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**WHEN MARKETS FEEL ROUGH: WHY YOUR PLAN MATTERS**

*Michael Preto, CFP®, CIM®*

*Welcome back to the Informed Investor.*

For many of you, the last 6 months have felt uncomfortable, frustrating and at times unsettling — we've heard that clearly from some of you. The inquiries have been a version of the following:

*"I have seen my portfolio drop by \$X in the last 6 months. Am I going to be okay?"*

This is a legitimate question and we're going to dig into it.

Rather than talk in abstractions, let's walk through a real planning example to show how short-term portfolio movements actually affect long term outcomes.

**A REAL-LIFE PLANNING EXAMPLE**

Meet **Mr. and Mrs. Smith**. They're both 62 years old and plan to retire in three years with an **after-tax retirement lifestyle of \$110,000 per year** (in today's dollars).

They've done a lot right:

- Their mortgage is paid off
- They're still saving **\$34,000 per year** toward retirement
- They have no pension or rental income
- They'll receive standard CPP and OAS

At the **beginning of 2025** (four years from retirement), they had **\$2,080,000** in retirement assets.

When we ran their plan in early 2025, here's what it showed:

**Retirement Lifestyle:** \$110,000/yr  
**Sustainable Lifestyle:** \$124,000/yr  
**Dreampool:** \$366,000 after tax.

What does this mean in plain English?

They were **ahead of schedule**. They were aiming for \$110,000 per year, but their plan showed they could sustainably spend \$124,000 per year. The difference — **\$366,000** — is their *Dreampool*: the surplus in their plan. In other words, they could withdraw \$366,000 and still remain on track to fund their desired lifestyle.



## FAST FORWARD ONE YEAR

Now let's jump to the **beginning of 2026**.

Returns over the last full year were slightly positive, but recent months have felt more difficult. To keep things simple, let's assume a **10% decline in portfolio values** for planning purposes.

Here's what the updated plan shows:

- Retirement Lifestyle:** \$112,500/yr (remember we need to up the lifestyle with inflation).
- Sustainable Lifestyle:** \$118,000/yr
- Dreampool:** \$116,000/yr.

So what's the short answer?

**Yes — the Smiths are still tracking nicely toward their retirement goal.**

And remember: this plan already assumes:

- A lower rate of return than historical averages
- No house value included
- No recovery from here

In other words, there's a lot of conservatism baked into the plan.

## PUTTING MARKET MOVES IN PERSPECTIVE

With all due respect, a **10% drop** in portfolio values over a six-month period is well within the realm of normal. It has happened before, and we're as sure as we can be that it will happen again.

So why does this bout of volatility feel harsher than usual?

We can't say for sure — but if we had to guess, we'd point to one thing: **markets have generally been going up**. [FOMO](#) is real, and it has a powerful way of distorting how short-term results *feel*, even when the long-term plan remains solid.

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## A REMINDER FROM OUR OWNER'S MANUAL

As you know, [The Hillside Owner's Manual](#) clearly outlines:

### Courage builds independence



"YOU CAN'T OUTPERFORM  
THE MARKET IF YOU BUY  
THE MARKET"

- Sir John Templeton -

- Why we do what we do
- How we do our job
- What you should expect along the way

Here's one of the most important lines from it:

*"While we have a benchmark, your portfolio, by design, looks nothing like the benchmark. There will be periods where we outperform and periods when we underperform."*

## ABOUT RECENT PERFORMANCE (INCLUDING OUR OWN MONEY)

For those of you in the **Focused Growth Model** (where my wife's and my own money is invested), returns have been tougher — down roughly **13% from peak to trough**.

So why aren't we more concerned?

Because this model is designed for people who are **five or more years away from retirement** and who are (hopefully) **still saving**. And for people who are saving, this is actually the *best* kind of environment to be investing in.

Buying quality companies at cheaper prices, all else being equal, sets up:

- Better future returns
- Which supports a better future lifestyle

(As Jason and Steven have been highlighting in their recent content.)

## THE BIGGER PICTURE

I want to be crystal clear: **this has been our toughest stretch of relative performance**, and we don't know how long it will continue.

We understand this part of the journey is uncomfortable and frustrating — and we're here to support you through it.

One of the most powerful tools we can offer is our **planning expertise** and a constant focus on the **bigger picture**. Keeping things in perspective matters. Periods like this — uncomfortable as they are — have historically been the environments where disciplined investors set themselves up for stronger long-term outcomes.

**We wish you and your family a happy, healthy, and prosperous year ahead.**

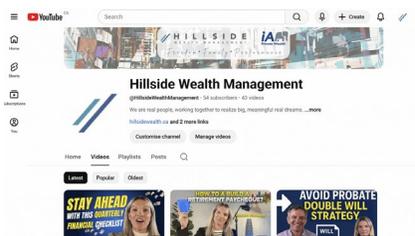
FOLLOW THIS QUARTERLY FINANCIAL LIST TO STAY AHEAD  
In this video, Amanda Baxter walks through a practical **quarterly financial checklist** designed to help you stay on track, spot issues early, and make smarter decisions with confidence.



 What You'll Learn:

- Why a **quarterly review cadence** matters
- Key financial areas to review every 90 days
- How to catch small issues before they become big ones
- What to look for in your cash flow, investments, and goals
- How this habit supports long-term financial clarity

Whether you're actively building wealth, navigating life changes, or simply want more structure around your finances, this checklist provides a clear framework to help you stay ahead — without overcomplicating things.



Subscribe to our [YouTube Channel](#) today!

## QUALITY INVESTING: WHAT IT IS AND WHAT IT IS NOT

*Jason Del Vicario, CFA® & Steven Chen, CFA®*

At the risk of sounding like a broken record, we at Hillside believe in running *concentrated* portfolios in exclusively *high-quality global* businesses. We will acquire these businesses at *favourable prices* and hold them for the *long-term*.

### WHAT QUALITY INVESTING IS:

#### Concentrated:

Depending on the [research](#), it is suggested that the ideal number of stocks held in a diversified portfolio be in the range of 15-30. This benefits the focused investor as it means that one need not 'relax' the quality of factors to shoehorn 100 or 500 stocks into a portfolio; in other words, one can increase the chances of generating excess returns by focusing on the highest conviction positions.

#### High-quality:

We primarily define high-quality as those companies that are founder run/owned and have demonstrated the ability to consistently earn high returns on invested capital. [Management and/or founders](#) with significant skin in the game means our interests (as minority shareholders) are aligned and this has shown itself to be a source of outperformance. When incentive alignment is combined with predictable businesses that consistently earn high returns on invested capital, the evidence points to [outperformance in the long run](#).

#### Global:

There are ~4,000 publicly listed companies in the US, and ~2,000 in Canada. Across the developed world (ex- North America) there are a further 22,000. An expanded hunting ground affords us exposure to multiple countries/currencies which we view is a strength, especially during times of economic and geopolitical uncertainty.



### Favourable prices:

When presented with a predictable business model, it becomes possible to determine the value and thus the forward rate of return that one can reasonably expect when buying shares in that business. The formula is:

$$\text{Future Stock Returns} = \text{Dividend Yield} + \text{Earnings Growth} \pm \text{Change in P/E Ratio}$$

The lower the PE ratio of a stock, the higher the dividend yield and the greater the chance/contribution that a rising multiple can deliver to the investor's return. This is best demonstrated with an example. Let's imagine we have identical companies A&B. The only difference between the two of them is the current price. Company A trades at \$100 and Company B trades at \$40.

	Company A	Company B
Earnings per share (EPS)	\$2.00	\$2.00
Dividend per share (DPS)	\$1.00	\$1.00
Earnings Growth	10%	10%
Price now	<b>\$100.00</b>	<b>\$30.00</b>
Dividend Yield	1.00%	2.50%
P/E Ratio now	50	15
P/E Ratio end (y10)	20	20
Change in P/E Ratio	-9.00%	3.00%
<b>Compound ROR</b>	<b>2.00%</b>	<b>15.50%</b>

Per above, the valuation of a company when an investment is made has a huge impact on the return an investor will receive.

Long-term: if a given company continues to generate strong returns on invested capital, investors are best served by doing nothing and letting the compounding do the heavy lifting.

### WHAT QUALITY INVESTING IS NOT:

- It is not a short-term strategy.
- It is not a bull market leader: quality stocks often lag during 'risk-on' rallies when speculative, high-volatility or even unprofitable companies tend to surge.
- It is not fad/hype/narrative/hope investing: most of these investments generally don't have any or a long enough history of sound financial performance.
- It is not investing in assets that don't produce any economic rent or dividends, such as cryptocurrencies or commodities.

## JANUARY 2026 PERFORMANCE RESULTS

An overview of our portfolios to date.

Performance to January 30, 2026	YTD	6 Mo	1 Yr	3 Yr**	5 Yr**	10 Yr**	Inception**
Hillside Balanced Growth*	<b>-1.11%</b>	<b>-6.34%</b>	<b>-2.24%</b>	<b>11.47%</b>	<b>8.37%</b>	<b>8.77%</b>	<b>9.40%</b>
HBG Benchmark <sup>1</sup>	1.40%	9.52%	12.83%	14.31%	9.34%	8.96%	7.68%
Hillside Focused Growth*	<b>-1.71%</b>	<b>-10.04%</b>	<b>-4.70%</b>	<b>14.94%</b>	<b>10.80%</b>	<b>10.49%</b>	<b>10.34%</b>
HFG Benchmark <sup>2</sup>	1.84%	12.65%	17.15%	19.26%	13.72%	12.31%	10.22%

Past performance is not an indication of future returns.

\* Performance is presented gross of fees.

\*\*Inception: Sept 2, 2014. Results beyond 1 year are annualized.

1 Hillside Balanced Growth Benchmark: 75% Vanguard Balanced ETF & 25% Vanguard All-Equity ETF

2 Hillside Focused Growth Benchmark: 100% Vanguard All-Equity ETF

Source: SIACHarts.com

The performance presented in this portfolio report is hypothetical and does not represent a specific client account. Details regarding actual returns of an investment account are available from the client's advisor.

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Performance is calculated using month-end market values of the model portfolio. Since we use a model portfolio to calculate performance there are no client-initiated cash flows (deposits/withdrawals) to account for. Performance is calculated by dividing the change in the model portfolio's market value by the model portfolio's market value at the beginning of the performance period. Also, all income generated by the portfolio's holdings are held within the model portfolio in cash and is accounted for in the portfolio's month-end market value - this results in a total return measure of the model's performance.

Returns for periods less than 1 year are shown as periodic returns while returns for periods greater than 1 year are annualized. Returns do not include fees and actual returns experienced by an investor may differ from those shown. Past performance is not a guarantee of future results.