

Global Investment Perspectives



In our November 14, 2018 Wealth Matters webcast, we heard from John Hock, Chief Investment Officer for Altrinsic Global Advisors. His presentation provided an overview of the firm's bottom-up value investment process used with the International Equity Value Pool. John also discussed current economic and political events and how they incorporate them in their approach.

Altrinsic Global Advisors' investment process

- Managers take a private equity approach when evaluating publicly-traded, undervalued equities for the long term.
- Value is determined in an "absolute" sense, not in relative terms, by looking for:
 - a company's future cash flow generation
 - the risk associated with that future cash flow
 - associated opportunities, such as businesses with profitability that is likely to improve.
- Risk management is incorporated throughout their process. A margin of safety is critical to them in their analysis of companies. Their style is countercyclical; when there is greed in the market they are cautious, and when there is fear and volatility, they are opportunistic.

Altrinsic's international active management

- Each team member has a domain of expertise in an industry globally with the goal of identifying a handful of high-conviction investment opportunities each year.
- Due diligence is performed with prospective companies (meeting with management, competitors and suppliers). For example, an analyst is in Italy and will be going to Turkey. Both are going through change and could generate opportunities.
- A fundamentals analysis is conducted, which includes a long-term historical analysis; an evaluation of management and their strategic outlook.
- They work to grow capital for the client over the long term and produce a better risk-adjusted experience than someone buying an index.

The big picture

- There has been a reversal of policy from quantitative easing to quantitative tightening. After the financial crisis, central banks purchased a lot of assets. Now policymakers are reversing course, which is significant. In the U.S., the Federal Reserve scaled back its purchasing of Treasury notes just as the U.S. Treasury is increasing its issuance, because of the expanding deficit. In Europe, the European Central Bank is also scaling back its purchases. This can lead to volatility.
- Globalization and trade are likely to be affected by nationalistic sentiment and protectionist policies in some countries.
- There is a transition in large tech companies that have dominated the market for a long time with little competition. Privacy regulation and a call to control anti-competitive practices is underway. Amazon led e-commerce, while social media, like Facebook, had a long run in digital advertising. They could raise prices and generate large amounts in growth and cash. We are seeing a convergence in their services as they encroach on each other's territory. This will lead to volatility. As value investors, Altrinsic managers are not currently invested in these names.
- Risk in the banking arena is amplified in Europe. People are taking money out of Italy and moving it to Germany.
- Altrinsic will look to take advantage of any dislocations with the time horizon, diligence, and mindset of our long-term intrinsic value discipline.

International Equity Value Pool

- Maximum 20% emerging markets exposure; maximum 15% small cap exposure; 60-100 holdings; low turnover
- Concentrate in three areas: quality global companies (Nestlé, Heineken), Japanese companies with depressed valuations and improving financial productivity (Sumitomo Mitsui Trust, Concordia Financial), event-driven idiosyncratic companies (Nintendo, Linde).

Powers of Attorney: Tips and Tricks



People understand the importance of having a will, but many do not understand the need for a power of attorney, which is often an overlooked part of an estate plan. During the Wealth Matters webcast, Seth Nerman, Regional Vice-President, Wealth Planning at Assante Private Client, explained why everyone should have a power of attorney and the issues to consider when creating one.

What is a power of attorney (POA)?

- There are two kinds – property and personal care. This presentation focused on the POA for property. It is a legal document that gives one or more persons the authority to manage your financial affairs.
- It can cover personal property, real estate and financial matters.
- Not having one can result in a long and costly court process, family infighting and missed trade opportunities.

Types of powers of attorney

- General (takes effect the day it is signed) vs springing (takes effect upon a specified event – typically mental incapacity).
- Limited deals with a specific issue or subject matter (e.g. government departments or financial issues).
- Enduring – grantor specifies a POA will survive mental incapacity. Can be general, springing, or limited.

Types of documents in Quebec

- POA is only valid during mental capacity.
- Protective mandate is another option. It is like a springing POA but still requires a court process.
- If you don't have a protective mandate, you must apply to the courts for protective supervision appointing a legal representative, which is far more onerous than applying under a protective mandate.

Who can be appointed?

- An individual – someone you know well and trust, is savvy, willing, and lives near you. Can be compensated, but compensation must be reasonable.
- Trust company – lots of experience but will cost more money and it is not connected to you.
- You should name alternates that are younger than you to fulfill the duties as it may be in force for decades.
- In the case of multiple attorneys, include a decision-making clause to prevent disagreements that end up going to court, or no action being taken. This would not be a suitable conclusion. Avoid the terms jointly and severally (can have conflicting actions by each of the attorneys).

Other considerations

- Give broad powers – should have all the power you would have, e.g. to deal with private corporation shares.
- Digital assets (online accounts, social media accounts) – use a password manager and give them access.
- Homestead rights exist in certain provinces and may require a separate attorney (e.g. cannot be a spouse).

Your advisor is available to help

If you have questions about powers of attorney, talk to your advisor for assistance.

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