

Value Investing – Capital Preservation is the Key

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Since the turn of the century, being fully invested in “the market” has led to lackluster long-term returns.



*Total returns in Canadian Dollars, as of June 30, 2018

The figure above shows the long-term returns (gross of fees) of the most prominent indices in various developed markets. It serves as a reminder that, even over extended periods of time, investors who always remain ‘fully invested’ merely ride the market roller-coaster up and down, exposing their portfolio to volatile swings which may not necessarily lead to healthy long-term returns. For us, avoiding large losses is of paramount importance – **in order to grow capital, first, one must protect it.**

Expensive lessons were learned during the dot-com collapse and the financial crisis. Numerous investment firms managed to lose over half their clients’ capital during these periods – a result of taking excessive risk with no attention paid to valuation.

At Lorne Steinberg Wealth Management, we manage investments with a disciplined focus on risk management and capital preservation. Our approach to investing is securely founded on a deep value-based philosophy. We are stubbornly fixated on exclusively buying quality businesses with attractive economics, a durable competitive advantage, and share prices trading at a significant discount to intrinsic value (in other words, that are compellingly cheap). While we are not aggressive in trading, we are extremely aggressive in our hunt for securities that represent value, and our investment committee is constantly spanning the globe to find the next opportunity.

As value investors, when we cannot find attractive investments that meet our strict financial criteria, **we simply hold cash** and wait patiently for the opportunity to deploy. During a sharp market selloff, the only happy investor is the investor with cash to spend on great companies temporarily on sale. A great company is only a great investment at the right price.

At LSWM, we align interests and eat our own cooking. All clients and employees hold the same investments. We have a long history as value investors and our approach to the equity market is consistent with the conservative, value-based investment philosophy that defines Lorne Steinberg Wealth Management. Please visit our website or call us for more information.

The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or returns on investment in the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the offering memorandum or prospectus of the Fund before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Performance results are not guaranteed, values may change frequently and past performance may not be repeated