



## Regenerative Braking

Regenerative braking is a mechanism found on most hybrid and full-electric vehicles. Unlike 'riding the brakes', which simply wears out your brake pads without any benefit, this process captures the kinetic energy from braking and converts it into the electrical power that charges the vehicle's battery. In June's letter, we revealed that we saw potential hazards ahead, and as a result, chose to apply a "gentle tap on our brakes". ***As we reflected upon June's letter and on July's performance, up +3.0% and up 28% YTD, we continue to believe that the brakes are more important than the accelerator.***

Throughout July, valuations moved higher, skewing the upside/downside matrix unfavorably, bears were forced into the Markets, the price of oil rose, and interest rates continued to climb. We sold all ancillary positions, leaving our cash balance, that now stands at 21%, earning 5.5%, while we initiated hedges (short calls and long puts) that lost a de minimus amount of money. ***It is our belief that while we are not travelling at maximum velocity, both our cash and our hedges may provide us with additional capital to deploy opportunistically.***

In July, four of our holdings (JP Morgan, Google, Meta, and Microsoft) reported excellent quarterly results. ***We continue to believe that these companies, in addition to Apple, Amazon and Berkshire Hathaway (releasing quarterly numbers in August), are the greatest companies in the world.*** They are virtual monopolies (which is why they draw government complaints), have more cash on their balance sheets than the rest of the S&P500 Index combined, and have a global reach without compare. From a valuation perspective, none are as cheap as they were in December, nevertheless, all continue to add more sales to their income statements than the rest of the Index combined.

With an excellent year already completed in seven months, we have modified the portfolio to protect much of our returns. ***While we cannot promise that we will not go down, we do guarantee that if a decline was to occur, ours will be less than the Market's.*** Further, like the process of regenerative braking, any decline in the Market will recharge our batteries, enabling us to generate future outperformance. We remain positive on the balance of the year, look forward to further communication, and thank you for your continued support.

Sincerely,

Steven Tuchner  
Founder and CIO

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