Chris Horan, Financial Advisor

October 2001

Chris Horan, CFP, RFP
Senior Financial Advisor
Assante Capital Management Ltd.
1100-320 Bay St. Toronto, Ontario
M5H 4A6

Telephone: (416) 216-6500
Toll Free: (800) 565-4605
Email: choran@assante.com

Article Background

These essays were originally published in October 2001.

Referrals

The primary way my business grows is when clients and business associates refer their family and friends to me. I am very grateful to be directly responsible for a little over $50 million, on behalf of about 180 families. It is a privilege to manage your assets – thank you very much

If you notice someone who you feel might benefit from good investment advice, please have them call me. I've included a business card. Or, if you prefer, I can call or write to arrange an introductory appointment.

If you know someone who might be interested in receiving my newsletter, just call or email my office and we'll be pleased to put them on the list.

This Time Isn't Different

September 11, 2001 is, in many ways, still beyond words. Events which before were not even in the realm of realistic possibility unfolded before our unbelieving eyes. The entire civilized world remains shocked, even today.

The title of this essay is a play on the words widely attributed to Sir John Templeton, one of the greatest and wisest investors of all time. He is reputed to have said that 'The four most dangerous words in investing are "This time it's different"'.

The phrase, of course, alludes to the cycles that drive investment markets (and all other things in nature). The genius of the phrase is that certain important attributes of each cycle are most certainly quite different from any previous cycle. These differences tempt inexperienced investors to forget the lessons of the past, and believe in a so-called 'new paradigm'.

For instance, the internet technology bubble of 1999/2000 (identified in these pages as one of the greatest bubbles of all time) was quite different from the real estate bubble of the late 1980's, which was different from the personal computer bubble of the mid 1980's (remember Commodore?), which was different from the gold bubble of the late 1970's, which was different from the 'Nifty Fifty' growth stock bubble of the early 1960's.

And yet, other attributes of cycles *are* very similar. For example, one of the most important similarities that identify a bubble is when inexperienced investors blithely throw their money at whatever thing has gone up the most in price, believing it will continue to go up forever. More on this in a future essay.

The point is that in any investment cycle, certain things are quite the same, and certain things are very different. Mark Twain said, "History never repeats itself, but it does rhyme".

And now on to September 11 and the current investment climate. The title of the essay is taken from a recent conference call with Nick Murray, a 30-year investment advisor and now an advisor to investment advisors. Nick addressed the concerns of many people that the attacks have changed the world and may leave us with major and long-lasting negative economic impacts. Ever the contrarian, his point is roughly that September 11th isn't different. How can he figure that?

In many ways, the horror of September 11 is totally unprecedented. Our civilized Western minds still grapple with the audacity and the enormity of it. It is completely unlike any of the other cataclysms which America or the West has experienced in the past. But what will the economic impact be? Will the stock market be driven into the ground too?

As usual, some history is required for perspective. The use of carrier-based aircraft to torpedo the US Navy at Pearl Harbor was totally unprecedented and unexpected. It happened in 1941 when the Dow Jones was at about 100. The Cuban Missile Crisis 21 years later brought us to the brink of nuclear holocaust. The Dow was then at 500.

Investment Manager Lunch

Selecting investment managers to look after my clients' investments is one of the most important things I do. To give you some insight into the I value most in managers, I've written a little report on Bill Kanko, the lead manager on the $6 billion Trimark Select Growth and the $3 billion Trimark Fund. I was at a breakfast with Bill and a few other people in October.

First, Bill is not an exciting speaker. This is a very good sign. I do not like investment managers who entertain a crowd. They are dangerous. Another very good sign is that Bill, having worked with Bob Krembil (Trimark founder) for most of 20 years, says that he adds value by 'thinking independently'. I like independent thinkers. 'You can't outperform if your portfolio looks like everyone else's', says Bill. This is good. I don't need to be a rocket scientist to follow the guy.

Bill 'develops a model, not a mathematical model, but a logic model' for a company and its prospects, before buying the stock. He likes to buy a company that is either temporarily out of favor, which makes him a value manager, (see the article 'Two Markets' on p3), or a company that has great growth prospects that the market doesn't realize yet.

Commenting on the *growth style* vs the *value style*, Bill says, 'You can't separate growth from value'. He explains that although he refuses to pay a high price for a stock, 'You need to have a view of the growth of a company'. In other words, some low-priced stocks deserve to have a low price because their prospects are poor.

Independent thinker. Off the beaten path. I like the guy already. Oh, and he has outperformed the index (Morgan Stanley World) over 1, 3, 5, and 10 years.

© 2006 Christopher Horan, all rights reserved

The triple whammy of Viet Nam, the Watergate indictment of Richard Nixon, the Arab-Israeli War and the subsequent nine-fold increase in the price of oil in the 1970's threatened to sink America. The Dow was about 900. Each of these events, and others, was as unprecedented as the attacks of September 11, 2001.

And yet, one of the great hallmarks of the Americans is their ability to grapple with the issue at hand, in their own noisy way, emerge from the crisis stronger, and, (although their detractors hate to admit it) wiser.

In this respect, September 11 is *not* different from other crises the Americans have faced.

The fact is that September 11 is still playing out, so we can not see where it take us. But the likelihood is that the pure economic impact will be nowhere near the personal, political, or emotional shock.

The lessons of history are clear. The American people have proven their ability, and the ability of their system, to deal with unprecedented crises. They will make the necessary adjustments, whatever they are, and they will forge ahead.

Their economy may slow a little more than it otherwise might have, but not much. The Americans' response to further large-scale terrorism, should it occur, could be terrible to watch, but they won't let the madness of suicidal religious zealotry take them down. They will rise to the occasion.

Today the Dow is around 9,000. Peter Lynch said recently in Barron's, a financial newspaper, that although he has been studying the markets for 30 years, he still can't tell whether the next 2000 point move in the market will be up or down. But he is confident that 10 years from now it could easily be at 20,000. Twenty years from now, when most of us and certainly our children will still be here, the Dow could be at 80,000, if the long term returns of history are any guide.

Our science, our education, and our sense of industry will continue to develop advances that we cannot now imagine. Our society, our democracy, our respect for the individual citizen, and our thirst for progress will not be slowed for more than a moment or two by the current crisis. Down the road, we will look back on these times and be reminded of the wisdom of another famous quote from Sir John, 'The best time to buy is at the point of maximum pessimism, when others are desperately and despondently selling'.

For a closer look at my view of the markets today, see my essay 'A Tale of Two Markets'.

This material was prepared for and published on behalf of the representative named herein and is intended only for clients resident in the jurisdiction(s) where their representative is licensed. This material is provided solely for information and educational purposes and is not to be construed as an offer or solicitation for the sale or purchase of any securities or as providing individual investment, tax or legal advice. Consult you professional advisor(s) prior to acting on the basis of this material. In considering any particular investment, please remember that past performance is not a guarantee of future performance. Although this material has been compiled from sources believed to be reliable, we cannot guarantee its accuracy or completeness. All opinions expressed and data provided herein are subject to change without notice. Neither Assante Capital Management Limited nor its affiliates or their respective officers, directors, employees or advisors are responsible in any way for any damages or losses of any kind whatsoever in respect of the use of this material. Certain names, logos or graphics herein may constitute trade names or service marks ("Trade-marks") of Assante Corporation and/or its affiliates or of third parties. The display of Trade-marks herein does not imply any license has been granted to any third party. Copyright 2001Assante Corporation. All rights reserved. Member CIPF.