NEWSLETTER Q4

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When Markets Peak, Patience Pays Off.

Fall 2025

We're now in the home stretch for the year and despite little resolution to the tariff situation, ongoing global conflicts, cooling labour markets and (as of writing) a U.S. government shutdown, North American equity markets are near all-time highs. Markets can instill humility, and this year's performance reminds us how difficult, if not impossible, it is to time them.

Speaking of all-time highs, we often encounter uneasiness among clients as markets reach new records. Downturns are painful, but bull markets can spark anxiety that we've peaked and prompt an impulse to sell. In the words of financial author Morgan Housel, "all past declines look like an opportunity; all future declines look like a risk."

Although we can't predict the future, the past shows that strength often begets strength. If you had sold your equity positions in January when the S&P 500 hit its all-time high, you would have missed the following 31 new records. Looking back to 2020, selling after the first new high would have meant missing the next 200. In the 1990s, new highs were achieved every year, averaging 31 annually.

Even knowing that new highs are common, it's understandable to hesitate when investing fresh capital after all, investing at record levels means paying more than anyone has before. In this edition, we've included a Vanguard article comparing the financial and psychological effects of lump-sum investing versus dollar-cost averaging when deploying new capital. As your trusted investment professionals, we're here to guide you through those decisions too.

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Lump-sum investing versus cost averaging:

Which is better?

Imagine receiving a windfall due to an inheritance, bonus payment, or sale of a small business. How would you invest the cash? Would you immediately invest all of it as a lump sum? Or would you make a series of investments over time—a strategy known as cost averaging—to avoid the risk of investing the entire amount right before a market downturn?

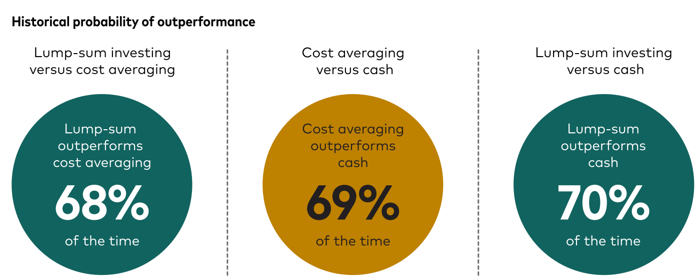
A recent Vanguard research paper, Cost averaging: Invest now or temporarily hold your cash? explores these and other questions, including an analysis of the performance of cost averaging and lump-sum investing across markets, historical periods, and simulated return scenarios.

“We find that Lump Sum tends to outperform Cost Averaging, highlighting how a cash allocation reflects the opportunity cost of lost risk premium,” said Megan Finlay, an investment strategist in Vanguard’s Enterprise Advice group, who coauthored the paper with Josef Zorn, a U.K.-based wealth planning research strategist in the group. “But for some risk-averse investors, a Cost Averaging approach may be more suitable, because it reduces the risk of drawdown or even abandoning their investment plan altogether because they fear large losses.”

History shows that Lump Sum outperforms Cost Averaging on average

Using MSCI World Index returns for 1976–2022, Finlay and Zorn calculated that Lump Sum outperformed Cost Averaging 68% of the time across global markets measured after one year. However, Cost Averaging was still better than remaining completely in cash; it outperformed cash 69% of the time.

Lump Sum mostly outperforms Cost Averaging, but Cost Averaging still largely beats cash



Notes: This figure is for illustrative purposes only and does not represent any particular investment. Outperformance is based on comparing wealth after a one-year investment horizon with a lump-sum strategy versus a three-month cost averaging split (splitting a lump sum into three equal parts and investing each one a month apart). The investment is assumed to be 100% equity, with no interest earned on any uninvested portion, and performance is measured on a rolling basis after one year. The cash-only strategy is approximated by the 3-month U.S. Treasury bill rate. Calculations are made using MSCI World Index returns for 1976–2022.

Source: Vanguard.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

The paper also examines the performance of Lump Sum and Cost Averaging using a one-year investment horizon of a $100,000 initial investment across three portfolios: 100% equity, 60% stocks/40% bonds, and 40% stocks/60% bonds. In most historical market environments, investors would have been better off investing the lump sum.

"A key takeaway from the analysis is that the longer the Cost Averaging horizon, the greater the opportunity costs incurred and the greater Lump Sum's performance advantage over Cost Averaging," Finlay said.

Is Cost Averaging preferable for risk-averse investors?

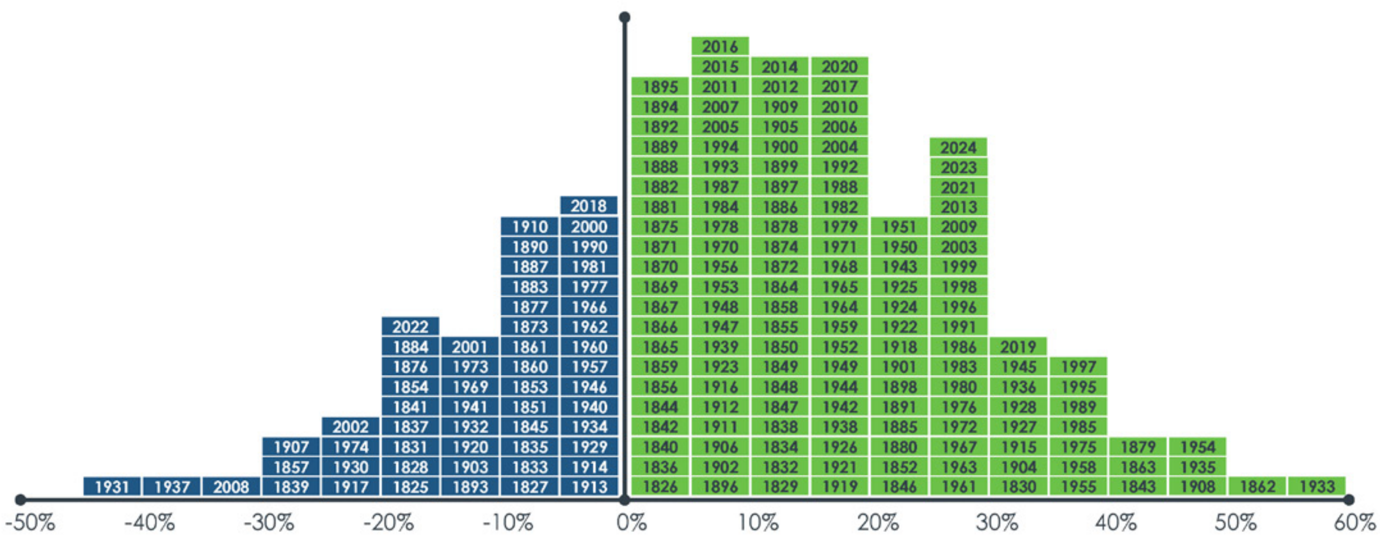
The paper also compares the two strategies using 10,000 simulated-return scenarios that tested various types of portfolios and Cost Averaging period lengths. Consistent with findings from the historical analysis, Lump Sum in most cases yielded greater wealth after one year, but also greater losses in some of the worst market environments.
Because not all investors aim purely to maximize their wealth, and because some might find value in taking a slower path to portfolio growth if it helps to avoid big losses, Finlay and Zorn tried to quantify a loss-averse investor's preference for a lower-risk Cost Averaging strategy. They constructed a utility model that considered hypothetical investors with varying levels of risk aversion and loss aversion and determined which strategy—Cost Averaging or Lump Sum—each investor might prefer. They found that investors with significant loss aversion may be better suited for a Cost Averaging strategy.

But Finlay cautions that even if you're an investor with high loss aversion, it's best to minimize opportunity costs by keeping a relatively short Cost Averaging period, such as three months.

"A Cost Averaging strategy is superior to remaining entirely in cash and, if implemented properly, may be more suitable for risk-averse investors," she said. "But given the cost of holding cash for extended periods, most investors—particularly those who don't have significant aversion to loss—should invest a lump sum immediately."

Markets have been up more than down

U.S. stock market calendar year returns



Source: Standard and Poor's, Ibbotson, Robert Shiller, Returns in U.S. Dollar terms. As at December 31, 2024.

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Fidelity INVESTMENTS

BDWM IN THE COMMUNITY

University of Windsor Welcome Week

Brian was busy serving lunch to hundreds of students at the 23rd Annual Welcome BBQ at the University of Windsor.

United Way Golf Tournamnet

Brad and PJ enjoyed a great day of golf at Beach Grove Golf & Country Club in support of the Windsor Essex-United Way. The event raises funds to provide support and services for local children and youth in our community who are living in poverty.

Saturday November 29th
9:30am - 12:00pm

Landmark Cinemas
4611 Walker Road Unit A
Windsor, ON, N8W 3T6

Please RSVP by:
Thursday November 20th, 2025 to stacey.mills@td.com or 519 253 2554

An Invitation

Please join us for our Family Movie day to welcome the Holiday Season

Join us before the movie to meet “Sparky” and the Windsor Firefighters. If you would like to contribute toward Sparky’s Toy Drive, please bring a new unwrapped toy to support this great cause. Popcorn and refreshments will be served.

Movie Choices:

Wicked: For Good (PG): 10:00am
Now You See Me: Now You Don't (PG-13): 10:30am

The films are subject to changes based on Landmark’s availability. We will make every effort to inform you should this occur.