

A View From Here - November 2018

"Growth and comfort never co-exist. Think about when you ever learned the most in life and I guarantee you will link it to a time you were at risk" - Virginia Rometty Chairman, President & CEO, IBM

Defying Gravity

In the October's View From Here, I wrote that North America markets were looking like they were going to break in one direction or the other, and a big sell-off took hold that picked up steam throughout the month. This has only kept us firm in our 2017-2018 motto that sometimes the best returns come from what we didn't do. The markets look fractured underneath recent all-time highs in the U.S. indices that have been led by large technology companies and the appetite for Cannabis stocks in Canada. Besides these headlines, it has not been a pretty picture and one we have thankfully avoided for the most part. We are having a strong performance year, despite a sharp consolidation from our own all-time high valuations in past two months.

Fear of further consolidation hasn't made us take a defensive posture because while we don't know what the future holds, I believe that periods like this are usually short-lived. With that in mind, we have been using weakness to tweak investment positions as markets wallow under the stress of what many pundits are calling, 'late cycle volatility'. Of the many things we've learned about investing, one is that, with emotion sloshing around, it's bound to induce fear. Perhaps this is the main reason why a lot of investors don't fare well over the long-term. I can understand this view as a lot of us take the high watermark value of our accounts as a number we should be able to capture at any moment and when it comes off from that high we worry that we have been 'whistling past the graveyard'. Periods of consolidation, even the worst ones (think 2007-2009), actually don't last that long and when the phoenix rises, more wealth, than is lost during the market sell-off, is regained.

Ultimately, this is about long-term returns and, despite market weakness, our accounts are strong I think that's what matters most. Our returns remain on a level that few have been able to achieve, so leave the worrying to me.

Our Value Based Investments Have Held Up Well

As mentioned earlier, the broader market has been dismal beneath the indices and popular investing themes and I am grateful for the things that have kept us out of making new commitments. So many of the companies that look attractive have seen stunning sell-offs that have only gotten worse. However, during this recent malaise, many of the companies that we hold positions in, particularly the news media, and retail, have not lost much value on a relative basis. I don't think this is a misnomer as most of these companies have already reduced expectations priced into them and hold assets usually made up of cash and real estate that limit their downside. Further, they produce a steady cash flow that keep the share prices more 'honest' for lack of a better term. Still, watching certain holdings of ours weaken as improved earnings are revealed can be an exercise in frustration....but one I'm all too familiar with. All good things in time I suppose and I feel quite strongly that we will be rewarded for our commitment to the portfolio that has been chosen.

A Proud Family Moment

Last month I had the honor of attending the Horatio Alger dinner in Toronto, which honors individuals who come from humble backgrounds and built up impressive careers. Canada's only recipient this year is my brother Jay and as shareholders of his companies, we have been successful participants in his ascent. [I've included a short video bio](#) that was presented and would encourage you to look on the international website and visit some of the other incredible recipients from past years. I found it incredibly inspiring and perhaps you might, too.

Thanks for taking a look, and as always,

All Good Things

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