THE GLOBE AND MAIL

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This $7-billion money manager sold Canadian banks to raise cash for a market drop he believes is near

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PUBLISHED SEPTEMBER 4, 2026
UPDATED SEPTEMBER 4, 2026

Money manager Greg Taylor has been shoring up a lot of cash in his portfolios in recent weeks, up to 20 per cent in some funds, readying for what he believes could be a rough few weeks ahead in the markets.

"I do think, as we head into September, the market is due for some volatility and for some downside," says the portfolio manager at PenderFund Capital Management Ltd., a Vancouver-based fund company focused on active management.

Mr. Taylor doesn't expect a prolonged downturn or recession, but cites geopolitical tensions in Iran, changing U.S. trade policies and the volatility that often comes with U.S. midterm elections as reasons markets could be set for a drop. Investor concerns about rising debt and the potential for interest rate increases could also cause the market to fall in the coming weeks.

"I think the market is priced for perfection right now in a lot of parts and it's an opportunity to be ready to buy on dips," says Mr. Taylor, who is also chief investment officer at PenderFund, which manages about $7.25-billion in assets.

Mr. Taylor describes himself as a "momentum manager" focused on actively trading growth companies and capitalizing on short-term volatility.

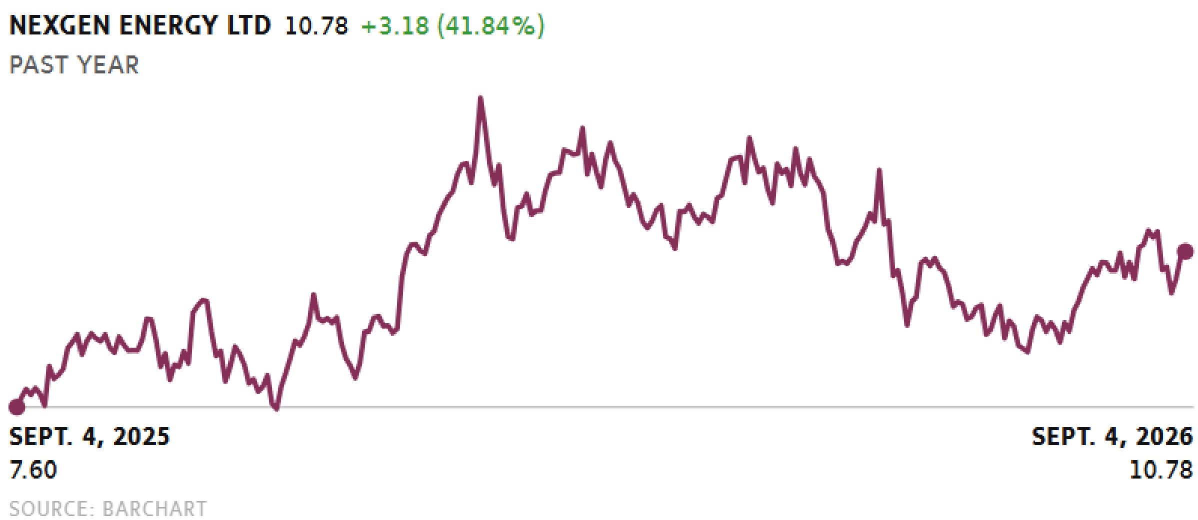
His Pender Alternative Select Equity Fund, which he brought to PenderFund last year from his previous role at Purpose Investments Inc., is a "thematic-based, sector-rotating fund." Those sectors today include materials, energy, industrials and cash.

The fund has returned 31 per cent so far this year. Its one-year return is 55 per cent, while its three- and five-year annualized returns are 34 per cent and 18 per cent, respectively. Those figures are based on total returns, net of fees, as of Aug. 26.

The Globe spoke with Mr. Taylor recently about what he’s been buying and selling:

Name three stocks you’ve been buying recently and why.

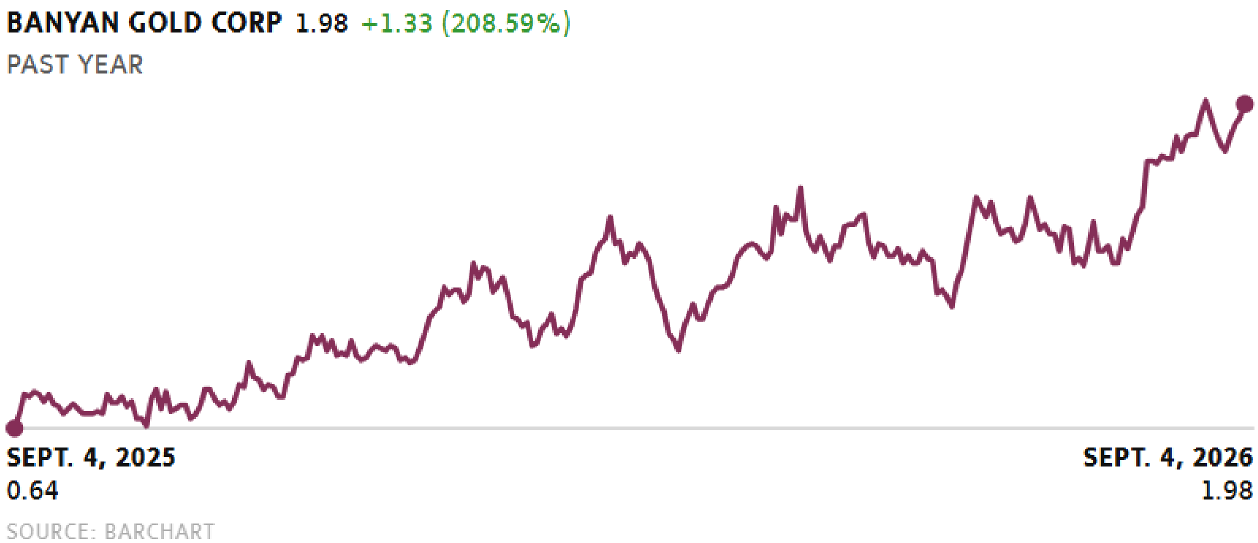
NexGen Energy Ltd. NXE-T, **+1.12% ▲,** the Vancouver-based uranium company, is a stock I’ve owned for the past four years and have been adding to in recent weeks.



I’m bullish on uranium. I think we’re setting up for a multi-year run in nuclear power as the world adds more supply to the grid to meet AI demand. Uranium looks really interesting here because capacity is limited and few projects are coming online. Canada is in a great position, with several companies in the development stage that should benefit from this growing demand.

NexGen’s flagship property in Saskatchewan is the Arrow project, which got its permits in the spring and construction is underway. It’s setting up to be one of the more exciting mining projects across all commodities. It also has strong exploration projects that could add upside for the company in the future.

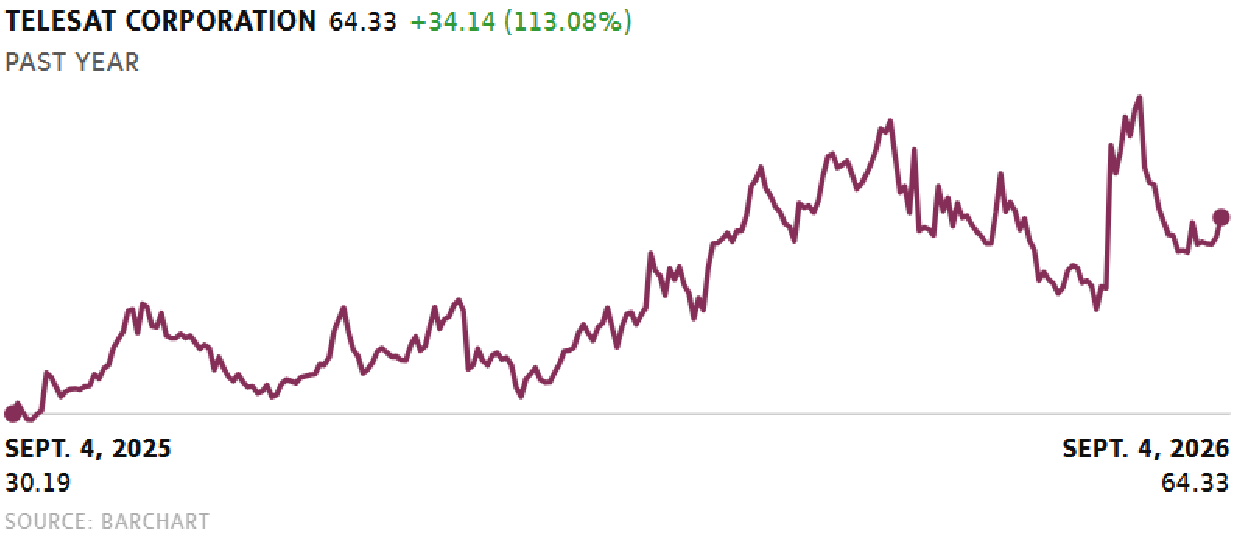
Banyan Gold Corp. BYN-X, +4.17% ▲ , a Vancouver-based, Yukon-focused gold exploration company, is a stock I've owned for about a year and have been adding to recently.



I'm positive on the gold sector. Gold stocks have had a very good year and could see more gains later this year. That said, I'm rotating away from senior gold producers and toward development-stage companies. I don't want to take on much geographic risk, so I've been more focused on Canadian development companies.

Banyan's flagship property is the AurMac gold project. It's expected to release its preliminary economic assessment soon, which should prove out the property, attract more investor attention and highlight the region's potential. That should also interest some of the senior companies looking to consolidate.

Telesat Corp. TSAT-T, +7.14% , the Ottawa-based satellite operator, is a stock I've owned for about a year and have been adding to in recent weeks on pullbacks.



The stock has been under pressure in the near term as investors assess how the company can fill funding gaps and restructure debt. But given the current backdrop of everyone realizing the importance of defence and infrastructure spending, and having a made-in-Canada solution, I think it can be rectified in the next few months.

Name a stock you recently sold.

We've been eliminating exposure to Canadian banks over the past month, including entirely from my Alternative Select Equity Fund. I know that sounds like a dangerous trade, but the banks have had such strong performance over the past 12 months that they've gotten to unprecedented valuation levels, higher than almost all international banks.

I don't think Canadian banks are a short trade; I just think they're going to be more of a 'market perform' [staying at current levels] for the next little bit as investors wait for their earnings to keep growing to justify these valuations.

This interview has been edited and condensed.

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