

January 2026

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Annual Review: Reflections on 2025 and Looking Ahead

Dear Client,

January is a time to reflect on the past and look ahead to the future.

In my January 2025 letter, I stated that I expected the year to be volatile, swinging between pessimism and optimism due to economic and political concerns. That expectation proved accurate. The sharp market reaction around April's "Liberation Day" tariffs highlighted how quickly sentiment can shift. The U.S. government was forced to backpedal rapidly, reducing some of the initial damage. While tariffs remain in place, they were softened through negotiations. For Canada, companies able to demonstrate compliance with the USMCA trade agreement were exempt.

Despite these concerns, inflation eased and interest rates declined. In the United States, corporations continued to benefit from corporate tax breaks. As a result, despite political turmoil, corporate earnings rose, and most global equity markets ended 2025 at or near all-time highs.

When comparing your portfolio to market indices such as the Dow Jones Industrial Average, the S&P/TSX, or the Universal Bond Index, it is important to remember that indices have structural biases. The S&P 500 and NASDAQ 100 are heavily weighed toward technology stocks. In Canada, much of the S&P/TSX's rise was driven by gold stocks—an area that represents only a very small allocation, if any, in your portfolio. Gold is largely an emotional commodity, with limited industrial use and no yield, and over the long term, until this last year, has underperformed equities since the 1950s.

Your portfolio is not an index fund. Depending on your circumstances—whether you are accumulating or withdrawing capital—you will hold cash and fixed-income investments. These assets are designed to provide stability and liquidity to meet your needs. Their returns often move differently from equity markets, and as such they will influence overall portfolio performance, particularly during strong equity markets.

Appendix A shows the S&P/TSX sector rankings by month for the past year. As the chart illustrates, no single sector consistently ranked in the top tier throughout 2024 or 2025. This reinforces a long-standing principle: diversification matters. No one knows in advance which sector will outperform, and leadership is rarely consistent.

We have entered another year marked by volatility. Recent geopolitical developments—particularly U.S. actions and rhetoric toward Venezuela and other Latin American countries—triggered immediate market reactions as traders attempted to price in potential winners and losers. In reality, meaningful Venezuelan oil production for U.S. markets is unlikely in the near term. Infrastructure is severely degraded, and U.S. energy companies remain reluctant to re-enter a country where prior assets were nationalized. Even if oil were eventually shipped to Gulf Coast refineries, lower West Texas crude prices would likely hurt U.S. producers more than Canadian ones, given narrower margins.

This aggressive stance on energy has also accelerated efforts in Canada and other countries to reduce reliance on oil and invest more heavily in renewable energy sources to achieve greater stability. Meanwhile, Europe has focused on trade, signing free-trade agreements with South American nations (the Mercosur bloc), a regional trade alliance including Brazil, Argentina, Uruguay, and Paraguay.

These developments echo aspects of the Monroe Doctrine, a long-standing U.S. policy asserting influence over the Western Hemisphere, which has resurfaced in modern geopolitical strategy (“the Donroe Doctrine”). In addition, U.S. interest in Greenland, ostensibly for rare-earth minerals, has gained attention. It is worth noting that Greenland currently has no active rare-earth mining due to geographical challenges, lack of infrastructure, and environmental concerns. Tourism remains Greenland’s primary economic focus, which large-scale mining would likely jeopardize.

Against this backdrop, it is essential to remain focused and cut through the noise. Your portfolio is designed to meet your financial goals as tax efficiently as possible. We strive for both geographic and sector diversification and focus on companies with strong business models, reliable cash flows, and the ability to withstand economic downturns. At times, we are disappointed, such as with the telecommunications sector last year and in particular BCE’s dividend cut. However, as shown in Appendix C, many of the companies you own continue to increase their dividends.

Looking Ahead

There is little change from last year’s list of concerns. Predictions continue to flow from both reputable sources and less credible “finfluencers.” I encourage you to consider carefully the credentials of those offering advice. No one can reliably predict whether markets will be bullish, bearish, or range-bound. Notably, none of the forecasts anticipated the extraordinary geopolitical developments we witnessed last year. Given these uncertainties, I will not speculate on where markets will go in 2026.

What we do know is that despite volatility, tariff concerns, discussion of a technology bubble, and elevated valuations, markets rose broadly. The Eurozone, the United Kingdom, Japan, and Canada outperformed the United States in 2025. These gains were earnings-driven rather than led by technology giants. Loan growth expanded globally, an indication that businesses were investing, growing, and generating profits. Whether this continues into 2026 remains to be seen.

U.S. midterm elections are scheduled for November. Historically, markets tend to be relatively stable or grind higher during midterm years, as politicians focus on retaining seats rather than introducing major legislation. In many cases, gridlock is the market’s preferred outcome.

As 2026 unfolds, we will continue to monitor economic conditions, tax considerations, and your evolving needs. The portfolio remains diversified, with companies selected for their ability to navigate political and economic cycles. Staying fully invested, or close to it, remains prudent. Being out of the market in 2025 meant missing out on excellent returns. Over the long term, Canadian equities have proven to be the most effective vehicle for growth and tax-efficient income. Cash, high-interest savings accounts, and bonds are held to fund income needs, manage risk, and provide flexibility for redeployment or emergencies.

My investment philosophy continues to emphasize dividend-paying companies, including those with modest current yields but strong earnings growth and consistent dividend increases.

Examples* include:

- Dollarama -- Current yield 0.21%, 15 dividend increases, recently 15%.
- Toromont -- Current yield 1.25%, 36 dividend increases, recently 8%.

*Source: “Dividend growth investment and retirement. Cdn. All-star December 31, 2025.”

Dividend growth investing, maintaining appropriate position sizes, avoiding sector concentration, and seeking companies with growing earnings remain central to our approach. We diversify across the five main economic sectors—Manufacturing and Industry; Resources and Commodities; Consumer; Financials; and Utilities—and use ETF (exchange-traded funds) or globally diversified companies to achieve geographic balance. The objective is to offset the effects of inflation while remaining focused on long-term goals.

2025 was a year that left many of us with mixed memories. Given all that has transpired, Rosemary, Research Capital Corporation and I sincerely thank you for your continued trust and confidence. It is sometimes difficult to remain focused on the long term. Markets will rise and fall; that is their nature and an unavoidable fact of economic history. While I cannot predict short-term movements, history shows that the long-term trend is upward, and with a well-constructed portfolio, patience is rewarded. As always, if you have a change in your circumstance, need to review your future goals and needs, or have any concerns, please contact me. We are here to help or point you in the right direction.

I wish you and your family a happy, healthy, and prosperous New Year.

Warm regards,

Susan Howson

Portfolio Manager, Senior Vice President, Director



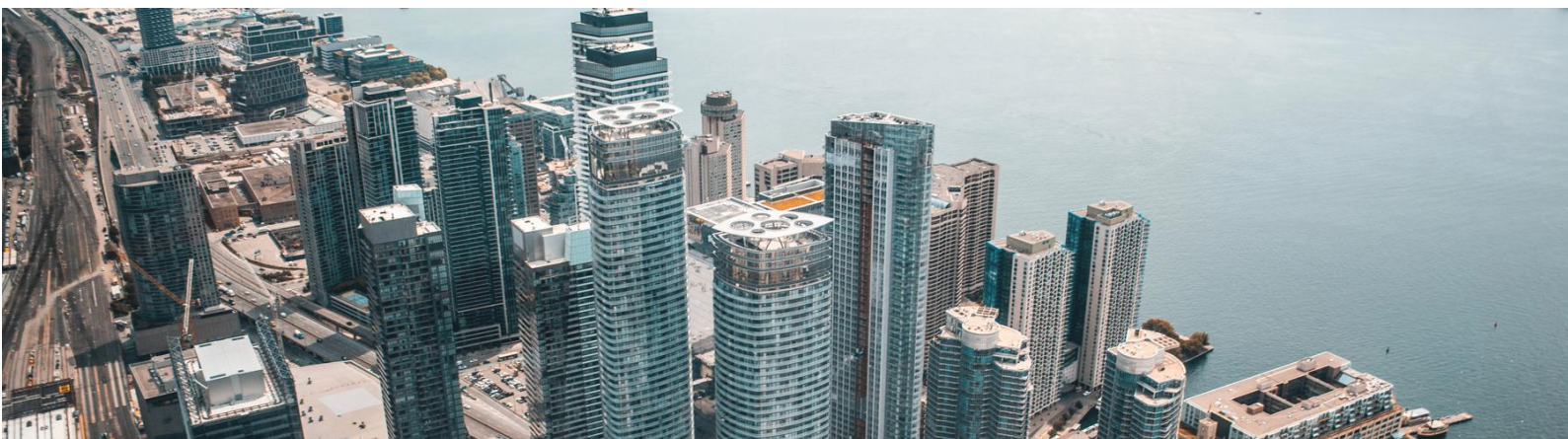
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CIPF
Canadian Investor Protection Fund
MEMBER



Appendix A

S&P TSX Monthly Sector Performance Ranks, 2025

RANK	January	February	March	April	May	June	July	August	September	October	November	December
1	Materials	Utilities	Materials	Con Staples	Industrials	Health Care	Telecom	Materials	Materials	Tech	Materials	Financials
2	Tech	Con Disc	Energy	Utilities	Con Disc	Tech	Real Estate	Health Care	Energy	Health Care	Con Staples	Materials
3	Industrials	Materials	Con Staples	Con Disc	Tech	Materials	Tech	Tech	Financials	Utilities	Con Disc	Health Care
4	Financials	Telecom	Utilities	Materials	Financials	Con Disc	Energy	Telecom	Utilities	Financials	Energy	Con Disc
5	Telecom	Financials	Real Estate	Financials	Energy	Financials	Utilities	Financials	Health Care	Con Disc	Financials	Industrials
6	Real Estate	Con Staples	Telecom	Tech	Real Estate	Energy	Con Disc	Energy	Tech	Telecom	Utilities	Real Estate
7	Energy	Industrials	Con Disc	Real Estate	Materials	Telecom	Con Staples	Real Estate	Con Disc	Industrials	Industrials	Telecom
8	Con Disc	Real Estate	Financials	Industrials	Telecom	Real Estate	Financials	Con Disc	Con Staples	Energy	Telecom	Con Staples
9	Utilities	Energy	Health Care	Telecom	Utilities	Industrials	Materials	Utilities	Industrials	Con Staples	Real Estate	Energy
10	Con Staples	Health Care	Industrials	Energy	Con Staples	Utilities	Industrials	Industrials	Real Estate	Real Estate	Health Care	Utilities
11	Health Care	Tech	Tech	Health Care	Health Care	Con Staples	Health Care	Con Staples	Telecom	Materials	Tech	Tech

Sources: Bloomberg and Research Capital Corporation

Appendix B

Resources

1. *Advisor's Edge*
2. *BBC*
3. *BCA Research*
4. *Dividend Growth Investment and Retirement*
5. *TSI Wealth Network*
6. *Globe and Mail*
7. *Wealth Professional*
8. *Various research papers and commentaries from mutual fund companies such as Fidelity, Mackenzie, Mawer*
9. *Various research papers and commentaries from ETF companies such as BMO, RBC/iShares, Vanguard*

Appendix C

Top Holdings in the Portfolios

Companies that increased their dividends in 2025

Company	Sector	% of increase	Notes
Alimentation Couche-Tard Inc	Consumer Defensive	11.1%	
APPLE Inc	Technology	4.0%	reported in US \$
Atrium Mortgage	Financial Services	0.0%	current yield 7.9% pays monthly
Bank of Montreal	Financial Services	5.2%	
Bank of Nova Scotia	Financial Services	1.9%	
BCE Inc	Communication Services	-42.1%	cut
Brookfield Asset		15.1%	
Brookfield Corp	Real Estate	3.1%	reported in US \$
Brookfield Infrastructure Partners LP	Utilities	6.2%	reported in US \$
Canadian National Railway	Industrials	5.0%	
Canadian Natural Resources	Energy	4.4%	
Canadian Tire Corp Ltd A Nvtg	Consumer Cyclical	1.4%	
CCL Industries Inc.	Consumer Cyclical	10.3%	
CGI Inc.		13.0%	
Dollarama Inc.	Consumer Defensive	18.1%	
Emera Incorporated	Utilities	1.0%	
Enbridge Inc	Energy	3.0%	
Extendicare Inc	Health Care	4.2%	
Fortis Inc	Utilities	4.2%	
ISHARES MSCI EAFE Index ETF	Global Ex North America	27.5%	
Great-West Lifeco Inc.	Financial Services	9.9%	
Intact Financial	Financial Services	9.9%	
Keyera Corp	Energy	3.9%	
Metro	Consumer Defensive	10.4%	
North West VR	Consumer Defensive	2.5%	
Pembina Pipeline	Energy	3.0%	
Power Corporation of Canada	Financial Services	8.9%	
Royal Bank of Canada	Financial Services	7.9%	
Russel Metals	Industrials	3.0%	
TC Energy Corporation	Energy	3.3%	
Toromont Industries Ltd	Industrials	8.3%	
Toronto Dominion Bank	Financial Services	2.9%	
Average increase in dividends		5.3%	

Note: Securities mentioned above do not apply to all accounts.

Sources: Thomson One and Research Capital Corporation