

IRA'S MUSINGS

July 20, 2010

I fully acknowledge that the quality of these essays should be showing some improvement. What else do I have to do, you may ask? My defense is weak. Yes, I am out of management, and yes, I have limited my client contact. The Value mandate has evolved into the trusty hands of Bill Webb, Jeff Hales and Christine Tan. My roles in the volunteer world have shrunk. I no longer write a regular newspaper column. I do manage the Founders' model, which is relatively small by our Firm's standards, but, and this is an important but, I am doing it by myself. Over the last decade I often worked alongside co-managers and often the results were quite respectable, but being the sole manager is different, even if the funds involved are not big. There is a certain minimum amount of reading and thinking that is appropriate. I'm enjoying the task.

Nowadays I wander about town and encounter friends and foes who ask how I am enjoying the quieter life. I no longer bristle at the question. By normal human standards I am not old. I am still in my 60's and I have many friends who are firing on all cylinders in their 80's. Age and title play very large roles in the corporate world, where I still reside. When you lose a fancy title you also lose some fancy friends and fancy invitations. I can survive such transient losses, but I miss some of the perks. Another example of the phenomenon that I am discussing occurred at a charitable golf event that I just attended for roughly the 20th year. I always play with some old pals and despite the 6-hour marathon, I always enjoy myself. Provoked by a mere 65 year old, I surveyed the other 143 golfers in attendance and concluded, after some superficial research, that I was indeed a candidate to be the oldest golfer in the field. I may be cheeky, but there were a few old timers in attendance who didn't seem receptive to me asking their exact age.

How about some comments on the world? I still receive the odd inquiry on the topic, but I am not about to compete with the views of David Rosenberg. I have retreated to the Ira of old, with strong views on certain stocks, or on certain individuals, but I'm not offering views on the broader markets. There are many dimensions to our employing David. You may think that he is widely quoted, but you have not seen anything. He is dramatically more widely quoted than you think - I am talking around the world. Up to now we are only talking quantity. Jim Cramer is also well quoted. But "Rosie", as he is affectionately called, also rates very high in the quality investment and financial worlds. He meets with the top gurus and investment managers in the world and always shines. In addition, he returns to our offices just as he left. He is not egotistical or arrogant despite many opportunities. While I am dishing out praise, I should send some to the powers-that-be at Gluskin Sheff. Allow me to elaborate and educate you on a few secrets of our industry. As you know David has been pretty negative in both his role as the economist and strategist insofar as the equity markets are concerned (while bullish on bonds/income generating securities). Our guys never asked him to temper his negative views or to step back from the high profile stage, even when the stock market was soaring not too long ago. Remember, we do not hold ourselves out

to be the editorial section of the New York Times. We are an investment management firm and the evidence is well documented that a negative stance is not good for business. Yes, our asset mix decisions in favour of bonds and market neutral hedge funds can be very helpful, but many clients and potential clients only care about old fashioned equities and our negative stance was discouraging them from doing business. But we stuck to our guns and I am proud of our guys for doing so. It shows that we are going to tell our candid truth, rather than give a marketing spin. I'll back that candor every time.

You can only duck answering questions about the market for so long. I am intrigued about why the volatility seems to have increased over time and whether this is a permanent trend. My apologies for referring again to the good old days, but it is appropriate. In my former life I was a brokerage analyst and executive. Our little firm traded with almost every institution of any size in Canada. Our 75 Canadian institutional clients represented the overwhelming bulk of the market. Every day Canada Trust would sell a block to PH&N or Investors Group would buy a block from United Corporation. There was some modest predictability to the stock market, with the upsetting factor being sudden changes in the conventional view of the economy. It was not easy to make money all of the time, but it was easy compared to now. What is different in my view is that there are many new players from outside our little country. Many are hedge funds. Canada has a very small hedge fund community, but the rest of the world is awash in them and contrary to the views of many old timers, they are not going away. They are extremely unpredictable, which makes the market unpredictable, even without addressing oneself to the dramatic changes that occur in the conventional economic forecast. They enter and leave markets at a moment's notice.

My last word of the day is that I continue to chat regularly with David Rosenberg. When he gets bullish on equities, I plan to be the first to know.