

INVESTOR INSIGHTS

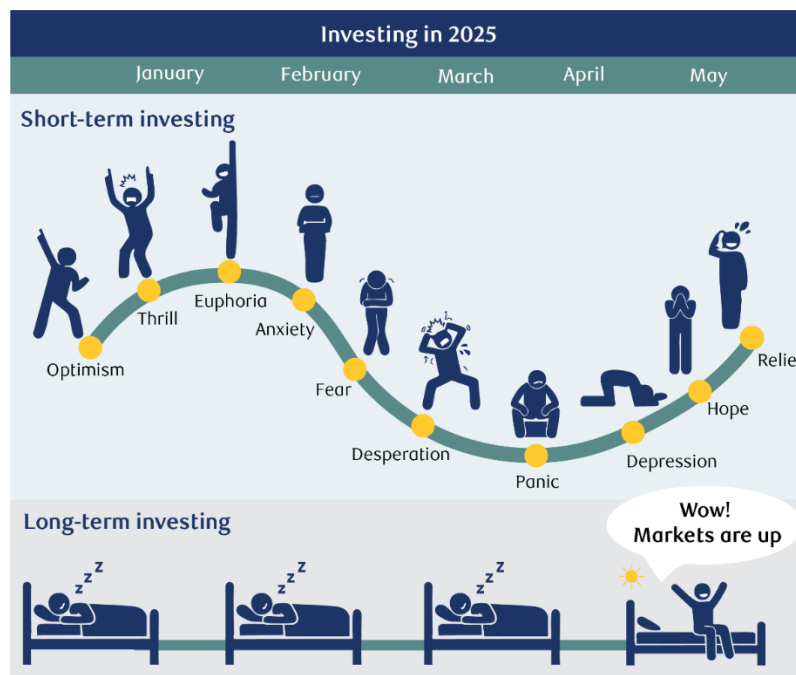
Big drop, bigger lesson
January 2026



If you had slept through the first half of 2025 and woke up at the end of that year, you'd have been surprised to learn that the TSX was up 32% as of December 31. On the surface, it looked like a steady climb. But for anyone watching closely, it was anything but calm.

Markets swung on headlines: Trump issued tariff threats, then backpedaled, then threatened again. Mix in recession fears and it's no wonder investors felt whiplash.

From January to mid-April, the TSX dropped 12%. By May, it had recovered most of that loss. The ride felt turbulent, but if you slept through the whole thing, you'd wake up thinking not much happened.



The emotional toll of watching too closely

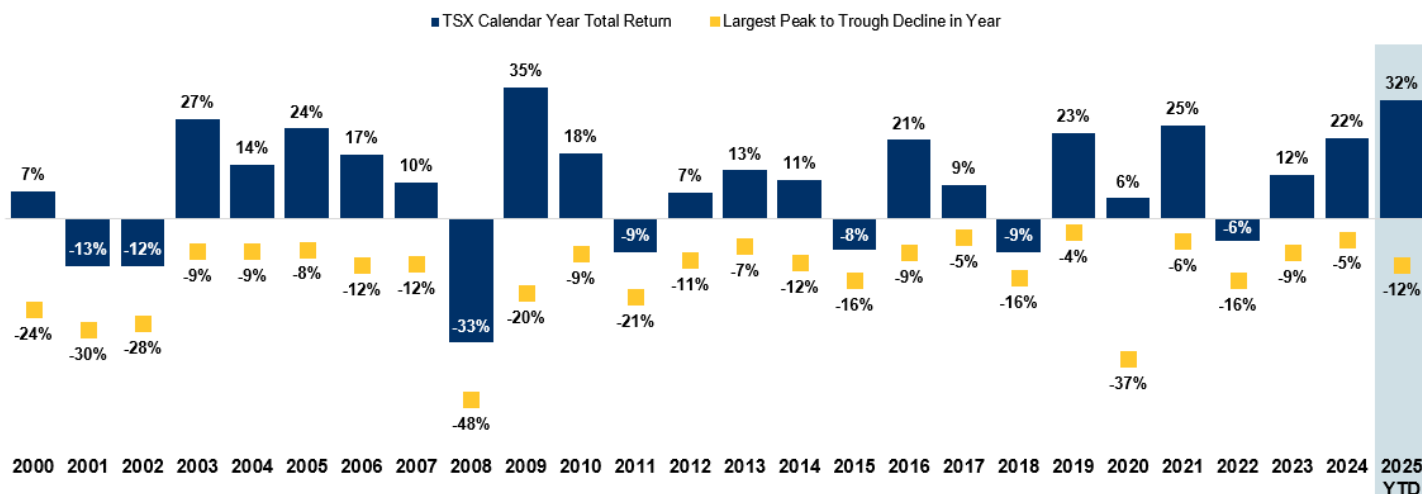
Last year was a clear reminder of how emotional investing can quietly erode long-term gains. When headlines turned negative, fear tended to take over. Many investors started wondering if they should pull back, wait for better news, or protect their portfolios "just in case."

But reacting emotionally often means selling low and buying back high, missing the sharpest part of the rebound. Markets tend to recover before confidence does. And in 2025, that's exactly what happened.

Drawdowns are hard. So is staying invested.

A 12% drop may sound steep, but it's not unusual. Since 2000, the TSX has experienced average declines of about 15% every year. What's unusual is how quickly markets tend to recover — often before investors feel ready to trust the rebound.

Annual returns and lows in the S&P/TSX Composite Index



Source: Bloomberg. Performance reflective of S&P/TSX Composite Index, denoted in Canadian dollars as of December 31, 2025. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. The peak is measured at the highest level of the index during the year and the trough is its lowest level following the peak.

Last year, the recovery came quietly in May. Economic data was mixed. Policy uncertainty remained. But the market moved anyway. That's what markets do. They climb walls of worry, long before the outlook feels stable.

Key take-aways

- Markets don't wait for clarity. The TSX's rebound came while sentiment was still shaky.
- Emotions are costly. Fear-based decisions often lead to missed opportunities.
- Discipline pays. Staying invested, especially through the noise, has continued to prove its value.

The first half of 2025 was noisy. Investors were tested by volatility, headlines and uncertainty. But through it all, markets kept moving.

Those who didn't watch every tick or who reminded themselves to focus on the big picture were less likely to react emotionally, and more likely to capture the recovery.

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