



## A View From Here - January 2022

*"Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. It is our light, not our darkness that most frightens us."*

**- Marianne Williamson**

### **Wow**

Most equity based accounts achieved over 50% returns in 2021. In the 30 plus years of helping people build wealth, no year has provided that rate of return - albeit we were close in 2012 as well as 2020. Accounts are much larger than they were in 2012, so growth like that in a single year carries substantial weight. I am proud that our portfolios delivered the kind of returns that few have been able to achieve. If you told people of this investment success they might not believe you....they never seem to believe me. As such, our performance is never a topic of discussion with non-clients. I just quietly say some version of 'I am proud of our long-term results'. It's come down to a robotic response that is in direct contrast to enthusiasm for things I am passionate about.

Looking backward, 2020 was a watershed year that set the table for 2021's success. Following three years of low single-digit returns, a blow-off Covid meltdown in late January 2020 gave way to a stunning recovery which took shape in April. Given how challenged our style of value investing had been during the preceding period, I felt a sort of cold comfort that we were able to put up positive numbers for equity based accounts from 2017 to 2019. In a lot of ways, it was a testament to our investment mandate which had just enough of the things that were working to more than offset those that were challenged. When the pandemic hit, a refresh button was pressed and our value-based style moved back into the light as we added to new and existing investments. These commitments staged a remarkable increase from their Covid bottoms shaping your current bottom line at 2021's year end. The hard part of investing is to stay committed. That's where having a firm understanding

of the fundamentals of each business becomes paramount.

One of the things that surprises me is that we don't receive more referrals. I have to suspect that nobody believes that these returns are achievable.

Maybe it's best that it remains 'our' secret.

### **It's all about Return**

At its core, individuals employ the services of advisors with return in mind. While it is important to structure investments in the most efficient manner, financial planning is the easy part. For 99% of us, having a TFSA, RRSP, RESP some insurance is all the planning you will ever require. When you're net worth becomes stratospheric, then there are professionals outside of the money management sphere who specialize in sophisticated structures. To make annual commitments to your *'plan'*, requires a significant amount of after-tax dollars. There has to be room in one's life to enjoy a vacation or a guilty pleasure from time to time. The important part is to have those assets perform so that you can actually build wealth for your future.

If someone tells you anything different, they are unlikely to providing adequate returns for their clients and even more likely, very little investible assets themselves. Advisors should be prepared to show their own accounts so that you can determine that the mantra they are putting forth is the same cooking they are offering you? Warren Buffett once quipped that, *"Wall Street is the only place that people ride too in a Rolls Royce to get advice from those who take the subway."* In my experience – so true.

### **Where to Now?**

With all this diatribe, one must look forward and wonder where we go from here. It is an anxious world between investment fundamentals and art. The art of investing is too paint a picture of where the fundamentals can take you and move in that direction. It's *'Van Gogh'* moments come when you get something absolutely right. However, we should be happy getting it mostly right. It might not be

worth cutting off your ear because a share price went higher after it's sold.

All of this gets clouded by macro concerns that are impossible to forecast. Pandemic outcomes, geopolitical concerns, interest rates and economic viewpoints can lead us to thoughts of pending doom. We must get comfortable with that fear because it never ending. From the day, I started to the writing of today's note, I've been told the whole thing is going to collapse at any moment. The Dow Jones Industrial Average was less than 2,000 points when back then and has climbed that wall of fear all the way through 36,000 by 2021's year end.

We are off to a great start in the early days of 2022. How long it lasts comes down to the fundamentals of our investments. I still believe there is a way to go and constantly looking for next commitment.

Thanks for taking a look, and as always,

All Good Things,

## **Adam Hennick**

Senior Investment Advisor, Vice President  
Research Capital  
199 Bay Street  
Commerce Court West  
Suite 4500  
Toronto, Ontario M5L 1G2  
[ahennick@researchcapital.com](mailto:ahennick@researchcapital.com)  
T 416-860-6848  
C 416 802-6848  
F 416-860-7671  
Toll Free 877-860-6848

To contact your advisor, email [info@researchcapital.com](mailto:info@researchcapital.com).

Research Capital is a national investment firm with offices in Vancouver, Calgary, Regina, Toronto and Montreal.

The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of Research Capital Corporation ("RCC"). The information and opinions contained herein have been compiled and derived from sources believed to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. Neither the author nor RCC accepts liability whatsoever for any loss arising from any use of this report or its contents. Information may be available to RCC which is not reflected herein. This report is not to be construed as an offer to sell or a solicitation for an offer to buy any securities. This newsletter is intended for distribution only in those jurisdictions where both the author and RCC are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. RCC and its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter. ©2022 Research Capital Corporation. Member-Canadian Investor Protection Fund / member-fonds canadien de protection des épargnants. Research Capital Corporation (RCC) makes no representations whatsoever about any other website which you may access through this one. When you access a non-RCC website please understand that it is independent from RCC and that RCC has no control over the content on that website. The content, accuracy, opinions expressed, and other links provided by these resources are not investigated, verified, monitored, or endorsed by RCC.