



7-9 novembre, Montréal
Congrès des FCC 2008
NOUS ET NOTRE MONDE.

MORNEAU SOBECO



Fresh Thinking
Innovative Solutions

Prudent Investments: How to manage in volatile times

Pierre Courcy



*Fondation communautaire
du grand Québec*

Agenda

- Endowment : Investment Characteristics
- Naked News
- Perception vs Reality
- How to manage...

Endowment: Investment Characteristics -Objectives and Constraints

- Time Horizon: Perpetual/Very Long Term
- Liquidity Needs: Low
- Risk Tolerance: High
- Tax: Irrelevant
- Distribution: Minimum 3,5 %
- Return Objective: Real Return

Sentence

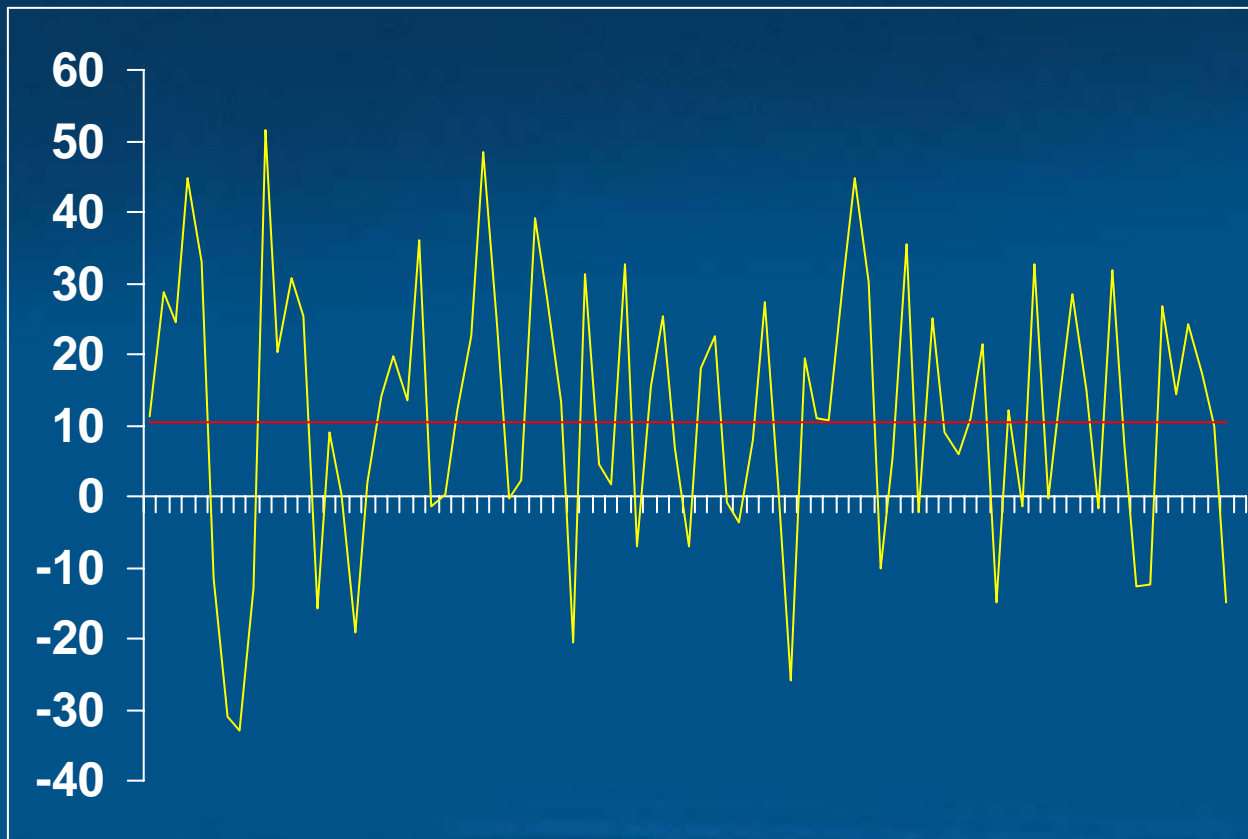
*« Those who do not study history
are doomed to repeat it »*

George Santayana

+ Charles D. Ellis

Naked News - *Perception*

- Annual Total Return Canadian Stocks 1924-2008



Naked News - Annual Returns

- Markets *always* surprising
- No justification being shaken by any market movement
- Market Drops are predictable, not the Timing
- Anxiety when *Large Negative* Return
- Focus to *Now and Near Future* Only
- Paradox: Investment Policy - *Very Long Term*
Measurement - *Short Term Objectives*

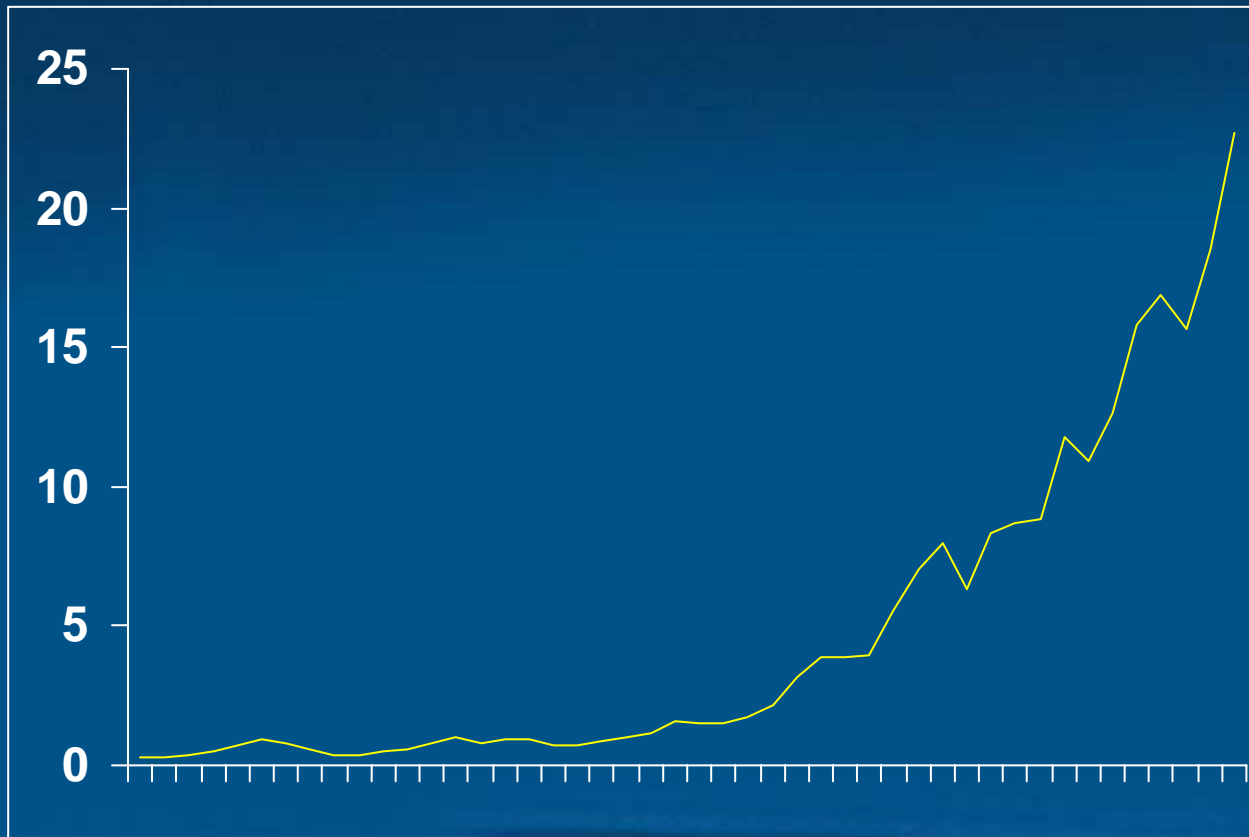
Sentence

« Occasional outbreaks of those two super-contagious diseases, fear and greed, will forever occur in the investment community. The timing of these epidemics is equally unpredictable, both as to duration and degree. »

Warren Buffet, 2001

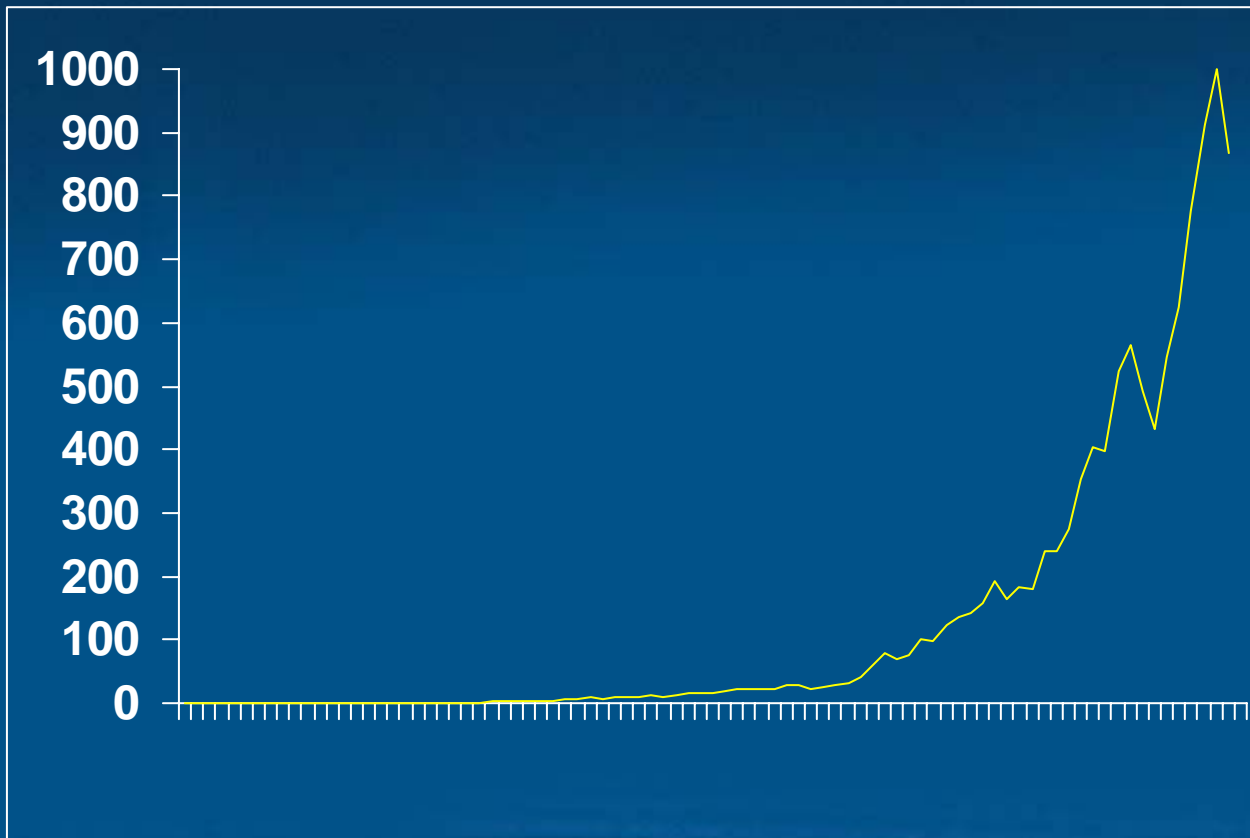
Compound Growth Return

- Reality 1924- 1968



Compound Growth Return

- Reality 1924-2008



Moving Average *Real Returns* (1941-2007)



How to manage - Getting it Done!

- Revisiting Investment Policy
- Understanding Basic Nature of Investment and Markets
- Asset Allocation +++
- Diversification
- Rebalancing to long term targets

Selling High / Buying Low

How to manage - Getting it Done!

- Realistic Return Objectives
- Robust Spending Policy (Smoothing, Reserve)
- Manage Expectations and Emotions
- Keep Focus on Process, not on Current News
- Discipline

Plan your play and Play the Plan!