INVESTING RESOLUTIONS FOR 2022, AND BEYOND

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Here are my top new year's resolutions, intended to help you achieve long term investment success – not just this year, but in each and every year thereafter.

I resolve to think long term

Achieving financial success is a marathon, not a sprint. Why is it then that so many investors behave – and 'monitor' their holdings – as if they were day traders? You don't check the value of your home once a month. Why? Because you're not a 'short-term homeowner'. And you're not a short-term investor either. As I've written repeatedly, 'short-term investor' is an oxymoron!

Looking at your portfolio weekly, monthly, quarterly, and yes – even yearly, is like measuring the distance from Calgary to Edmonton with a twelve inch ruler.

According to legendary investor Seth Klarman, *"The single greatest edge an investor can have is a long-term orientation".*

Besides, if what the stock market does in any given year really matters to you, you shouldn't be in the stock market!

Let's resolve to make this the year where we start viewing our portfolio for what it really is, a long-term plan to help achieve your long-term goals.

"The market is the most efficient mechanism anywhere in the world for transferring wealth from impatient people to patient people."

- Warren Buffett

I resolve to invest like a business owner

As excerpted from the book 'The Intelligent Investor', "A stock is not just a ticker symbol or an electronic blip. It is an ownership interest in an actual business, with an underlying value that does not depend on the share price."

Business owners don't sell the company with each and every bump in the road; constantly switching from one venture to the next. Clearly that's not how empires are built, or how true wealth is created.

We're investing in proven businesses for their ongoing long term growth potential. As according to Benjamin Graham, "The sillier the market's behavior, the greater the opportunity for the business-like investor".

As your portfolio manager, I'm far more focused on the health of the underlying businesses we own than I am with the recent movement in the share price (…which can jump up and down like a yo-yo, having no correlation whatsoever to the actual underlying value of the business).

> ***"We do not, among other things, 'invest in the stock market' much less 'play' said market. We own companies. The difference is far from semantic; it is fundamental. People who 'invest in the stock market'—which to me is a euphemism for buying stocks when they're going up and selling them in terror when they go down—are as far removed from us as they can possibly be. They are engaged in an enterprise that is alien, and even incomprehensible, to us."***

- Nick Murray

I resolve to see the next bear market for what it really is; a temporary – AND wonderful – buying opportunity

Bear markets are about as common as dirt. They come along about every five to seven years. Yet despite each and every 'end of the world' apocalypse we've witnessed throughout history, the stock market has rebounded, marching higher and higher in due course.

The 2008 global financial "crisis" proved to be nothing more than a huge buying opportunity. And as we know now, the March 2020 "coronavirus meltdown" represented an absolute (albeit fleeting) 'fire sale' for savvy investors.

Here's a pop quiz from Jason Zweig, columnist for The Wall Street Journal, "Name the giant store where customers scoff at whatever goes on sale, but flock to buy whatever costs the most? It isn't the supermarket, it's the stock market."

You've already survived countless corrections and bear markets, and we'll witness many more to come. During the next bear market, let's remember a basic fact: there are two sides to every trade. Which side do we want to be on, when great businesses are temporarily trading at bargain basement prices?

In order to be successful, we don't just survive bear markets, we thrive because of them.

"Bear markets are where the real money is made, not lost."

- Warren Buffett

I resolve to buy low and sell high (…for real)

I concur wholeheartedly with the views I'm about to share with you, from John Caspar, one of my former peers at Raymond James.

Like John, I too have spent decades in the investment industry, and I can assure you that just as obvious as 'buy low/sell high' might seem, very few investors actually adhere to this most basic of all investing axioms. (If you cringe at the thought of a bear market, and are elated when stock prices have recently gone through the roof – I kindly ask that you please commit the following message to memory).

"Buy low, sell high. I know. You've heard this, it's a cliché and it's blindingly obvious. In fact, you may be saying, everybody knows this. Well, based on more than two decades of professional immersion in the field of investing, I can confidently assure you that at least some of the time, almost nobody knows this. In fact, I have to take a short break right now because I'm laughing too hard to type. That's how funny that obvious cliché is. So really, stop what you've been doing so far – and buy low, sell high."

- John Caspar

(The above is an excerpt from an article that appeared in 'The Smart Money' column of Forum magazine. Interestingly, the article appeared in the October 2008 edition. Sadly, John passed away shortly after the article was written. It remains one of the best articles I've ever read on investing. So while John is no longer with us, his memory - and his wisdom - lives on).

I resolve to take ownership of an investment plan, not just owning investments

I've met hundreds of individuals who own investments. I've met very few who have any sort of an investment plan.

Just buying whatever comes to mind – or worst of all, whatever has been really 'hot' as of late – is clearly not any sort of a plan. If there is no rhyme or reason to why you own what you own, you're flying by the seat of your pants. And just like any other serious endeavor, 'winging it' is not likely to lead to lasting success.

As my client, you own an investment plan.

"All financial success comes from acting on a plan. A lot of financial failure comes from reacting to the market."

- Nick Murray

I resolve to seek excellence - through active portfolio management

Passive investing (through ETFs, index funds, etc.) is held out to be some sort of panacea, mainly by those who (…you guessed it) make their living by promoting passive investment products.

I've yet to hear a promoter of ETFs make the obvious admonition that, by settling for index investing, you are guaranteed to underperform the market, each and every year, by design (index – fees = guaranteed underperformance).

A commercial airplane today can and does basically fly itself. But are you in a hurry to get on a plane without a flight crew – and most important – without a pilot? When bad weather or heavy turbulence strikes, do you not glean at least a modicum of comfort in knowing that there is an experienced captain in the cockpit?

Not only is index investing like being a passenger on a plane that is flying on autopilot; when investing in ETFs, there is no pilot.

Just like the rest of us, the 'indexer' needs to get from point A to point B. But they're trying to do so on a rudderless ship. They've got all of the volatility of the market – but with no-one at the helm to steer them clear of inclement weather.

"Mediocrity is common, and it feels awful. Excellence is rare, and it feels wonderful."

\- Nick Murray

Passive investing and ETFs are the epitome of mediocrity. According to Prem Watsa, *"If you follow the crowd, you get the results of the crowd."*

Outperformance through active management may indeed be rare, AND it feels wonderful. We won't settle for mediocrity.

We seek excellence.

I resolve to pay no attention to market forecasts

At the start of every year we're inundated with forecasts, outlooks, and market predictions. Do you think if the forecaster could somehow really know what was about to happen next - they'd write about it in advance, sharing it with the whole world and thereby eliminating their advantage?

According to legendary investor Sir John Templeton, "I never ask if the market is going to go up or down because I don't know, and besides it doesn't matter. Forty years of experience have taught me you can make money without ever knowing which way the market is going."

And as per Tom Bradley of Steadyhand, "Talking about where the market is going is investing's lowest common denominator. It's like talking about the weather, except it has less chance of being right."

So for this year, and for every year hereafter – let's resolve once and for all, to ignore market forecasts.

"The year came and went. Stocks went down and then up more than they went down. As is the way, predictions were made (almost all wrong) and then once the future showed up, quick explanations were made as to what happened and why. This was followed by a whole new slew of predictions. In short, it was business as usual for the market."

\- Matt Wood