



NEWSLETTER Q2

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Patience Pays, Even When It's Uncomfortable.

Spring 2026

It's been just over a year since the Liberation Day announcement of global tariffs that inspired widespread stock selloffs and the S&P 500 to move beyond a correction into bear market territory. This turned out to be the bottom for most equity indexes despite several market moving headlines, including risk of the independence of the Federal Reserve, a diplomatic crisis over Greenland, a grinding war in the Ukraine and new conflict in the Middle East.

In a world where we're increasingly inundated with alarmist headlines, the case for remaining invested is refreshingly boring. The last year has proved – again – that if you're waiting for calm you usually end up waiting too long. Ironically, the best opportunities tend to be when confidence is the lowest and pessimism the loudest. This is how markets work. Often, you're rewarded for patience when it feels uncomfortable.

More importantly, staying invested keeps you aligned with your plan instead of your emotions. Long-term wealth isn't built by sidestepping every selloff or chasing every rally. It's built through diversification, rebalancing, and letting time do the heavy lifting. That might not sound exciting, but it has been very effective.

In this edition, we've included an article from Capital Group that helps to put volatility in perspective. We've also included a bonus chart to help keep focused on the longer term and the bigger picture.



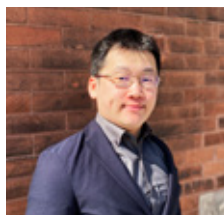
Brad Brazier
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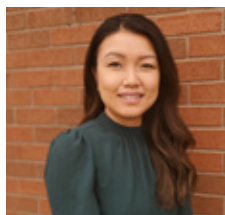
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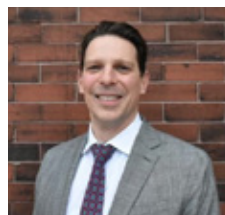
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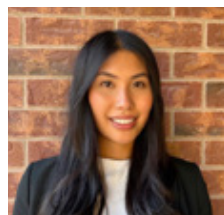
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3 charts that put market volatility in perspective

Fallout from the intensifying war in the Middle East has again put market volatility in focus.

Oil prices have surged, raising gasoline costs and increasing the risk of a global, energy-driven slowdown. Since U.S. and Israeli strikes on Iran began in late February, the S&P 500 Index (USD) has fallen about 3.16% through March 18, while the S&P/TSX (CAD) is down 5.80%. Meanwhile, the 10-year U.S. Treasury yield rose to 4.26% from 3.94% before the war, though still below where it began the year. Canada's 10-year yield has also climbed, from 3.13% to 3.42%.

If the worst oil supply shock in decades persists, investors may question their approach. It's natural to seek safer options when markets are choppy, but it's equally important to step back, gain perspective, and look ahead.

History shows markets recover from declines. Here are three insights to help you stay confident and invested for the long term.

Markets typically have recovered quickly

Although markets declined during volatile periods, they often bounced back quickly. Indeed, stock market returns are typically stronger after sharp declines. The average 12-month return immediately following a 15% or greater decline is 52%. That's why it's usually best to remain calm and stay invested.

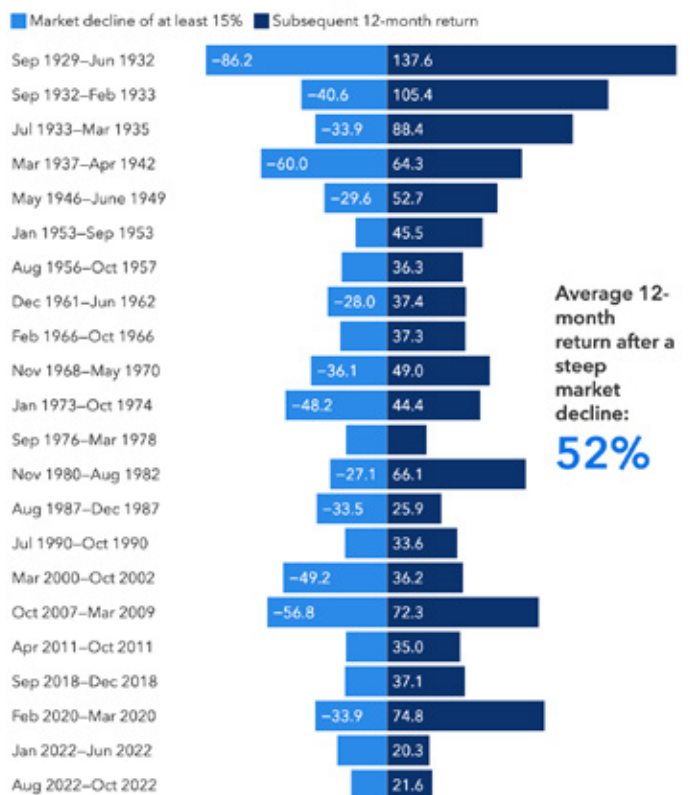
How often have market corrections of 10% or more turned into entrenched bear markets? Turns out, not often. Instead, short periods of pullbacks ranging from 5% to 10% have been more common. While these may feel unsettling, a drop of 5% occurred on average twice per year while corrections of 10% or more happened every 18 months on average. And while intra-year declines are common, the good news is 38 of the last 50 calendar years have finished with positive returns for the S&P 500.

What's more, a selloff can create investment opportunities. For example, during the pandemic investors punished a broad swath of travel and leisure companies — including Royal Caribbean, which fell 83% from January 20, 2020, to March 18, 2020 — as lockdowns brought air travel, cruises and hotel bookings to a halt.

Certain travel and leisure stocks have since staged a dramatic recovery. Royal Caribbean returned 334% from the low reached on March 18, 2020, to its peak price on June 2, 2021, as national vaccination rates and confidence grew. Identifying investment opportunities requires skill and experience, especially when markets are volatile. Bottom-up fundamental analysis may help investors balance short-term volatility with a longer term perspective.

Stock market returns have been strong after steep declines

Total returns for the S&P 500 Index (%)



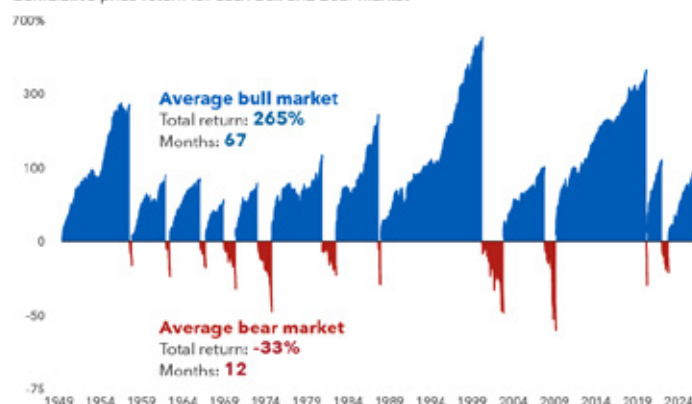
Sources: Capital Group, RIMES, Standard & Poor's. Each market decline reflects a decline of at least 15% in the value of the S&P 500 Index, without dividends reinvested. Latest bear market from February 19, 2025, through April 8, 2025, is excluded due to being less than one year ago as of the publish date. As of February 28, 2026. Returns are in USD.

Bear markets have been relatively short-lived

A long-term focus can help investors put bear markets in perspective. Since 1949, there have been 11 periods of 20%-or-greater declines in the S&P 500. Although the average 33% decline during these cycles is painful to endure, missing out on the average bull market's 265% return could be far worse.

Bull markets are much longer and stronger than bears

Cumulative price return for each bull and bear market



Bear markets are typically shorter than bull markets, lasting an average of 12 months. While that can feel like an eternity, it pales in comparison to the average bull market, which lasts for 67 months — another reason that trying to time investment decisions is ill-advised.

Forecasting the start of the next recession is difficult. Many investors, for example, braced for a recession when the BoC and U.S. Federal Reserve raised rates in 2022 to combat sky-high inflation. Instead, the U.S. and Canadian economies grew, with stock markets posting double-digit gains in 2023, 2024 and 2025 in both countries.

In the current environment, the closure of the Strait of Hormuz increases the risk of recession because of its significance as a vital passageway for one-fifth of the world's oil. Higher energy costs could weigh on businesses and consumers, reducing earning potential for many companies. But the economy has surprised to the upside before, and it's too early to tell if widespread job losses — the hallmark of a recession — will occur.

Sources: Capital Group, RIMES, Standard & Poor's. As of February 28, 2026. The bull market that began in 2022 is considered current as of February 28, 2026, and not included in the average bull market calculations. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns are in USD.

Bonds can offer balance when needed most

In periods of slowing economic growth, bonds often shine brightest. In fact, it's the reason high-quality core bond funds are often the foundation of a classic 60% equities and 40% bonds portfolio. While the exact allocation may shift, a diversified portfolio is intended to generate attractive returns while reducing risk.

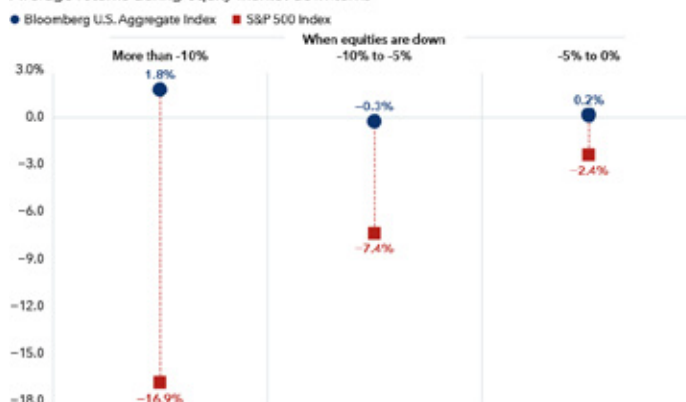
Bonds are known to zig when equity markets zag. That reaction could take time to play out as investors react to near-term dynamics before digesting the war's risks to the overall economy. Currently, markets are focused on the potential inflationary shocks tied to a disruption in the world's oil supply rather than the possibility of declining growth. The U.S. may prove to be less sensitive to inflationary pressures from an energy price shock than other countries, giving the Fed room to respond to growth challenges that may arise from higher energy prices.

For its part, the Fed is likely to balance rate cuts with inflationary pressures from geopolitical uncertainties, so cuts may be slower to materialize absent a more pronounced economic downturn. Rate-cutting cycles have typically supported solid returns for core bonds, as represented by the Bloomberg U.S. Aggregate Bond Index. Because yields are higher today following the Fed's rate-hiking cycle in 2022, bonds have a higher income cushion to help absorb price volatility should rates rise.

Moreover, with bonds offering healthy income potential, investors may be able to take less risk with high-quality bonds while still meeting their return expectations.

Bonds have offered resilience during equity selloffs

Average returns during equity market downturns



Sources: Capital Group, Bloomberg. Figures reflect monthly data using rolling three-month total returns in USD between February 2006 and February 2026. Total number of decline periods is 63, or 26% of all monthly periods in the sample. As of February 28, 2026.

Source: www.capitalgroup.com/advisor/ca/en/insights/articles/5-charts-market-volatility-perspective.html

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Around Town

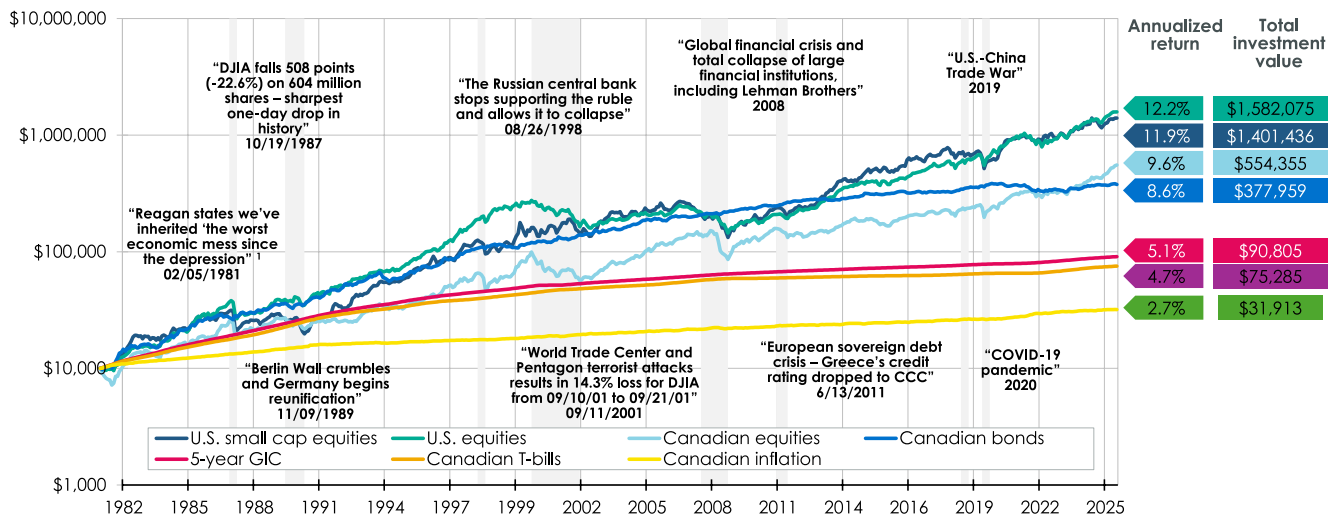
Work, Growth, and a Few Great Moments Along the Way.

It's been a busy first quarter here at the office. Early in the year, a lot of our focus goes toward making sure RSP contributions are in before the deadline, along with preparing tax packages. That said, we still made time for some team building and a product update from Dynamic Funds. We also figured it was time for some updated team photos, so here's a little sneak peek.



Above: A team engagement event with our colleagues, featuring BDWM team members PJ, Boraba, Cynthia, and Brian at a Detroit Red Wings game. Right: Our updated BDWM team photo, captured outside our building in downtown Windsor.

Focus on the big picture - 44 years of returns



SOURCE: FIDELITY INVESTMENTS CANADA ULC

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