



# A Peek into the PRIME QUADRANT®

**Seats are going quickly, only 110 spots remain.  
Click [here](#) to register for the  
Prime Quadrant Conference on November 2, 2016.**



**DAVID RUBENSTEIN**  
Founder and Chief  
Executive Officer, The  
Carlyle Group.



**MARY SCHAPIRO**  
29th Chairman of the United  
States Securities and  
Exchange Commission (SEC).



**JIM CHANOS**  
Founder and Managing  
Partner, Kynikos  
Associates LP.



**HEATHER REISMAN**  
Chair and Chief  
Executive Officer, Indigo.  
Co-founder, Kobo.



**BILL BROWDER**  
Best-selling author of Red Notice.  
Founder and CEO, Hermitage  
Capital Management.



**RAI SAHI**  
Chairman and Chief  
Executive Officer,  
Morguard Corporation.



**TOM CLAUGUS**  
Chairman and Chief  
Executive Officer,  
GMT Capital Corp.



**CLIFTON S. ROBBINS**  
Founder and Chief  
Executive Officer,  
Blue Harbour Group.



**PIERRE LASSONDE**  
Chairman,  
Franco-Nevada  
Corporation.



**STANLEY M. BERGMAN**  
Chairman and Chief  
Executive Officer,  
Henry Schein.



**DAN GARDNER**  
Best-selling author of  
Superforecasting,  
Future Babble, and Risk.



**MURRAY STAHL**  
Chairman and Chief  
Executive Officer,  
Horizon Kinetics LLC.

## Upcoming Events

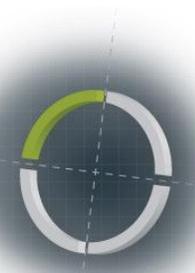
September 22, 2016:  
Common Mistakes of  
Seasoned Investors

November 2, 2016:  
Prime Quadrant  
Conference

December 7, 2016:  
Bitcoin, Blockchain and  
the World of Digital  
Currencies

## 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

### [Moving The Goalposts](#)

Investment professionals are acutely aware that by massaging the numbers, you can get the truth to tell any lie you want.

### [How to Survive a Melt-Up](#)

Very few investors would consider investment gains to be a risk, but a plan to protect against greed taking over decision-making can be helpful.

### [Saving Investors from Themselves](#)

The investor's chief problem is likely to be themselves, and largely because the financial universe is set up to deceive us.

### [Why Gauging Inflation Is So Hard](#)

Inflation isn't dead; it just might not be where you think it is. Understanding the driving forces behind it is crucial.

---

## THE WAY WE SEE IT

*The following was provided by Jeremy Rosmarin, CFA.*

### [The Five-Point Path to Generational Wealth Transfer - Part I](#)

Many investors we meet with have a similar overarching goal for their investments. Simply put, they wish to protect the value of their net worth, after inflation, while covering their family's expenses. And they want to achieve this goal over a very long time - spanning beyond their own generation.

This goal may be harder to achieve for investors today than at any time over the last half-century. Today's difficult environment stems, in part, from two monetary policies currently in effect. The first is low interest rates, commonly called "[zero interest rate policy](#)," or "ZIRP." ZIRP reduces the expected rate of return that investors can get for leaving their money in cash or cash equivalents, such as short-term government bonds.

The second policy is central bank asset purchase programs, commonly called "[quantitative easing](#)," or "QE." When the central bank purchases long-term bonds, stocks and/or other

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.

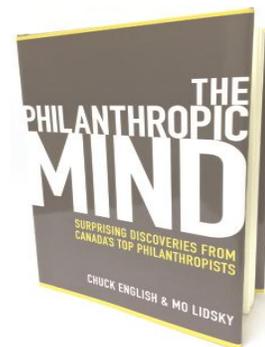
**Prime Quadrant is an investment research and consulting firm that helps high-net-worth Canadians make better investment decisions.**

---

[In Search of the Prime Quadrant: The Quest for Better Investment Decisions](#) is available at Amazon, Barnes & Noble and Indigo.



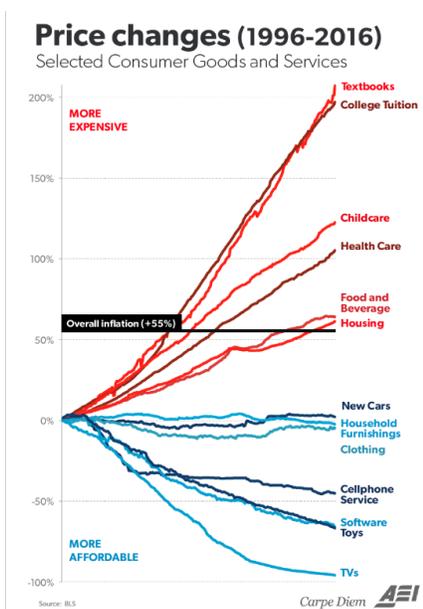
[The Philanthropic Mind](#) is also available on Amazon, Indigo and Barnes & Noble.



securities, this leads to an increase in the demand for these riskier assets and drives their prices up. In turn, the price increases reduce the future returns that investors can get for investing in these assets.

As a result of both policies, investors find themselves facing lower future returns regardless of how much risk or uncertainty they accept.

All the while, expenses – especially for investors with a multi-generational purview – have not decreased. Although the prices of many goods have decreased over the past 20 years, the expenses most often borne by parents and grandparents (education, childcare, personal healthcare and housing) have increased significantly. The interesting graph that follows is included in the article above, entitled “[Why Gauging Inflation Is So Hard.](#)”



As a result of these challenges, many families believe they must either (i) accept the fact that they will leave their children with less than their family has today or (ii) take more risk than they can or should tolerate.

We propose a different Five-Point Path for investors which provides the best chance of navigating today’s low-return environment and meeting investors’ long-term goals.

1. Follow a Value Philosophy in All Investments
2. Maintain a Healthy Cash Buffer
3. Invest Broadly Across Asset Classes and Geographies
4. Avoid Unnecessary Costs and Fees
5. Educate the Next Generation of Investors

Our upcoming newsletters will provide a summary of each of the Five Points and how investors can rise above the current low-return environment to meet their long-term goals. In the meantime, consider the following factors illustrating the challenge that investors face today:

- The [earnings yield](#) for the five hundred largest U.S. companies, [adjusted for inflation and cyclicity of earnings](#), is just 3.7%. The only instances in which the earnings yield has been this low over the past 100 years were in the mid-2000s and the late 1920s. In both of these instances, subsequent 10-year returns for equities were far below the long-term average of 7%-8%.
- The [interest rate for Canadian government bonds](#) which mature in ten years is a paltry 1.06%. For investors willing to purchase longer-dated government bonds, the interest rate increases to just 1.66%. Both of these return levels are below the [Bank of Canada's stated inflation target of 2%](#).

With the earnings on both stocks and bonds at such low levels, earning satisfactory returns of, say, high single-digit levels, is a formidable challenge. To be clear, we are not prognosticating a market crash (we do not believe that we can predict the direction of the market, especially in the short term). In order to overcome today's challenges, however, investors must approach their investing conscientiously, prudently and with a well-structured approach.

**"An ounce of prevention is worth a pound of cure."**

**- Poor Richard's Almanack**



---

PRIME QUADRANT

2 ST. CLAIR AVENUE WEST, SUITE 2101, TORONTO, ONTARIO CANADA M4V 1L5  
TEL. +1 416 410 3648 FAX. +1 416 352 6116 [INFO@PRIMEQUADRANT.COM](mailto:INFO@PRIMEQUADRANT.COM)  
[WWW.PRIMEQUADRANT.COM](http://WWW.PRIMEQUADRANT.COM)

---