

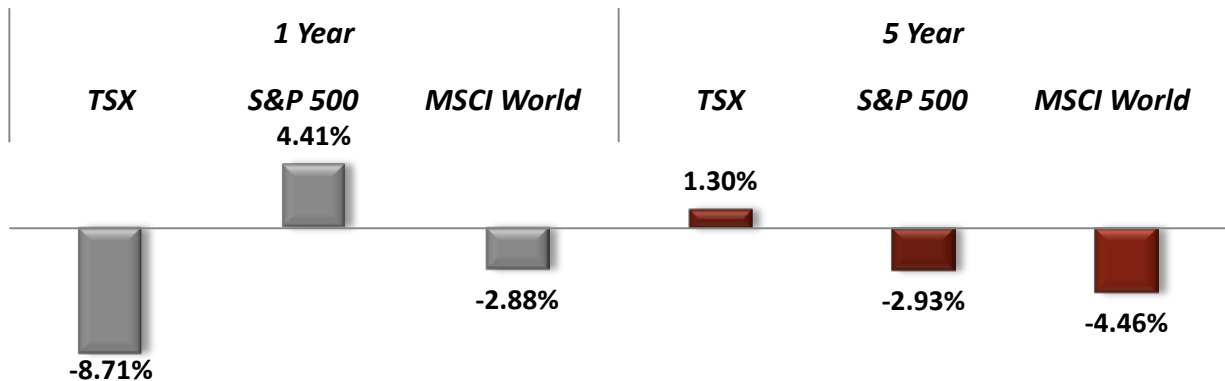
## Value Investing – Capital Preservation is the Key

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Over the last five years, most investors who were fully invested in equities did not make money.

### Compounded Annual Growth Rates \*



\*Total returns in Canadian Dollars, as of December 31, 2011

History has shown time and again that **“value-oriented” strategies, which effectively manage downside risk, outperform over the long run.** This is because potential *underperformance in up markets is eclipsed by a larger outperformance in down markets.* While there are many empirical studies explaining why this wide margin of outperformance is no coincidence, legendary value investor Warren Buffett makes one of the most compelling cases [here](#)<sup>1</sup>. It is no wonder that he recently selected little-known fund managers Todd Combs and Ted Weschler to help oversee investments at Berkshire. He selected them because they share the same *focus on capital preservation.* As he explains in his latest annual report, Berkshire success is attributable to the fact that **“our defense has been better than our offense.”**

Many investors learned an expensive lesson in 2008. Numerous investment managers, with long track records of performance, lost over 50% of their clients’ capital in 2008 because they took on excessive risk. At Lorne Steinberg Wealth Management, we manage investments conservatively and focus on downside protection – **we look down before looking up.** There is a wide range of investment opportunities spanning the globe and we chase value wherever we can find it. While we are not aggressive traders, we are extremely aggressive in the hunt for value. **If we do not find compelling investments, we simply hold cash.** Those who are always fully invested merely ride up and down with the market and cannot take advantage of the great opportunities that arise when markets sell off.

**At LSWM, we align interests and eat our own cooking.** All clients and employees hold the same investments. We have a long history as value investors and our approach to the equity market is consistent with the conservative, value-based investment philosophy that defines Lorne Steinberg Wealth Management. Please visit our website or call us for more information.

1. [http://www4.gsb.columbia.edu/null?&exclusive=filemgr.download&file\\_id=522](http://www4.gsb.columbia.edu/null?&exclusive=filemgr.download&file_id=522)

The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or returns on investment in the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the offering memorandum or prospectus of the Fund before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all dividends and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Performance results are not guaranteed, values may change frequently and past performance may not be repeated.