



~~Robert Burns' Night Speech~~

Edmonton CFA Forecasting Dinner

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One Year Forecasts

	31/12/06 (A)*	31/12/07 (E)
S&P TSX Composite	12,700	13,500
S&P 500 Index	1,416	1,400
U\$/C\$ Exchange	1.16	1.05
Canadian Long Bond Yield	4.0%	4.0%
West Texas Crude	\$60	>\$40
Gold Troy Oz	\$603	\$600

*Source: Bloomberg
(A) actual; (E) estimated

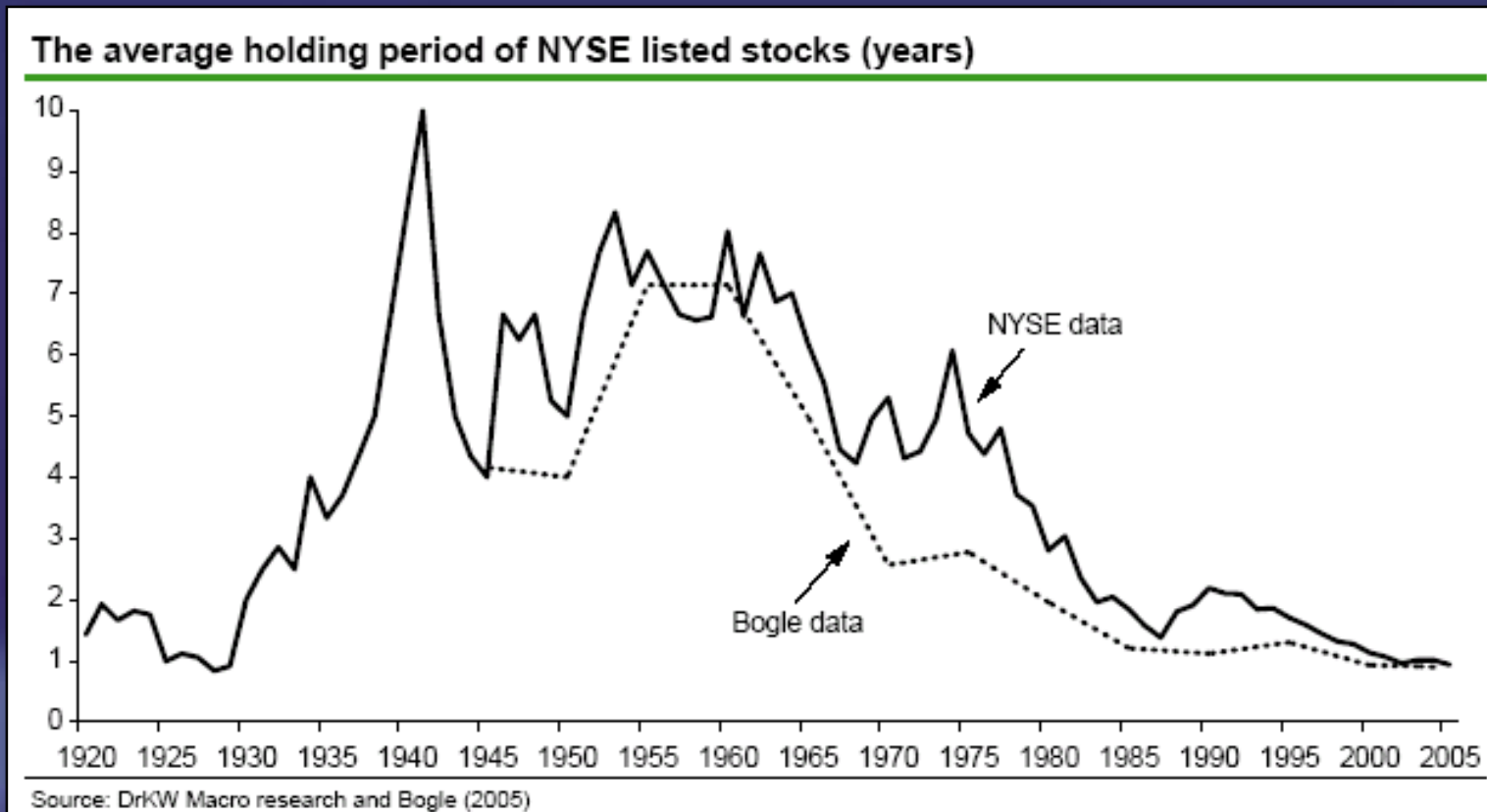
But, more importantly...





Source: *Getty Images*

Busy Fools: The Amazing Decline in Holding Periods



Source: DrKW Global Equity Strategy: "ADHD, time horizons and underperformance", James Montier, 7th June 2005

- 1950's, 60's: 7–8 years
- 2005: 11 months!

We're All Texas Oilmen – Noise



Source: CNBC



Source: Bloomberg



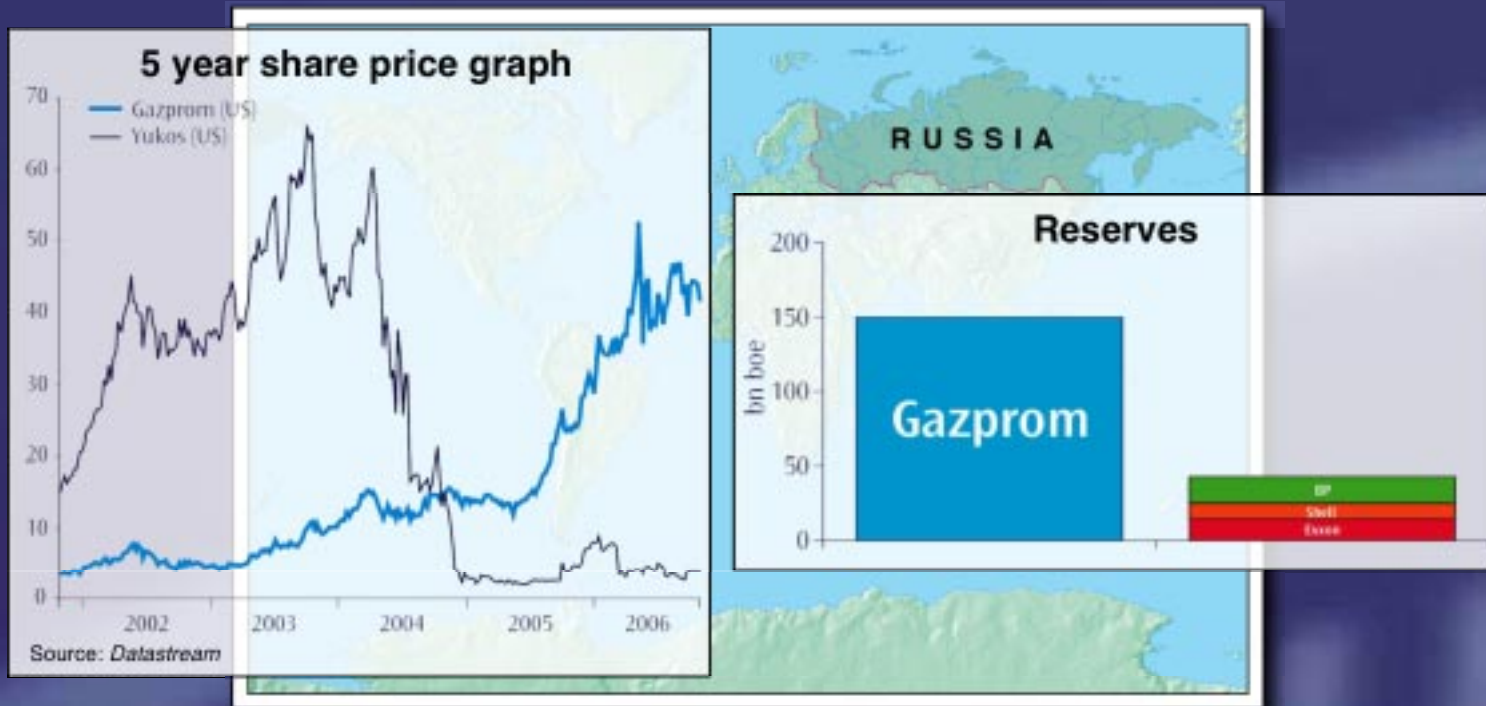
Bogle Study: Long Term Investors Do Best

What do the best managers have in common?

- **Concentration: top 10 holdings = 40%**
- **Location: far from the madding crowd
(Memphis vs New York)**
- **Turnover: massively lower than average
(28% vs 110%)**

Best managers take a long term view of stocks

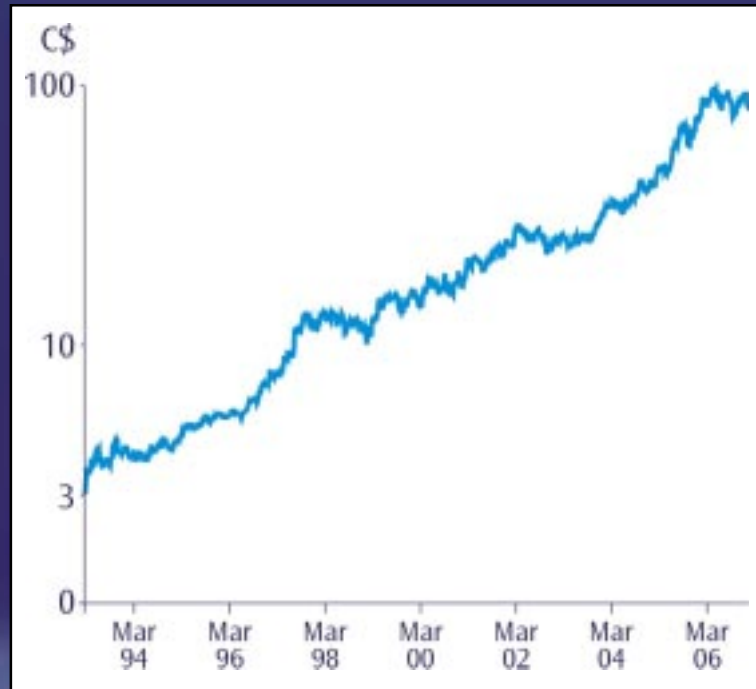
Biggest Company in the World 2016: Gazprom



- Market focus ➡ Russian 'risk', near term earnings
- Long term focus: reserves ➡ enormous potential, gradually realised
- EV/Reserves \$1.80 (Exxon, Royal Dutch Shell, BP \$15–20)
- Number 2: Schlumberger

Honourable Mention: Suncor

Suncor Long Term Share Price



Source: *Datastream*

- Ignore quarterly earnings, production announcements, trading news flow...
- Buy, hold and leave it for 10 years
- 1994–2006: +2,861%

- **Worst major markets: Japan and USA**
- **USA: The decline and fall...**
- **Japan: Honey, we shrunk the country...**
- **Best: Resource-based, EM countries**

But...

- **By 2015: Alternative energy portfolio**



A Scottish Conclusion

- Short termism is rampant
- Few take a long term view (Texas Oilmen, Bogle)
- Remember the Scottish golfers of 1942



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