



A Peek into the PRIME QUADRANT®

We are pleased to announce that Cliff Asness, Founder of AQR, will be joining us for our 2017 Prime Quadrant Conference.

11.1.2017

Save the date and stay tuned for more announcements!

pqconference.com



Clifford S. Asness

Cliff Asness is a Founder and Chief Investment Officer at AQR Capital Management, with over \$175 billion in assets under management. He has authored on a variety of financial topics for many academic publications, is a frequent commentator for Bloomberg, New York Times, CNBC and the Wall Street Journal. Cliff has received numerous awards from the CFA Institute, The Journal of Portfolio Management and the Financial Analysts Journal, including the Graham and Dodd Readers' Choice Award. Prior to founding AQR Capital Management, he was a managing director at Goldman, Sachs & Co. He sits on the editorial board of The Journal of Portfolio Management, the governing board of the Courant Institute of Mathematical Finance at NYU, and board of the Q-Group and the International Rescue Committee. Cliff received a B.S. in economics from the Wharton School and a B.S. in engineering from the Moore School of Electrical Engineering at the University of Pennsylvania, graduating Summa Cum Laude in both. He received an M.B.A. with high honors and a Ph.D. in finance from the University of Chicago.

Upcoming Investor IQ Workshops

March 8, 2017:
Investment Planning

April 25, 2017:
Diversification

May 25, 2017:
Performance Measurement

June 28, 2017:
Financial Fees

July 19, 2017:
Gold & Commodities

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

Why We Dig In

Every day we are presented with a choice - dig in, or keep an open mind. There seems to be few benefits to the former.

The (Alternative) Facts of Investing

In today's struggle to decipher between fact and fiction, the quest for truth in investing is more critical than ever.

Consistency and Self-Delusion

Investors tend to seek out pleasure and avoid pain, but problems arise when pleasure and pain pull in opposite directions.

Just Do It

What to do about our brains being wired to believe rewards are worth more now than in the future.

THE WAY WE SEE IT

Below is an article written by Mo Lidsky, Partner and Senior Managing Director at Prime Quadrant.

Deferred Maintenance

All the years we lived in this house I knew about it. Yet, I ignored it.

First, it was a small moldy patch in the washroom ceiling. Then an occasional drip in my home office. I knew that my kids' bathroom had a barely visible pathway to the floors below, but I ignored it.

Until tonight.

It was an idyllic Sunday afternoon. I was watching an SNL clip with my daughters in the living room, waiting for dinner to warm up. Suddenly, I hear the misplaced sounds of drips. Within seconds, the drips turn to showers, and then my wife's scream, "Mo, your office is flooding!"



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.

Mo Lidsky's most recent book [Partners in Preservation: How to Know your Advisor is Truly Protecting your Wealth](#) is now available on Amazon!



**PARTNERS IN
PRESERVATION**

HOW TO KNOW YOUR ADVISOR
IS TRULY PROTECTING YOUR WEALTH

MO LIDSKY

[In Search of the Prime Quadrant: The Quest for](#)

Realizing what unfolded I sprint to the top floor, where my 5-year old turned on (and forgot about) the bath. There I find two inches of water.

I rushed to stop the flow, fruitlessly attempting to mop up a seemingly endless water supply. Simultaneously, my wife and two older kids are scrambling to empty my office of books, computers, printer, notes and anything else in harm's way. The two younger kids are bumbling around, repeatedly getting in the way and frantically asking if we have to change houses.

Two hours later, with the water finally under control, we plop down around the dinner table, knowing that there are still hours of work and untold damage costs ahead.

Damn that little crack – and its neglectful owner!

In real estate, deferred maintenance is a term that refers to the foolish exchange, where we ignore small problems in the short term - because we don't want to spend the money or can't be bothered - in exchange for much bigger problems over the longer term. For example, someone daft enough to ignore a tiny leak in exchange for eventually replacing all the carpeting, flooring, and paneling on three floors of the poor sap's house. #lessoninhumility #kidsarefreakingexpensive

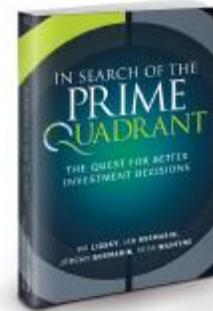
As an investor in real estate, I should have known better. I am well aware that deferred maintenance creates opportunities for responsible buyers. Deferred maintenance is the mark of poor management, and signals upside potential for newly acquired properties.

It is also so deeply human, as deferred maintenance is not limited to homes or real estate.

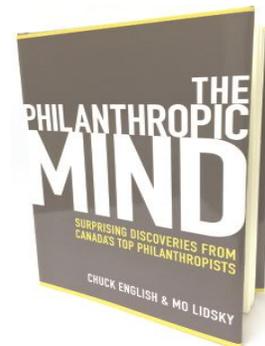
Most people do not maintain their cars (until they break down), do not visit a dentist religiously (until something



[Better Investment Decisions](#) is available at Amazon, Barnes & Noble and Indigo.



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



hurts), and do not exercise or diet until the pants stop fitting.

The unfortunate outcome is that those who defer regular maintenance (aka yours truly) will be paying much more for the same item. You will still need to put oil in your car, but now you will also need to pay for a tow truck. You will still need to visit the doctor, but now you will also need to pay for medication.

In investing – whether you’ve done it or not - you’ll still need to plan, still need to diversify, to conduct due diligence, to be more thoughtful, etc. Though, after learning the hard way, you’ll also need to write off the latest poor decision or climb out of the latest hole you dug for yourself.

Studies show that people don’t take financial education seriously until they absolutely need it. This is no different from people’s dispassion about learning to change a tire – until they are stranded with a flat.

The difference between a flat tire and failure to properly steward one’s wealth, is that failure with the former can ruin your day whereas failure with the latter can put all your needs, aspirations and decades of work in jeopardy.

We know, mathematically, that those who lose 50% need to have a 100% return to make up for the losses. And 100% returns are very hard to come by.

For high net worth individuals, the impact of deferred maintenance is that much greater, and the fix is that much more complicated.

Significant investment losses are often a function of several deferred maintenance issues:

- Failure to develop, update or maintain a comprehensive investment plan
- Failure to develop, update or maintain a thoughtful estate plan
- Failure to adhere to an all-encompassing asset allocation
- Failure to adhere to the practice of rebalancing the portfolio

- Failure to adhere to the discipline of assessing the performance of your investments
- Failure to ensure that your investment managers are (and continue to be) best in class via ongoing due diligence
- Failure to verify that the fees being charged are appropriate and consistent

These are all critical maintenance activities for the “stay rich” investor, whose priority is wealth preservation.

Perhaps the most underestimated side effect of deferred maintenance is the reputation it engenders. We all have friends or family members that are sloppy and unreliable. We also have friends or family members who are uber-conscientious and would never let you down. We tend to adjust our expectations of each of them.

When it comes to business and investing, reputation travels much faster and more vigorously than it does for Cousin Bob’s flakiness. Renters quickly learn to avoid your properties. Potential clients shun your organization and charlatans seek those that cut corners.

For your protection, commit to avoid deferred maintenance with your portfolio, as investment mistakes cannot be reversed with some new carpeting and drywall.

“To make a mistake is only human; to persist in a mistake is idiotic.”

- Cicero



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