

Issue 135



A Peek into the PRIME QUADRANT®

Thank you to all our supporters of the 2017 Prime
Quadrant Conference!
Enjoy the highlight video from this past year's sold-
out success.



Upcoming Investor IQ Workshops

January 31, 2018

A Primer on
Investing in Real
Estate

March 6, 2018

A Primer on
Investing in Private
Equity

April 25, 2018

A Primer on
Investing in Hedged

& Uncorrelated
Strategies

Stories of Interest

The Theory of Maybes

How to survive an industry where some of the most important variables can't be calculated, measured, or fully understood.

How to Read Financial News

Bucket everything that catches your attention into a category of relevance. Good, relevant content is extremely rare.

The Maturation of an Investor

You cannot force the maturity process but here are a number of ways to accelerate it.

Three Strategies to Help You Learn Better

We can all be effective learners if we carve out the time for it, design the right processes, and track our progress.

The Way We See It

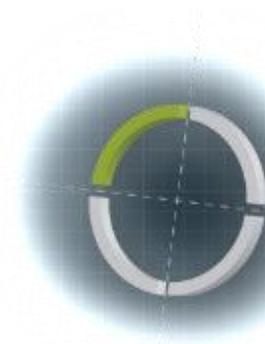
Below is an excerpt from Mo Lidsky, Partner and Senior Managing Director to the staff and partners at Prime Quadrant.

We set another record. 2017 handed the stock market the least volatile year in history. Regardless of what was happening in the world (or which ridiculous Trump tweet made headlines) stock prices simply kept climbing. In fact, if you added up all the down movements in the market throughout the year, 2017 was absolutely unprecedented. For example, the Dow Jones Industrial (an index that has a much longer history than the S&P 500) has never experienced a year of such low volatility and so little aggregate downside movement in over one hundred years of tracking daily prices.

So, what's the problem?

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.



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

Buoyant markets don't teach us much, and the most difficult lesson to learn is the one you don't pay for.

It's hard to learn from success because success re-anchors our expectations to the upside. It gives us confidence that may be unwarranted. It makes humility much more difficult to attain and maintain. Most importantly, it can impede us from stopping to ask "why" we were successful.

The challenge with not probing our victories is that we then easily misconstrue their causes. Psychologists refer to this as the fundamental attribution error. One might come to believe "of course success is the result of my vision, my efforts, my talents", or "our strategic navigation", "our analysis" and "our superiority". Fundamental attribution error leads us down this line of thinking, and discounts the role that luck, other people, and even various environmental factors have played in leading us to this point.

Thriving businesses thrive for many possible reasons. Some of those will contribute to future growth and others will not. Though, when we fail to disentangle the causal from the correlated we are often left with a mishmash of too many things to offer any insight.

We tend to avoid the tough questions when things look rosy. We assume, presume, and consume based on our achievements, and generally don't scrutinize or analyze our successes nearly as much as we dissect, investigate, and ruminate on our failures.

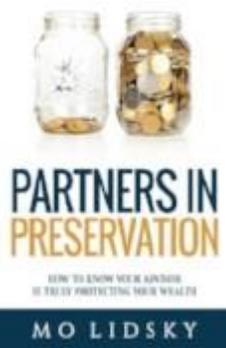
Just look at how much ink was spilled in trying to understand the causes of the 2008 global financial crisis. During the crash we witnessed a -38.5% decline in the S&P 500, and libraries can be filled with all the analysis of its root causes. Many are equally familiar with the 1931 nadir of the great depression, when the markets sunk -43.84%, in what was the single worst year in the history of the S&P 500. History classes are littered with books and documentaries chronicling every aspect of this devastating period.

Now, consider that in 1954 the S&P 500 was up over 52%. Yet you'd be hard-pressed to find an article on the topic. Since 1926, the S&P 500 achieved an annual return of more than 30% some sixteen times (most recently in 2013), and I cannot find a single book focused on those bull-markets.

This is not limited to finance. Crashed planes, unexpected patient

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!



[In Search of the Prime](#)

deaths and collapsed buildings will be studied far more, and prompt many more “why”s than miraculous landings, surprising recoveries and extraordinary durability.

The victim of success is often learning. And the consequence is diminished growth.

Failures, struggles and stumbles often appear to be natural inflection points. Many of the most accomplished entrepreneurs will claim that their early failures were critical to later successes. And failure is certainly a great teacher. Though, if we employ the discipline of regularly putting ourselves under the microscope, even triumphs present us with natural inflection points, each and every day.

One of my recent inspirations is a relatively new client. This individual happens to be among the most accomplished entrepreneurs and capital allocators in North America. He has reached a pinnacle that sits high above the aspirations of most others. And yet, when we met, he told me that he is a “babe in the woods” when it comes to understanding the financial world. Despite his extraordinary successes, his hunger for learning will undoubtedly protect him and his family for years to come. I suspect that he will reach new heights along the way.

What does this have to do with us?

By every metric, we at Prime Quadrant, have begun to see some measure of success. The portfolios are robust and we are constantly being complimented and thanked for our service. In fact, I suspect we receive more holiday gift baskets from our clients than any other firm in this country. And considering that we don’t send any gift baskets out, which might prompt reciprocity, I believe that’s really saying something.

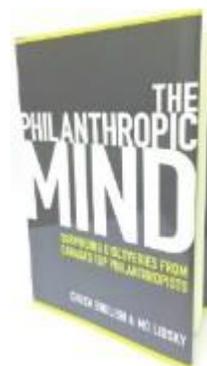
We are also obsessively focused on all the areas in which we can improve. Constantly raising the bar is and (hopefully) will continue to be hard-wired into our DNA.

Having said that, I believe there will come a day when some of us feel “we’ve almost nailed it” or (God forbid) the sense that “we’ve arrived”. Undoubtedly there will be some back-slapping and well-deserved celebrations, but what can also seep in is arrogance and complacency.

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.



As children who experience hedonic adaptation, getting bored with the shiny toys they once pined for, we'll get accustomed to the nectar of achievement or get comfortable at the summit of a small mountain. Our success will be evidence of our wisdom, and genuine soul-searching will have no place. That is the point where we'll forget that our character was built through the journey, and not the destination.

I hope that irrespective of how high we fly in 2018 or 2028 - or what struggles we confront along the way - our journey will continue through learning, unmitigated curiosity and relentless pursuit of the "why"s.

I believe this journey will continue to shower us with satisfaction when we accept the fact that, no matter how successful we might be, we have not arrived - and never will.

While the discipline of dissecting our successes and challenging our assumptions is no simple feat, it is also critical for continually stoking our passion, inspiring our purpose and achieving greater insight.

I hope that 2018 brings you every blessing under the sun, and that a year from now we are all analyzing our countless collective successes.

**"Risk comes from not knowing what you're doing."
- Warren Buffett**



PRIME QUADRANT®

BETTER INVESTMENT DECISIONS

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