DM MONTHLY REPORT
January 2025

PORTFOLIO ACTIVITY

As outlined in our quarterly report, in December we effected several trades in our US Equity allocations, principally aimed at crystallizing recent gains and managing portfolio risk as 2025 commences.

FEATURE STOCK
Thermo Fisher Scientific (TMO)

When we made the US equity sales described above (trimming weights in five stocks and selling one outright), we redeployed resulting capital to existing holdings which we believed offered better value. One of the names we added to was long-time portfolio member, TMO. TMO provides analytical instruments, laboratory equipment, and services for the life sciences, clinical research, and pharmaceutical industries. Over time, the company has been an effective acquiror of complementary businesses, using this strategy to broaden its product portfolio and widen its competitive moat. Not surprisingly, TMO found itself in a sweet spot during covid and the stock was a star performer when testing and vaccine development were at their peaks. Since then, however, its share price has softened, creating an attractive point to add to the name with some of the profits we had realized elsewhere in the mandate. At the end of December, we roughly doubled our allocation to TMO, taking its weight to just under 4% of portfolio value. This move has paid off so far, with the stock up roughly 8% in the first two weeks of 2025.

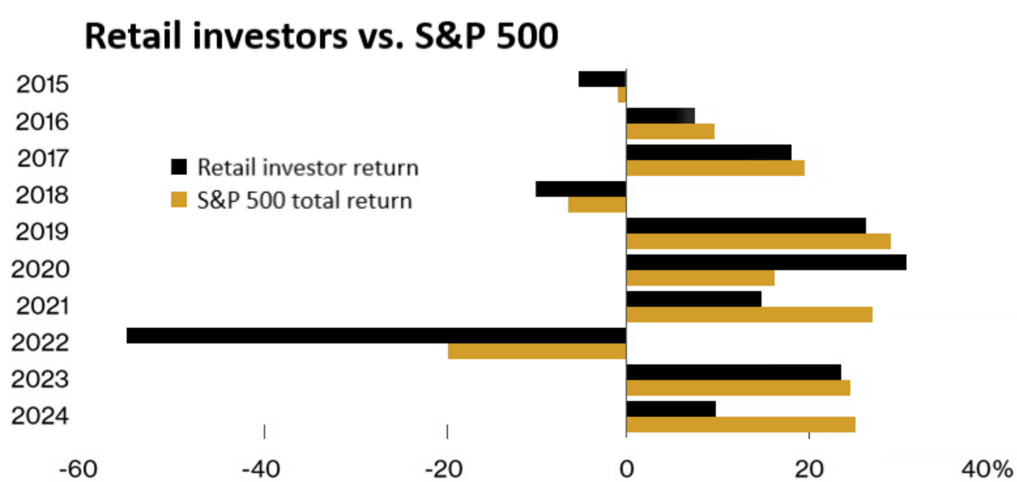
WE HAVE MET THE ENEMY AND HE IS US

At the end of the year, US investment house JP Morgan made an up to date guesstimate of how the average American investor has fared in recent years in comparison with the broad S&P 500 equity index. As a proxy for when the typical individual entered and left the market, the study looked at when funds were transferred from Chase Bank chequing accounts into investment portfolios and vice versa, and then overlayed this behaviour on top of subsequent equity performance. After surveying a decade's worth of data, the paper came to three core conclusions:

- investors tend to transfer more funds into their investment portfolios after a period of strong market returns (i.e. they "buy high")
- periods of high market volatility often spur elevated rates of movement to and from cash
- male investors seem to be much more triggered by market events and past returns than their female counterparts *(sorry guys!)*

As you can see from the graphic below, this impulsive tendency has cost investors dearly, with average results falling behind the market in nine of the last ten years and underperforming by more than 15% in 2024.

In many ways, the investment industry and financial media exacerbate this self-destructive behaviour by publishing confident predictions for market performance and inflating the importance of ultimately minor short-term events in the race for clicks and eyeballs. Speaking of market forecasts, the average Wall Street shop was wrong in 2024 by about 1000 S&P points and even the best one missed the mark by more than 13%, despite supporting their prognostications with convincing charts and compelling narratives. As we begin the new year, with a leadership (and ideological) change imminent in the US and one likely coming in Canada, the opportunities for the average investor to oversteer their investment plan will undoubtedly be numerous. History shows, however, that the odds of such manipulation improving one's financial position are slim.



Source: *JPMorgan, Bloomberg (2024 data as of Dec. 18)*

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