



## You must do these two difficult things to invest as patiently as the greats

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It always sounds cool when people talk about “patient capital.” There are deep undertones to these words. An agenda that’s above the day-to-day fray. Big money that knows something we don’t. Think Warren Buffett, Jimmy Pattison, the Desmarais family, Prem Watsa and, perhaps, Ontario Teachers.

For individual investors, living up to this moniker is difficult, but in many ways, they’re best positioned to do just that. They have a long time frame, multiple decades in most cases. There’s no board of directors asking hard questions and valuing the portfolio every quarter. And they aren’t required by a pension authority to update their funding ratio every three years.

Indeed, if you expect to live 20 to 50 more years, you have a great opportunity to invest as patiently as Warren, Jimmy and the Desmarais. But you need to do two very difficult things. First, you must exhibit some of the same traits and second, you need to make sure everyone involved in your investment process buys into the program.

### **Traits**

The great investors are all different, but they share a number of key attributes.

They have an independent view. They feel no obligation to invest in something because others are doing it or because it’s a part of an index. Indeed, they prefer when a stock isn’t popular or heavily traded.

They buy when opportunities present themselves, not when the money is available. Cash doesn’t burn a hole in their pocket.

They buy assets that, in their reasoned opinion, will eventually be worth considerably more than they’re able to purchase them for. The key word being eventually. Their time frame is only slightly shorter than that.

They don’t get hung up on short-term events, although they do monitor them closely so they can take advantage of opportunities. Price movements and/or liquidity events may allow them to buy more or sell, and any new information can be used to update their valuation models.

You get the picture. Patient capital is focused on long-term value creation. It’s comfortable being out-of-sync with popular trends. And it doesn’t get distressed by market dislocations, it gets excited.

### **Pulling in the same direction**

Of course, none of these traits are easy to live up to, especially if your team is not on side. So as chief executive of your portfolio, you need to make sure that everyone who touches your money buys into what you’re doing. You don’t need to be a great investor yourself, but you must hire (and fire) well, and religiously enforce the philosophy.

At home, you and your partner can vigorously debate which bonds, stocks or funds to own, but it has to be done with the long term in mind. Patient capital isn't about day trading or rotating the portfolio to catch the latest trend.

If you're working with a financial adviser, they have to understand and believe in the patient-capital approach. You don't want to hear about an idea for a quick flip of a stock or ETF. You don't want them recommending a fund manager because she or he has done well lately. And you certainly don't want them getting weak knees when short-term results are poor.

You want advisers and money managers who can live up to the traits listed above and, ideally, who are working in organizations that exemplify the same traits. You and your adviser have a better chance of being "patient capital" if the firm's sales, marketing, product development and investment strategies are aligned.

### **Baby steps**

I'm not saying you should aspire to be the next great investor. They are rare people indeed. But the more you can align your process with their success factors, the better chance you have of generating the kind of returns you need. Having worked with both institutional and individual investors over my career, believe me when I say that you are in a better position to earn that title than most of the big pools of institutional money.

So, make 2017 the year you commit to being more patient and long-term oriented. Only buy securities and funds that you intend to hold for five years or longer.

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