

# QV UPDATE

Weekly Commentary | May 22, 2015

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## 8 a.m.

Most that have come through our office and sat at our boardroom table have likely had small wooden splinters unknowingly knitted through their pant legs. Over the years our boardroom table had visibly aged with cracked edges that remarkably resisted the masking of tape. It is this week that we received our new boardroom table built by the craftsmen at the Calgary Drop-In Centre. Originally we planned to order a table from an office furniture manufacturer, but when we heard of the good work this organization was doing we chose to support the community and get a wonderful table at the same time. [Visit their website at <http://woodworks.thedi.ca>] It was difficult to see our old wooden slab go. But with the same investment team at the helm, the only difference now will be that our clothes last longer.

The table is an important piece of furniture at QV because it helps facilitate our morning investment committee meetings. Every day at 8 a.m., we gather around to discuss topics relevant to our investments and client portfolios. Members present anything they believe is noteworthy, from interesting articles and charts, to new market developments, and fresh investment ideas. Actionable ideas are vetted at the table and open discussion alongside constructive criticism helps improve the quality of our decisions.

As a growing firm, it is imperative we do not change our investment philosophy as new ideas and backgrounds have the potential to uproot our principles. For this purpose the morning meeting also serves as a training ground and ensures our actions always serve the best interests of our clients. It also acts as a forum where we can learn from each other's past mistakes and experiences from prior cycles. The dialogue and idea sharing also builds our collective knowledge base over time.

In any setting where team-based decision making is involved, the potential outcomes stemming from groupthink becomes a risk. As you may know, groupthink occurs when the desire to conform to consensus is so powerful that alternative suggestions are not considered. This can lead to subpar and

dysfunctional decision making outcomes. The open nature of the morning meeting allows for the critical evaluation of ideas and the airing of opposing viewpoints from other members. Each of our investment strategies have subcommittees that conduct the necessary research before arriving at a decision. The 8 a.m. gathering encourages sober second thought and provides a setting to ask the tough questions that need to be asked. We believe this format promotes better decision making and a more objective investment team.

Lastly and perhaps most importantly, the investment committee serves as a quasi-support group. A collection of like-minded investors helps support contrarian thinking especially when the market moves against us. It is easier said than done, but when it is prudent to sacrifice short term performance for superior long term results, it is much easier to stay the course when you have a full team on your side. After all we are human and emotional biases appear, particularly when the market becomes irrational. Having a group that encourages a long term view and a willingness to act differently helps cope with the loneliness of contrarian thinking.

With the North American economic expansion celebrating its 6<sup>th</sup> birthday in June and the unabated rise of asset prices continuing, the fear of missing out is pervading the minds of most investors. Stock and bond valuations have risen to levels we believe offer more downside risk than at any time in the last six years. Central banks have encouraged risk taking behaviour with their zero interest rate policies and bond buying programs. This does not imply that we cannot be invested. Markets can stay expensive for a long time and attractive investment opportunities still remain. Keeping on the defensive and together controlling risk in our portfolios will help preserve and grow our client's wealth over time. The table is merely a medium, it is the application of clear objective decision making alongside our team-based approach that has helped guide us in the past and will guide us through this market cycle and the next.