when valuations become excessive.

Structural trends are important, but so is discipline. Even great businesses can become poor investments if purchased at unreasonable prices.

LOOKING AHEAD

The future will undoubtedly bring new headlines, new uncertainties and new opportunities. While no one can predict exactly how events will unfold, history has shown that disciplined investors who remain focused on long-term fundamentals are often rewarded over time.

Our focus remains on identifying enduring trends, investing with discipline, and helping our clients navigate changing markets with confidence and perspective.

Headlines come and go. Sound investment principles endure.

Have a great rest of the summer, and as always, we are just an email or phone call away.

Sincerely,

The Andras Group

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The Andras Group

The Andras Group, a Toronto-based group of Research Capital, originated in 1921 when Kenneth B. Andras joined what was to become the predecessor firm Andras, Hatch & Hetherington. The Andras Group consists of four Portfolio Managers Ken Andras, John Andras, Will Andras and Patrick Thompson; and Investment Advisor Assistant to the Group Sarah McDonald. The members of the group work independently and as a team and currently have well over $500 million in assets under administration. Learn more at www.andrasgroup.ca.

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