

TOP STORIES

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He won't play market against 'the Kasparovs'

LARRY MACDONALD

SPECIAL TO THE GLOBE AND MAIL

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Sacha Peter, 31

Occupation: *Finance, accounting and public relations consultant in Chilliwack, B.C.*

Portfolio: *Cash, Rogers Sugar Income Fund, and the bonds/debentures of True Energy Trust, Huntingdon REIT, Connacher Oil and Gas Ltd., Holloway Lodging REIT, R.R. Donnelley & Sons Ltd., Sprint Nextel Corp. and others.*

A TFSA double

Sacha Peter's Tax-Free Savings Account (TFSA) has grown to more than \$12,000 from \$5,000 in less than a year (as noted in his blog, doubleblind.ca). He did it by purchasing the debentures of Harvest Energy Trust in early 2009 after researching the risk/reward profiles of debentures listed on the Toronto Stock Exchange.

The debentures could then be bought at 40 to 50 cents on the dollar. "The market was paying you approximately 35-per-cent annual compounded returns in exchange for the assumption the company would not evaporate," Mr. Peter explains. And he wasn't the only one who saw value in the energy trust: In mid-October, Korea National Oil Corp. submitted a takeover bid.

Never mind the theory

Mr. Peter started investing in 1998. "My university degree was in physics, so I have a quantitative background that has greatly assisted in understanding how the financial markets work," he notes. He is also a Certified Management Accountant.

Most of his investment knowledge is self-taught. It was only later that he read up on some of the theory. "I am glad I did things the wrong way around since a lot of academic theory on investing and finance I have found is quite damaging to good investment decision making," he says.

Indeed, he finds he is doing quite well with active investing compared with passive, index investing. He also disagrees with the notion that asset allocation determines 90 per cent of the variation in returns.

How he does it Mr. Peter keeps a number of securities with good fundamentals on a watch list. He investigates more deeply whenever there is "anomalous price action" or an overreaction to bad news on a company, sector or entire market.

Best move

"Over all, I think my best move was not seeing my portfolio experience a significant decline in the 2000-02 technology crash, and especially during the recent financial crisis. It enabled me to stay alive for both recoveries."

Worst move

Investing in a private offering of limited partnership units in a local brewer's pub. The loss was magnified by the illiquid nature of the securities.

Advice

"Concentrating on the risk part of the risk/reward equation is more important ... Investing is very complex, just like chess ... Most of the time the market is being priced by the Kasparovs and you will not win by playing chess against Kasparov; you only want to invest money when Kasparov is taking a vacation."

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