

A View From Here

March 2025

"I'm tired of being tired, Sure as night will follow day, Most things I worry about never happen anyway." - Tom Petty - Crawling Back to You

All Time Highs

While it might seem impossible given the state of the world at this time, western stock markets have ascended to all-time highs. The Russia-Ukraine war is entering its 4th year, the Middle East instability remains unsettled, the US government is taking economic aim at allies and partners. Yet as I write this, markets (including Canada) have been reaching new peaks. I've come to learn that markets take in every piece of information and adjust accordingly. On a macro level, this should be viewed as a positive, but as you hopefully know, we work in the areas where we believe that investors have not priced the potential for a company. The businesses we own are 'off the main street', where investors do not tend to walk.

On the market main street, you'll see large, well-known institutions, high beta tech companies, and popular brands. This isn't to say that there isn't potential for investment in these companies, it's just that there are millions of people valuing them all day, to the point that one must ask themselves, "What do I know that others haven't priced in?" Successful investing is ultimately about having an edge, and we look for things such as the current valuation priced in by the 'street', our expectations based on the research we've done, and any potential catalyst in our modelling that could make the business worth exponentially more. So, it stands to reason that the less people are looking at a specific company, the more likely that they could be overlooking potential. This is an area that we've built our track record on. It would be easier to put investment dollars to work in some third-party manager such as a mutual fund or ETF, but we have not seen this method perform to the standards of what we have been able to achieve for our accounts over the long-term.

In terms of the markets, let's look at the Canadian one first. All-time highs, the dollar, even though still on the downward trajectory, has stabilized, since the tariff talk from November onward. Some might say that's because we had a 30-day reprieve. Remember that markets value things on a forward basis, so 30 days is not enough of a pause to reset the value of the dollar, except perhaps in small percentages. We've been warned that the US tariffs

have the power to sink our economy, and that makes sense when your largest trading partner says you are taking advantage of them. It stands to reason that nobody in business does anyone any favours when it comes to these things. If America didn't need our products, they wouldn't buy them. The reason for the relationship is that it is mutually beneficial and always has, otherwise, why have that relationship in the first place?

The strength of markets in 2024 has carried forward into 2025 which is encouraging, but we remain cautious based on the returns we've been able to generate, particularly since 2020. This has led us to maintain a larger than usual cash position, and while by no means a prediction, it's just experience talking to us. We are however bullish on our investment holdings, and many of them have reported earnings over the past month that warrant our continued commitment, even in the cases where the numbers might have been light or outlook uncertain.

As polarizing as the world is right now, I would like to remind everyone that we've seemingly been on the verge of social and economic collapse all of our lives, but with so much news on daily basis, we often forget just how threatening each previous world crisis that has since been championed was in the moment. As Billy Joel once said in the song Keeping the Faith, "The old days weren't always so good, and tomorrow isn't as bad as it seems." Maybe Tom Petty was onto something when he said, "most things I worry about never happen anyway."

Leave the worrying to us, that's what we are here for.

Thanks for taking a look, and as always,

All Good Things

Adam, Jennifer, and Brian