OCTOBER 2023 | ISSUE NO. 17

THE SCHOONER

The Official Newsletter of the Dalhousie Investment Society (DALIS)

The Maritime Fund is Back:

Welcoming the 2023-2024 Trading Session

In the dynamic world of DALIS, students take the helm of a simulated global macro hedge fund, affectionately known as The Maritime Fund. This remarkable endeavor consistently demonstrates an ability to outperform the S&P/TSX, achieving alpha with exceptional results.

The Maritime Fund's primary mission is to generate outsized returns over an 8-month trading period. It accomplishes this by embodying multi-pronged long/short investment strategies allocated across various asset classes. These strategies form the foundation for the fund's diversified set of sub-portfolios, which encompass Financials, Consumer, Technology, Energy, Industrials, Real Estate, Commodities, and Global Macro. Each of these sub-portfolios is meticulously managed by students who bring their expertise to the table. They work together to seek out unidentified opportunities, exploit market inefficiencies, and adroitly hedge market risks, all in the pursuit of generating high-risk-adjusted returns.

Fundamentally, The Maritime Fund excels in its commitment to value investing, consistently identifying securities that are undervalued relative to their intrinsic worth. Employing low-risk strategies for these undervalued assets creates a hedge, while Portfolio Managers utilize high-risk derivative strategies to capitalize on market volatility. This approach predominantly targets small to mid-cap securities, which are known to harbor market inefficiencies ripe for the picking.

The short-term nature of the Maritime Fund's strategy exposes it to considerable risk, necessitating stringent risk management. To address this challenge, the portfolio is structured for maximum diversification within asset classes, significantly reducing overall risk exposure. Before entering any position, exhaustive analysis is performed to create a structured investment thesis. This thesis outlines entry and exit points, investment catalysts, and alternative opportunities, assuring the quality and soundness of each executed trade. Furthermore, each Portfolio Manager assumes responsibility for micro-hedging their individual positions, further reducing the fund's risk exposure.

The Maritime Fund's investment process employs a robust management approach that allows for risk mitigation while thriving in volatile market conditions. This framework seamlessly integrates multiple sources of quantitative and qualitative analysis to establish asset allocation, monitor risks, and ultimately meet the goal of generating substantial returns. As you delve into the following pages, we invite you to explore the intricacies of The Maritime Fund, its unique investment strategies, and its unwavering dedication to excellence in the dynamic world of global macro hedge funds.

A Glimpse of What's Inside:

DALIS
DALHOUSIE INVESTMENT SOCIETY

Fall 2023 Portfolio Introductions

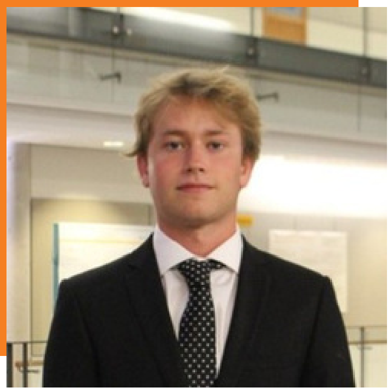
Macro Strategy & Fixed Income

The Global Macro team expertly executes a comprehensive investment strategy, seamlessly combining a diverse array of financial instruments into their portfolio. This meticulously assembled collection comprises investment-grade bonds, high-yield securities, loans, convertible bonds, and a selection of preferred shares and equities. With this refined approach, they endeavor to consistently generate substantial interest and dividend income, reflecting their adept financial acumen.

THOMAS FALLOWS

PORTFOLIO MANAGER

thomas.fallows@dal.ca



LUKAS MYERS

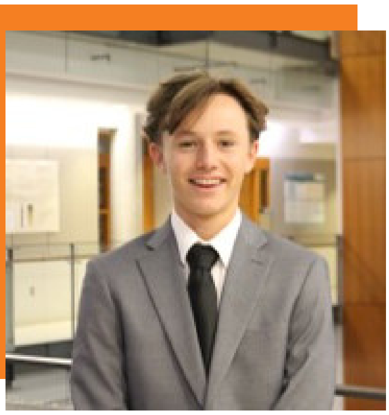
PORTFOLIO MANAGER

lk266754@dal.ca

MARGAUX HAMEL

JUNIOR ANALYST

margaux.hamel@dal.ca



SAM TANNER

SENIOR ANALYST

samueltanner@dal.ca

VERONICA DENSON

JUNIOR ANALYST

veronicadenson@dal.ca

Fall 2023 Portfolio Introductions

Commodities

The Commodities squad plays a pivotal role in ensuring the fund's stability amidst the turbulence of equity markets and the looming specter of inflation. Their strategy is twofold: first, they directly invest in tangible commodity assets, and second, they deftly navigate the derivatives market, utilizing instruments like future contracts to bolster their exposure. This dual-pronged approach not only safeguards against market volatility and inflation but also fuels the fund's growth potential.

KYLE PATTERSON
PORTFOLIO MANAGER

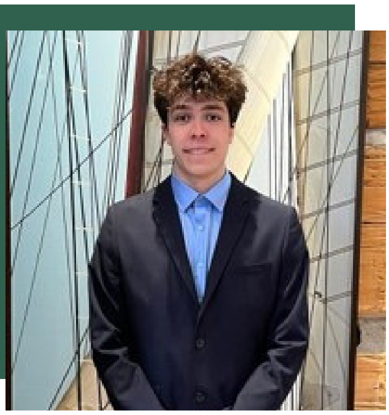
k.patterson@dal.ca

EMMERSON MCNAMARA
PORTFOLIO MANAGER

emmerson.mcnamara@dal.ca

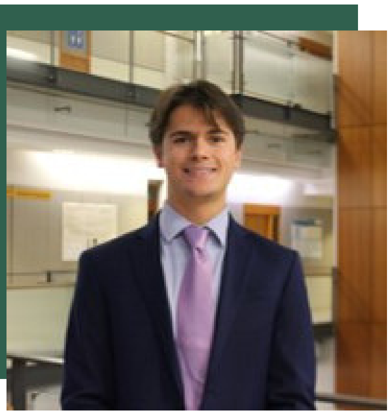
TYLER STARK
JUNIOR ANALYST

ty711046@dal.ca



ALEX CARRASCO
SENIOR ANALYST

alexander.carrasco@dal.ca



WILL KEARNS
JUNIOR ANALYST

willkearns@dal.ca

Fall 2023 Portfolio Introductions

Financials, Consumer, & Technology

The FCT team has their sights set on robust capital growth, and they're making it happen with a versatile strategy that hones in on two key areas: equities and their derivatives, specifically within the Financial, Consumer, and Technology sectors. By deftly allocating resources within this realm, they aim to drive substantial capital appreciation for their portfolio.

SEAN CRANE
PORTFOLIO MANAGER

sean.crane@dal.ca

NOAH BEATTIE
PORTFOLIO MANAGER

noahbeattie@dal.ca

AIDAN BROOKING
JUNIOR ANALYST

aidan.brooking@dal.ca

SCOTT MEWETT
SENIOR ANALYST

scott.mewett@dal.ca

FARA GLAZERMAN
JUNIOR ANALYST

fr915597@dal.ca

Fall 2023 Portfolio Introductions

Energy, Industrials, & Real Estate

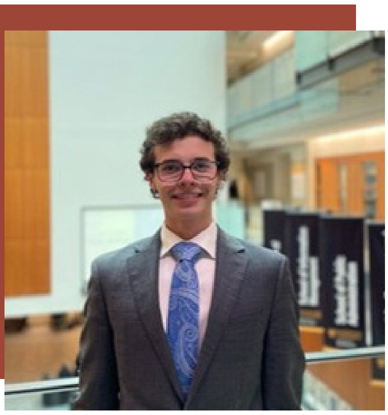
The EIR group is dedicated to achieving robust capital growth through a multifaceted strategy. Their primary focus lies in judiciously investing in equities and their derivatives within the Energy, Industrial, and Real Estate sectors. With precision and expertise, they seek to deliver significant capital appreciation, all in the best interest of their portfolio.

ARYAN CHAWLA
PORTFOLIO MANAGER

aryan.chawla@dal.ca

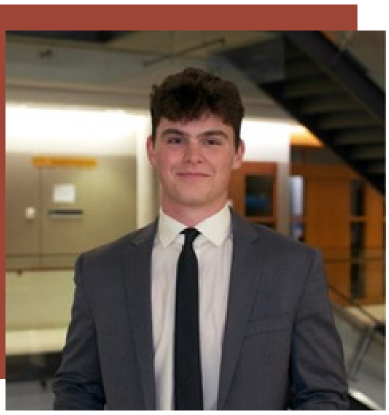
ALEX VAN NIEUWKOOP
PORTFOLIO MANAGER

alex.vannieuwkoop@dal.ca



THOMAS KALIN
JUNIOR ANALYST

thomas.kalin@dal.ca



JOSH HATFIELD
SENIOR ANALYST

josh.hatfield@dal.ca

RYAN SPITZER
JUNIOR ANALYST

ryan.spitzer@dal.ca

Generative AI & M&A Dealmaking

Kethy Lin, General Member
linkethy@dal.ca

Background

While many of us are familiar with the academic applications of generative AI Large Language Models (LLM) such as ChatGPT, this technology is proving to be applicable on a much more profound basis. Previous literature on automation- the process by which tasks completed by human beings are replaced or augmented by machines- has focused on the displacement of jobs that are routine, repetitive, and require little knowledge/skill. There was an emphasis on the job security of roles requiring some degree of creativity, analytical thinking, decision-making, etc. This notion is now being challenged with the rise of and rapid adoption of generative AI, and we can expect further penetration and perforation across most industries and sectors, including the intricate aspects of the financial sector that was once dominated by high-skilled workers.

Generative AI and Large Language Models (LLMs)

Large Language Models fall under a category of generative AI that leverages deep-learning technology in order to produce human-like responses to queries. LLMs have vast databases that allow them to not only mimic human conversation but also generate highly coherent, sentiment-sensitive (ability to determine subjective qualities of text, such as opinion), and contextually relevant content in the form of images, text, audio, and many other mediums. Currently, some prominent LLMs are GPT-3 and GPT-4 (Open AI), BERT (Google), ERNIE (Baidu), and Turing-NLG (Microsoft).

Industry-specific LLMs exist to cater to cater to niche needs. Perhaps one of the most unique aspects of LLM is its sentiment analysis capabilities, and when purposefully localized to target a certain industry, can be highly efficient. For example, financial LLMs such as FinBert can assess market trends based on financial news and social media. Other models are programmed to predict stock market trends and prices, manage portfolios, and provide asset allocation and diversification suggestions. Highly complex LLMs such as XLNet (created by Google Brain) are even able to perform credit risk assessments with pin-point accuracy.[1]

Through intricate neural networks that can learn from themselves and operate with little human intervention, early applications in M&A dealmaking have certainly proven its functionality and applicability.

M&A As It Stands

Mergers and Acquisitions (M&As) involves the strategic merger or purchase of one company by another. Traditionally, these types of deals involve the expertise of a broad range of professionals, ranging from investment bankers, lawyers, regulators, accountants, and more depending on the nature of the acquisition. The global pandemic set the stage for conditions conducive to new technologies and reduction of human involvement and face-to-face interactions. According to Deloitte's Global M&A insights lead, Sriram Prakash, in the twelve months leading up to June 2021, globally companies announced $4.2 trillion worth of M&A deals, marking the highest ever M&A activity recorded over a 12-month period. During this uncertain time, dealmakers not only rapidly adapted to the virtual environment, but created new virtual environments in which deals were executed.

AI Integration in Dealmaking

Provide Advice: M&As are extremely difficult to navigate and require advice from professionals from a multitude of specialties. With quite literally the entirety of the internet as its knowledge base, in addition to tens of thousands of pieces of literature at its disposal, LLMs such as ChatGPT are unrivalled in their ability to synthesize vast amounts of information to advise users. Furthermore, through continuous learning, LLMs can provide rationalization for their answers, follow constraints provided by users, and even apply certain logic for subsequent answers.

Creation of Deal Books: Deal books, or Confidential Information Memoranda (CIMs) are documents served as a package to provide details about a company or business that is being sold or seeking investment. Deal books include company overviews, executive summaries, financial information, market analysis, due diligence materials, risks, contingency plans, valuation, etc. Needless to say, deal books are integral to dealmaking, and are often prepared in collaboration by various professionals. With LLMs, what used to be a tedious, months-long, decentralized process, could potentially be expedited significantly and all at one terminal.

Valuation Services: Valuation, or the process of determining the current or projected worth of an asset or a company, often relying on the expertise of specialists who are able to assess both quantitatively and qualitatively the monetary value of a financial instrument. Thus, valuation plays a pivotal role in M&As. Input metrics in combination with LLMs can provide valuation services to a fine-tuned degree.

Strategizing: Strategies are essential to M&As from conception to completion. Strategies not only ensure that the transaction can be completed as planned, but also that the new entity can meet long-term success. The idea that highly complex and differentiated LLMs could be able to provide both pre- and post-merger strategies is not inconceivable. Highly complex models geared towards M&As in particular could provide operational and financial synergy estimations, timeline, milestones, exit strategies, and more.

Proprietary Search Capabilities: Proprietary searches are facilitated through technologies, algorithms, or tools generated or purchased by a company. Proprietary search systems are utilized for maximizing efficiency, content extraction, data analysis of proprietary financial data within the organization in a controlled manner for utmost confidentiality. It is possible for LLMs to enhance existing proprietary search infrastructure for the purpose of M&A activities through voice and image search options, anomaly detection, suggestions and autocompletion, for improved relevance and accuracy

Implications

As with any disruptive, large-scale technology, there are both positive and negative implications associated with its widespread use.

Improved quality of services: Dealmakers working in M&A often don't have time. By coupling near-instantaneous LLMs with guidance by seasoned dealmakers who know the right questions to ask, the most time-consuming aspects can be automated to a large extent. This would allow for more time to be spent on improving quality and lead to new innovations within the industry.

New Industry Services: We should expect the emergence of "Programmatic M&A firms", those which utilize generative AI LLMs in the course of M&A services. In fact, this gap between Generative AI and dealmaking has already been bridged. One particular firm, DealMap.Ai from Boston, brands itself as a "boutique AI/LLM shop focused on corporate development and M&A automation solutions"

Bias and Accuracy: There have been instances where machine learning software such as ChatGPT has been caught in blatant falsities, subtle inaccuracies, and bias. These incongruities beg the question: who is ultimately responsible for the errors of generative AI? In any type of financial transaction, accuracy is key. Especially in the M&A realm where millions of dollars are at stake. Should AI become the norm in dealmaking, more roles may open up for human fact-checkers to spot factual inaccuracies and programmers to minimize biases.

The vast capability of generative AI seemingly paints a bleak picture for professionals involved in M&As, but there is an emotional aspect that AI currently cannot replace. Companies are not just lifeless entities being pieced together; successful M&As must take into consideration different corporate cultures, employee morale, and communication strategies in deals. Additionally, it should be reminded that despite the impressive outputs provided by AI, it is premised upon a human being's insightful inputs and guidance. Undeniably, the potential for AI in dealmaking is unpredictable, but when used responsibly and regulated, can bode positive outcomes for the financial industry.

Girlbossing: The Business Way

My Lived Experience as a Woman, Advice to My Younger Self, and the Unexpected Value of a Commerce Degree.

Chloe Kerton, General Member
chloe.kerton@dal.ca

Personal Experience as a Woman Studying Commerce

In the movie The Little Mermaid, Ariel exchanges her voice for legs. Similarly, women in business can sometimes find themselves making a trade-off, surrendering their power to conform to societal expectations of how women should behave, especially in the presence of men.

For some background, I grew up in Toronto and attended an all-girls high school. I moved to Halifax in September 2022 to begin my first year of university studying commerce. Transitioning from a small-sized all-girls school, where the words "Girls Can Do Anything" were my daily mantra, to a co-ed university was a culture shock. Suddenly, I found myself surrounded by an even split of women and men, not to mention the intimidating lecture rooms filled with sometimes hundreds of people. The opportunity to use my voice was something that was no longer handed to me on a silver platter like at my high school; now I had to fight for it.

As young girls, there can be a propensity to internalize values that tell us to be 'silent, rarely seen, and good listeners,' and if we lead, then we are called 'bossy.' It's rubbish. Gender stereotypes are all around us. Susan Fleming, a Wall Street veteran, says, "Women S&P 500 CEOs make up only 4.6 percent" (Cornell, 2018). It's a tough sentence to read, and it's discouraging for women who want to study business. This is because there are complex sets of dynamics that occur culturally and socially, especially focusing on gender bias and stereotyping.

Something I wish I could instill in myself earlier is not to question my place or belonging in this world, particularly in business. I deserve a seat in the boardroom just as much as anyone else.

What I Wish I Could Tell My Younger Self

Success is defined by you! Often, we become so wrapped up in what everyone else is doing that we lose sight of what is important to us. "Comparison is the thief of joy," it's true! I've never been good at math. I'm sure there are others who can relate to the experience of sitting at their kitchen table, struggling to understand their math homework while their dad grows increasingly frustrated at them. I dedicated all my free time to math extra help, meeting with tutors, and eventually, I achieved a passing grade and felt quite proud. However, when classmates asked, "What did you get?" comparison would set in like an ugly dark cloud, obscuring all the positive energy I had put into that passing grade. My desire to excel in math was insatiable and could not be quenched. What I've learned is that healthy competition can be motivating. If you can relate to that feeling of comparison, I would offer a suggestion: practice gratitude and network mindfully. Practicing gratitude implies awareness and consciousness, wrapped in a warm blanket of making you feel good. Pause, and remind yourself of everything good you have going for you! Practicing mindful networking is a great skill because, 1) it will help you down the road when you're making connections on Bay Street, and 2) you will be building connections with people that you want to learn from. Collaboration and growth go hand-in-hand. There is a famous quote, "Make sure you are the dumbest person in the room," and I agree that there's a certain art to being the most stupid person in the room. When you surround yourself with people that foster growth and learning, you too will reap positive benefits.

The Unexpected Value of a Commerce Degree

Commerce is not just about acquiring tangible skills; it's a gateway to a world of opportunities and personal growth. It empowers women and provides the tools and connections needed to achieve your dreams. For me, commerce is not just a field of study, but a shield of confidence, reinforcing my passion for finance, accounting, and marketing, with a special emphasis on entrepreneurship. My participation in Dal Comm Societies has broadened my horizons, and this past year of studying commerce has ignited a fire within me to drive change, especially for young girls who aspire to pursue business studies. Stepping into any room, dressed in my suit, and knowing as much as my male counterparts, fills me with a sense of empowerment. In my eyes, Dalhousie's commerce program offers a solution to break through the glass ceiling.

The Digitization of Information on Bitcoin

Ashar Belanger, General Member
asharb@dal.ca

Introduction

What would you do if you stumbled across a document that contained conclusive evidence of an atrocity committed by your government? Would you go to the press to get this information out to the world? Are you going to trust another person not to expose you as the source of the leak to the government? What if the government offers a large bounty? Are you still going to trust the morals of that person over a large sum of money? Humans are vulnerable to bribes and threats, so how will you avoid using a human medium to get this critical information out to the world while still protecting yourself? One answer is to harness the most decentralized and secure blockchain in the world: Bitcoin. Bitcoin doesn't have emotions like greed or fear; it is an algorithm engineered for security and decentralization. Information storage on Bitcoin is made possible through inscriptions and the ordinal theory. Users can burn information onto Bitcoin's blockchain, making it eternally immutable while remaining completely anonymous, all for a couple of dollars.

What Are Sats and Inscriptions?

In order to grasp the following concepts, we need an understanding of Satoshis (sats for short) and inscriptions. Let's start with sats. One Bitcoin can be divided into one hundred million pieces, called sats. Sats are independent, meaning they can be traded or sold individually, and the data inscribed on them goes with it. Every sat has a name and can be recalled at will, meaning that you will always have access to it as long as you can remember its specific ordinal name or have it in your wallet. Each of these sats can be inscribed with up to 4 MB of data. With a 4 MB limit per sat, mass data storage is not viable, but if you want to inscribe more than 4 MB, you can spread it over multiple sats. Once a sat is inscribed, it cannot be overwritten with new data or deleted. This process is referred to as the Ordinal Protocol; the nitty gritty details are outlined in the Ordinal Theory Handbook. The process of inscribing each sat is super easy, with countless sites like Ordinals Wallet and UniSat that have inscription services. When using these sites, all the user has to do is upload the data they want inscribed and pay the BTC network fee (around $2-$4 depending on network activity) to receive the new inscribed sat in their wallet. Now, when that sat is viewed, the inscribed data will be displayed as well.

There are a number of different applications regarding sats and inscriptions, such as rare and unique sats and the trading of inscribed sats, but for now we'll focus on immortalizing information.

"Project Spartacus"

Project Spartacus is an anonymous group that has recently started inscribing leaked military war logs from the Afghan War that were originally published by Julian Assange via WikiLeaks. These war logs that purport to expose atrocities that the U.S. government committed in the Afghanistan War are now immortalized on the Bitcoin blockchain, untouchable by anyone who might want them destroyed. Project Spartacus anonymously reached out to Bitcoin Magazine to inform the world that these war logs are now a part of Bitcoin, meaning they are available to the world.

It was only a matter of time before people started to harness the security of Bitcoin for applications other than monetary purposes. Currently, Bitcoin is the only medium of secure information storage that is accessible to anyone with an internet connection, thanks to the Ordinal Theory.

This new form of information immutability is becoming increasingly valuable as internet censorship is steadily increasing. The process of immortalizing incriminating documents from the largest superpower in the world is definitely a dangerous one, so remaining anonymous is of the utmost importance. Bitcoin makes this easy by using a number of un-doxxed (not linked to a personal identity) wallets, just as the members of Project Spartacus have been doing.

Why Use Bitcoin?

The Bitcoin blockchain is run and secured by a number of miners worldwide. Miners can be simply described as processing units that are designed to solve highly complex math problems to verify transactions on the blockchain. After a transaction is verified by one of these miners, it is added to the current block to be processed and confirmed. Once a block is confirmed, the transactions are executed, and they cannot ever be edited or deleted.

The only way to disrupt the process of verifying and confirming transactions is by controlling 51% of the mining power (TH/s) on the Bitcoin blockchain; this is called a 51% Attack.

The 51% Attack

One of Bitcoin's main vulnerabilities is the possibility of a 51% attack. This is essentially when one entity controls 51% of Bitcoin's total hashrate. Hashrate is defined by CoinDesk as "the total combined computational power that is being used to mine and process transactions on a proof-of-work blockchain such as Bitcoin". The entity behind a 51% attack is granted the power to choose which, if any, of all submitted transactions get processed. This amount of authority would be detrimental to Bitcoin's decentralized core value.

The most practical way to obtain 51% control of the BTC network is to own the miners necessary to achieve such a monstrous hashrate. Based on Braiins.com's article on a 51% attack written in January 2021, and while accounting for about a 3x increase in total hashrate, the physical hardware required to control 51% of Bitcoin's total hashrate is approximately 3.587 million miners. This would cost about $14.348 billion just to purchase the miners (assuming you could acquire them for near market price). For large corporations, governments, or even some of the richest people in the world, this is definitely possible, but those metrics do not include the upcharge that mining companies might want to charge, the price to cool and store all these miners, the land on which to put the miners, the power needed to run these miners, and tons of other variables.

Conclusion

Bitcoin is more than money; it is a robust system that doesn't care about who you are, how much money you have, or how much power you command. Although it is possible to undermine this system, it is highly unlikely. Project Spartacus displays the power that the Bitcoin blockchain has to eternalize data, even if it infringes on the will of the largest superpower in the world. I believe that immutable data storage will grow to be a large application of Bitcoin as the claws of censorship continue to tighten on the neck of free speech. Bitcoin's ultra-secure blockchain can be utilized for many other powerful applications, such as immortalizing sensitive information. The question is, what's next?

Insurance & Climate

Thomas Dickson, General Member
th798625@dal.ca

Despite being two months away from the end of the year, 2023 is already marked as one of the most extreme climate years on record. 290 countries recorded their warmest August to date, and the United States alone has endured more than 23 billion-dollar or higher climate disasters, totaling over $57.3 billion in damages, and leading to the loss of 253 lives (Hart, 2023). Despite conflicting opinions on climate change, the fact remains that the frequency and severity of natural disasters are on the rise. In the past three years, there has been an annual average of 20 billion-dollar-plus climate disasters, compared to an average of 12.8 in the 2010s and 6.7 in the 2000s (Gusner, 2023). The impacts of climate change and natural disasters are reshaping the property and casualty (P&C) insurance industry, causing financial strife, straining tax dollars, and giving rise to a variety of socioeconomic issues.

Who's Picking Up the Tab?

Natural disasters are expensive to deal with. Traditionally, private insurance companies have played a crucial role in their resolution, but there are early indications that this is changing. Property and casualty insurance is a broad term encompassing various types of insurance, all designed to transfer risk from the customer to the firm by providing liability and property protection coverage. However, as the frequency and severity of natural disasters increase, the financial risk assumed by property and casualty insurance firms is steadily rising, straining their ability to handle liability. To put this in perspective, Stanford released a report in 2020 that stated that throughout the last 20 years, public flood insurance has grown over 20 times (Wagner, 2020). This trend is prompting some insurance firms to reconsider where and how they offer policies to mitigate their own risk exposure. A specific example is that following the relentless series of wildfires in California, major insurance companies like State Farm and Allstate have announced a halt in issuing new insurance policies in the state (Gall, 2023). Their decisions cite the "rapidly growing catastrophe exposure" (Allstate, 2023). And, while not all insurance companies are withdrawing from high-risk areas, insurance premiums are generally becoming more expensive and exclusive.

So, the question arises: what happens to those who, for financial or other reasons, cannot access P&C insurance? For many, a home is their most valuable asset, and its loss could be financially and socially devastating. This issue, when viewed on a larger scale, could develop into a full-blown financial crisis. Rostin Behnam, a member of the federal government's five-member Commodity Futures Trading Commission, said in an interview that the "financial risks from climate change were comparable to those posed by the mortgage meltdown that triggered the 2008 financial crisis" (Davenport, 2019). This issue clearly warrants close examination and an increase in research and development to mitigate any emerging problems."

Who's to Blame?

While climate change, caused by unsustainable industry practices, is undoubtedly responsible for the increase in extreme weather events, the financial impact of these natural disasters is directly correlated with people's choices of how and where to live. However, with greater public awareness of climate change risks, theoretically, we could make more informed decisions about where to live. Nevertheless, people continue to flock to high-risk areas, buying and building houses and infrastructure, further inflating the impending crisis. For instance, as of 2015, the southeastern coasts of the United States, along the Atlantic and Gulf coasts, had a staggering total real estate value exceeding $13 trillion (The Economist, 2023). These areas are naturally vulnerable, leading to exceptionally high risk exposure for property owners, insurance companies, and the government. Florida, the nation's third-most populous state, is frequently hit by hurricanes. In the previous year, hurricane damages alone amounted to 7.5% to 10% of the state's total GDP (The Economist, 2023). These figures, though astonishing, raise the question of who should bear the financial burden. Logically, it should be those fortunate enough to enjoy picturesque ocean views who should bear the costs, but that is not the case. In the United States, both state and federal regulations often subsidize or suppress property insurance rates in these high-risk areas to support the affected citizens, inequitably transferring the burden onto other taxpayers. For decades, the government has stepped in when private insurance companies have fled to ensure that insurance is always available to citizens. Several decades ago, following a series of damaging floods along the Mississippi River, private insurers stopped offering flood protection.

To fill this gap, the American government created the National Flood Insurance Program, which has become the leading provider of flood insurance across the country (Hill, 2023). However, over the years and after numerous payouts, this program has accumulated billions of dollars in debt and caused significant issues, resulting in a relentless increase in premium rates. This issue was only resolved this past June when ten states filed a lawsuit to cap further premium increases (Hill, 2023), illustrating the vital role that private insurance plays in maintaining economic stability.

The Silver Lining

This article paints a grim picture of the state of the world and its economic stability, highlighting the need for change and development. However, history has shown that the potential for change can often lead to prosperity. Mindy Lubber, CEO and president of the sustainability non-profit Ceres, remarked, "[This] reveals the urgent need for insurers to address the financial risks of climate change posed by their fossil fuel holdings and take advantage of opportunities to accelerate the transition of their investment portfolios to a clean energy future" (Hanlon, 2023). Faced with mounting challenges, the imperative for insurers to adapt, invest in clean energy, and foster resilience against climate change is not an option; it's a path toward a more sustainable and economically secure future.

Conclusion

As we move forward, pushing for sustainable development and economic stability, our future hinges on insurers adapting and fostering resilience against climate change. It's not merely an option; it's a necessity. We must heed the warnings and acknowledge that the insurance industry plays a crucial role in maintaining our financial stability as the world faces mounting challenges. As supported by a statement released by McKinsey & Company, one of the Big Three consulting firms, it is also important to recognize that this issue is unfolding right now. It's clear that immediate action is required to develop climate mitigation technologies and policies that protect and enable the insurance industry to fulfill its fundamental role in protecting our assets.

Book Review: Intelligent Investor by Benjamin Graham

Ronan Sahajpal, General Member
ronan.sahajpal@dal.ca

If Warren Buffet is arguably the most legendary investor of all time, what do we call his mentor, Benjamin Graham? Graham is hailed as the father of value investing and pioneered this strategy of identifying and buying securities that traded lower than their intrinsic value. A strategy which gave rise to super investors like Buffet and Charlie Munger, who based their philosophies on Graham's teachings. He created this strategy in the 1920s when stock information was scarce, only found in giant encyclopedias and newspapers.

Graham's method is old-school, using fundamental analysis and the basics of portfolio construction to achieve large returns. Graham first published "The Intelligent Investor" in 1949 and published a revised edition in 1973 (the one we will be looking at today) with a commentary from Wall Street Journal columnist Jason Zweig at the end of each chapter.

Right off the bat, Chapter 1 titled "Investment vs. Speculation: results to be expected by the intelligent investor" immediately made me think of how most teenagers (including myself) get into investing. In high school, I always associated the word "investing" with something that was done by adults in their thirties saving for retirement. When I heard about the GameStop short squeeze being performed by people who weren't much older than me, it sparked my interest in the markets as I wanted to make a few extra bucks. I joined my high school investment club a few months later and, in hindsight, realized that we only made trades if we thought the business sounded cool. At this point, finance gurus were getting popular on TikTok, and I listened to their rationale for buying certain stocks religiously, rarely talking about the actual business behind the façade of the stock price. Man, was I ever lucky that I was too young to open a brokerage account! Graham calls this type of behavior "speculating": buying without knowing the business itself, disregarding the fundamentals, and relying on factors that people perceive will affect the share price. While less flashy, Graham's method of fundamental analysis will offer safer and higher returns than speculating in the long run.

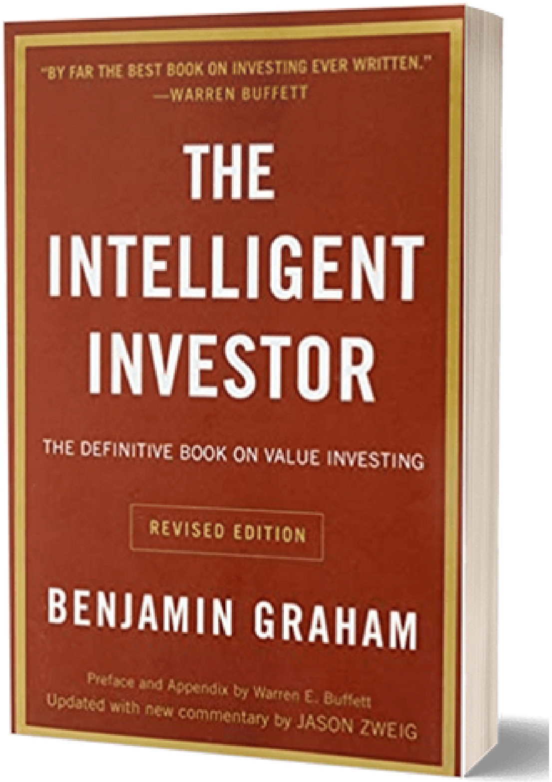
Buffet's favorite part of this book is Chapter 8, which discusses market fluctuations. Graham describes the behavior of the stock market with a persona that he calls Mr. Market. Imagine Mr. Market as your business partner, looking to buy out your $1,000 stake. Every day, he offers to buy you out or to sell you an additional stake in the business. Some days his offer of value seems plausible, justified by business developments that you know of. Other days, he lets his enthusiasm or fears get the best of him, and his proposal sounds like a joke, throwing ridiculous prices at you for the same stake. Graham describes that you, as an intelligent partner, would sell your stake only when Mr. Market quotes you an insanely high price, and you are equally happy to buy from him when he offers you equity at a lower price.

This is something that seems like common sense, but it is so overlooked in today's age of information, with ravaging headlines influencing market sentiment, causing many investors, including myself, to frequently fall into the traps laid out by Mr. Market.

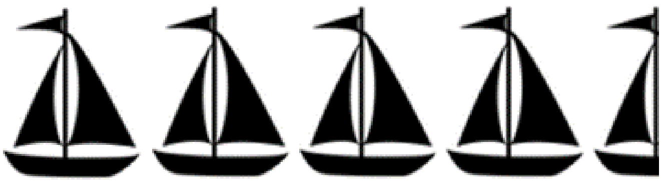
In an overwhelmingly technical book, Graham finds a way to bring the focus to the investor's emotions, which is one of the most important lessons that I took from this book. Everyone knows the basic concept of high risk = high reward, yet everyone forgets about the first part of the equation. You should be asking yourself the following questions: "How much risk can I actually take?", "Can I sleep at night owning that investment?", or "How much money am I actually willing to lose?". For example, if you had invested $100 in the S&P 500 on October 8, 2007, you would only break even six years later on March 25, 2013! Sure, it is a bit of an extreme example (especially happening right before one of the largest crashes the market has ever seen), but most people simply cannot handle seeing their hard-earned money be reduced to nothing. Graham spends many chapters profiling different investors, anywhere from risk-averse fixed-income strategies up to portfolios made 100% of individual stocks, which Graham suggests only investors with the largest risk appetite should undertake.

The *Intelligent Investor* was my first deep dive into the finance world. I first picked it up a year and a half ago after my dad recommended it. At first, I was pretty skeptical; after all, how could a book written in 1973 still be relevant? The more I immersed myself in the finance industry, I began to realize that Graham's principles of fundamental analysis and psychology are timeless. For example, one of the most common strategies for capital accumulation that I see from social media and news sites is dollar-cost averaging into low-cost ETFs once a month, no matter the price. This strategy is effective in achieving stable returns in times of market volatility and is used by passive investors who often don't have time to follow the market. Guess who came up with that? Benjamin Graham in 1949.

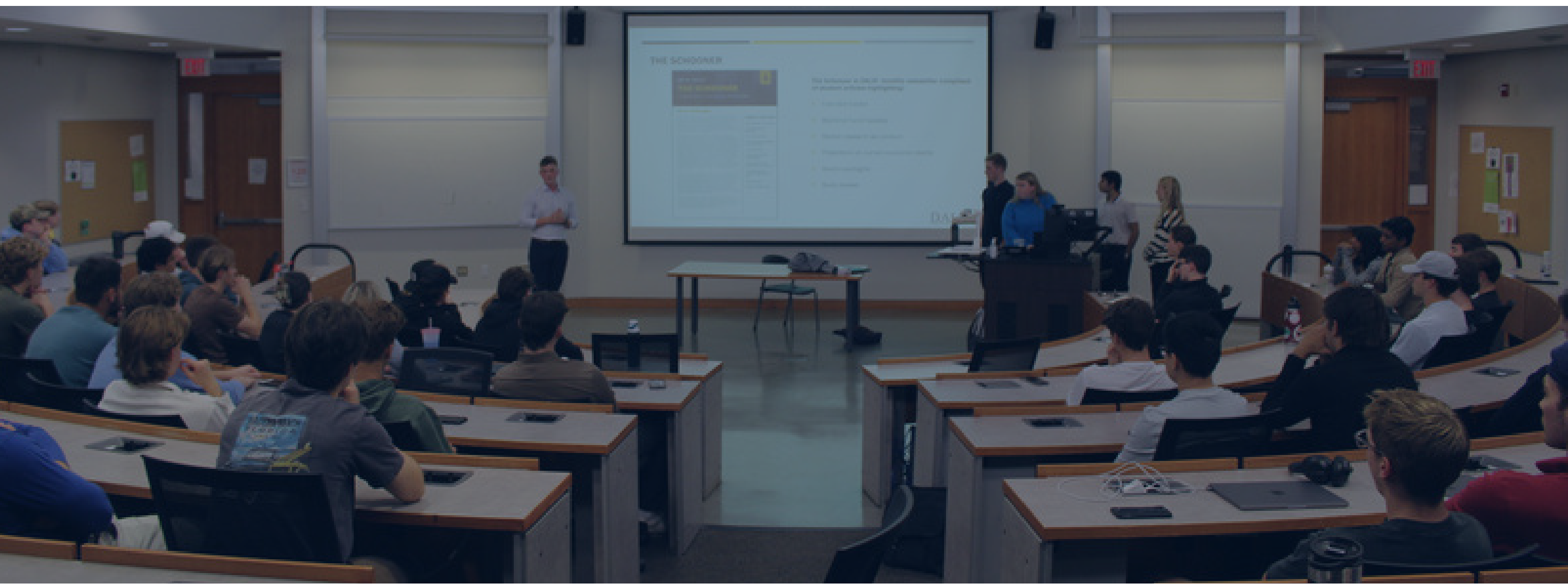
Be aware that this book is LONG. It's 500 pages long and reads like a textbook in some places. But if you can read up to 20 minutes a day like I did, you will be blessed by the sheer amount of knowledge and wisdom that Graham passes on to you. Some terms and concepts can be hard to understand for people new to finance, so I would recommend having a general knowledge of the market and different securities before embarking on the journey.



Ronan's Review



Overall, The Intelligent Investor by Benjamin Graham gets a rating of 4.5 boats out of 5!



Get in Touch With DALIS:

Executive Team

Max Barrow, President
max.barrow@dal.ca

Monica Conohan, Vice President
mconohan@dal.ca

Mark Howatt, Executive
mark.howatt@dal.ca

Alexis Reid, Executive
alexis.reid@dal.ca

Arsh Merchant, Executive
arsh.merchant@dal.ca

Schooner Editors

Monica Conohan
Mconohan@dal.ca

Ezra Laskar
laskarezra@dal.ca

Find us on the Web!

dalis.ca

/dalinvestmentsociety

/dalinvestmentsociety

dalis@dal.ca