A Peek into the PRIME QUADRANT®

We are pleased to announce that Jim Chanos, the world's most prominent short-seller, will be joining us for this year's Prime Quadrant Conference.

Jim Chanos is the founder and Managing Partner of Kynikos Associates LP, the world's largest exclusive short selling investment firm.

Throughout his investment career, Mr. Chanos has identified and sold short the shares of numerous well-known corporate financial disasters. His celebrated short-sale of Enron shares was dubbed by Barron's as "the market call of the decade, if not the past fifty years."

Mr. Chanos is chairman of the Coalition of Private Investment Companies. In this role, Mr. Chanos has testified before Congress and provided comments to regulations proposed by the U.S. Securities and Exchange Commission and the Financial Services Authority in the United Kingdom.

Mr. Chanos is currently a Lecturer in Finance and Becton Fellow at the Yale School of Management, teaching a class on the history of financial fraud.

SAVE THE DATE: NOVEMBER 2, 2016

Upcoming Investor IQ Series

April 6, 2016:
Financial Fees

May 4, 2016:
Revisiting Risk

June 7, 2016:
Investment Mistakes

July 14, 2016:
Investment Lessons From Fraud

August 15, 2016:
Manager Selection Workshop: Part 1

September 20, 2016:
Manager Selection Workshop: Part 2

What is the PQ?

In financial terms, the Prime Quadrant is the optimal zone in which you achieve the highest return per unit of risk.

STORIES OF INTEREST

Here's What Buffett Wouldn't Do
With his annual letter due February 27th, it's time for a review of "What Buffett wouldn't do" -- and you probably shouldn't, either.

The Process of Judging an Investment Process
When does a process become irrelevant or obsolete?

A Simple Question For Investors
A genie appears and offers to send you the price of one but only one asset 20 years from now to inform your investment decisions (a stock, a currency, a commodity, etc.) What do you want to know?

Complimenting vs. Competing
Like most other domains, in investing, hiring a range of talent and strategies that can produce independent and coordinated results is critical to investors' success.

THE WAY WE SEE IT

Below is an excerpt taken from a recent memo from Howard Marks of Oaktree Capital.

What does a Falling Market Say About Psychology?

Fundamentals – the outlook for an economy, company or asset – don't change much from day to day. **As a result, daily price changes are mostly about (a) changes in market psychology and thus (b) changes in who wants to own something or un-own something.** These two statements become increasingly valid the more daily prices fluctuate. Big fluctuations show that psychology is changing radically.

And, I said on page two, emotional fluctuations – swings in market sentiment or psychology – do seem to be synergistic. That is, in crowd psychology, 2 + 2 = 5. **While I don't think the price of an asset reflects more wisdom than is possessed by the average of its market's members, I do believe mass psychology will make a group swing to reach greater emotional extremes than its members would separately.** In short, people make each other crazy. And when times are bad – like now – they depress each other. That was a factor in the edge enjoyed by our distressed debt team in 2008: they were able to buy at the market's lows because they weren't in New York, where everyone was trading scary stories and getting each other down.

Again, we can gain insight through logic. **We all know we want to buy (not sell) at the lows, and sell (not buy) at the highs. So then how can it be right to sell because of a decline or buy because of a rise?** Advocates of this latter approach must think (a) declines and rises tend to continue more than they reverse and/or (b) they can tell which declines mean "buy" and which mean "sell."

Being in the Prime Quadrant requires seeing the big picture and making intelligent choices, from among all investment options and strategies, to best meet your goals.

Prime Quadrant is an investment research and consulting firm that helps high-net-worth Canadians make better investment decisions.

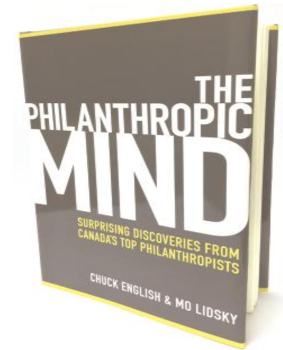
In the Community

This month, Mo Lidsky was the guest lecturer at **The Rotman School of Management's Philanthropy Experts Speaker Series**

Click here to watch!

The Philanthropic Mind is also available on Amazon, Indigo and Barnes & Noble.

Some savants may have that latter ability, but not many. In general, I think it's ridiculous to sell something because it's down (just as it is to buy because it's up).



As prices fall, there are some very genuine reasons to sell:

- Some people feel rising fear and have to lighten their positions in order to retain their composure.
- Some, having lost a lot of money, sell to be sure they won't experience losses they can't survive.
- Some have to sell to repay demanding creditors or satisfy investor withdrawals.

These reasons are not "invalid." It's just that none of them has anything to do with making money.

Most mature investors know intellectually that short-term price fluctuations are low in fundamental significance, and that the best results will be achieved if they hold on to their positions and ride out the volatility. But sometimes people sell anyway, perhaps for the above reasons. **Doing so has the potential to convert a short-term fluctuation into a permanent loss by causing any subsequent recovery to be missed. I consider this the cardinal sin in investing.**

"What lies behind us and what lies before us are tiny matters compared to what lies within us."

- Ralph Waldo Emerson