



Di Iorio Family Wealth of RBC Dominion Securities

Think bigger. Act bolder. Invest better.

Generational Investing

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Given the recent market volatility, we thought that this would be a good time to reiterate our long-term investment thesis to clients. The goal of this blog post is to simply provide a reminder that short-term market action should not overly influence the way the core of a portfolio is managed.

One of our favourite discussions to have with Di Iorio Wealth Management clients during meetings centers around the idea that markets go through what have been termed “secular” bull and bear cycles. These secular market cycles last significantly longer than the more commonly discussed business cycle, and different generations of secular markets tend to share similar characteristics with their earlier counterparts.

Those who have been in meetings with us know that, in our opinion, we started a new secular bull market in the vicinity of 2013. Although there are multiple economic consistencies across secular bull markets (ex. low unemployment, controlled inflation, etc.), we believe that the main driver behind these periods of prosperity is that some type of technological advancement fundamentally changes our society and increases efficiency to drive economic growth.

Over the past 90+ years we have seen two of these periods, one that ran from around 1950 through the mid-1960s, and one running from the early 1980s through the late 1990s. Looking back, these were likely the two greatest periods of market performance in history and would each constitute a “secular bull market”. During the 50s and 60s, the fundamental technological advancement that drove markets upwards was the development of the “production line”. The ability to efficiently mass-produce goods at scale with significantly less man-power allowed companies who were able to leverage this technology to become the generational leaders of the time. This included companies like GM (who topped the Fortune 100 in 1969), Coca-Cola, Ford, and others who were the “technological” leaders of the time.

Fast forward to the 80s-90s, and the technological revolution of the time was most definitely the proliferation of the personal computer, and later the advent of the internet. The availability of computing power to households and businesses drove huge efficiency gains, as previously manual processes became automated, and the development of the internet which vastly improved the

connectivity and sharing of data across the globe only magnified these gains even further. The leaders of this time, unsurprisingly, were the companies which were at the forefront of this technology, and included names like Microsoft, IBM, and Intel.

The issues we try to explore when developing our core investment theses derive directly from our belief that we are in the midst of another secular bull market, and that there are trends today which will eventually become apparent as having been the driving forces behind this market. The challenge we face is trying to identify what these trends are, as well as which companies will become the “generational leaders” of today in these spaces. This is why we try to make sure the core of our portfolios are well positioned in the areas we believe will drive growth going forward. Things like social media, artificial intelligence, cloud computing, and e-commerce are just a few examples of these, and we would be happy to discuss our takes on these and more with anyone who would like to engage with us.

As always, thanks for reading. And please feel free to reach out to us anytime if there is something you would like to discuss!

Sincerely,
Di Iorio Family Wealth

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