



## Important Topic: Evaluating Performance & Benchmarks

How to evaluate one's performance? There are several approaches depending on one's objectives, emotions, competitive nature, and benchmarking.

### Objectives

As each client's financial plan is based on each client's objectives and preference, the resulting portfolio is built to align with the plan. In this case the evaluation of the performance is primarily a comparison of the resulting return and the return needed to successfully fund the plan.

In our opinion, since the success of the plan is the primary objective, this is the most important measure of success.

### Emotions

Due to the volatility of the markets, and human nature, there are those who focus on avoiding the downside of investing. They experience downturns in the market personally to the point that it affects them emotionally. As such they evaluate performance with a focus on absolute returns. Here the desire is to always see a positive outcome, and if a negative outcome results, it should be quickly reversed.

There is much that we can do, and continue to do in order to mitigate the extent of any losses, however avoiding losses entirely, or even almost entirely, severely limits long-term performance, especially after taxes. Sitting in GICs may be very comfortable but the resulting highly taxed 3% return does little to increase one's wealth.

### Competitive Nature

Regardless of one's own objectives there are many who compare their performance to others.

If the market has done exceptionally well, they wish to see that they did almost as well or better (even if the market return is way above plan). And equally, if the markets have done poorly, they wish to see that they have done better (even if both returns are below plan).

The idea is that while we understand that we only need a specific return to meet all our objectives, this is forgotten and is replaced with the competitive desire to do better than others.

### Benchmarking

Here the idea is to evaluate one's performance against some objective standard / alternative investment / index. This makes complete sense, and should be done, however, it is not as simple as it sounds. Understanding the complexity allows one to interpret and understand such comparison.



For example, when investing in the Canadian equity market one can compare all the different Canadian Equity funds to each other and to many Toronto Stock Exchange indices. The complication arises in that each fund and index is different. Each has its own mandate, approach, philosophy, risk level, and more. The comparison may prove to be between a conservative fund/index that does not do as well but has little volatility, and a volatile fund/index that proves more profitable in the end. In other words, you may be comparing the slow and steady approach that does not spike and does not plummet to an alternative that may have a final higher return, but the journey felt like a roller coaster. This is important, since many are willing to accept a slightly lower return knowing that it is the price to be paid for a more comfortable and steady experience. Unfortunately, the final return remains forever while the journey is quickly forgotten.

As another example, there are many funds that 'hug' the index that they know is being used to evaluate their performance. With 80% of the same names as the index, they either outperform due to the other 20% (and are heroes) or underperform only slightly (not enough to get fired). Moving away from the index therefore introduces 'benchmarking risk' as investors may not be prepared for returns that fluctuate greatly from the index. Would you hold on to an investment that has a -3% return when the market index is up 10%, but then has a 15% return when the market return is -5%? The further a manager moves from their index the more difficult it is for investors to understand the mandate and feel comfortable. Yet we believe that such funds can outperform the index over the long-term.

In summary, when evaluating one's returns, one should focus first on whether the returns align with your long-term plan and whether the journey was emotionally acceptable. Second, one should compare one's returns to some established alternative(s) and understand any differences.

We are here to help you do both.

## Market Update – February 2026

Most markets continued their upward movement through February. Only the US market took a month off, experiencing a 1% loss.

The month was characterized by a healthy broadening rally – meaning, more companies are joining in on the rally, and it is no longer just the few. This is a good sign.

Concerns about Artificial Intelligence ("AI") waxed and waned and the markets moved with them.

First, there were, and are, concerns about AI's impact on employment. Interestingly, those who use it, including software engineers, view it as a valuable tool that allows them to be more productive. They do not fear being replaced as much as they expect that their jobs to get more complicated and broader. The concern rests more with those starting in the software industry, and in many others. If existing employees can be more productive, the first effect may be less hiring. For those countries where their population is decreasing this could align with fewer employees available and the need to care for many more retirees, but in all cases, there is the expectation of disruption.

Disruption may prove to be a short-term negative, but it is typically a long-term positive. In 1984 roughly 18% of the US workforce was clerical and secretarial. With the introduction of the PC this changed dramatically falling to 2% today. Would anyone like to go back to typing letters (in triplicate), filing physical copies, taking dictation etc.?

Second, the value of AI companies is now being questioned. The infinite possible applications are not questioned but putting a value on these applications is. As a result, many of the managers we have hired have turned their attention from AI to 1) companies that will benefit the most from the true use of AI and 2) companies that are “AI Adjacent”, meaning, companies that will profit from making all of the items that will be needed for the successful use of AI. This includes everything from the hardware companies (chips, servers, cables, fans, etc) to the electrical companies that need to provide the unending amount of power needed, and much more. The circles widen quickly.

To get a better sense of what AI is and what it is not, we are planning a webinar with an expert in the field of selecting and investing in companies that use AI to its best advantage. This will take place on March 23rd at 11 am. If you are interested, please let us know.

Meanwhile the economy has slowed. But in today’s world we believe that the economy is now good, instead of great.

The focus remains, and must remain, on the long term. One’s focus should remain on investing in strong companies that have the opportunity and the potential, can weather the inevitable storms, and still prove profitable. One should invest for the long term and ignore short-term fluctuations which are random and are out of one’s control. Mostly one should focus on one’s own life, plan, and goals. At the end of the day that is all that truly matters.

Looking forward we see the short term as volatile but positive and remain positive in the medium and long term. We continue to invest new funds (finding some good opportunities) and monitor our positions closely.

Index	Month	Year to date
Bonds FTSE Canada Universe Bond Index - CAD	1.50%	2.10%
Canadian Equity - S&P/TSX 60 Index - CAD	6.60%	6.40%
US Equity – S&P 500 - CAD	- 0.90%	0.30%
International – MSCI EAFE Index - USD	4.60%	9.70%
Global Small Companies - CAD	4.70%	9.30%
Emerging Markets - MSCI Emerging Markets Index - CAD	6.00%	13.60%
Real Estate - Dow Jones® Global Real Estate Index - USD	6.90%	10.50%
S&P/TSX Preferred Share Index - CAD	1.80%	1.20%



**Meir J. Rotenberg, MBA, CFA®**

Senior Investment Advisor

T: 416 512 6689

meir.rotenberg@td.com

**Adam D. Shona, B.Comm, CIM®**

Investment Advisor

T: 416 512 7645

adam.shona@td.com

**Nelson Gordon**

Client Relationship Associate

T: 416 512 6813

nelson.gordon@td.com

**Jon Bentley**

Client Service Associate

T: 416 308 7064

jon.william.bentley@td.com

**TD Wealth Private Investment Advice**

5140 Yonge Street, Suite 1600

North York, Ontario M2N 6L7

Fax: 416 512 6224

Cell: 416 602 1614

Toll: 800 382 4964

<https://advisors.td.com/meir.rotenberg/>

**TD Wealth** |



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. (Left) \*Market floor is defined as an all-time high from which the market never fell more than 5%. (Right) \*\*\*"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-month, 6-month, 1-year, 2-year, 3-year and 5-year intervals, with data starting 1/1/1988 through 12/31/2025. Guide to the Markets - U.S. Data are as of December 31, 2025.

The information contained herein has been provided by Meir Rotenberg, Senior Investment Advisor and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer and are not guaranteed or insured. Their values change frequently. There can be no assurances that a money market fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment will be returned to you. Past performance may not be repeated.

Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS.

TD Wealth Private Investment Advice is a division of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank.

®The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.