



Year End Update & 2021 Commentary - Capital Appreciation Fund - Class M

For the year, the Fund generated a return of 11%, with a moderate drawdown of only 14% during the March/April lows (drawdown is used in risk measurement calculations and reflects how much the Fund or Index declined from its peak). In comparison, the SPX500 index was up 15% for the year (13% in Canadian dollars) and the TSX was up 2%, with the drawdown for both approximating 33%. We note that at the time of writing, the Fund is up 2.5% in 2021, ahead of the 1.5% gain in the SPX500.

My favorite gum growing up was Dubble Bubble, a brand of pink-coloured bubble gum invented at the Fleer Chewing Gum Company in 1928. The main ingredients in each delicious piece are Sugar, Dextrose, Corn Syrup and Gum Base—rocket fuel for a child searching for a 'sugar rush'. Despite the delicious taste and entertainment derived from attempting to blow humongous bubbles, each piece contains 5 grams of sugar — too many, considering the 10+ pieces I could chew in each binge.

Like the gum, the Stock Market has been infused with two main ingredients responsible for its ascent—trillions of dollars of stimulus and historically low interest rates. This has resulted in the perfect recipe for return craving investors. Despite the recent run, it is my belief that Governments and Central Banks have set in motion the recipe for a 'Double Bubble' of their own, in the form of financial excess and inflation.

When U.S share prices are measured against most fundamentals — such as underlying revenues, long-term earnings, and the replacement value of assets — they are at or beyond the high points of exuberance they reached during the dot-com bubble of the late 1990's. When measured against GDP, global stocks have reached their most expensive levels since late 2007. To combat these high prices, the Fund is approximately 70% long equities, with 20% sitting in cash readied for deployment if the opportunity arises.

As we mentioned in a previous letter, the Fund is now long Bitcoin in addition to Gold to protect against the potential inflation bubble. Bitcoin is everywhere in 2021, and there isn't anywhere in the world of finance the Cryptocurrency hasn't begun to cut into. The asset's booming market cap puts it in front of some of the largest publicly traded companies in the world. Additionally, the recent rally has also helped Bitcoin become the 16th largest world currency overall, trailing directly behind the Russian Ruble. At this point, Bitcoin appears to be completely unstoppable, absorbing capital from all markets including Gold and Fiat currencies. The Fund's Bitcoin investment at cost represented 3% of fund assets and is now 6% due to price appreciation.

Despite my quest for health and fitness, from time to time, I can still get through a bag of Dubble Bubble with great ease. On occasion, I knowingly accept the risk of its ill effects on both my jaw and waste line, as a good sugar rush is hard to beat. In a similar vein, the Fund is enjoying the sweetness of the double bubbles created by extremely loose monetary and fiscal policies. With our investment in high quality equities, two hedges against inflation and cash on the sidelines, we are well positioned to enjoy the growing bubbles, even if they pop.

Sincerely,

Steven Tuchner, CEO

For more information, contact [Clement Messere](#)