

THE PERFORMERS

× CANADA'S INFLUENTIAL THOUGHT LEADERS ×



“BY BEING IN ALL SECTORS ALL THE TIME AND OWNING THE CHEAPEST STOCKS, WE HAVE A LESS VOLATILE RETURN RELATIVE TO THE MARKET FOR INVESTORS.”

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KIM SHANNON

President & CIO, Sionna

What is your investment philosophy and how did you develop it?

I use relative-value investing and have been since the 1980s, when I started working with John Di Tomasso, who was a deep value manager. He always said that stocks revert to the mean and, over the years, I saw evidence that they really do. Relative value works better than deep value in Canada because of the concentrated and idiosyncratic nature of the market. Canada has the most resource exposure of any major market in the world, so a relative-value approach allows me to own names in all the sectors. It lets me diversify and relatively beat sector and benchmark returns, even though the stocks, themselves, don't show absolute value.

What has driven performance for you?

For me, it really comes down to value: the fact that the price you pay when you enter an investment has a significant impact on your long-term return. If you buy when the stock is too expensive, it really has a negative impact on your long-term results. If you buy when a security is inexpensive, you can get some things wrong but ultimately, over time, you are going to make decent money.

What critical success factors have put you where you are today?

A fundamental understanding that money is a human construct and that human emotions get embedded in financial asset pricing. Value investing is a very rational and disciplined approach that looks at the market and tries to find the inexpensive stocks, even as others are acting emotionally.

What trends do you see evolving in the marketplace and how are you staying on top of them?

The U.S. market is fascinating right now. The current rally, which began in March 2009, has seen that market grow by 128%. The last time a rally came close to this was in 1932, when the U.S. market rallied 121%. This tells me that we're in a sideways market that is getting a little long in the tooth. We're at a record level, so it's prudent to be a bit cautious.

What is unique about Sionna's investment process?

Our relative-value approach works very well in the Canadian market. By being in all sectors all the time and owning the cheapest stocks, we have a less volatile return relative to the market for investors. I like to say we give clients a gentler ride. We don't stress them out as frequently about whether or not we have our mojo. Instead we focus on consistency and outperforming over the long term.

What do you look for in the companies in which you are going to invest?

We start by looking for cheap stocks and then we follow that with fundamental analysis. One key factor we look out for is human excess in management teams. There is enormous pressure on managers to be boastful on financial statements, which can trick investors. We look for quality accounting and we aim to keep financial risk low.

TO THE POINT.



WHO'S YOUR MENTOR?

I have three. John Di Tomasso taught me about investing. Alan Westbrook taught me about managing people. Another mentor is Dian Cohen, a senior economist who served on many boards 20 years before it was common for women to do so.



WHAT ARE YOU READING?

I'm an audio-book girl, so I'm listening to Andrew Weil's Spontaneous Happiness and The Trusted Advisor by David H. Maister, Charles H. Green and Robert M. Galford.



WHAT'S THE BEST PIECE OF BUSINESS ADVICE YOU'VE EVER RECEIVED?

Think before you act. That's key in value investing.



WHAT TRAIT DO YOU VALUE MOST IN A COLLEAGUE?

Integrity. Once you trust people, it's all easy.