

A View From Here - September 2018

Thanks a Trillion!

In July, Apple crossed a trillion dollars making it the first company in history to reach this valuation. The last time a company reached a similar milestone was in 1901 when U.S. Steel was purchased from Andrew Carnegie and amalgamated into a new conglomerate valued at \$1.4 billion. Unfortunately, U.S. Steel would never fulfill its potential and saw its market share erode over time. Right now, it is hard to see how this could happen to Apple.

Early August saw Elon Musk, the CEO of Tesla tweet out that he was going to take the company private in a \$60 billion buyout only to reverse that view just three weeks later. Tesla has a value that eclipses the combined valuation of the larger and more profitable North American auto companies and I wonder if there will be an SEC (Securities and Exchange Commission) investigation. It's hard to think that a CEO can 'tweet' a comment like that, not back it up and then put out a retraction weeks later without any repercussions. All of this to me is a sign of the times as these large technology companies have dominated most of the U.S. market growth. I believe that this bull market in the U.S. will remain as long as this theme remains intact.

In late August, Canadian cannabis companies saw a sudden resurgence with the catalyst being Constellation Brands' additional \$5 billion purchase of Canopy Growth shares at \$48/share when the shares were starting to struggle at \$32/share the previous day. Diego, another large alcohol conglomerate announced its intentions to find a partner in the Canadian cannabis space, further augmenting this reawakening. Share prices soared in anticipation of who would be the next target investment. There is a lot hinging on the October 17th recreational cannabis use deadline in Canada but I suspect that the day will pass without much fanfare in share prices. Markets know that this day is looming so most of the companies affected will have likely seen reflections in their valuations prior to. Still, the volatility in this new and exciting space is a marvel to watch, as we have never seen something like this in our lifetime. If you are venturing in this speculation, my thought is to walk carefully as the swings in share prices are stunning.

August continued the underlying strength in our accounts that began in October of 2017 and you will see another uptick in the value of your account when the statements arrive shortly. While 2017 seemed to be meandering in terms of performance, 2018 is proving to be one of our best performance years ever with accounts well into the double digits on percentage returns.

Our Long-Term Performance Remains Stellar

Despite rhetoric in the worldwide political system, markets remain buoyant with North American markets hitting all-time highs. The political climate has been stormy for long enough a period to be reflected in the markets but perhaps the strength of worldwide markets is defying gravity. I subscribe to the theory that it will be surprise not consensus that will change trend directions so we remain cautious, knowing that bull markets are always better than the opposite.

But what really matters right now, is things have never been better for our accounts, even with some of our most passionate investments not currently participating. Hopefully all good things in time, but for the present we are enjoying double-digit compounded annual returns that very few investors ever see. From time to time I have been asked (by non-clients) what our annual rate of return is. Believe it or not, I deflect the question because when I used to talk about it, people would look away as if I suddenly crossed a line that makes them question my integrity. Interestingly, I have often written in these monthly notes that our long-term returns are as good as or better than pretty much any metric you can throw at it. This is evidenced by the size of many TFSA accounts. This instrument was created in 2009 and has had a cumulative \$57,500 investment contribution limit. I see many of these accounts in the 6-figure range and the amount of RRSP accounts well north of 7-figures. When we transfer in new accounts from

other institutions, I have never seen anything near those kinds of numbers.

Let's enjoy these excellent returns but act with caution and humility, as we remain well cashed-up to take advantage of new opportunities as they present themselves.

Thanks for taking a look, and as always,

All Good Things

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