



Di Iorio Family Wealth of RBC Dominion Securities

Think bigger. Act bolder. Invest better.

Our Methodology - The DM5

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Over the years we have written a lot about the big picture. We've covered some of the major trends that we see shaping the future, and more recently we've focused specifically on the investment opportunities these trends are providing to those who are able to correctly identify the companies that stand to benefit.

That was the focus of our last blog post, which can be found [here](#). Something we have been hearing a lot since this was posted is that the recent rebound in the market just does not make sense, especially considering the economic data and headlines we are seeing these days.

One thing that people often forget is that the market is a discounting mechanism, or a "voting machine". What this means is that at any given time, the prices of individual stocks – and by association the overall market – reflects the overall expectations for the future (not the present). For example, a few weeks ago when headlines were coming out reporting skyrocketing unemployment data for the month of March, markets moved sharply upwards on the news. This is likely because the market sell-off in March had already reflected the expectations for these negative economic developments. Following the same logic, the move upwards over the last 6-8 weeks has more to do with the slow removal of uncertainty that things will be worse than feared, and the expectations for the eventual improvement in economic conditions in the latter half of 2020, and into next year.

So, how can investors consistently succeed in an environment where the action seems counter-intuitive to the situation at hand? While there are likely many answers to this question, we have found success by implementing what we call the DM5 – or the Di Iorio Methodology 5 Key Rules.

1. The pre-established game plan rule

As much as possible, we try to implement scenario analysis into our day-to-day activities. This means we like to have action plans in place for what we will be doing, and when we will be doing it, under various potential scenarios for the future. We like to think of this as our own type of fire drill, meaning if a "fire" occurs, we have our route already planned out.

From an investment standpoint, this requires a systematic approach to idea generation, investment evaluation, and portfolio maintenance. While we could devote an entire blog post to these topics (and may do just that), the briefest outline of our approach is that we always maintain a pool of investment ideas, consistently evaluate and rank these ideas alongside our current holdings, and constantly monitor ongoing developments to maintain our ideal positioning.

2. The document everything, especially mistakes rule

Admitting when a mistake is made can be hard, and it is a good place to start when trying to learn, but we do not believe this is enough. Documenting mistakes, including the logic and steps that led to them, is the best way to ensure they are not repeated in the future. We have been practicing this for the last decade (ex. see the story of what Rob learned during 2008 from our last blog), and though there have been plenty of mistakes made along the way – we are proud of our track record when it comes to not repeating the same one twice.

3. The good habits rule

Incremental changes, when repeated on a regular basis, are one of the best ways to achieve significant results. An excellent read on this topic is the book “Atomic Habits” by James Clear. Whether it is on a daily, weekly, monthly, or quarterly basis, we try and implement good habits into our approach. One of the things we love about investing is that even if a good habit makes a 1% difference to bottom line results (ex. regular portfolio rebalancing), the staggering effects of compounding this habit over time can be mathematically calculated, and serves as a great source of motivation to maintain it.

4. The procedural trust rule

We are bigtime believers in the creation of processes across all areas of our lives. At work, this can mean ensuring that a standard of client communication is maintained, a plan for the investment of new capital is executed on, or that recommendations of wealth management strategies are recorded and tracked. We feel that one of the best ways to build and maintain trust with our clients and partners is to outline and deliver on the processes we want to implement with them.

5. The core beliefs / our “Why” rule

We have said time and time again that if your beliefs are not aligned with what you do, the results will be mediocre at best. From an investment standpoint, we have written and spoken about our own core beliefs on many occasions, and we use these as the guiding principles for every decision that we make.

Of course, simply having rules in place does not guarantee success. Remaining disciplined enough to follow a framework even when things get difficult is what makes the difference between a good system and a great system.

If you would like to learn more about our process, or the opportunities we are continuing to find today, please feel free to reach out to us by phone, by email, or on social media.

It is never too late to make a positive change.
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