



FLEXIBILITY

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If recent history has shown us anything, it is that nothing can be taken for granted or assumed to continue as is.

Dramatic shifts in geo-political, societal, economic and corporate realms are now a given and can take place very quickly.

No one would have predicted a worldwide economic shutdown even six or seven months ago. The fiscal imprudence of governments over the years (no savings for a “rainy day”) has exploded in a scramble to spend and print money at levels inconceivable just a few short months ago.

America’s leadership in the world is evaporating as every other country in the world is portrayed as bullying or taking advantage of the United States. Remember, leaders must be both respected and trusted. These are long gone and the American reference point for other nations no longer exists.

This will lead to other centres of geo-political gravity as well as different alliances and allegiances. This can be dangerous in the near term.

America’s issues are not new, as specific events spark upheavals on an almost regular basis. Clearly, the answers are neither more force nor more liberality.

I would suggest that recognizing that many in the U.S. are not participating in the American Dream and the country has a major under-class whose needs and concerns should be realistically addressed. The tragedy in America is the dichotomy between political factions, the scarcity of effective leaders and the resulting inaction. Both sides of America’s political divide have simply retreated into hubris, rhetoric and demonizing their opponents. The U.S. media have failed in the primary task through being willing accomplices in the reality soap opera. America is not alone in divided or poor leadership.



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The COVID-19 crisis has exacerbated and accelerated changes already underway. The trends have been isolation, judgmental attitudes and accelerated government control and regulation.

To jump ahead, one might even suggest we are entering the post development era for the western world.

So what does all this mean to the corporate world?

Governments and regulators respond to societal pressures by making ever more rules in a desire to level the playing field. The innocuous term “stakeholders” has now replaced shareholders or owners in terms of accountability.

Before anyone jumps on me, let me say, no one would dispute the need for broader societal responsibilities on behalf of corporations but innovation, efficiency, proficiency, risk taking and yes, profitability are still required for economic growth.

The resulting and ever increasing volume of regulations can seriously undermine their specific good intent and our overall societal goals.

Changes in the corporate world have also been disruptive. Many major corporations that were “one decision” investments either no longer exist or remain in a highly diminished state.

They have been replaced by companies that only a few decades ago operated out of garages. Massive individual wealth and power has, as a result, been concentrated in the relatively few hands of these new innovators and entrepreneurs. This is now and will become an even greater cause for discord in the future.

This is not new.

In the late 1800’s and early 1900’s massive wealth was created in the energy and transportation sectors. The wealth and power created at that time, attracted the attention of governments and regulators who felt the need to “do something” in order to reduce the influence of power blocks and to protect and preserve their own.

The future will be no different.



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So, what does all this mean to investors?

The key point is the need for “flexibility”, in thinking and actions.

With the first, it is imperative to avoid “group think”, i.e. focusing on one source of information and news and their destructive replacement of “analysis by experts”. None exist, there are only “thinkers”. Question even yourself and your own potential “mind locks”.

Second, always maintain operational flexibility in order to act. Remember, good ideas are a “dime a dozen”. Good execution is what defines success.

Flexibility is synonymous with liquidity. COVID-19 has reminded us of our grandparents’ wisdom of always having a cushion of liquidity for either adversity or opportunity.

For businesses, large or small, access to liquidity is now the single most important determinant for success. For the small business owners, who survive this period, building a liquid capital base outside of their enterprise will be a necessity.

No one predicted COVID-19 in 2019 or early 2020, but similar events will occur in the future. Governments, claiming they know what is best for all, will often exacerbate the damage done in those instances. Their efforts at solving issues or easing societal pain can, in themselves, create new and potentially more damaging outcomes.

The changes occurring in our world are becoming more frequent, extreme and abrupt.

Flexibility and liquidity will allow greater freedom of thought versus the damage control required when events are upon us.

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