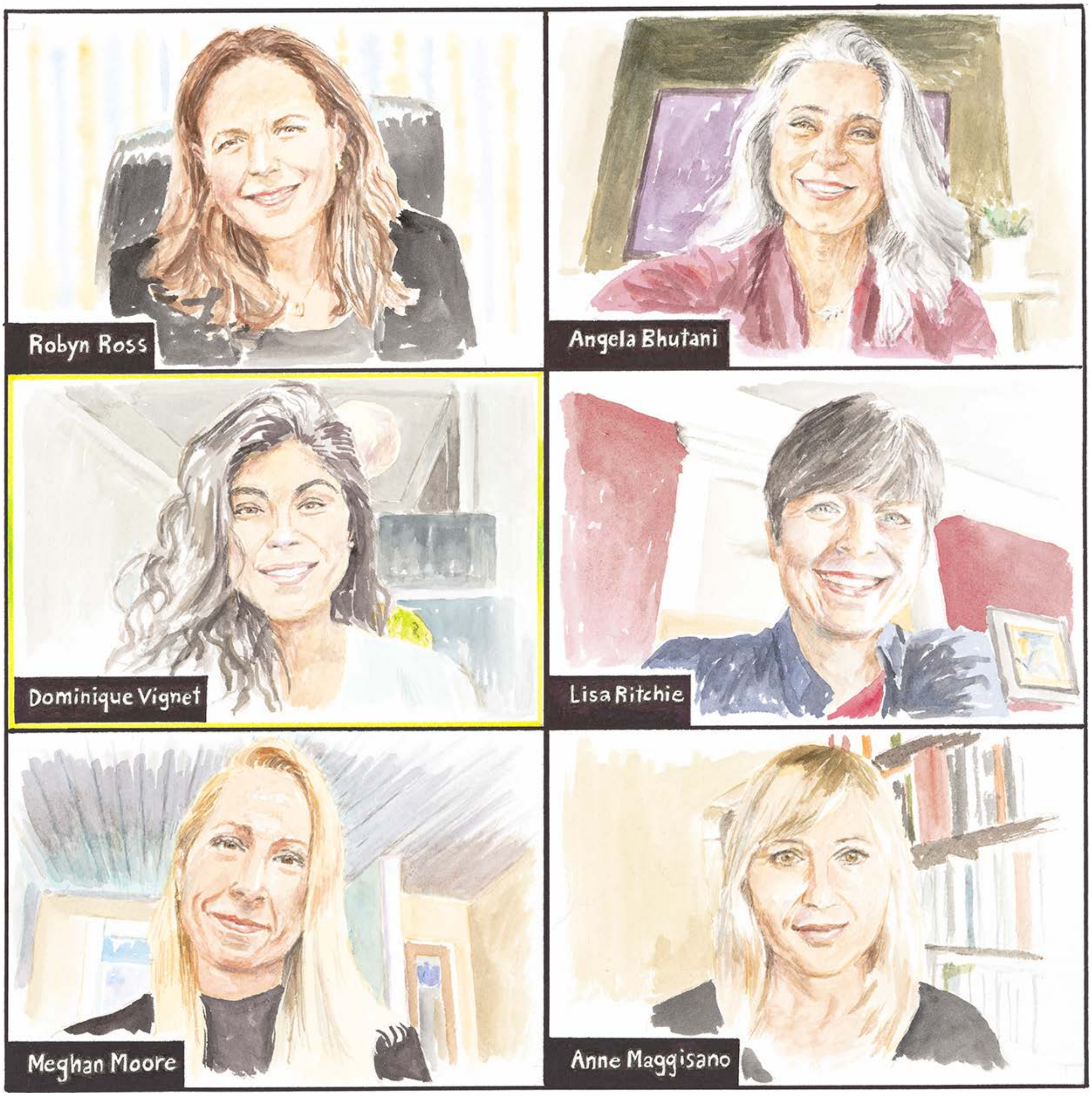
# MINERVA

A WOMEN OF BURGUNDY PUBLICATION / **ISSUE THREE**




INVESTMENT WISDOM AND INSPIRATION

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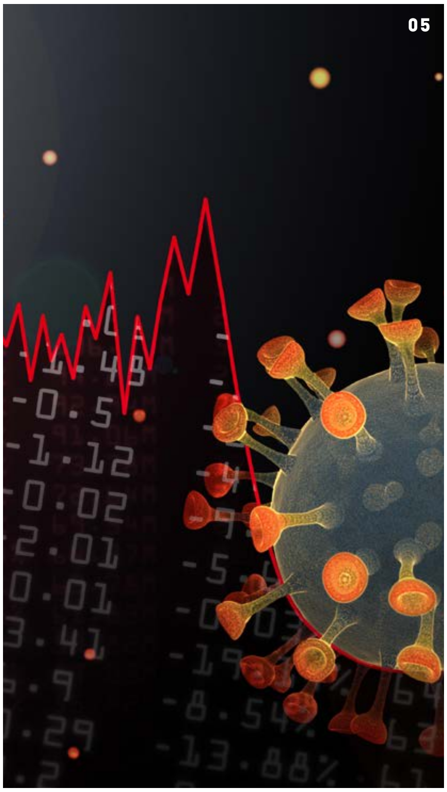



# WHAT'S INSIDE ISSUE / 03




## MINERVA
**ISSUE / 03—JULY 2020**


The Women of Burgundy was founded in April 2014. Our mission is to build a community that inspires women to make investing a priority. We will move forward together, fostering curiosity, confidence and continual growth as investors.

Named after the Roman goddess of wisdom and the sponsor of arts, trade and strategy, ***Minerva*** is a Women of Burgundy publication. An inspirational call to action, the goddess Minerva embodies the highest values of wisdom, knowledge and mastery.



Original paintings on front and back cover by Joanne Tod

# WELCOME *to* MINERVA

We are so grateful to be able to publish and share with you this third issue of Minerva. It has come together in the midst of one of the most challenging periods for humanity, the novel coronavirus pandemic. First and foremost, we hope you are healthy and finding ways to sustain and nourish yourselves, and also to connect meaningfully with your family, friends, colleagues and communities. During this time of forced isolation we have become ever more aware of the value of community and connection with others. As we think about and have high hopes for a post-COVID-19 world, we remain steadfast in our commitment to preserve and build strength and cohesion in the Women of Burgundy community.

Before we talk to you about what you will find in this issue, we want to express deep gratitude for the frontline workers who are bravely and directly facing the challenges of COVID-19 daily. In May, we were proud to partner with Feel Good Flowers, making possible two spectacular flower installations, one at Women's College Hospital and the other at Sick Kids Hospital. We wanted to bring support, hope and beauty to the healthcare workers and families who need it the most. This movement has continued to propagate with installations at numerous other hospitals and has sparked meaningful donations to provide aid for those directly battling COVID-19.

**Top: Lisa Ritchie**, Vice President, and **Anne Maggisano**, Vice President and Founder, Women of Burgundy. **Bottom:** Feel Good Flowers Installation at Women's College Hospital

Financial markets and businesses have been profoundly impacted by the novel coronavirus pandemic. In "The Novel Coronavirus Rocked the Financial Markets," we look back over the first four months of this year and detail a play-by-play of occurrences. We are still in the midst of the crisis, so it is far too early for us to proclaim "lessons learned." However, we wanted to share with you a compendium that perhaps helps one understand events behind the scenes of the financial headlines of the period, one that will go down in financial market history in a way that rivals the 2007-2009 Global Financial Crisis, and the Great Crash of 1929.

Last fall, we welcomed Zita Cobb, Founder and CEO of Shorefast Foundation, to the Women of Burgundy community. Her message of prioritizing the culture, social fibre and economic resilience of communities seems prescient, and even more relevant today. Her work to sustain the Fogo Island community may serve as a model for many of us to follow as we navigate the fallout from the COVID-19 pandemic.

We also return to Anne Maggisano's conversation with Annabel Soutar, award-winning Canadian playwright and Co-Founder of Porte Parole. This is an intimate, honest and heart warming conversation about what it was like for Annabel to transition into the role of co-stewarding her family's investment portfolio after her father's passing in 2016. She provides a model of resilience and strength for women who step into this role in the most challenging of circumstances.

In our book club report, Angela Bhutani and Meghan Moore present observations and lessons learned from John Carreyrou's *Bad Blood: Secrets and Lies in a Silicon Valley Startup*. The book documents the rise and fall of Theranos, a firm founded on the premise that its medical testing capabilities would revolutionize healthcare. Our book club meeting was one of intense discussion about the human behavioural tendency to prioritize emotion over reason with disastrous consequences.

In "Next Gen," Robyn Ross interviews Dominique Vignet. Dominique shares her path into the investment business, and how she followed her passion and purpose to transition from an investment analyst to a client management role.

Finally, our Milestone page remembers former U.S. First Lady Eleanor Roosevelt, who paved the way for women's independence and left an indelible mark on society that continues to guide generations of women.

Social distancing and other new norms have required a change in format for this issue of Minerva. We are proud to have commissioned original artwork by local Canadian artists Joanne Tod and Gillian Goerz, whose work brings the pages of this magazine to life.

We invite you to explore, engage with and, above all, enjoy the third issue of Minerva. We believe it speaks to ideas that matter to you as informed and successful investors.

# VOICES *behind* MINERVA

## MEGHAN MOORE

Associate Investment Counsellor for Burgundy's Private Client Team. Meghan co-led the 2019 Women of Burgundy Book Club.

## DOMINIQUE VIGNET

Featured as this issue's "Next Gen", Dominique Vignet is a Relationship Manager with Burgundy's Canadian Institutional Team.

## ANGELA BHUTANI

Vice President, Investment Counsellor for Burgundy's Private Client Team. Angela co-led the Women of Burgundy Book Club in 2017, 2018 and 2019.

## ROBYN ROSS

Manager of Recruitment and Development for Burgundy's Investment Team. Robyn leads Burgundy's internship program, and she spearheads outreach initiatives to inspire young women to consider finance as a career option.

Special thanks to Jaclyn Moody, Senior Compliance Officer, and Elizabeth Andrews, Content Writer, Burgundy.

# *The* NOVEL CORONAVIRUS ROCKED *the* FINANCIAL MARKETS

## Here's What Happened

**By: Lisa Ritchie & Anne Maggisano**

The stock market crash in early 2020 was unparalleled in history due to the pace of price declines, the speed and breadth of monetary and fiscal policy responses, and the immediate impact on businesses globally. In this article, we guide you through the news in the early days of the crisis, and take you behind the scenes of the market shaping events that ensued. While we are still in the midst of the novel coronavirus crisis, we have yet to see the full impact on the markets and on business. The time period we cover, January 1st through April 30th, was rife with extremes, many of which we have not witnessed before.

### JANUARY 1–FEBRUARY 19

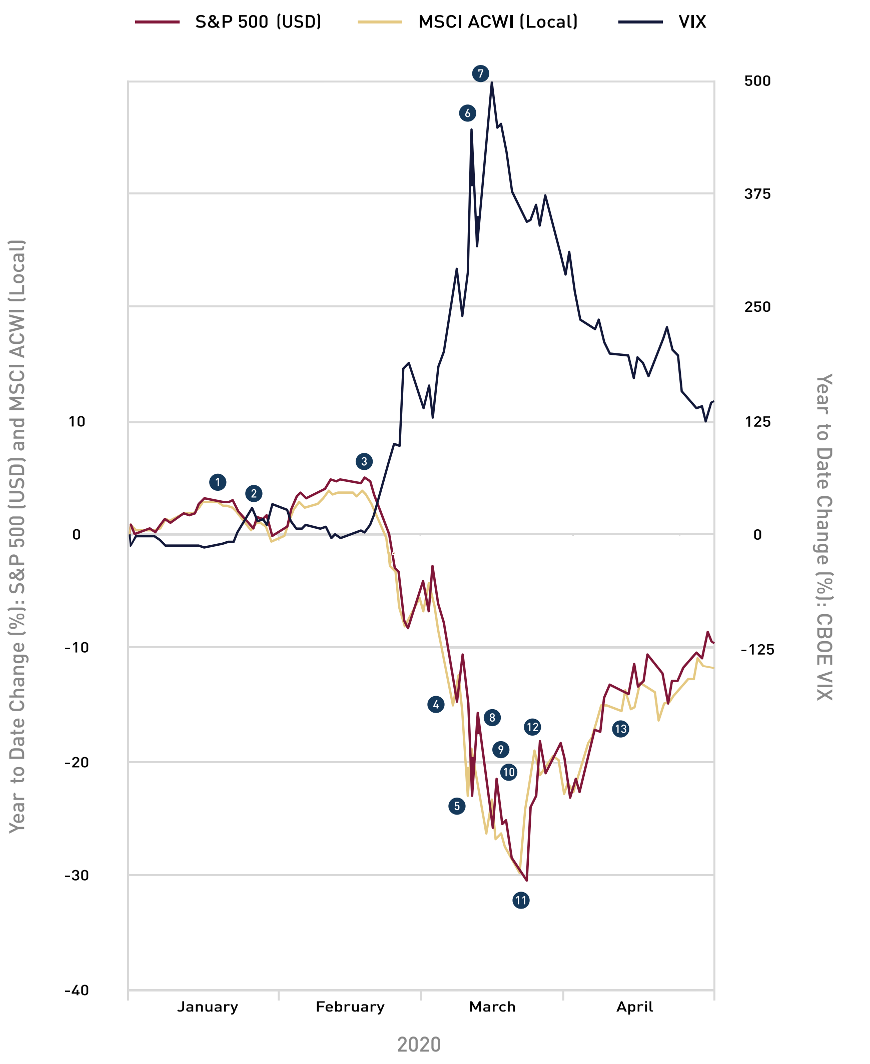
January began with China in the midst of grappling with an outbreak of pneumonia, cause unknown, in Wuhan City, Hubei Province. A novel coronavirus, later named COVID-19, was identified as the cause. On **January 1st**, Chinese authorities identified a Wuhan wet market (a market in which vendors often slaughter animals at customer point of sale) which they believed to be the source of the outbreak. The first death related to the coronavirus in China was reported on **January 11th**.[1] By **January 23rd**, China had locked down Wuhan, a city of more than 11 million people.[2]

Isolated cases of COVID-19 began to emerge around the world by the end of January. First cases were reported in Japan, South Korea, and Thailand on **January 20th**, the United States (Washington State) on **January 21st**, Europe (Bordeaux and Paris) on **January 24th**, Canada (Toronto) on **January 25th**, and Italy (Rome) on **January 31st**.[3] On **January 30th**, the World Health Organization (WHO), declared a global health emergency, only the sixth time it has done so since it was founded in 1948.[4]

By late January, businesses with operations in China were feeling the effects. Ferrari, the Maranello, Italy based luxury sports car maker, counts China as one of its biggest markets. A number

## The Impact of COVID-19 on the Markets

S&P 500, MSCI ACWI and CBOE VIX Indices




1. January 11: China locks down Wuhan
2. January 20-25: 1st Covid-19 cases in Canada, the U.S.,Europe and Greater Asia
3. February 19: S&P 500 and MSCI ACWI reach all-time highs
4. March 3: Federal Reserve cuts federal funds rate by 0.5%
5. March 8: Russia and Saudi Arabia initiate oil price war
6. March 9: National quarantine imposed on Italy
7. March 11: WHO declares a pandemic
8. March 12: “Black Thursday” - S&P 500 drops 9.5%
9. March 15: Federal Reserve cuts rates by 1%; Bank of Canada cuts policy interest rate one day later
10. March 16: S&P 500 drops 12%; CBOE VIX reaches all-time highs
11. March 23: S&P 500 marks peak-to-trough drop of 34% in 23 trade days
12. March 25: U.S. Senate approves historic US$2 trillion fiscal stimulus package
13. April 9: Russia-Saudia Arabia oil price war ends

of the company’s managers returned to Italy from China on **January 21st** bringing first-hand news of the virus outbreak. This prompted a call to action to build readiness for a similar outbreak in their own town in Italy, including travel restrictions, a procurement program of masks, gloves, antiseptic and implementation of physical distancing in its plants and offices.[5] Global technology leader, Apple, temporarily closed its stores and corporate offices in China on **February 1st**.[6] The same week, on **February 4th**, Canada Goose cut its fiscal 2020 revenue target citing sharp declines in its retail sales in China due to the coronavirus outbreak.[7] A few weeks later, on **February 17th**, Apple reported that it would miss Q1 revenue targets due to weak consumer sales and production slowdowns in China.[8]

Outside of Asia, investors continued to drive markets higher, perhaps reflecting optimism that the challenges in China would temporarily affect supply chains and revenue generated in China, but little else. **On February 19th**, U.S. and global stock markets, as represented by the S&P 500 and the MSCI All Country World Index (ACWI), reached all-time highs. Volatility in the markets, as measured by the Chicago Board of Exchange VIX index*, was low (14.38). It was interesting that gold also rose, to $1,614.40 (US) a troy ounce, very close to a seven-year high. A rally in gold is often a harbinger of negative news to come and, although no one knew it at the time, February 19th marked the peak of the bull market that began 11 years earlier in the depths of the Global Financial Crisis on March 9th, 2009.

## FEBRUARY 20–MARCH 11

Sentiment toward stocks soured on February 20th and 21st as news about the spread of the novel coronavirus worsened. [9] Reports of significant economic disruption were mounting. The China Passenger Car Association (CPCA) reported that car sales during the first 16 days of the month had plunged to just 4,909 units, a 92% decline from the same period in 2019.[10] The prevalence of stock buyers over sellers just one week prior evaporated. The week of **February 24th to 28th** recorded the largest one week stock market decline since the Global Financial Crisis of 2007-2009. The S&P 500 and the MSCI ACWI were down approximately 11.5% and 10.5% on the week respectively.[11] Declines from February 19th marked the fastest correction in market history from an all-time high, taking merely six trading days to enter into correction (>-10%) territory.[12]

In response, central banks in the U.S. and Canada enacted monetary policy stimulus. On **March 3rd**, the yield on 10-year U.S. Treasury notes fell below 1%, a sign that money was flowing to "safe haven" investments. The U.S. Federal Reserve, under Jerome H. Powell's leadership, cut the federal funds rate by half a percentage point to a range of 1.0 to 1.25%.[13] Canada's central bank governor, Stephen Poloz, followed one day later with an equivalent policy interest rate cut from 1.75% to 1.25%.[14]

In the midst of the coronavirus induced market correction, Russia and Saudi Arabia initiated an oil price war. On **March 8th**, Saudi Arabia announced it would increase its oil production from 9.7 million barrels per day to 12.3 million barrels per day, while Russia planned to increase its production by 300,000 barrels per day. The contemplation of excess supply precipitated large-scale oil price declines, beginning with 30% declines overnight, the largest single day drop since the Gulf War in 1991.[15,16]

On **March 9th**, the Italian Prime Minister imposed a national quarantine on Italy. [17] The same day, amidst fears of the challenges posed by COVID-19, investors were digesting the oil price crash and news that Apple's February iPhone sales in China came in at just 497,000, 60% lower than in the same month a year earlier.[18] The S&P 500 fell 7% in the first four minutes of trading, triggering the circuit breakers that halt trading on all U.S. stock markets for 15 minutes, a measure aimed at calming markets and preventing an intraday crash. By the end of the day, the S&P 500 was down 7.6%. At the time, this was the worst one-day drop since the 8.8% drop on December 1, 2008 during the Global Financial Crisis.[19]

On **March 11th**, the WHO declared the coronavirus outbreak a pandemic.[20] On that day the Bank of England, noting difficult conditions ahead, lowered its official borrowing rate, the "base rate," by half a percent to 0.25%.[21]

## MARCH 12–MARCH 23

Fears of the widespread economic damage a pandemic could invoke drove investors back to the equity markets with sell orders that far exceeded bids. On **March 12th**, U.S. market circuit breakers were again triggered, but the selling pressure caused a drop of 9.5% in the S&P 500 by the end of the day.[22] This day became marked as "Black Thursday" 2020. Volatility in the markets was at extraordinarily high levels with the VIX index, Wall Street's "fear gauge," reading 75.47. At 525% higher than VIX levels a month earlier, and the highest by a long shot since December of 2008, it was a clear indicator of fear dominating the markets.

It was not just stocks that tumbled. The credit markets (bonds) experienced price declines due to wide price gaps between buyers and sellers. High yield, also known as junk bonds, and emerging markets issuers were especially hard hit.[23] Perhaps the most puzzling part of the **March 12th** selloff, was that gold bullion and U.S. Treasury bonds also declined in price. These assets would normally be considered safe havens when fear and uncertainty reign, and as such, investors' "flight-to-safety" would typically result in gold and U.S. Treasury bonds increasing in value. The break in this pattern indicated both perceived and real needs for cash. Whether it was led by thousands of individual investors or a number of large hedge funds or both, the result was indiscriminate selling of assets that could provide immediate liquidity.[24]

By **March 13th**, Europe had become the epicentre of the COVID-19 outbreak. [25] In the U.S., President Donald Trump declared a national emergency and initiated a fiscal policy response, opening up $50 billion in federal funding to manage the impact of the outbreak[26] on individuals and businesses. Canada also announced a $10 billion economic stimulus measure, bringing its total fiscal policy response to-date to $11 billion.[27] These fiscal policy measures would prove to be small drops in the bucket, relative to what was deemed necessary a few weeks later, as infection rates grew and business closures and job losses far exceeded initial estimates.

On the same day, Apple flipped geographies in its implementation of precaution-

*VIX Index: The Chicago Board of Exchange Volatility Index is based on options of the S&P 500 Index and measures investors' expectations of future volatility: source Chicago Board of Exchange, cboe.com ary measures and began to re-open stores in China, while closing all retail stores outside of China.[28] Employees outside of Greater China were asked to work remotely if their job allowed and efforts to reduce density and maximize social distance to protect the health and safety of employees and customers were prioritized. This foreshadowed a mass movement by employers to have employees work from home. The constraints on individual freedoms catalyzed by this move did not go unnoticed. The following week, Angela Merkel, Chancellor of Germany, shared the difficulty of imposing restrictions on personal freedoms for someone who grew up in East Germany under the Stasi: “For someone like myself, for whom freedom of travel and movement were hard-won rights, such restrictions can only be justified when they are absolutely necessary.”[29]

The weekend of **March 14th-15th**, central banks worked to enact new monetary stimulus measures to shore up investor confidence in the face of rising fears. At 5:00 p.m. on **March 15th**, the Federal Reserve decreased the federal funds rate by 1% to between 0% and 0.25% [30] and announced a plan to buy $700 billion in bonds to help provide liquidity to the markets. The next day, Canada’s central bank followed with its own policy rate cut to 0.75%.[31] The European Central Bank, under Christine Lagarde’s leadership, did not cut its key interest rates (already historically low at 0% to -0.50%), but had just announced a pandemic emergency purchase package at its meeting on **March 12th**.

Most investors were surprised by this latest central bank response. They responded negatively to central bank actions, viewing them as a signal that the worst possible outcome of the coronavirus pandemic would be realized.[32] In retrospect, **March 16th** was a day that tested the limits of the financial markets. When the stock markets opened that Monday morning, prices declined precipitously and U.S, circuit breakers were triggered for a third time, halting trading for 15 minutes.The selling resumed however and by the end of the day, the S&P 500 had dropped 12%. Volatility, or “fear,” in the markets was of epic proportion, with the VIX reaching an all-time high of 82.69. Many investors were forced to sell their positions because they needed cash to cover margin calls or meet debt payments.

> “Finally, a reminder regarding investing in times like these: the underlying value of a business that trades in the public market does not change on an hourly basis.”

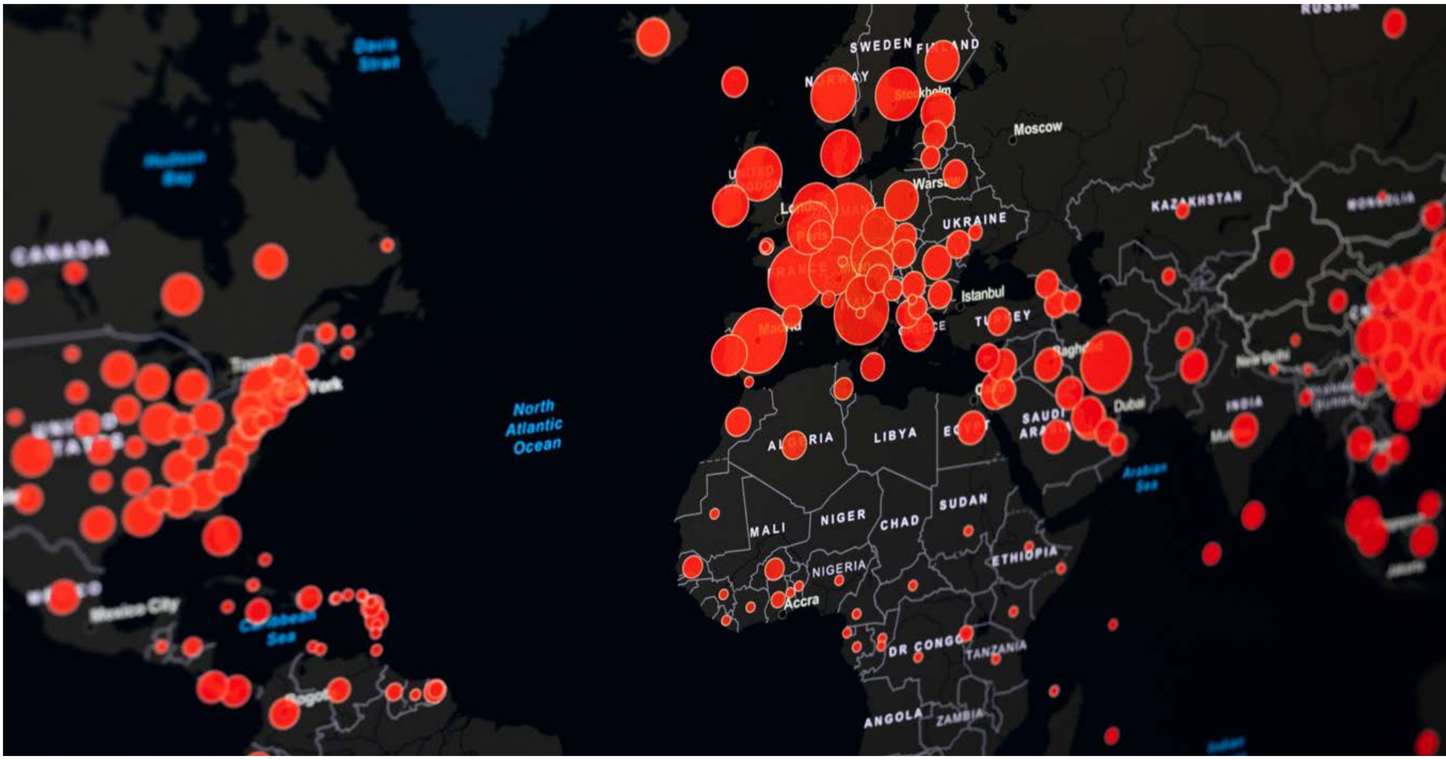
In the bond markets, it became clear that the announcement of the Federal Reserve’s plans to buy $700 billion of bonds was not enough to halt a liquidity crisis. Investors were selling government and corporate bonds at any price. Their unwillingness to lend impacted even the highest quality credit corporate institutions and governments. There was less bond issuance during that week than at any point during the 2008 financial crisis, the 2001 terrorist attacks, or even 1987’s Black Monday.[32]

The dysfunction was expressed most extremely in money market funds. A traditional “safe” asset and “cash equivalent”, a money market fund invests in short-term government and corporate debt. However, on March 16th, buyers for bonds held within money market funds were nowhere to be found. This triggered a loss of confidence in the liquidity and ongoing safety of these funds. U.S. investors panicked and placed sell orders to get out of money market funds, but the widespread panic meant fund managers had no buyers for the underlying assets. The market was frozen. [32]

Between **March 15th** and **31st**, the Federal Reserve launched a range of measures to increase liquidity in financial markets. This included a deal to reduce rates on currency swaps with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank, newly established temporary U.S. dollar swap lines with the Central Banks of Australia, New Zealand, Denmark, Norway, Sweden, Brazil, Korea, Mexico and Brazil. Also promised were unlimited, open-ended large-scale asset purchases, including purchases of corporate and municipal bonds and mortgage-backed securities. [33]

On **March 18th**, Canada announced an $82 billion economic stimulus package. The package provided up to $27 billion in direct support to Canadian workers and businesses, plus an additional $55 billion in tax deferrals to meet liquidity needs of Canadian businesses and households.[34]

On **March 19th**, the Bank of England made the second cut to its base rate in eight days, dropping it from 0.25% to 0.1% [35]. The Reserve Bank of Australia also cut its cash rate to an all-time low of 0.25%. [36] The U.S. dollar was reigning supreme as the world’s reserve currency.[37] The Canadian dollar hit 68.2 cents per U.S. dollar,




a four year low. [38]

In a White House press conference on **March 19th**, U.S. President Trump blamed China for a lack of transparency around the true extent of the outbreak in China, stating that the "world is paying a very high price for what they did."[39] Since then U.S. and China relations have deteriorated, compounding an ongoing economic trade war between the world's two largest national economies. The standoff contributed to the noted absence of United Nations Security Council action during the crisis, putting into question the relevance of supranational organizations in today's world.[40]

By **March 23rd**, London's Heathrow Airport had shut down two of its four terminals, and passenger traffic had almost ground to a halt. Its 76,000 employees suffered a 10% pay cut and 500 managers were laid off. Operational costs were still running at 50 million pounds per week. This was a prime example of an infrastructure asset believed, a mere few weeks before, to be a stable, consistent revenue and profit generator, the type of asset sought by pension plans and sovereign wealth funds around the globe.[41]

On the same day, the S&P 500 closed at 2237.4, down 2.9% from its previous close. This turned out to be the low, at least for now, and marked a peak to trough drop of 34% in just 23 trade days. For context, it took approximately 300 days for an equivalent drop in the markets during the Global Financial Crisis, starting from the early signs of the crisis on August 7, 2007.[42]

Long-term value investors were focused on assessing the impact of the pandemic on the intrinsic value of businesses. For companies, "cash was king," and it became clear that those with sufficient liquidity on their balance sheets to maintain operations and manage the short-term pressures on their businesses, would be the most resilient through the pandemic and emerge on the other side in a stronger competitive position. On the same day that the S&P 500 reached the **March 23rd** lows, Bruce Flatt, CEO of Brookfield Asset Management, reminded investors to focus on the intrinsic value of investable businesses: "Finally, a reminder regarding investing in times like these: the underlying value of a business that trades in the public market does not change on an hourly basis. Despite the fluctuations, you own a part of an actual business (or businesses), not a piece of paper or electronic symbol that adjusts on a minute-by-minute basis. Acknowledging that the value of some businesses has changed, at least in the short term (airlines being the most extreme example at the moment), the long-term value of many companies has not changed substantially over the past few months."[43]

## MARCH 24 -APRIL 30

As investors began to understand the extent of the Federal Reserve's commitment to provide liquidity to the credit markets, buyers came out in droves on Wall Street and around the globe. On **March 24th**, the S&P 500 rose 9.4%, the MSCI ACWI rose 8.1% and here at home the S&P/TSX had its biggest gain since July of 1979, rising 12%. On **March 25th**, the U.S. Senate approved an historic US$2 trillion fiscal stimulus package, the largest of its kind in modern American history. The stimulus provided for direct payments and jobless benefits for individuals, money for states and a huge bailout fund for businesses.[44]

By **March 26th**, the U.S. led the world in COVID-19 cases and New York City became the epicenter of the outbreak.[45] By **April 2nd**, global cases of the novel coronavirus hit 1 million[46] with little evidence of a break in momentum.

Canada continued to enact monetary policy stimulus measures, with the central bank cutting its policy rate to 0.25% on **March 27th** .[31] The speed of central bank action around the world during the coronavirus crisis was unprecedented. During the Global Financial Crisis, it took central banks almost 500 days from August 7, 2007, the point that they deemed it necessary to ease, to bring policy rates down to levels of 0.25%.[42]

Businesses began to mobilize their strengths to meet the needs of the broader community. In late March, Linda Hasenfratz, CEO of Linamar, the Guelph, Ontario based global leader in auto parts production, and 2016 Women of Burgundy keynote, announced an initiative to team up with other auto parts makers to produce 10,000 ventilators. She said, "It's given us something to focus on. We've been able to bring folks back from layoffs for these different programs we're working on and given them something to do that they actually feel really good about".[47]

On **April 9th**, the oil price war ended when OPEC and Russia agreed to reduce oil output by 10 million barrels/day.[48] Still, the fallout continued. On **April 20th**, the price of WTI oil for May delivery expiring on April 21st, sold into negative territory (-$37/bbl) for the first time in recorded history due to depressed demand and insufficient storage capacity.[49]

By **mid April**, Apple had reopened a retail store in South Korea, its first store outside of China to re-open during the pandemic.[50]

Warren Buffett, Chairman and CEO of Berkshire Hathaway, was notably quiet during the first few months of the crisis. However, on **April 17th**, his long-time partner Charlie Munger, Vice Chairman of Berkshire Hathaway, provided some observations. He said, "Nobody in America's ever seen anything else like this. This thing is different. Everybody talks as if they know what's going to happen, and nobody knows what's going to happen." He also shared the strategy for Berkshire Hathaway's business. "Warren [Buffett] wants to keep Berkshire safe for people who have 90% of their net worth invested in it. We're always going to be on the safe side. That doesn't mean we couldn't do something pretty aggressive or seize some opportunity. But basically, we will be fairly conservative and we'll emerge on the other side very strong."[51]

> "Nobody in America's ever seen anything else like this. This thing is different. Everybody talks as if they know what's going to happen, and nobody knows what's going to happen."

World markets rallied over the month of April. The MSCI ACWI rose by 10.4% while the S&P 500 closed up 12.8% for the month. At the **end of April**, this swift recovery meant that the S&P 500 was down just 9.3% on a year-to-date basis (January 1st–April 30th), outperforming major markets around the world. The U.S. market was buoyed by stock prices of large technology companies such as Amazon, Apple, Facebook, Netflix, Google and Microsoft, whose business models proved resilient in the early stages of the novel coronavirus crisis.

Around the world, markets had varied responses. On a year-to-date basis, as of April 30th, the Canadian market was down 12.4% (S&P/TSX Composite Index), the European market was down 17.2% (MSCI Pan-Euro Index), the Asian market was down 11.7% (MSCI AC Asia Pacific Index), and the Emerging Markets were down 11.9% (MSCI Emerging Markets Index).

At the time of writing, investors remain cautious about the road ahead. Unemployment levels in Canada and the U.S. soared to 13% and 14% in April respectively, the worst levels since the Great Depression.[52, 53] Companies are releasing their Q1 reports, providing some transparency about the true impact of the coronavirus lockdown on businesses globally. The equity rally seems to be out of alignment with business fundamentals, reminding investors that in the short term, market prices and business fundamentals do not necessarily align.

We are now in the midst of countries around the world experimenting with re-opening of their economies, balancing health and safety with economic concerns. As of **June 15th**, there were a total of 8 million confirmed COVID-19 cases and 437, 404 deaths from the virus worldwide.[54] There remain many more chapters to be written about this historic time. **M**

# BUILDING ECONOMIC *and* CULTURAL RESILIENCY

## An Evening with Zita Cobb

**By: Lisa Ritchie & Anne Maggisano**

ON August 19, 2019, over 180 chief executives of many of America's largest companies issued a statement challenging the concept of business as we know it. The prevailing view of the last 50 years or so had been that the primary goal of business is to maximize shareholder value, which was seen as the best way to deliver goods to the public, optimize employment and ultimately, create wealth.

But on August 19th, the Business Roundtable, representing 181 CEOs of companies as large as Apple, Amazon and Walmart, rejected the conventional wisdom and countered that businesses have a commitment to multiple stakeholders—inclusive of shareholders, customers, employees, suppliers and communities. This was more than a change in thinking; it was a fundamental change in belief marking a momentous shift away from seeing business as a purely profit-maximizing tool, to one that pursues both profit and purpose.

As investors, what are we to make of this? The skeptics in us might simply see this as a public relations stunt. After all, the act of signing the statement of purpose does not commit CEOs to actually change their actions. Legally, corporations and their boards of directors are bound by corporate laws that dictate a fiduciary duty of care to their shareholders. There is also the issue of accountability. If earning returns for shareholders is no longer the primary purpose of the corporation, who is the corporation accountable to?

It's important for us to appreciate that shareholder profits and a commitment to customers, employees, suppliers and communities are not mutually exclusive. Just ask Zita Cobb, Founder and CEO of the Shorefast Foundation, and our Women of Burgundy guest speaker on October 30, 2019.

Zita is decidedly unambiguous in her belief that business is an effective tool to achieve social ends. She made her mark in the corporate sector as a senior executive at JDS Uniphase, helping to build one of the most successful high-tech companies in both Canada and globally. She spent the next 16 years of her career building and operating the Shorefast Foundation, a non-profit social venture responsible for reviving the small Newfoundland community, where she was born and raised. In 2016, Zita was awarded the Order of Canada for her remarkable contributions to the cultural, social, and economic resiliency of the Fogo Island remote fishing community.

**The following is an excerpt of Zita's remarks to the Women of Burgundy.**

I'm going to talk about belonging, and how individuals, companies or communities belong to the world. We live in a world that makes it exceptionally difficult to belong. The crisis of belonging is really a crisis of value; the financial value of things as opposed to their inherent or intrinsic value. Understanding intrinsic value is essential to not just survive and thrive, but to make meaning. I'm going to talk about all these things through the lens of a place called Fogo Island, and through the lens of my own life.

Above: Jennifer Dunsdon, Leslie Rivers, Nese Sokmen
Above right: Katherine Lochhead, Lisa Ritchie, Sorya Gaulin
Right: Tony Arrell
Below: Zita Cobb speaks to the Women of Burgundy community

## Three Centuries

I am 61 years old and I have lived in three centuries. Until I was 10, I lived in the 19th century. I am an eighth-generation Fogo Islander, who grew up without running water or electricity. It was a pretty perfect life. We understood deeply what community was and had a rich sense of ecological logic. We were very well acquainted with the idea of "enough."

We also had a deep sense of social logic. The year I was born, 1958, the island was at its peak population. There were 6,000 people spread among 10 communities. You might not be all that happy with your neighbour, but you knew you had to muck along together. That mucking along together, and that ability to navigate multiple truths and carry on, was an important part of the social fabric.

When I was 10, the worst of the 20th century came down on top of us in the form of the industrialization of the fishery. Enormous ships appeared on our shores and overnight, everything we knew as a culture and as a people, was irrelevant. We came within a hair's breadth of being resettled. That was the 20th century.

My business career took place during the 21st century. It was in wave-division multiplexing, little tiny optical components that have enabled the digital revolution.

The centuries are going by in decades now. Maybe I'll see a few more of them. I hope so, because there is still lots of work to do.

## Everything is Local

In life, everything eventually comes back to its local roots. Even in this new multiple stakeholder economy, we have to start with the local, and then network all of those locals together to make a country, to make a planet.

I think of Fogo Island as an example of what happens in a positive way if we can pay attention to the local. A small island is a pretty good proxy for a small planet because on these small islands we can see cause and effect. They are like laboratories. Maybe it's not a perfect proxy, but I think we can learn something.

The Fogo Island Inn opened in 2013. I call it a Trojan horse for a set of ideas. Every time I say Fogo Island, you have to fill in the name of a community that means something to you. If you don't have one, I highly recommend you get one straight away because it is going to change how you see the world, and it will make life a lot less confusing.

## Communities Matter

The economist E.F. Schumacher wrote *Small is Beautiful* in the mid-1970's. I think his work is really important and useful to finding our way forward. He believed that you get to big things by starting with the small ones, and then put them together in intelligent ways.

He wrote: "Nature and culture are the two great garments of human life. Businesses and technology are the two great tools that can and should serve them." I never met a person who would disagree with that, but I do meet lots of people who don't act as if it were true.

Business is a fantastic servant, but it is a dreadful master. We invented business and it is the best way I know of getting things done. When we get up in the morning and go to work or wherever we go, what are we optimizing for? Imagine how the world would be different if we all got up in the morning and optimized for some notion of human community. When I say community, I mean a place where people are interconnected and live in some kind of a tangle with one another.

We understand ourselves by living in communities with other human beings. Communities create a solid foundation for navigating the bigger world. In many communities, especially a place like Fogo Island, people have shared memories and shared aspirations. That is very orienting. But, if you separated every person on the planet from their personal and family histories, they would feel a bit lost.

## Communities Versus Networks

I want to distinguish between a community and a network. A network is typically an online relationship, which is both valid and important. But, for owners of Subaru cars to say they are part of a Subaru community, is a misuse of the word community. They are part of a Subaru network. Networks are also very important, and they should be used to strengthen communities.

Community involves love and sustainability. In Newfoundland, an acceptance of precariousness is a prerequisite to permanence. If there is anything we know on Fogo Island, it's that life always feels precarious and it's felt like that for 400 years.

We all want to belong together. But, the question is, how do we create a global network of intensely local places? I don't want to come to Toronto and find Chicago, but the nasty form of globalization that flattened places around the world started in 1970 with Friedman and was made worse by Jensen and Meckling in 1976.

## Sacred Capital

I studied business, and I worked in business, and I still work in business. I read *Sacred Economics* by Charles Eisenstein, who proposed the idea of sacred capital. When he says sacred he doesn't mean anything to do with spirituality. He just means something that carries a unique essence that cannot be easily replaced. Cultural capital, social capital, natural capital, human capital and physical capital—all of these are sacred things. Then there's money, which is hugely important but not sacred. I think getting this relationship right is the work of our time.

An even bigger question than what is the purpose of business, is what is the purpose of money? We invented it. It's just a thing. We invented technology, and that's just a thing. Humans are like teenagers in our understanding of our relationship with money and with technology.

## Fogo Island

Fogo Island is about 20 miles off the Newfoundland coast and consists of 10 little communities. Let me give you a sense of how isolated it is. I grew up in Joe Batt's Arm. Tilting, which is an all Irish community, is five kilometers away and I went there for the first time when I was 13. There was no reason to go before that. We didn't have cars and we had everything we needed in our own community.

Before building a house, Fogo Islanders would first build a fishing stage; a staging area between the ocean and the land for people to get out of their boats. You had to get a fishing stage first so you could get your boat in with enough water depth to get there when the tide was low. It is an inspirational space that fires up the imagination of most Newfoundlanders because it's that liminal place between the water and the land.

Every April, a pack of ice comes from Greenland; it is multi-year ice and is super thick. You could get up in the morning and all the harbours and bays might be jammed up with it, and when the tide changes, everything changes. Living there is like living in a place that you ultimately have very little control over.

## A Fishing Culture

To understand the culture, we have to go back in time. In 1497, soon after Christopher Columbus, John Cabot was sailing the Atlantic in search of India. He bumped into Newfoundland and sent a letter back to the king that said, "Sire, the fish are so plenty;

they stay the progress of my ships." He had found one of the biggest fish populations of any ocean, the North Atlantic cod. This fish is the noblest fish on the planet because it has more protein than any other fish, which is why it lends itself so well to the salting and drying.

For 350 years, we were inshore cod-fishing people. In Newfoundland when someone says fish, they mean cod. There's no better example of a culture on the planet that is inextricably linked to one creature, and it's this fish.

We fished close to the shore, never more than five miles out. We made our own boats and made our own nets. That net is tied to the shore by a rope, a tether called a "shorefast." That's why we named our foundation *Shorefast*. It is a metaphor for may we always be shorefast here in this place.

This fishing went on like this for 350 years, until the industrialization of the fishery. It then took 30 years to bring the cod to the brink of ecological extinction. Almost all of the islands of Newfoundland were resettled, but not Fogo Island, because of a miracle that came in the form of art.

In 1968, the National Film Board, which is one of our greatest national institutions, had a program called *Challenge for Change*. They were looking at poverty and sources of poverty and what we could do about it. A talented filmmaker from Montreal named Colin Low arrived and made 27 beautiful short films, called the "*Fogo Process*."

Up to that point, we were 10 little communities that didn't know each other. It wasn't until the Fogo Process that we got together. In 1967, we formed the Fogo Island Cooperative Society, which owns the fishery on Fogo Island to this day.

### The Right Business Solution for the Problem

Business people are not typically very nuanced. Business education generally lets us down because we don't study art or sociology. Business grads, and I'm one of them, are often people who are like robots that know how to do one or two things that are actually downright dangerous when you do them without understanding the context.

To run a fishery on a little island off the coast of Newfoundland, you don't need an enormous publicly traded company that's under pressure for quarterly results. If such a company owned the three fish plants on the island, they would have been shut down. The co-op makes money, it just doesn't make lots and lots of money. Therefore, those fish plants are optimizing for community well-being, not for maximum profit.

If you need to drill for oil and gas off the coast of Newfoundland, which we are doing, bring on the transnational capital. We need the big companies; we need to get some financial engineering behind this. So, it's about getting the right business solution for the problem you are trying to solve. If you're not trying to solve a problem, why are you in business in the first place? How did you get a social license? We don't print social licenses for the sole purpose of making money.

The moratorium on cod fishing has been in place since 1992, and the cod are coming back ever so slowly. The only fishery we have now is a stewardship fishery. Our main fisheries and our little co-op have figured out how to adapt to other species: crab, shrimp, and Greenland halibut, which we call turbot.

My father could not adapt to the mid-shore fishery because he couldn't read and write, and he couldn't learn to use the charts. He died never really understanding what happened. He used to say, "Who in their right minds would fish day and night until all the fish are gone? That just makes no sense." He insisted that I study business because he said if you don't study business you are never going to understand how the world works.

### Cauliflower Fractal

I studied business which was important. But, more important, I got a job at a grocery store on Elgin Street in Ottawa. It was there that I saw cauliflower for the first time and I realized that this was a beautiful fractal, a pattern that repeats and repeats. I also realized that Fogo Island is one of those tiny little florets. Toronto is a bigger floret, and Beijing is an even bigger floret, which all are held together by the stem. The stem has two jobs to do. Number one job is to hold us all together and number two is to bring nutrition to the florets. This includes economic nutrition, which of course the fishing companies failed to do back in 1967. The cauliflower has become the metaphor for how I see business. At Shorefast, we have little cauliflower lapel pins that we put on every morning to remember what we are supposed to be doing.

Schumacher said, "Our task is to look at the world and try to see it as whole." That means whatever we do, whatever actions we

> **"With asset-based community development, you focus on assets and you ask: "What do we have? What do we know? What do we love? What do we miss? And what can we do about it?"**

Original painting by Joanne Tod, "Little Fogo Islands"

take, think about how it is going to affect her, and him, because it matters. There are organizations in the world that I find hugely encouraging. They are trying to measure all of this progress we've made. I know the *Economist* was deeply skeptical about how all this would be measured. But, we can measure it. Some say the collapse of the cod was a failure of public policy, but it was actually a failure of accounting. Who was counting the fish left in the water?

### Why Shorefast?

After I finished my career at JDS Uniphase, I went sailing for a few years and figured out what I wanted to do, which was to go home. I moved back in 2006 and, using the money I had made from my career at JDS, I set up a Canadian registered foundation with two of my brothers. We then worked with the people of the island to figure out what we should do. We could have taken that money and divided it up 2,600 ways and given everybody a little bag of money, but that wouldn't have added up to much. I realized the fishery on Fogo Island was essential, but not enough to keep the economy going. What we were really preoccupied with, was building another leg of the economy that could complement the fishery and also strengthen the culture.

### Asset-Based Community Development

Nobody ever built a future based on what they don't know and don't have, and nothing changes in the community until you do what John McKnight says, which is focus on the assets.

"Surely we are good for something," as my dad would say. With asset-based community development, you focus on assets and you ask: "What do we have? What do we know? What do we love? What do we miss? And what can we do about it?" As soon as you get to the "what can we do about it," we start doing something. We went through that process on Fogo Island and realized that we are people who are genetically and culturally predisposed to profound hospitality.

With the money invested in the foundation, we built assets that would be held by Shorefast Social Enterprises. The biggest one is the Fogo Island Inn, which cost $41 million to build and has 29 rooms. People would say to me, "Who in their right mind would spend $41 million on a 29 room Inn? Wasn't that a big risk?" Of course, no one wants to lose their money, but I was much more concerned with losing a whole culture and that, to me, was the bigger risk.

We built the Inn and that led to a furniture business. We also have Fogo Island Fish. If you eat at some of the nicer restaurants in

Fogo Island Inn

Toronto, you've probably seen our fish on menus. That's a new little business because we catch them one by one in the fishery and bring them straight to you with a lot of love.

We also have a business assistance fund, which is like a micro-lending fund. We lend money to people to start and expand businesses on Fogo Island, and keep the business ecology working. We run a whole set of charitable programs, the biggest one being Fogo Island Arts, which is about holding onto knowledge through heritage. We used to be boat builders, and while we don't need those little wooden boats anymore (because our fisheries have changed), we need to find ways of preserving and passing on the knowledge that is in the making of the boats. We are also on the verge of starting a community economics institute focusing on how to strengthen communities, which are at the centre of the economy.

The charity owns these assets and operates these programs, all of which are social businesses. We target 15% profit in all of our businesses, but we don't always get there. We reinvest that profit into the charity and put it back into programs that support the island.

Twelve years ago, I started saying that businesses should be not-***just***-for-profit. I could feel people rolling their eyes but good business people were always not ***just*** for-profit. It may seem like a contradiction, but life is a rhythm of opposites. We have to learn how to navigate a multitude of truths. I think I'll live long enough to see all business become social business.

## Bringing Contemporary Architecture to Fogo Island

Architecture helps us mediate the relationship between the past and the future. Though we had been building little wooden houses on Fogo Island for 400 years, our local builders lacked any sense of contemporary architecture. Our architect, Todd Saunders, grew up in Gander and the complicated drawings he sent to our builders made no sense to them. So we built a model, one inch to one foot, and then scaled it up.

We started with four studios, all of them off the grid; collecting rainwater and using solar panels, composting toilets and wood-burning stoves.

Once we got the studios built, we felt like we had some experience building contemporary architecture and we were ready to tackle the Inn. We put in 80% of the money and then went to the federal and provincial governments and told each of them, "You have to give us 10%. And I don't mean lend us 10%. Give us 10%." Governments want to do the right thing for communities, but they don't always know what that is. The first letter that we got back essentially said that this is "not normal, practical, reasonable, or rational." Having come from the technology business, I knew that when you got a letter like that, you know you are on the right path.

So, we pressed on. To their great credit, both governments came on board with us, and both have gotten their money back many, many times over.

We talked about what to do and how to do it for seven years. Then we got building. It took us only three years to build the Inn and it was built mostly by Fogo Islanders.

Putting this building on that site was not easy. It's 300 feet long and 30 feet wide. It's a wooden inside-and-out building, and every board in that building was touched by human hands 14 times. Now you know why it cost $41 million.

The Inn is like an "X" and it carries the rhythm of opposites. That is the design of life. It is for people from the island and it is for visitors from away. It is about the past and it's about the future. I'm most proud of the fact that it is an act of human culture, an act of community. Architectural Digest called it "One of the most daring new buildings on the planet."

## Economic Nutrition

The quality of our lives is in the quality of our relationships. The quality of our relationships is the quality of our awareness. The awareness of the people in the system.

Nutrition labels tell you all the ingredients in a food product. Most people would never think to eat something that didn't have a label. We copied that model and started to do "economic nutrition" labels. For everything we sell, we tell you where the money goes. The economic nutrition label for a stay at the Fogo Island Inn would say that "49% of what you spend to stay there goes to the people who work there." I can tell you that the figure of merit in the hotel industry is 30%, which is why most people who work in the hotel industry have two or three jobs. As for what we spend on supplies and commissions, we target 15% profit.

The next time you go into a store to buy something like a jacket, or even a loaf of bread, ask the merchant if he or she has the economic nutrition label for that product.

They should. Everybody can do this. As soon as we have economic nutrition labels, we stop being consumers and start being citizens. We can put our money behind the things we value most.

We do economic nutrition labelling for the fish business too: 69% of the money that you spend in Toronto to eat that fish goes straight back to Fogo Island. I think my father would be proud of that.

### Right Pricing

We had to decide how many rooms there would be in the Inn. Conventional logic in the business world would be to build a lot of rooms to justify all this expense on equipment and restaurants. But, in our community conversations, one woman said, "We are 2,500 people and we can love only so many people at a time." We settled on 30 rooms and then I realized that's not a prime number, so we decided on 29, which is a prime number. If you settle on 29 rooms and remember, this Inn was built to make a material difference to the economy at Fogo Island, you know you're not dealing with a $300/night Inn. For the pricing to be financially sustainable, we did something we call right pricing.

I have a fairly wealthy friend who told me the Inn is very expensive, and I said, "Oh, I have a few ideas for how to make it cheaper for you. You see that guy working over there…we could pay him minimum wage and that would probably save you a couple hundred dollars. But we don't pay him minimum wage, we pay him a lot more because where else is he going to work? We could dump raw sewage in the ocean and lay off those five guys that manage the system. That would save you another couple hundred dollars." The point is, it's a choice people make.

### Our Relationship with Objects

The building itself was hard, but the interior was actually harder because we decided to make everything possible on the island to generate more economic activity.

You can't take a chair from 1850 and put it in an Inn that opened in 2013. We started a designer and residence program, and invited designers to come from around the world. We matched them with local makers and asked them to come up with the new objects. Women on Fogo Island can make anything out of textiles. Men can make anything out of wood. We figured we could make it work.

Elaine Fortin from Montreal designed a wooden chair, which I think is a rock star in the collection of all the furniture. The legs of the chairs grew out of the ground that way. We can only make about 10 of these chairs a year because it's hard to harvest the wood properly.

> "We are all, each and every one of us, responsible for the ongoing creation of our communities."

We should expect a lot from a chair. Besides its function, there is beauty. We have relationships with objects. Consumerism is not that we love things; it's that we don't love things. That's why they go to the landfill. If you come home to a house full of objects that are anonymous and have no meaning to you, that's not going to be a good homecoming. If you come home and all of the chairs are welcoming you home, that's a lovely thing. By buying something, you are creating a relationship with its maker. The more you know about who made it and where the money went, the richer your life.

### Buy and Cook Local

We decided from the beginning to cook what is local: 80% of what we serve comes from within our close reach and 20% is imported. We forage, we hunt, we fish and we farm. But you can't run an Inn without wine, chocolate and olive oil, so you have to be reasonable. Every once in a while, our chef, Johnathan Gushue, a Newfoundlander, will say, "Why don't we have a garden?" I say, why do we need a garden? Everybody grows on the island. Buy from them, support the local economy. That's the point of the business.

We want our food to be nutritional and tasty and to support the local economy. But, we also want the Inn to act like an electric eel that starts conversations about food. Where does our food come from? Can we inspire more people to start growing their own food? When I left home, Newfoundland was producing about 80% of our own food. We then fell into that industrial food trap, but now we are slowly making our way back to producing more of our own food.

### The Ongoing Creation of Communities

We are all, each and every one of us, responsible for the ongoing creation of our communities.

Building communities is everyday work. When we see something that needs to be done, we do it in the belief that it is going to affect somebody else. It may give them courage for their work.

Never be overwhelmed, or allow yourself to be discouraged, because something seems like a big task. Just do what you know how to do.

Everything that everyone does matters a lot. It all adds up. Jane Addams, a housing activist in Chicago who won the Nobel Prize in the 1930s, said, "The good we secure for ourselves is precarious and uncertain until it is secured for all of us and incorporated into our common life." Our common life is our community life, and that starts with our community economies. **M**

FEATURE

# AN AWARD-WINNING PLAYWRIGHT NAVIGATES FINANCIAL STEWARDSHIP

## An Evening with Annabel Soutar

**By: Anne Maggisano**

In May 2017, the Women of Burgundy were honoured to host an evening with Annabel Soutar. An award-winning Canadian playwright in documentary theater, Annabel navigated the co-management of her family's investment portfolio and philanthropic efforts following her father's passing in 2016. The highlights of the discussion follow.

***Anne Maggisano: Your father was very well respected in the investment community. Did you ever think that you would follow in his footsteps?***

**Annabel Soutar:** I was very inspired by my father. I remember him coming home from work or a business trip where he had visited companies all over Canada or the United States. What I remember most was how excited he was to tell us about the people he had met, the ideas that they were talking about, and the big investment opportunities that he saw. I learned from my dad that investing was not about financials; it was about people and ideas, and I loved that zest for life. I was quite good at math, I loved economics and I was proud of my father, and though I could see myself heading towards a career like my father's, that was not where my fate was heading.

***AM: You chose to pursue a career in theatre. What did your parents think of your choice?***

**AS**: They were surprised and deeply concerned. When I was on campus at Princeton University in the early '90s, the investment banks arrived on campus with their booths and said to us, "*We don't care what you studied. You have a place on Wall Street.*" Many of my friends ended up there. In retrospect, this was kind of scary and made me wonder, what is the expertise that they are looking for on Wall Street?

It was at Princeton University that I met some theatre artists who made me realize that theatre was not just a space for performance, but a space for dialogue. When I finished Princeton, I felt quite deeply in my heart that I wanted to embark on a theatre career, but I was too afraid to announce that right away. Instead, I went to Asia and took a teaching job in Singapore. It was a way to get enough distance from my parents to make my own decision. I knew if I came back to Montreal and got into conversation with them, I might lose my nerve.

There was a lot of tension between my parents and me at that time. My father's credo has always been: "Do what you love and don't let anyone tell you otherwise." He could not really contradict himself and yet I felt the anxiety of: "What is going to be our daughter's financial future and, really, does she have any talent? Does she have what it takes? And if she is going to go into the entertainment business, why not at least something like film, where she actually has a hope of making some money?" It was an interesting time in my mid-20s, that conversation.

***AM: Can you trace your beliefs about money to what you learned from your parents?***

**AS:** My father is of Scottish descent and my mother is Estonian, two nationalities known for their frugality, and frugal they were! I should add that my mom grew up in post-war Britain, and was a refugee from Estonia. Given their backgrounds and experiences, my parents had a solid relationship and they had a similar outlook when it came to money.

> **"If you want to build, you can't just spend that money, you've got to keep that nest egg intact."**

My father tried to talk to us about the dangers of credit, about how easy it is to spend money and how hard it is to make it. But we were living in an age of indulgence and excess. In the '80s, leverage and the use of credit was a way to win big. Because I went into a field where I didn't often have a lot of income, I relied on my credit cards a lot, especially at the beginning. My dad didn't know the half of it and sometimes I was too proud to go to my parents. I didn't want to ask them for help, so I would say, "Oh, I'll just put this on the credit card."

My father bought, never leased, any of his cars. His mortgages were all paid off. My dad thought it was folly to only pay the minimum on your credit card. I was very impressed by their example, but I can't say that I learned the lesson deeply. Though I do believe it is the right way to save, sometimes when you take a risk by borrowing money, you can also win. I took some risks and I'm still alive.

My father was deeply generous with his time and his money, and spent little on himself. The only thing he may have spent excessive amounts of money on was golf, because he loved it so much. He only had one car, an Acura, and he always wore the same pair of chinos. He made money so that he could give it away, or so that he could provide for his family. He just loved to provide for his family and for his community.

***AM: How much of what you learned about investing was by osmosis, just through conversations with your dad?***

**AS:** So much, and yet now that he is no longer with us, I wish I had listened even more because there was so much wisdom there.

My dad was a value investor. When he and Pembroke went in to hold a company, it was for the long term, making it a big decision. My dad used to always talk about spending time with the people who were building the companies, how important it was to trust them and know they had a clear idea of what they were getting into, and feel that there was sound financial wisdom behind the business.

Each company was a story. It wasn't just an idea; it was a narrative. I think there is some connection there between what I do and what he did. But, really, his principles of investing were that you had to be patient and you don't follow the herd. You often run against the herd and you stay in for the long haul. You have confidence that even though there are difficult cycles, staying fully invested was important.

I realize now how much courage that took because the markets present a very volatile environment. It takes a stable temperament to ride out the ups and downs. Growing up, I didn't realize what it took for him to come home after a difficult day in the stock market and still be present as a father. That's very impressive.

***AM: Did you know that you were going to be the executor on your dad's estate?***

**AS:** I did, primarily because I have two brothers who are older than me, but both live outside of Canada. We often spoke about the fact that we needed someone on the ground to look after things. My father was suffering from multiple myeloma, a cancer of the white blood cell, for eight years before he passed away. At a certain point, he had to travel a lot to the United States for his medical treatment. I was his power of attorney for the last few years before he passed away and I understood that my mother would need some help to manage things. Although my brother in Hong Kong works in the investment business, and actually has much more expertise and experience than I do, because I was the only Canadian resident of the three children, I was the one to take care of things. I was prepared, not in terms of my knowledge, but in terms of knowing that I would be the person.

***AM: Did your dad do anything specifically to help you prepare for this role?***

**AS:** Only towards the end were we able to have that difficult conversation because it was about his mortality. He was someone who loved life so much and was clinging to the possibility that he could somehow keep going.

In the last year-and-a-half of his life, he started to introduce me to the people who were his close advisors including tax lawyers and accountants, and started to explain some of the practical matters about his assets. That's when I got hit by the jargon for the first time and realized that even though I had grown up speaking about the investment business with my father, the mechanics were quite foreign to me and quite difficult to understand as concepts.

He put me in touch with people and we started having conversations with them, conversations that my dad started with that terrifying phrase: "*When I die*." I knew I was supposed to listen very carefully, but as soon as he said those words, my brain went numb because all I was thinking about was him dying. I think I spent a lot of time in those meetings just nodding, taking notes, but not really absorbing as much as I would have liked.

***AM: After your dad passed away, was it just you and your mom in the meetings with the financial advisors?***

**AS:** No. My brothers, James and Adam, who live in Hong Kong and New York respectively, were very involved in those discussions from a distance, however, often my mother and I had to handle things on the ground on our own.

My mother was grieving. Although she lived with my father her whole life, there was a strict division of labour in their relationship. She was in charge of the household, and though she knew a lot about the investment business, she didn't manage the financials in the family. This meant that she and I both were on a steep learning curve.

I didn't see myself as receiving an inheritance. I was being asked to become one of the next stewards of some valuable assets. I kept asking myself, "How can I avoid making huge mistakes? How can I ensure that I leave the next generation in a position to be good stewards?"

I sit here today, not an expert, but as someone still finding my footing and learning something every day.

One thing that has been easy about it, is that most of the assets are in pooled funds run by people whom my father really trusted. Therefore, I don't feel like there is any huge demand to trade stocks every day and really watch the stock market. Instead, I got in touch with the people who my father trusted and tried to understand their investment philosophy, as well as their long-term vision. What I learned in speaking to them is that their philosophy is very similar to my father's; stay fully invested, don't worry too much about tomorrow, be patient. If you want to build, you can't just spend that money, you've got to keep that nest egg intact.

My father also made a lot of philanthropic commitments and now it is my responsibility, with my mother and my brothers, to honour and to manage those commitments because he made it clear that we were to give back

> "I think it's very hard to learn anything in the abstract. It's not enough for someone to tell you what you should do or think about. You have to learn by doing."

Original painting by Joanne Tod, "The Assembly," co-written by Annabel Soutar

to the community. More important than being the beneficiaries of his hard work, we were to figure out how to keep those assets growing so that we could keep giving.

***AM: When you think through those initial meetings and your experience over the past year, is there anything you wish your father had done differently to prepare you?***

**AS:** I think it's very hard to learn anything in the abstract. It's not enough for someone to tell you what you should do or think about. You have to learn by doing. Sometimes I wish I had benefited from more direct experience, such as a pool of funds that I was responsible for where I had to make the decisions. Without that concrete experience, it was hard to absorb some of the concepts and apply them.

It was interesting that even though one of my brothers went into the investment business, my dad never encouraged any of us to come and work with him. In fact, just the opposite. He didn't believe that it was good to have family members in the business, so I never had any direct experience in the family business.

I think perhaps he didn't want to mix the professional with the personal. When we spent weekends down at Brome Lake in Quebec, we did chores around the house and talked about environmental issues around the lake. We didn't discuss the family finances until much later on. At times it was hard to understand the jargon and the notions of investing, to be thrown into the deep end.

***AM: How do you see life unfolding for you as a steward of your family's financial assets?***

**AS:** It's like having a second job keeping track of assets. It's a lot of reading and a lot of meeting with people. Like my father, I believe this is a people business and you have to understand the human stories behind the businesses to invest wisely. Making some of the financial decisions has increased my appreciation for what it takes to invest wisely.

Sometimes I've been tempted to ask, why should I keep working in the theatre? I really should just take this on and get more involved, but then I realize how much fun it is to have these two things happening at the same time. I hope some of the things that I am learning by being thrown into this position are going to help me gain a new perspective, hopefully run a tighter ship in theatre and be more careful with money.

I am in the very early stages still and I haven't quite absorbed everything, but I'm not alone in this. I have two brothers who are very involved, and my mother, who is effectively in charge. So, I'm spending a lot more time speaking to my family members. We were all living our own busy lives before, and now we are on conference calls from New York, Hong Kong, and Montreal almost every week learning as a family how to manage this together.

***AM: What does life look like for you today?***

**AS:** It's not as much fun without my father here. The world has changed so much politically since his passing. He was such a humble leader and such a contrast to how we are all feeling about our leaders today. Whenever I was scared about the world, I'd go talk to my dad because he had such a great moral compass and a reassuring deep sense of optimism. No matter what was happening in the world, he would find the silver lining, not in a naïve way, but he would give perspective. Despite his health issues, he kept that optimism right until the end.

Today I look at the world and wish I could ask him where he would find his confidence. It would be in the future; future generations and new technology. I also ask myself, given his example, how should I now be that steward and that rock for other people, just as he was. I am trying to feel optimistic. I am trying to feel grounded.

I have an amazing husband who had an amazing relationship with my father. He gives me that stability. Although I'm concerned about where the world is heading, I also see opportunities for renewal. When someone close to you passes away, your immediate instinct is to hold onto the past and cling to what you know. It is also an opportunity for new growth to happen. It's important to embrace the sense of unknown and find optimism going forward. I think that is where I am.

In a play I wrote recently called *The Watershed*, the father figure is quite an important character. At the end, we have this conversation where I say to him, "I'm not as optimistic as you are," and he says, "Yeah, you never have been." He recognized that I had this darker view and a sense of doubt, but we could laugh about that. I've decided since my father passed away that even if I have to force it sometimes, I am going to be more optimistic. I want that for my children, because as a parent it is important for the next generation to see the hope and look forward, without leaving the past behind. They should face the future with zest and hope.

> "Like my father, I believe this is a people business and you have to understand the human stories behind the businesses to invest wisely. Making some of the financial decisions has increased my appreciation for what it takes to invest wisely."

***AM: What is it you are trying to say as a woman, as a playwright, as a theatre director?***

**AS:** I am a documentary playwright and I work very much like a journalist or a documentary filmmaker. I choose a real-life topic where I see an interesting, meaty conflict. I interview people and I use that material from those interviews verbatim to construct the text of a play. The play that's performed in front of you is a collection of real people, who spoke those real words, living out a drama that the audience can connect deeply to because it is a drama that reflects what is happening in life. What I am looking for is not to deliver a message about that material, but to offer the audience an opportunity to arrive at their own conclusions about what is being portrayed and the chance to have a conversation with me about that conflict, what our values are, what's at stake in the conflicts I put up on the stage.

The stories have mostly been about Canada. I am very interested in having a conversation with a Canadian audience about Canadian contemporary issues and allowing the audience to engage with the artist, but also with the people that they are sitting with in the room. Often after the play we will have a talk-back where the audience can participate in that conversation and really feel that it's not a one-way delivery of entertainment or information, but a really engaged conversation where we sometimes tackle material that is awkward or unsettling. It forces us to meet each other, to confront our differences of opinion. I'm very concerned about polarization in our world today and losing our ability to find words from our different realities and ideological silos to meet each other in the middle and to have a respectful conversation. It can be a robust and sometimes heated conversation, but respectful. I've tried to write plays that invite people who think differently to enter a shared space and appreciate one another, despite their differences. **M**

# INSIDE *the* BOOK CLUB

## Bad Blood: Secrets and Lies in a Silicon Valley Startup by John Carreyrou

**By: Angela Bhutani & Meghan Moore**


Original painting by Gillian Goerz

Investors are constantly faced with compelling stories about early stage companies claiming to be "disruptors," re-writing the rules of the industry in which they operate. Disruptors claim to offer a simpler, cheaper or more convenient alternative to an existing product or service. Well known examples include; Uber forever changing the taxi industry, Airbnb redefining hotel accommodation, and Netflix's entry into the at-home entertainment industry. While some early stage companies go on to become very viable businesses, the reality is, the majority do not.

Theranos, was a private healthcare technology firm founded in 2003 by then 19-year old, Elizabeth Holmes. Holmes had dropped out of Stanford to pursue what she saw as a significant opportunity to completely transform the blood testing industry. Her company claimed to have developed technology to run hundreds of tests on a small drop of blood drawn from a single finger prick. It was further asserted that the blood would be analyzed in just a few minutes, providing accurate test results on the spot. These key changes to blood testing, if successful, would significantly reduce costs, normalize the use of this type of blood test, and increase the frequency of early detection of disease.

After years spent quietly researching and fundraising, Theranos launched its technology to the public in 2012. The company formed a partnership with U.S. grocery chain *Safeway*, with the plan to retrofit 800 stores with Theranos blood-testing clinics. One year later, Theranos was successful in forming a similar partnership with drugstore chain *Walgreens*, to open blood testing centres in over 40 of its locations. The momentum continued to build. Theranos raised more than US$700 million from venture capitalists and private investors. At its peak in 2013, the company was valued at US$9 billion. Elizabeth Holmes had become a household name in the U.S., appearing on the covers of Forbes and Fortune magazines in 2014.

What investors and the public didn't know, however, was that Theranos' technology was flawed, and the test results were unreliable. The turning point happened in October 2015, when investigative journalist, John Carreyrou, published an article in the Wall Street Journal questioning Theranos' technology and exposing the lies.[1]

Theranos is one of the most widely publicized frauds in U.S. history because of the potential for misdiagnoses that could ultimately lead to harm or death. The rise and fall of Theranos has been documented not just in John Carreyrou's book, but also in the HBO documentary "The Inventor", [2] and on the front pages of newspapers.

### The Lure of a Compelling Story

Many startup companies market a compelling story of being disruptors with tremendous growth potential. In the case of Theranos, the founder told an emotionally captivating story of how the new technology could detect illnesses very early, including one of the worst, cancer. By placing this technology in people's homes or nearby pharmacies, Holmes promised individual empowerment over one's health at an affordable cost.

Board members such as Former U.S. Secretary of State George Shulz, Former U.S. Secretary of State Henry Kissinger and U.S. Secretary of Defense General James Mattis, were drawn by Holmes' "visionary" story focusing on the human right to affordable and timely access to diagnostic testing. The involvement and support of these influential people provided credibility to the company, irrespective of the fact that they had no expertise in biotechnology.

The media was initially complicit in helping to retell this captivating story. Their validation of Holmes' vision and the company's ability to execute according to it, resulted in an enormous sense of public and investor belief in Theranos. Blind trust overrode any instinct to look for evidence of validation of the technology by the medical community.

John Carreyrou helped us understand what drove decision making at the companies that partnered with Theranos. As he described in his book, the partnership was rationalized through flawed judgement, guided by the "fear of missing out." When problems with the Theranos technology were pointed out to the executive at Walgreens leading the partnership, he answered, "We can't not pursue this. We can't risk a scenario where CVS has a deal with them in six months and it ends up being real."

In hindsight, there were many issues at Theranos that a careful due diligence process would have revealed. For example, a simple check of Theranos' Glass Door profile (a website that allows employees

to anonymously rate and review their companies) would have found several red flags. A former Theranos employee shared the following comment: “How to make money at Theranos: Lie to venture capitalists, doctors, patients, the FDA and the government. Commit highly unethical, and possibly illegal acts.”[3]

So, what are the investment lessons from the study of the rise and fall of Theranos? There are many, but perhaps the most important is to simply be mindful of the human behavioural tendency to subordinate reason to emotion. If we understand and remember this, careful due diligence and discernment will guide us to better decisions. As Dan Ariely, Professor of Psychology and Behavioural Economics, and author of last year’s Book Club selection *Predictably Irrational*, states, “Data doesn’t sit in our minds like stories do. Stories have emotions while data doesn’t. And emotions get people to do all kinds of things, good and bad.”[2] **M**

Left: Discussion at The Book Club
Top to bottom: Anna Gordon and Micha Choi
Right: Anne Maggisano
Below: Meghan Moore & Angela Bhutani

# CHANGING GEARS

## A conversation with Dominique Vignet

**By: Robyn Ross & Dominique Vignet**

Dominique Vignet joined Burgundy Asset Management in 2015 as an Investment Reporting Associate. It was during her first years in the industry that Dominique discovered her passion for client service. Dominique shares her journey to becoming a Relationship Manager on the Canadian Institutional team.

***Robyn Ross: How has your background shaped your career?***

**Dominique Vignet:** I grew up in Montreal, the only child of a first marriage that ended in divorce. I went back and forth between the two households, so I became very accustomed to change. Both of my parents remarried and each had more children, which meant even more change. I learned adaptability and at a young age developed an openness to new people.

French was my first language. I was introduced to English in elementary school and made it my mission to master the English language because I didn't want to be limited by lack of fluency. If you only study a language at school, you'll never be fluent, so at the age of 17 I moved to London, England to immerse myself fully. My parents were terrified of what might happen to me abroad. It was challenging, but helped me reach my goal of mastering the English language and I found it to be character building.

***RR: Why did you choose to study commerce, and why Concordia University?***

**DV:** Studying commerce was highly valued in my family. I was deeply influenced by family members and our conversations about the markets at the dinner table, and through all the businesspeople I had the opportunity to meet. I chose Concordia because I was determined to attend an English university, continuing my "immersion" in English, and because I was impressed with the entrepreneurial spirit of the school.

***RR: You could have pursued many different careers in business. Why did you decide to be an Investment Analyst?***

**DV:** The most coveted careers coming out of commerce are investment banking, investment analyst and management consulting. Students generally go along with what the vast majority of our peers are doing and what our professors, whom we hold to a very high regard, are telling us we should be doing.

I am a curious, ambitious person who always tries to understand how things work. These attributes were well suited to the role of an investment analyst. Little did I know that spending days by myself, reading financial statements, building and updating financial models was not for me. I was looking for more contact with people, and the opportunity to work with investors and service their needs was just not there. It's important to know and exploit your strengths. You are of greater value to yourself and to the team you work with when you're engaged in work you truly like.

> "It's important to know and exploit your strengths. You are of greater value to yourself and to the team you work with when you're engaged in work you truly like."

***RR: You left your role as an investment analyst because you wanted to have a more client-facing role as a Relationship Manager. How did you come to this decision and how easy was it to make this change?***

**DV:** As an investment analyst, you are on your computer for hours reading company reports and building models. I would also present and discuss the companies I was working on. I discovered this was my favourite part of the job and the path I needed to pursue.

In many ways, being a relationship manager built on many of my research skills. I was able to understand technical data and ideas, and I also needed to learn how to express these in a way that could be appreciated by a diverse audience. I also needed to learn how to build greater trust with clients.

The other challenge with the shift in roles was that it meant moving to a new company. I approached this as though I was doing a company research project and determined that Toronto likely offered the most opportunity.

Other than a few university friends, my network in Toronto was non-existent. I analyzed the market, identified the key players in the industry, and met with many people—more than 80 people, in fact. I travelled between Montreal and Toronto, organizing coffees, breakfasts, lunches, drinks, whatever I could get. I declined some positions and was turned down for many others.

Then one day a friend called to tell me about a firm that was looking for a bilingual person for a marketing associate position. The job was not exactly what I had in mind, but the firm had a great reputation and I took a role in order to learn about relationship management of investment clients from the ground up. Five years later, I was given that responsibility.

My progress has not been linear; it has been two steps forward, one step back. I took some calculated risks and was not afraid to ask for what I wanted. In retrospect, I realize my work as a marketing associate prepared me very well for client management.

***RR: Grit and perseverance are words that come to mind in describing you. What other personal qualities have contributed to your success?***

**DV:** A job description and a job title should not limit or define who you are. I always strive to go above and beyond in every role that I am given. People need to understand your full capabilities, not just the task you've been asked to complete. Patience is a quality that has rewarded me over time. I am also consistent in my messaging to people, whether it's to my superiors, my peers or to clients. Clear and consistent messaging builds confidence and people find it reassuring.

***RR: What do you enjoy most about your work as a Relationship Manager?***

**DV:** First, I like to follow the markets, stay current on the companies in which we invest for our clients, and track the trends in our industry. This aspect of my work brings me back to my years as an investment analyst and feeds my curiosity. Second, I like the daily exchanges with smart people, whether they are clients, colleagues or consultants. My interactions with all these people inspire me constantly to do better. Finally, servicing clients gives me the best feeling. The satisfaction I get from helping others reminds me why I decided to pursue this career.

***RR: What advice would you have for young women that are not 100% sure of their career path yet?***

**DV:** Follow your intuition and remember, you know yourself better than anyone. I would also say you have to do your homework, be curious, ask questions, reach out to people in the industries you are interested in and ask them to tell you their stories.

***RR: Talk about the importance of finding a sponsor and how that has helped you.***

**DV:** Early in my career, I was certain that no one noticed my work, but that wasn't the case at all. I must thank my sponsor for doing more than notice my efforts. A sponsor can elevate your profile, make sure that your work is recognized and help you in your next career move—like your professional cheerleader with super powers.

Finding a sponsor takes time. You need to deliver consistently high quality work and make yourself invaluable. As a young professional, you have to differentiate yourself. We all have a competitive advantage; find yours and own it. Try to identify a senior person who can help you channel your strengths and bring out the best in you.

***RR: What does the future hold for women working in finance?***

**DV:** Let me share an experience that happened to me in 2011, though it is more like something that might have happened in 1950. I was told that one of the reasons I got a job interview for a boutique investment firm was because of my name Dominique, which is a unisex name. It was only because I was assumed to be a male candidate that I slipped past the pre-screening, which was based entirely on the assumption that men would do a better job than women in this industry. If I have a daughter one day, I will follow my parents' example and give her a non-gendered name so that any preconceived notions about what she can or cannot do will not apply. So my first piece of advice would be to be aware of, but not be limited by, preconceived notions around the roles of men and women in Finance.

I want to acknowledge previous generations of women who demanded changes and made an enormous difference in the industry. I recently traveled to India—a trip that transformed my life—and I saw how women in this country, as well as so many others around the world, still don't have the freedom or the opportunity that we have in Canada. We have to recognize the opportunities available to us here, and seize the moment. This is our time. **M**

Far left: Dominique Vignet
Left: Dominique Vignet, Kate Mostowyk, Roz McLean

# *Remembering* ELEANOR ROOSEVELT

How the former U.S. First Lady paved the way for women's independence

Original painting by Gillian Goerz

Former First Lady Eleanor Roosevelt was a tireless advocate for women and social justice, and left an indelible mark on society.

Eleanor was born on October 11, 1884 in Manhattan, New York, into a family that was part of the New York establishment. She lost both her parents by the age of 10 and was raised by relatives until the age of 15. She attended Allenswood Boarding Academy, a finishing school in Wimbledon, England, from 1899 to 1902. The headmistress, Marie Souvestre, was an educator who sought to cultivate independence and social responsibility in young women. She took a special interest in Roosevelt, who flourished under her leadership.[1] At 18, Eleanor was summoned home to New York City by her grandmother to make her social debut. After her return she became actively involved in social service work, joined the Junior League and taught impoverished immigrant children at the Rivington Street Settlement House.[2]

Eleanor married Franklin Roosevelt in 1905, and together they had six children, five of whom survived into adulthood. In addition to raising her family, Eleanor became active in the American Red Cross and in Navy hospitals during World War I. In the 1920s, she participated in the League of Women Voters, joined the Women's Trade Union League (WTUL), and worked for the Women's Division of the New York State Democratic Committee. Together with her friends, she established the Todhunter School, a private girls' school in New York City. Eleanor taught courses in American literature and history, and emphasized independent thought and social engagement in her teachings.[2]

In March 1933, her husband, Franklin Roosevelt, was named the 32nd President of the United States. He became the only president to serve more than two terms in office and Eleanor would become the longest serving First Lady.

Eleanor leveraged her position to ensure that women, youth, and those living in poverty or at the margins of society had opportunities to enjoy a peaceful, equitable and comfortable life—regardless of colour, age, background or discrimination on any other grounds. She raised awareness and shared her beliefs in her daily syndicated newspaper column, *My Day*, which she established in 1935 and continued until her death.[1]

In 1935, in the midst of a Great Depression that saw youth unemployment rise to 30%, Eleanor advocated strongly for government intervention. In response, the National Youth Administration (NYA) was established to focus on providing work and education for Americans between the ages of 16 and 25.[3]

On March 3, 1935, Eleanor delivered a seminal speech on national radio about the role of women in family budgeting and investing. Eleanor's advice was as practical and sensible then as it is today. She noted that, "A little systematic savings and investing would save many heartaches for the ages and give many a youth a better start in life."[4] To listen to this speech in its entirety, please follow the link here.[4]

Eleanor's influence continued well past her time as First Lady. She would go on to serve as U.S. delegate to the United Nations, where she oversaw the drafting and passage of the Universal Human Declaration of Rights, one of her most significant achievements. At the request of President John Kennedy, she also headed the first Presidential Commission on the Status of Women.[2]

Eleanor passed away on November 6, 1962 at age 78. Believing that, "The future belongs to those who believe in the beauty of their dreams,"[5] Eleanor left an enduring legacy that continues to guide and benefit generations of women. **M**

# **END**NOTES

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A Canadian artist best known for critiquing the social anxieties of our times. Joanne's paintings explore such topics as feminism, racism and the abuse of power. She is based in Toronto. **Joannetodstudio.com**

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