



## A Peek into the PRIME QUADRANT®

**We are pleased to announce a new speaker for our 2017 Prime Quadrant Conference:**

**Charley Ellis**

Best-Selling Author & Founder of Greenwich Associates

**11.1.2017**

**Space is limited. Contact [conference@primequadrant.com](mailto:conference@primequadrant.com) to reserve your spot!**

**[pqconference.com](http://pqconference.com)**



Charles D. ("Charley") Ellis is the founder of Greenwich Associates, advising the world's largest institutional investors, government organizations, and capital allocators, and the author of 17 books. His books include, *Falling Short*, *What it Takes*, *The Partnership: The Making of Goldman Sachs*, *CAPITAL*, *Winning the Loser's Game* and *Elements of Investing*.

Having taught at both Yale School of Management and Harvard Business School, Charley is one of 11 individuals honored for lifetime contributions to the investment profession.

He has served on the boards and as a trustee for many other universities and organizations, including the Harvard Business School, Australia's Future Fund and New Zealand's and Singapore's sovereign wealth funds. Charley currently chairs the Whitehead Institute for Biomedical Research and the investment board for King Abdullah University in Saudi Arabia.

Charley is a graduate of Exeter and Yale College, earned an MBA (with distinction) at Harvard Business School and a Ph.D. at New York University.

### Upcoming Investor IQ Workshops

July 19, 2017:  
Gold & Commodities

August 23, 2017:  
Real Estate

September 27, 2017:  
Private Equity

### 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**

## STORIES OF INTEREST

### Satisfaction Yield

How we feel about an investment has less to do with the returns than with how those returns produce themselves.

### How to Be Your Own Quant

People are good at knowing what matters, but not as good at consistently implementing what matters. That's where quants have much to teach us.

### The Map Versus the Terrain

The reason most investors overestimate their ability to stay calm may have to do with their view.

### How to Measure and Evaluate Your Investments

In case you missed this past week's Investor [IQ Series](#) on Performance Measurement, here are some of the highlights of the presentation.



## THE WAY WE SEE IT

*The following is an excerpt from Mo Lidsky's latest book, [Partners in Preservation: How to Know your Advisor is Truly Protecting your Wealth](#).*

### **Having Options**

From the day they are born, children have a proliferation of synapses in the brain. Until the age of three, more and more synaptic connections are formed each day. A toddler is estimated to have as many as a quadrillion synaptic connections, more than double that of adults. This allows children to be more flexible and adaptable than adults.

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.**

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

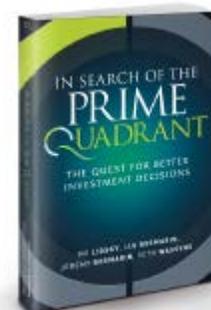


### **PARTNERS IN PRESERVATION**

HOW TO KNOW YOUR ADVISOR IS TRULY PROTECTING YOUR WEALTH

MO LIDSKY

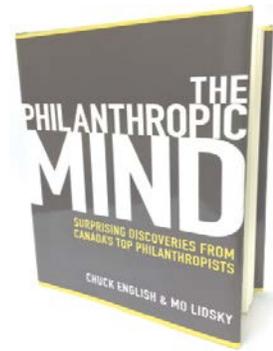
[In Search of the Prime Quadrant: The Quest for Better Investment Decisions](#) is available at Amazon, Barnes & Noble and Indigo.



[The Philanthropic Mind](#) is also available



on Amazon, Indigo  
and Barnes & Noble.



What follows is referred to as the process of Hebbian learning. As the child continues growing, the synaptic connections that they employ in their daily lives are strengthened, and those that they do not use get pruned. It is estimated that children proceed to lose as many as twenty billion synaptic connections each day. Michael Mauboussin points out that this process refines the brain, allowing it to survive and thrive in the specific environments in which we find ourselves. In *More Than You Know*, Michael Mauboussin explains: “*When the environment is uncertain, it helps to start with lots of alternatives (e.g. synaptic connections) and then select (via pruning) the ones that are best given the environment. The process is undoubtedly costly because lots of energy and resources necessarily go to waste, but it’s the best one going*”.

This biological insight provides an equally significant message for both investors and advisors. Besides knowing about the best-in-class opportunities and having access to them, one must have a sufficient number of comparable alternatives from which to prune in order to make wise investment decisions.

In *Smart Choices: A Practical Guide to Making Better Life Decisions*, three management consultant gurus, John Hammond, Ralph Keeney, and Howard Raiffa, outline their view about how a good decision-making process should take place. They write that instead of using gut decisions, default options, or limited opportunity sets, individuals should always actively search out the best options or alternatives. Only then can they determine which best meet their objectives and proceed accordingly.

In deciding to remodel your kitchen, you would solicit proposals from several contractors and then review the quotes line by line, making sure you understood everything before hiring someone to come into your home because this has a direct and intimate impact on your life. Although investing is not the same as having a carpenter in your breakfast nook in the morning, it should be approached the same way; all options or alternatives should be considered before making a decision. Investors, however, have a tendency to select their first option, the default option, or some other reactive approach. This is true in the selection of advisors and the selection of investments. Investors may use an advisor

from their community, participate in a real estate deal brought to them by their cousin, or invest in the business of a friend. Unfortunately, it is precisely this type of decision-making that leads people down the path of investing in mediocrity and away from the path of preservation.

It is somewhat intuitive that more options are better than none, but the extent to which that is true may be shocking. In a study of Fortune 500 senior executives, it was found that when executives considered more than one alternative, they made six times as many very good decisions (as opposed to those they rated “satisfactory” or “poor” where one option was considered).

I'll give the last word to Howard Marks, who writes in his notable work *The Most Important Thing: Uncommon Sense for the Thoughtful Investor*:

*“Investment is a discipline of relative selection... First the process has to be rigorous and disciplined. Second, it is by necessity conservative. Whether prices are depressed or elevated, and whether prospects are therefore high or low, we have to find the best investments. Since we can't change the market, if we want to participate, our job is to select the best from the possibilities that exist. These are real decisions.”*

**"Forecasts usually tell us more of the forecaster than of the future."**

**- Warren Buffett**



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