ROCKLINC

Worth. Investing.

Recession. Reflation…Beware and be Prepared

A. First Quarter Global Review

What a quarter! US equities declined by over 20% during the quarter as concerns over the coronavirus spread around the world. Confirmed US cases of the coronavirus rose from 150 to over 100,000 between March 4th and March 27th and have continued to rise in April topping over 500,000 as more extensive testing takes place. The response of governments around the world including, the US government, was to shut down large portions of the economy and tell people to stay home. Needless to say, this response has been devastating to the economy. In the US alone, jobless claims jumped by over three million in the last week of March and have continued to grow at over six million per week into April. To say that these numbers are unprecedented is an understatement.

As the economy weakened the Federal Reserve (Fed) cut interest rates twice in March for the first time since the global financial crisis and announced unlimited quantitative easing, a term that simply means printing of money. US interest rates now stand at 0-0.25%. The US Senate responded quickly by passing a massive $2 trillion "stimulus" package. The package included $250 billion worth of direct payments to households, $500 billion for loans to distressed companies and $350 billion for small business loans. Now that we are well into April we are learning that this is just the beginning of the spending being put forward by the government. Before all of this is over the US budget deficit could top 20% of their GDP or over $5 trillion and the Fed's balance sheet could blow through $10 trillion meaning that the US could key stroke over $6 trillion in new digital US dollars. These numbers are so large it is impossible to get one's mind around what is actually taking place in the US and in many countries around the world including Canada.

It is not a surprise that all sectors of the economy saw significant declines. Energy stocks were one of the hardest hit, given the drop in demand coupled with the ongoing price war between Saudi Arabia and Russia weighing heavily on the price of oil. Financials, consumer discretionary and industrials also fell sharply given their reliance on the economy. The information technology and healthcare sectors outperformed the overall market but were still down substantially over the first quarter.

Eurozone

Eurozone equities also experienced a sharp fall during quarter one due to the spread of the coronavirus. Italy and Spain became two of the most severely affected countries in the world. Nations across Europe took steps to restrict the movement of people and shut down parts of their economy in an effort to slow the spread of the coronavirus. Growth in Europe was already fragile - the eurozone economy grew by just 0.1% in Q4 2019, with the "strongest economy in the Eurozone" Germany registering zero growth. A sharp economic downturn was not only expected in 2020 but has clearly accelerated with the onset of the coronavirus. At the time of writing this report the Eurozone economy is entering a serious recession.

Forward-looking indicators are already showing that economic activity has collapsed. The flash Markit composite purchasing managers' index (PMI) for March fell to a record low of 31.4, compared to 51.6 in February. The PMI survey covers companies in both the services and manufacturing sectors, and an index reading below 50 indicates economic contraction.

As with the US economy, all the sectors in the Eurozone fell during the quarter. Defensive areas of the market, such as healthcare and utilities, were the most resilient. Sectors directly tied to the economy such as financials, consumer discretionary and industrials were among the worst hit sectors. Regulators have pushed for banks across Europe to suspend dividends and share buybacks until at least the fourth quarter. This would help increase their capacity to manage rising non-performing loans as borrowers struggle to make repayments. Given the fact that many of the European Banks are in very poor financial health and were never properly recapitalized after the financial crisis in 2008-2009, we expect this area to get hit very hard and have avoided all exposure to this sector.

Similar to the Fed in the US, the European Central Bank (ECB) has promised that they will do whatever it takes to rescue the European economy and avoid an all-out depression by doing everything to reflate the European economy. The bottom line is that they are prepared to print an "unlimited" number of Euros and monetize the massive deficits of member countries! Even the once prudent and austere Germany is prepared to open the spigot and spend money like drunken "soldaten". The ECB announced the Pandemic Emergency Purchase Programme (PEPP) – a €750 billion scheme. The PEPP will fund the purchase of government and corporate bonds until the end of the coronavirus crisis and has already been expanded well beyond €750 billion! Governments across Europe also announced massive spending packages (all funded by debt and supported by the ECB) to help businesses and households bridge the gap between the loss of income during this period of disruption and fund all basic expenditures required for their citizens to survive.

United Kingdom

UK equities also tumbled as efforts to deal with the coronavirus pandemic hit economic activity and large swaths of the economy were shut down. Prior to these events, domestic politics and Brexit had dominated the narrative around UK assets and the economy for much of the quarter. At the height of the market sell-off, all assets (including government bonds) fell amid fears around the stability of the financial system.

Against this backdrop, sterling hit multi-decade lows versus the US dollar as investors sought safety in cash, particularly US dollars. In line with other central banks, the Bank of England (BoE) slashed interest rates, cutting them by 65 basis points to 0.10%. This response was co-ordinated with the UK government, which unveiled an unprecedented series of fiscal support measures, in line with initiatives similar to other developed nations. The BoE similar to the Fed and the ECB, has promised to print as much money as needed to backstop the rapidly expanding government deficits.

Oil and gas was the worst performing industry groups over the period, selling off on plunging demand in the wake of the coronavirus, as well as the failure of negotiations between OPEC (the Organisation of the Petroleum-Exporting Countries) and Russia to control the global supply of oil. The consumer services sector also performed poorly as investors tried to calibrate the effect of a sharp fall in consumer demand on businesses and as the UK and other governments introduced lockdown measures.

Japan

After a relatively stable start to the year, the Japanese market fell steeply in late February and early March before recovering some ground to end the quarter with a total return of -17.5%. Even adjusting for the exceptional environment, the yen was very volatile throughout the quarter and weakened against the US dollar.

Market dynamics, similar to other markets around the globe, were fairly unruly, especially during the mid-March rebound. Value stocks underperformed across the quarter, with particular weakness in the first half of March. Value stocks are those that tend to trade at a lower price relative to their fundamentals, such as dividends, earnings and sales. Investors on a relative scale preferred growth stocks and were prepared to pay higher prices for companies that could drive top line sales growth. The initial estimate of the fourth quarter GDP growth was released on February 17th and was much weaker than consensus expectations. Even allowing for the consumption tax increase and the major typhoon, which hit Japan in October, this was a weak data point. As we have pointed out many times Japan, given both its debt levels and aging population, is facing a very bleak future. Don't expect much growth if any out of Japan.

In terms of the actual coronavirus spread, Japan has so far been on a very different trajectory to most other developed nations with a slower spread and lower mortality rate. This has resulted in a less stringent response from the authorities to date. From late March, however, there have been more forceful requests from both central and local governments to curtail social activities and it is possible that more severe restrictions on movements will be imposed on Tokyo in the near future. The highest profile impact for Japan has been the postponement of the Tokyo Olympics for one year to July 2021. This is not particularly significant in economic terms, with up to 0.5% of GDP shifted from this year to next.

Asia (ex-Japan)

Asia ex-Japan equities declined sharply in the first quarter, as concerns over the coronavirus grew and the prospect of a global recession came into view. US dollar strength was a drag on returns. The MSCI Asia ex-Japan Index decreased in value but outperformed the MSCI World Index.

ASEAN (Association of Southeast Asian Nations) markets were notably weak and all underperformed the MSCI Asia ex-Japan Index. India also finished behind the index as the number of coronavirus cases began to increase, and the government announced a national lockdown for at least three weeks. South Korea also lagged behind. Although the country's response to the crisis appeared to be progressing, the weaker outlook for global trade and growth weighed heavily on this large exporting market.

China and Hong Kong were the only markets to outperform the index. The spread of the coronavirus which began in China appeared to be relatively contained (if you can believe any of the Chinese numbers… I do not) by the end of the quarter and was never a serious threat in Hong Kong.

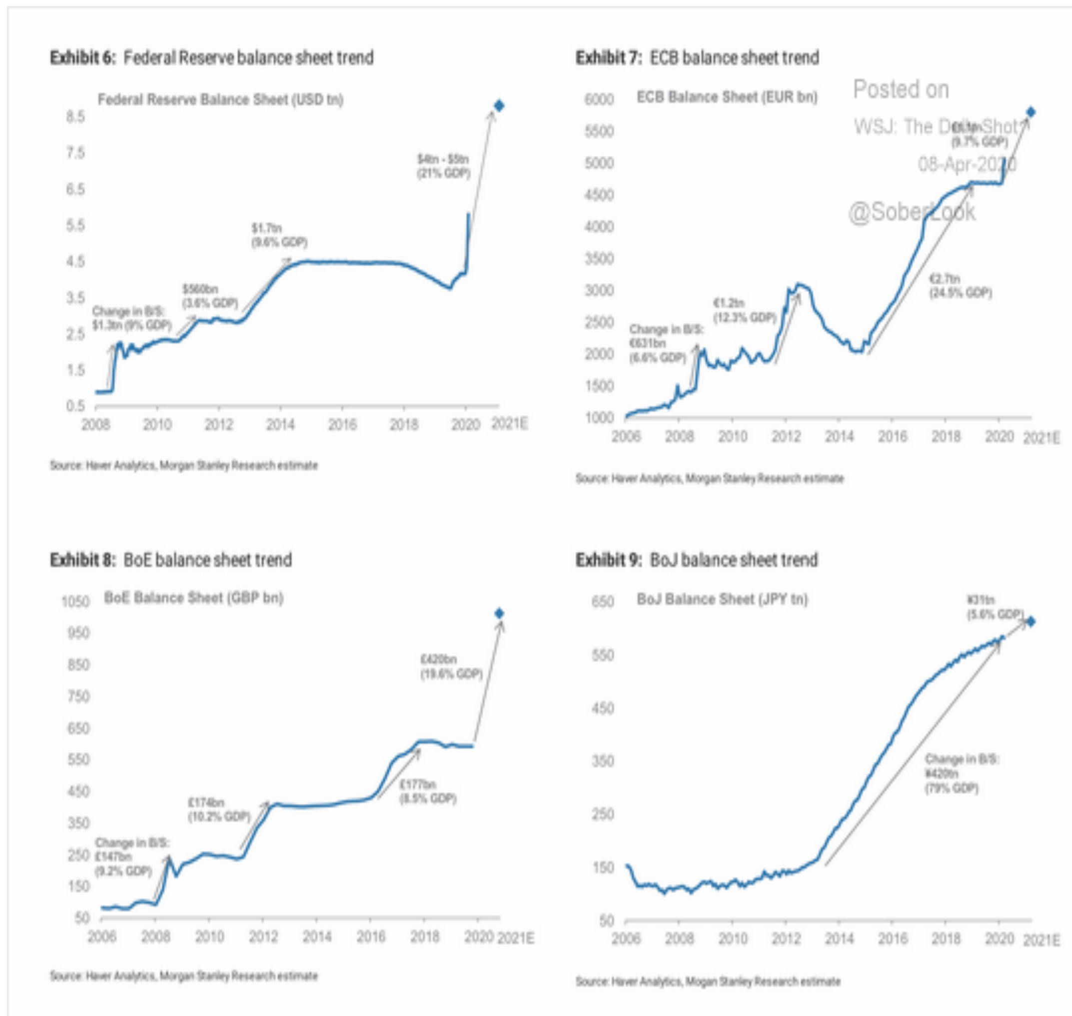
Global Bonds

Government bond yields declined sharply during the quarter, meaning bond prices rose, as stocks declined amidst the rising fears over the coronavirus. Investors favoured the perceived safety of government bonds given the increased probability of a global recession/depression. The moves largely occurred in late-February and March as countries began to impose lockdowns on major portions of their economies in an effort to contain the spread of the coronavirus. This resulted in severe declines and extreme volatility in assets prices on a scale not seen since the crises in 2008 and 2011.

Markets saw extreme declines and volatility in March. US stock market trading was temporarily suspended on a number of occasions due to the size of daily moves and, for several days, companies

were unable to issue bonds. Government bond yields and prices were volatile, first reaching extreme lows on heightened fear, but then rising, as panicked investors sold liquid assets indiscriminately in order to raise cash.

As the crisis unfolded, governments and central banks announced unprecedented support programmes for businesses, households and the financial system, helping to stabilise markets later in the month. In the four graphs below, you can see that the four major central banks (Fed, ECB, BoE & BoJ) all cranked up the printing presses in late March and are promising much more in the second quarter! Beware and be prepared!



Corporate bonds and emerging market debt and currencies declined significantly, primarily in March, underperforming government bonds as expected given their higher risk profile. The moves were exacerbated by a decrease in liquidity. For several days, companies were unable to issue bonds although this improved later in the month as central banks rushed in to provide liquidity. Despite the crazy volatility, investment grade bonds actually experienced a record month of issuance in

March, once the Federal Reserve announced it would buy corporate bonds. Investment grade bonds are the highest quality bonds, as determined by a credit ratings agency, while high yield bonds are more speculative, with a credit rating below investment grade. High yield credit was hit hard given the heightened risk aversion. The sell-off was sharper in more vulnerable sectors related to travel and retailing, as well as in energy as the oil price plummeted and concerns over the viability of energy companies emerged.

B. North American Equity Market Statistics

During the first quarter, the Canadian equity market as measured by the S&P/TSX decreased by 21.2%, and year over year decreased by 15.2%, including dividends. The S&P/TSX index has lagged most of the world's major stock markets over the past 15 years and over the past 5 years has not generated any net returns! Despite this underperformance, ROCKLINC has successfully generated returns over the past year and for longer periods that have trounced the overall Canadian market index. We have managed to do this by avoiding many of the weaker performing stocks and minimizing our exposure to some of the underperforming sectors.

During the first quarter, our basket of Canadian companies outperformed the index by approximately 8.9% and over the last twelve months we were ahead of the Canadian index by approximately 18.8%! This is another reason why we love active investing over passive index investing! Our overweight position in the gold and silver royalty companies, along with our infrastructure holdings and technology stocks, added significant value during the quarter and over the past year. Our underweight position in banks, energy, materials and all things cannabis helped us avoid some of the weaker sectors in the S&P/TSX during the quarter and over the past year. Despite these very strong numbers, our focus remains on the long run and on the economic fundamentals.

In terms of the S&P/TSX, all the sectors turned in negative returns during the first quarter! Here are their returns from best to worst: Energy -38.2%, Healthcare/Cannabis -37.3%, Consumer Discretionary -33.3%, Real Estate – 29.3%, Financials -21.9%, Materials -19.1%, Industrials -15.4%, Consumer Staples -9.7%, Telecom Services -9.2%, Utilities -6.2% and Information Technology -3.8%.

Pertinent market action during the first quarter of 2020 and during the last 12 months is captured in the following table.

	Mar. 31, 2019	Dec. 31, 2019	Mar. 31, 2020	3 Month	1 Year Return
CAD/USD	$.7490	$0.7698	$0.7128	-7.4%	-4.8%
Oil WTI (US $)	$60.14	$61.21	$20.31	-66.8%	-66.2%
Gold (US $)	$1,292.12	$1,518.20	$1,590.20	4.7%	23.1%
Silver (US $)	$15.40	$17.87	$14.14	-20.9%	-8.2%
S&P/TSX	16,102	17,063	13,379	-21.6%	-16.9%
S&P 500	2,834	3,231	2585	-20.0%	-8.8%
Cdn 10 yr.	1.62%	1.70%	.73%	-97 bps	-89 bps
US 10 yr.	2.41%	1.92%	.73%	-119 bps	-141 bps

Source: Bloomberg

The Canadian dollar tumbled against the USD by 7.4% during the first quarter and is down 4.8% over the last year. The two main reasons for this weakness are first, the massive drop in the price of oil and the negative impact this will have on our economy and value of exports, and second the flight to safety from Canadian dollars to the USD. Currency moves of this magnitude do impact the performance of your investments in the short-term but tend to be less material over longer periods of time. For example, over the past twelve months our US based companies while performing well, did even better in Canadian dollars terms since our dollar dropped 4.8% against the USD. Over time the best way to mitigate currency risk is to buy strong and growing businesses that generate revenue in numerous currencies and as a result, create a natural currency hedge in your portfolio.

Oil continues to be very volatile and is now held hostage to both geo-political events and now a global pandemic. Over the past quarter and year, oil is down by a whopping by 66%! Shutting down a large portion of the global economy has caused a huge drop in demand at the same time that Russia and the Saudi's decided to enter into a price war. What could be worse for the price of oil? Fortunately for our investors, our exposure to the oil and gas sector remains miniscule! Commodities in general are very volatile and lack predictability making them poor long-term investments. To add further pain, in Canada we have the added complexity of having political leaders (at the federal level) who are more interested in sabotaging the resource sector (especially the oil and gas sectors), rather than leaving it alone to prosper and create significant wealth for all Canadians.

During the first quarter, interest rates collapsed in the face of the economic turmoil resulting from the policy decisions to shut down the global economy in response to the coronavirus. As we have been telling our investors for almost ten years, **we do not expect interest rates to increase significantly for a long time! How could they? With global debt at levels never before seen in world history the global economy could not even absorb an increase of 200-300 bps without sinking into a depression!**

Low interest rates, coupled with fears of a global depression, continued to propel the price of precious metals and gold jumped to its highest level in seven years (gold as measured in Canadian dollars is now over $2,300 per oz. which is an all-time high). Year over year gold is now up over 23%. Our expectation is that this is just the beginning for gold and its lagging counterpart silver. With interest rates approaching zero and, in many geographic regions, negative, coupled with record amounts of money printing globally, it's a safe bet that monetary substitutes, like gold and silver, will experience substantial upside in the years ahead. The bottom line is that currencies, whether US dollars, pounds or yen are based on nothing more than trust. Precious metals have a 5000 year history as money and represent a dependable store of labour and real value. Trust is not required to hold gold and silver because they have no counterparty risk and are not another person's liability.

With governments around the world coupled with their central banks destroying trust in the financial system with their profligacy, it's not difficult to understand why investors should maintain a portion of their portfolios invested in the precious metals. The table below shows that all major currencies have lost more than 90% of their value against gold since 1969! Note that the chart below is using a logarithmic scale. We believe the loss of value of paper or digital fiat currencies will accelerate over the next 24 months! Beware and be prepared!

C. ROCKLINC Investment Update

In terms of our ROCKLINC portfolios, with a 67% equities and 33% short-term bonds mix, they declined by 7.0% during the first quarter and increased by 3.1% during the last 12 months (period ending March 31, 2020).

More importantly, our average annual compound rate of return over the past 3 and 5 years is clocking in at approximately 5.8% and 5.9%, respectively. Returns are after all fees, and are based on an asset mix of approximately 67% invested in equities, with the remainder invested in short-term deposit accounts, bonds and preferred shares. This asset mix has varied over the past five years but in general we have averaged approximately 65% invested in equities. Please note that the performance we are disclosing is our **aggregate performance** across all our accounts. Each client's portfolio is unique, and performance will vary, based on your risk tolerance and your specific asset allocation.

When we dig further into our numbers, we find that our basket of equities decreased by 9.8% during the first quarter and by approximately 3.6% during the past 12 months. Our equities have been compounding by approximately 9.2% per year over the past 5 years. We like to point out the significant difference in performance between Canadian and US equities. Over the past five years, our Canadian equities have been compounding at 7.0% per year, while our US equities have been growing at 12.5% per year! This points to both the greater investment opportunities outside Canada and the strong US stock market. We continue to allocate capital into global businesses and glean the benefit of global growth and diversification in our portfolios.

Although the markets turned sharply negative during the first quarter of 2020, our focus did not change. We continue to rivet our attention on the economic fundamentals! This means that we **first,**

selectively add companies as our research team ferrets out new opportunities. **Second**, prune underperforming businesses. **Third**, take advantage of market swings and add to our outstanding companies at better prices! Whether the markets are woozy or exuberant, there are always opportunities we can seize upon. The key is that we must be prepared and focused on the playing field.

It was exciting for us to find out that our firm was the fastest growing investment management firm (Canada) during the second half of 2019 in our category. So far in 2020 we have not given back very much and continue to add new clients. **At the time of writing (April 11th) our client portfolios are only off by about 0-3% for the year.** For the team at Rocklinc, crisis = opportunity when coupled with a disciplined investment philosophy. We are working very hard to search out new investment opportunities and to stay focused on the investments we own.

PIC Feedback | Winter 2020

4 Ten Fastest Growing Companies in Private Investment Counsel—December 2019
Ranked by six-month growth rates within selected asset segments (assets in millions of dollars)*

	Assets	Asset growth rates Dec 2019	
	Dec 2019	6-mo	6-mo asset change
Assets between $30 million and $350 million			
Rocklinc Investment Partners	163	17.0%	24
Watson Di Primio Steel (WDS) Investment Management	232	7.9%	17
Hexavest	212	6.5%	13
Genova Private Management	175	6.1%	10
Milestone Investment Counsel	309	5.4%	16
Middlefield Group	307	5.4%	16
Lorne Steinberg Wealth Management	276	5.4%	14
Hillsdale Investment	78	5.4%	4
Campbell Lee & Ross	247	-1.6%	(4)
Lester Asset Management	323	-3.6%	(12)

*Includes assets managed for personal trusts.

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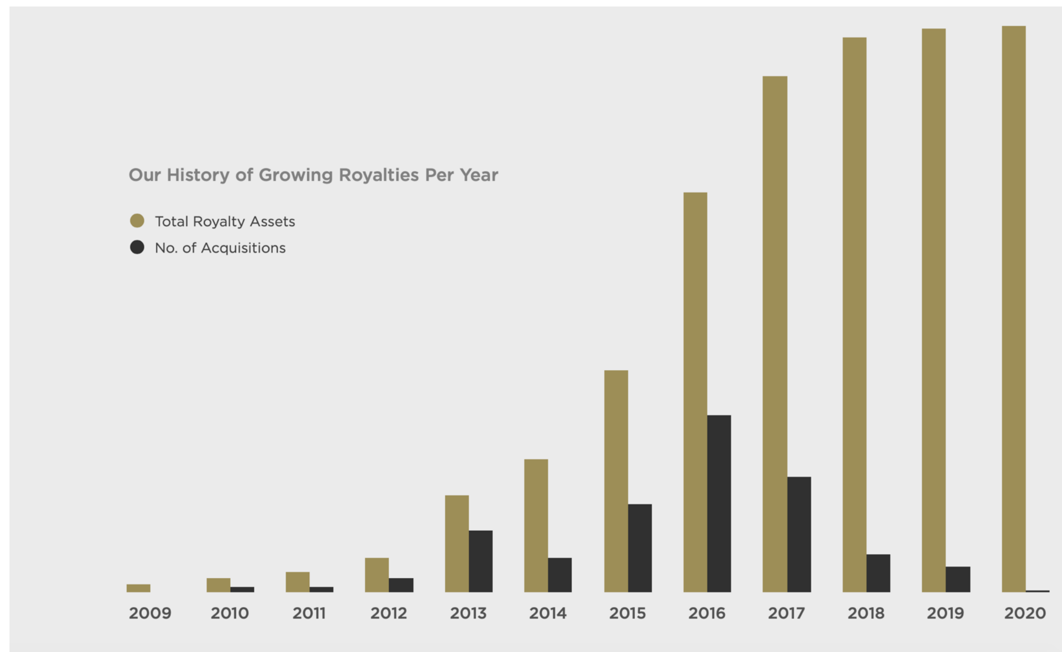
D. Company Update –

In light of our ongoing economic challenges, only made worse by the coronavirus, we thought it fitting to review one of our precious metal holdings, Sandstorm Gold. Sandstorm is a precious metal royalty and streaming company, which is one of several royalty and streaming businesses we own throughout our client portfolios. These businesses are ROCKLINC's preferred means to gain exposure to precious metals due to the attractive features of their business model. In order to appreciate their business model it is important to understand and distinguish between a royalty payment and a stream:

> Royalty – payment of cash from the mining company per ounce of gold or silver produced.
> Stream – pay a predetermined amount (fixed or percentage of spot price) per ounce of gold on the total or a portion of production from the mine for the period of time covered by the agreement.

Employing royalties and streams allows Sandstorm to benefit from what is referred to as upside optionality. This means that as the price of the precious metal increases Sandstorm receives all that increase through the royalty or streaming income. The second upside optionality results from organic mine expansions, without the downside risk associated with operating a mine (ie. cost overruns, labour disputes etc). Participating only at the 'revenue line' of operations allows Sandstorm's margins to benefit from rising precious metal prices because they are not directly impacted by cost inflation. Royalty and streaming businesses are known for their low levels of capital intensity, abundance of cash generation and scalable business model! These companies also carry very little to no debt on their balance sheet in contrast to the traditional gold miner.

Over the course of its short 10-year life, Sandstorm has transformed the business from 3 streaming deals in 2009 to nearly 200 streaming and royalty deals today spanning the world. Presently they have 23 actively cash flowing streams and royalties. This rapid level of growth and expansion are attributable to adept geological assessment and capital fundraising capabilities of the management team, led by the venerable Nolan Watson, who is the founder and CEO of the company. In their early days Sandstorm had a high degree of concentration risk as a result of outsized exposure to a few mines run by junior operators. As the portfolio grew, both mine specific risk and counterparty risk diminished. Today, only 8% of the portfolio has a junior miner as a counterparty, while 73% of production is derived from major miners (expected to rise to 90% by 2023). These larger, typically healthier counterparties mean that the operators can invest and expand their mining operations, which is a natural organic growth lever for Sandstorm. In fact, more ounces were discovered than mined on Sandstorm properties between 2016 and 2018. Below is a bar chart that illustrates their rapid growth.



A landmark transaction occurred in 2017 when Sandstorm entered into a 30% NPI (Net Profit Interest) on the Hot Maden project in Northern Turkey, with the potential of converting this into a royalty further down the road. Hot Maden is a multi-million ounce discovery of high grade gold and copper with an estimated mine life of 11 years. In partnership with local Turkish Miner, Lidya Madecilik, this low-cost project has significant upside (company projected 50% after-tax Internal Rates of Return), benefiting from existing infrastructure in the region and an experienced local partner. Overall, this project should be transformative for Sandstorm and is set to more than double cash flows by 2023 from current levels.

Changing Mining Landscape

Amid structural shifts in the mining industry, Sandstorm is providing capital at a time when traditional means of capital are retreating, which creates unique opportunities and growth tailwinds for years to come. In the past five years, approximately $14 billion in royalty and streaming transactions were completed in the mining industry. Junior and mid-tier mining companies are typically funded with equity (before production, these smaller companies are not generating cash to make interest payments). However, as capital increasingly moves from active to passive investors, less available equity capital is accessible to juniors since passive investors typically do not engage in equity capital fundraising as active investors do. Secondly, brokers and bankers are disappearing at an increasing rate as a result of technology changes, primarily as discount brokerages have proliferated, nullifying the existence of historical brokers. Again, this is another spigot that is being turned off to those seeking capital for mining projects, allowing for royalty and streaming companies to offer capital on attractive terms. Lastly, unlike banks or other financiers, Sandstorm is able and willing to take collateral and receive payments in precious metals and/or deferred production. Sandstorm and its peers are more likely to have a longer time horizon, be less burdened by various regulatory hurdles and be more flexible in providing capital. For all of these reasons, one can understand the attractiveness Sandstorm has to a miner as a financial and strategic partner.

Despite its outsized production profile and strong cash flow generating characteristics, Sandstorm has typically traded at a discount to its peers. Though its smaller size may account partially for the discount, Sandstorm has been viewing this time as a fantastic opportunity to buy back its own shares. At the end of 2018, Sandstorm announced it was going to repurchase 10% of the company. As of the end of March this year, it has repurchased approximately 80% of what it planned to repurchase (a large portion was repurchased in March at advantageous prices, given the drop in the global markets). As investors, we expect this discount to contract over time as the Hot Maden project ramps up in the coming years and Sandstorm's attributable production doubles. At today's prices and in today's world of monetary insanity Sandstorm is a steal!

E. Moving Forward – Recession and Reflation

Our focus has not changed. We continue to keep our eyes riveted on the fundamentals of the businesses we invest in, within the context of the global economy. **We will do our best to take advantage of sharp moves in the market!** As investors, volatility and turbulence are our friends and we will use them to your advantage. During the last two quarters we have let our non-equity allocations increase for the first time since we started Rocklinc back in 2010! The fundamentals of the market are eroding quickly and we need to be cautious. It appears that during the second quarter, we will face the largest quarterly drop in GDP in modern history. Let that sink in! Government programs financed by debt and money printing **CANNOT REPLACE THE VALUE OF PRODUCTION LOST BY IDLING OUR WORKERS!** Without question we are now entering a recession.

As a result, the investment team at Rocklinc is working hard to make sure our existing companies are performing as expected or better and searching for new companies that we can add to your portfolios. Over the past year we have added several new companies to our mix including Abitibi Royalties, Algonquin Power, Northland Power, Pan American Silver and ThermoFisher Scientific. During the same period we eliminated one significant position, Oracle, along several smaller positions. Our most significant asset allocation change during 2019 and into the first quarter of 2020 was our increased weighting to the precious metals sector primarily through the streaming and royalty companies. Given the global monetary recklessness we are engulfed in, we view this allocation as a strategic hedge to protect the overall value of your portfolios.

Our basic strategy has not changed although we are sharpening our thoughts and processes to deal with these unbelievable times we are living in. Let me summarize our thoughts for you.

1. Patience – we need to wait for the "fat pitch". We will only swing at stocks when they are compelling opportunities. We are in uncharted waters. We have never shut down/locked down large swaths of our economy before. We do not know when this will end so we will not rush into the market without some clarity.

2. Watch the world's leading Central Banks. The level of money printing is already historic and it is just beginning. **Our collective profligacy will make the Roman Empire in its dying and most decadent years look vibrant and prudent!** The only solution central bankers know is to try and reflate the economy with unlimited digital money.

3. Pay attention to the irresponsible decisions of governments around the world. Governments are now running massive deficits that are larger as a % of GDP than during WW2. For example, the US deficit could exceed $5 trillion this year and stay in the multi trillion dollar range for many years. Canada's federal government deficit could easily exceed $200 billion!

These numbers are beyond shocking and they will be devastating to the finances of our country.

4. Diversify across asset classes, sectors and geographic regions. At the current time we are focusing on nine sectors. These are agriculture, consumer staples, financial, healthcare, infrastructure, manufacturing, precious metals, technology and water.

5. Minimize our exposure to the Canadian dollar. Unfortunately Canada is suffering under the most incompetent leadership in the history of our nation. Investment monies have been leaving Canada over the past five years at a record rate and at the same time our politicians, particularly our federal politicians, are increasing our national debt at a speed that is beyond any sort of rational comprehension. To top it off our Bank of Canada has agreed to monetize these massive deficits with almost unlimited money printing. These actions are on par with what one could easily refer to as a “banana republic”.

6. Invest in businesses with strong balance sheets, backed by hard and tangible assets with limited counterparty risk.

7. Invest in firms that produce essential products and services, in growing industries, with long-term secular growth trends well established. Our highlighted company this quarter Sandstorm Gold is an excellent example.

8. Avoid/minimize highly leveraged financialized firms that have incomprehensible balance sheets, loaded with risky derivatives. Recently we have reduced our position in banks, which have always been very low and we continue to avoid life insurance companies even more than the coronavirus!

9. Maintain liquidity in our portfolios, in order to take advantage of significant moves in the stock market. **Cash is not trash** when the markets become irrational! We expect our cash allocation to be put to work during 2020!

10. Remain optimistic and opportunistic without being gullible to the risks all around us. **Investing in turbulent times can be rewarding, with the right investment philosophy and prudent execution.**

If you have any questions pertaining to your account please call or email for an appointment.

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