A View from the Inside
Because we have an uncommon approach to investing when compared to most money managers, we always try to reiterate our investing principles at every opportunity. For this quarterly update, we want to provide some insights into a critical component of an investment firm’s success that’s far harder to describe than the investment philosophy, a firm’s corporate culture.

In 2016, we celebrated our 10th anniversary and we believe that our corporate culture, so carefully cultivated by founders Ming Lam and Kevin Kuebler, has been one of the biggest contributors to our success. Recent studies in the investment management industry are beginning to take a closer look at “organizational alpha” – the many intangible factors that contribute to an investment firm’s ability to add value. I am in the unique position of being able to comment on Silver Heights’ corporate culture as both a client and an employee. I was a client first, handing over my family’s assets to Silver Heights to manage in 2008, and joined Silver Heights’ team in 2012. It goes without saying that my experience as a client was a very positive one or I wouldn’t have so enthusiastically joined the team. My positive client experience went beyond Silver Heights delivering strong returns (though, of course, there was that). How I was treated as a client made it an easy decision to join the firm.

My experiences as an “outsider” were as follows:

- I understood how Silver Heights made investment decisions: I received a great education on the companies in my portfolio through clear written communications and at regular in-person meetings
- I appreciated that Kevin and Ming didn’t use unnecessarily-complex financial jargon in an attempt to convey sophistication. (One of the easiest things that people can do to enhance their investment results is to follow the rule “If I can’t understand it, I shouldn’t do it.”)
- I was treated with respect whenever I asked questions. This is actually a more nuanced balancing act than it seems: don’t make me feel silly or embarrassed while you are explaining to me what I don’t know or don’t quite understand.
- I knew that I could always reach someone at Silver Heights when I needed anything.
- All of the above factors led to the most important outcome for me: I could sleep at night knowing that my money was being intelligently invested.

You might find it interesting to learn that my portfolio suffered a first year decline in value of about 20%. Despite everyone saying that they are a long-term investors, I must admit that our short-term decline of -20% didn’t make my husband or me particularly happy. In retrospect, that -20% performance was excellent in the context of 2008, and by the time I joined Silver Heights 4½ years later, my family’s net worth had increased meaningfully.
Now that I'm an insider, what have I learned?

- Silver Heights is all about investing: passion for investing, investment excellence, and imparting knowledge about investing. There is a reason that “Investment First” is the firm’s mantra.
- Everyone here understands and believes in our philosophy, our purpose and our goals. In particular, our long-term orientation from both investment and corporate perspectives are core to every decision we make.
- Client interests are paramount. When contemplating a decision, we always ask “Does this work for our clients?” “Is this the right thing to do?”
- Process matters: having well-established and disciplined processes in place, whether for investing, on-boarding clients, compliance monitoring, or other things – avoids chaos and confusion. Importantly, the value of processes is that they are the driver of outcomes. Too many people and firms aim for outcomes, while not truly understanding that it’s the process that matters.
- Shared vision and values: we are 10 years old, but are looking forward to the next 10 years, and the 10 years after that. Ming and Kevin include everyone at Silver Heights in discussions about our firm’s future and invite everyone to share their views on how the firm should grow and evolve. We all feel that we have a say in the future of Silver Heights.
- We value high-quality work – everything that comes from our office should positively reflect Silver Heights. We take the time to ensure that work is done well rather than rush anything out the door. This has resulted in the occasional scuffle over font sizes and colours (one of Silver Heights’ founders, who shall go un-named, is particularly fussy over the smallest of aesthetic details!).
- While it may sound contrary to the previous point, it’s okay to make mistakes. You can’t improve if you’re in an environment that is (unreasonably) intolerant of errors.
- It’s okay to have contrarian opinions, even if they stand counter to (and they sometimes do) the bosses’ views.
- Emphasis on a healthy balance between work and family life.
- Lots of laughter, debating and good-natured ribbing – with a much stronger emphasis on the laughter and ribbing.

How do these aspects of Silver Heights’ corporate culture contribute to improved investment performance? In simplest terms, the collective understanding of what Silver Heights stands for, our pride in our work, respect for our colleagues and vision for our shared future means that as a firm, we function more smoothly, and are better able to improve upon our imperfections. Impossible to quantify, but priceless in value.
Silver Heights has Moved
After 10 years in the office where Silver Heights started, we have moved. Our new office is just down the block from our previous location, and we look forward to welcoming you to our new space. You can now find us at Bay Adelaide Centre, West Tower, 333 Bay Street, Suite 1140, Toronto, ON M5H 2R2. Phone numbers and contact emails remain the same for all Silver Heights staff.

About Silver Heights
Silver Heights is a high-conviction, absolute return investment manager for affluent individuals, families and select institutions. We seek to invest in high-quality businesses, only acquiring shares when prices are below the intrinsic value of the business. We purchase, and hold, meaningful, concentrated positions in our investee companies. We offer fully-customized segregated accounts for each client. To learn more about Silver Heights, please visit www.silverheights.com.

DISCLAIMER: Return information is through December 31, 2016. Composite returns are shown gross of investment management fees and include the reinvestment of dividends, interest and other earnings, if any. Returns for individual client accounts may vary positively or negatively from the returns shown. Silver Heights Capital Management is benchmark agnostic and has an investment mandate which results in portfolio composition that differs materially from any index. Any index information provided is for information only. Past performance may not be indicative of future performance.