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The Interview
Oh, stop fretting about oil prices. Mary Moran, the effervescent new CEO of Calgary Economic Development, says it’s time for some “purposeful diversification”

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Global warming has reduced the chill in the Canadian Prairies. Monsanto and DuPont are betting that it’s now balmy enough to grow corn there

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COULD A CARBON TAX LEAD TO ECONOMIC GROWTH?

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Report on Business

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Congratulations to these recent appointees

Phillip Crawley, Publisher & CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.

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Mary, quite contrary

Thanks to the crude rout, Calgary is down—but the new head of the city’s economic development agency says it’s far from out.

“A stream of bafflegab is flowing from Mary Moran’s mouth, and I feel myself begin to get seriously annoyed. “We’re taking a holistic view...of development,” says the new CEO of Calgary’s Economic Development agency. “We’re after...prosperity.”

After a minute or so, I snap, “What does that mean?”

And then she shows why, after a nationwide search, she was promoted from within the agency to the top post, at what is a critical period for Canada’s energy capital. At once, she sets about illustrating these generalities with specifics, using on-point statistics and observations. She rapidly paints a vivid picture of Calgary at an economic and political crossroads, giving an insider’s view of a town that is down, but by no means out. “An economic storm” is what she’s called the situation facing Calgary—one she, like everyone else, attributes to the languishing price of crude. “But we have to remember that not so long ago, people were elated about $60 oil.”

Her industry contacts are trying, she says, to cut costs and not lay off too many. And unemployment hasn’t soared—yet. It’s hovering around 6%, a rate many cities long for, but high for here.

“In part,” she says, “that rate reflects the number of people still coming here from elsewhere.” She contrasts this downturn with the last one, which began with the 2008 financial crisis. “That was a ‘V’—the price bounced back more quickly than people thought it would, while this seems more likely to be a ‘U’ with a longer trough.”

In the thick of these...
doldrums, the industry did not greet the recent election of the NDP with any great rejoicing. “The reality is there’s going to be pain,” Moran says, a flat departure from her customary effervescence. But the real test will come, Moran says, in how the NDP addresses three issues of concern to the industry: climate change; proposed pipelines; and the upcoming review of royalty rates levied on companies for the right to extract. Although the oil and gas industry is still the biggest game in town, nowadays it produces 30% of the city’s GDP, not half of it, as it did two decades ago. Asked to give an example of the “purposeful diversification” her office admires, she cites the growth of the transportation and warehousing industries—“We have great access to highways and railroads, the longest airport runway...” She’s also hoping, with her boss, Mayor Naheed Nenshi, that big players in the construction sector, many of them international, can be persuaded to wait out the downturn. (2) “The falling oil price isn’t the only challenge that’s been thrown at Calgary in the last few years. Nenshi gives Moran a lot of the credit for her agency’s response to the historic 2013 flood. “After the waters receded, she helped set in place a program to draw attention to small and large businesses going back to them.” With Nenshi as premier and Nenshi the first Muslim mayor of a major North American city, I ask Moran what some in the Rest of Canada are wondering: What happened to the province we thought we knew? “It’s a young province—demographically—with all that entails. Calgarians weren’t surprised when Nenshi came to office [in 2010]. He is a highly educated, smart, passionate Calgarian,” she says. “A quarter of the population are visible minorities, 120 languages are spoken here, 50% of the people are from abroad.” An import herself (from Aurora, Ontario, originally), she has worked all over Canada, at companies like Wardair (“the best job I ever had”), Canadian Airlines, Delia Hotels and Telus. The conspicuously fit Moran has one of those core-strengthening big balls to sit on, instead of a chair. (3) Her desk features photos of her and her partner, Bruce, hiking with their dogs, and one of her with Oprah. She seems, all in all, a radical departure from the old Calgary business hand, with his cowboy boots under pinstripes, his shooosh from the hip swagger. I ask her to speak about how women can reach the top echelons of the still-maledominated business world, how she’s made her way thus far. “I grew up with four competitive older brothers, trying to keep up with them on the ski hill—so that helped,” she says. “At the family dinner table, I had to figure out how to be heard—same in the boardrooms.” Is anything she learned in these private-sector boardrooms coming in handy now? She meanders through some specific memories toward a general approach. “I was often the marketing lead in some integrations, when my companies merged with others or were acquired. Telus and Clearnet…and BC Tel. Tough. They were tough.” Her tone turns philosophical: “The situation we have in Calgary is worrisome, but change is something you learn about as you go along. Survival is the key thing. You have to reflect, adapt, refocus.” —Am Scott

TRENDWATCH

Looking to buy something casual and hip to wear? Don’t you check out the Gap first? Even second? Back in the 1990s, then-CEO Mickey Drexler caught the (shock) fascination of a generation with its khaki fashion sensibility of a generation, and he quadrupled sales. But then he feuded with company founder Donald Fisher, who turfed him in 2002. “I was often the marketing lead in some integrations, when my companies merged with others or were acquired. Telus and Clearnet…and BC Tel. Tough. They were tough.” Her tone turns philosophical: “The situation we have in Calgary is worrisome, but change is something you learn about as you go along. Survival is the key thing. You have to reflect, adapt, refocus.” —Am Scott

Top 1000 CEOs with hipster beards: 0

Top 100 CEOs who wear glasses: How many? By our count—45

Dave McKay
RBC #1

Bharat Masrani
Suncor-Dominion #2

Charles Brindamour
Intact Financial #36

Edward Sonshine
RioCan REIT #41

Marc Poulin
Empire Co. #41

Linda Hestonfroy
Linarco Corp. #58

TOP 100
Men make up the bulk of the CEOs in the Top 100 most profitable companies on our Top 1000 list. As it happens, a lot of these CEOs wear glasses. How many? By our count—45

GAP INC.
($U.S. billions)

'05 '06 '07 '08 '09 '10 '11 '12 '13 '14

(2) In the last 20 years, transportation and warehousing have moved from producing about 3% of Calgary’s GDP to 5%, and construction from just under 5% to 8%.

(3) Moran took up synchronized skating as an adult, and her team has placed second in the last two national competitions. “I fear I’m aging out of it, but am holding out for a gold.”

Before Peck joined the company in 2005, it had a Harvard MBA. The trouble is that they don’t teach style in business school.

REVENUE ($billion)

25

20

15

10

5

0

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Wheat and canola are still kings of the Canadian Prairies, but corn is getting a lift from a couple of U.S. agri-giants and from global warming. Corn production has expanded north in the United States in recent years thanks to higher average temperatures and stronger crop varieties. Seed developers Monsanto and DuPont Pioneer are now eyeing Western Canada, too, investing tens of millions of dollars in new research laboratories and test plots.

The goal is to perfect new corn hybrids that can mature quickly during the relatively short Prairie summers and withstand the cool nights. “It’s good old conventional breeding,” says Dan Wright, who is leading the $100-million, 10-year Canadian corn project that Monsanto announced in 2013. DuPont Pioneer launched its $35-million, five-year initiative last year. Steve King, the company’s corn research director, says that a dash of climate change helps. Saskatchewan is expected to gain five more frost-free days in its yearly growing season over the next two decades. “As global temperatures go up, we can more easily move genetics from other regions around the world into Western Canada,” he says.

Alberta farmers grew just 40,000 acres of corn in 2014. But DuPont Pioneer says there could be as many as 10 million acres across Western Canada by 2025. Crop yields of corn per acre are usually good, and so are profits. True, large global harvests can cause sharp drops in North American prices. But strong demand from ethanol plants and feedlots for cattle, hogs and chickens help moderate volatility.

The trouble is that it’s expensive to become a corn grower. It can cost $300,000 or more for a typical farmer to buy planting equipment. The crop also requires a lot of fertilizer and pesticides—which are sold by Monsanto and DuPont.

Mayans began cultivating corn in Mexico in about 2500 BC. It has taken centuries of breeding and genetic modification to make it more suitable for northern areas. The multinationals may compress the next big shift to less than a decade.
Taylor Veldman, a pollination crew member, bags tassels at a Monsanto breeding station in Carman, Manitoba.
Andrew Persaud, a marketing co-ordinator with InteraXon, ushers me into a quiet room in the Toronto tech firm’s head office and leads me through the drill. I slip InteraXon’s Muse headband, which looks like a set of headphones, across my forehead. I also put on a pair of earbuds. I then “calibrate” the headband, which has seven tiny brainwave sensors and is linked by Bluetooth to an app on Persaud’s iPhone. I hear questions through the earbuds and answer them—not aloud, but in my head. Meanwhile, the Muse sensors create a digital image of my mind.

For the next five minutes, I must close my eyes, breathe calmly and try to meditate by counting to 10 on each exhale. In the earbuds, there will be a soft sound of wind. But when the sensors detect brainwave patterns that suggest an active mind, they cue the audio and that wind sound will swell, signalling me to be more mindful about focusing. “This forces you to relax for a few minutes,” Persaud explains. Paradox noted.

We start: I inhale. I count. My mind wanders hither and yon. One inane thought that ambles across my mind: I’m going to fail this meditation exercise (the sound swells on cue). After five minutes, however, I open my eyes and Persaud shows me my score on the Muse app. To my surprise, I stayed in the “calm” zone for 45% of the time, and even racked up 11 “birds” (a quiet chirping sound) for keeping tranquil for five seconds. It’s a “gamification” feature, Persaud adds. “It’s kind of meta to provide that bonus. Your mind is going to want more birds.”

The 56-employee company is surfing a wave of fascination with meditation and mindfulness in a time of digital distractions. Founded in 2007, InteraXon does all its marketing and R&D in Toronto, while the headbands are made in China. Retailers like Best Buy, Indigo and electronics specialist Fry’s sell the $300 device. The company also pitches Muse in markets such as corporate wellness, health care and even golf. Since 2013, InteraXon has raised $17.2 million in two financing rounds, but remains privately held and is not looking for a buyer—yet. “This is hard R&D,” says angel investor Daniel Debow, a backer. “As an investor, it’s a pretty exciting thing.”

Prominent tech execs like Google’s Chade-Meng Tan have sung the praises of mindfulness in boosting corporate performance. With recent neuroscientific research confirming the benefits of meditation, many entrepreneurs have raced into the burgeoning brain health sector, which includes rapidly growing online services as well as wearables like Muse and its competitor, Insight.

InteraXon co-founder Ariel Garten, a 35-year-old neuroscientist and psychotherapist, says her firm had revenues of $3.5 million from Muse in the second half of 2014, and has asserted that she wants to reach $500 million in sales. “Over the last year,” she says, “the tide has turned so dramatically.” Elliott Chun, a Best Buy
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¹42% of businesses in Canada expect growth in international business and trading with China in the coming 12 months.
²Source: HSBC China International Business Survey 2015 Results.
Canada spokesperson, says the entire wearable devices category—everything from Fitbit and GoPro to medical gadgets and the Apple Watch—has shown significant growth.

Muse targets the highly pressurized 35-to-45 age bracket. Hugo Alves, a Bay Street lawyer, uses Muse to help him meditate for 10 minutes late in the afternoon—an interval between the treadmill of daytime meetings and the evening catch-up work that awaits him. “My day lasts from 9 a.m. to midnight,” Alves says. “It sucks. On days I use Muse, I find I am able to be more focused and a bit less scattered.”

The company more or less stumbled into this lucrative Zen zone. In her days as a scientist, Garten worked with Steve Mann, a renowned University of Toronto computing engineer and wearables pioneer. That research led to the commercialization of the sensors in the headband. But early applications seemed like a solution in search of a problem. “It all comes back to solving a problem,” says Karen Peters, a past employee of InteraXon. “But early examples seemed like activity trackers. ‘It all comes back to solving a problem,’ says Karen Peters, a past employee of InteraXon.

Four years ago, Garten’s fellow founders, Trevor Coleman and Chris Aimone, were working on a “cognitive wizard game” that rewarded players for playing intuitively. Aimone suggested they use the sensors to measure that state of mind. “Maybe we could have rumble strips and the meditation,” Aimone mused one day. Recalls Coleman, “I said, ‘That’s it!’ That changed the entire thinking about the product.”

InteraXon retooled the headband and developed the Muse app. In a de rigueur move for tech entrepreneurs, Garten started doing TED talks. Expressive and animated, Garten admits she was the sort of kid who was a keener for high-school drama. Those talks, she adds, “were clearly pivotal to our success.”

The road show led Garten to Austin’s South by Southwest festival in 2013, and to audiences with celebrity investors such as Tan and actor Ashton Kutcher, who “said yes on the spot.”

The question, of course, is whether Muse is merely a fad. It seems telling that Best Buy offers rebates for customers who want to swap yesterday’s wearable for the next hot device. But Coleman predicts that Muse will prove to be more enduring than novelty-oriented devices like activity trackers. “It all comes back to delivering real value for people,” Coleman declares. “What we’ve got going for us is that meditation is so inherently rewarding. If you stop, everything gets a bit worse.”
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Dear Corporate Governess
My boss is having an end-of-summer pool party, but I'm uncomfortable having to mingle with colleagues in a bathing suit. I think it would seem odd if I don't go, but is there a graceful way to keep my dignity?

Jessica M., Ottawa

Dear Jessica
There's nothing in the invite that says you have to get wet if you go to the party. You don't even need to strip down to your bathing suit. That's where flowing caftans or lacy cover-ups save us. Treat yourself to one of the many elegant options out there. Then add sunglasses and some jewelled flip-flops for your freshly manicured feet to boost that poolside confidence.

If busybodies ask why you're not swimming, invent an allergy to chlorine or simply say, “When I'm ready.” Which of course will be never because you'll be too busy chatting with everyone or sipping peach margaritas. Now that's team building—without turning your hair into a sodden mass resembling kelp.

Bosses might also want to reconsider those well-meaning invitations to share their pools with staff. Most of us would rather trod over burning coals than expose our naked flesh to colleagues. A barbecue at your country club would be kinder.

Dear Corporate Governess
Everyone says we need to hire top talent, but we're a young tech company on a tight budget—so no fat salaries or free lunch. What else could give us an edge in this competitive market?

Carson B., Vancouver

Dear Carson
Fortunately, money—or a full-time barista—isn't the only driver for attracting top young talent. You need to find the ones who are passionate about what you're doing. I asked Ed Quilty, founder of Aquatics Informatics Inc., a company that provides software solutions for water data management, how he did it when starting out in Vancouver.

“We competed with all the big dogs in town, largely based on two things,” Quilty says. “One is our appealing culture [yes, espresso machines, yoga and organic food delivered weekly are a few of the company perks]. The other is there’s a bit of soul to protecting the environment and flood forecasting. People can make a difference. We found that was really our competitive edge to attract people.” Another of Quilty’s tips is to be thorough but move quickly through the hiring process. “A candidate will go through multiple interviews with quite a few people, but we try to do it within one week. It’s very competitive, so people don’t stay on the market long. They’re snapped up quickly, particularly in software development, so we move fast.”

Ultimately, a great cultural fit matters as much as the degrees in the resumé. Quilty uses the beer test for the final interview. If this is someone you would have a beer with then you’ve found your hire.

Corporate Governess
Shy and dry
If you’re a dancer, a gymnast or a skater, chances are you’ve slipped on a pair of Mondor’s near-indestructible tights, made with yarn knitted in-house and custom-dyed to match your sequined bodysuit or tiered tutu.

Founded 60 years ago by a most unlikely fashion maven—Montreal taxi driver Roger Deslauriers—the company originally produced nylon stockings for Quebec’s high-fashion ladies. Today, Mondor’s textile mill in Saint-Jean-sur-Richelieu is one of the few still standing in Canada, staffed by seamstresses, cutters and dyers whose skills are quickly dying out in this part of the world. “If it’s not made on a machine, it’s made by hand and individually inspected,” says Armando Guadagno, Mondor’s general manager for the past 14 years. “We oversee all the details, including the tiny pale blue elastic on a child’s leotard. It didn’t exist in the marketplace, so we made it ourselves.” That attention to detail is why Mondor—which has sales of $12 million a year—is the official clothier of the Royal Academy of Dance in London, England, and sponsor of the organization’s Olympics of classical dance, the Genée International Ballet Competition. The less choreographically inclined can find Mondor tights at major retailers across Canada, the United States and Europe.

PHOTOGRAPH JOHN KEALEY; (BRYANT) MARK J. TERRILL/AP

Made in Canada

What a yarn

64 MILLION
Pairs of nylon stockings sold in 1940, the year DuPont began producing them

Kobe Bryant

It’s not just ballet dancers and gymnasts who wear tights

64 MILLION
Pairs of nylon stockings sold in 1940, the year DuPont began producing them

Clock pistol
Frames

Toothbrushes

Car parts
Cars use an average of 5 km of nylon under the hood
You now have to go to fast-growing emerging markets to find truly innovative technology.

It’s a muggy Monday morning in Mumbai, and Satyen Kothari, the co-founder and managing director of online payments company Citrus Pay, has just finished a conference call. His office is spare—just a stool, a chaise longue, and a desk made of industrial steel and a slab of reclaimed wood. All the walls are windows—some look outside onto leaning palms and apartment blocks, the rest overlook employees at work inside, and have diagrams sketched on them with magic marker. “I’ve achieved zero inbox,” he says, in the cryptic parlance of Silicon Valley, where the 42-year-old engineer worked for more than a decade.

Yet Kothari returned to India to co-found Citrus Pay in 2011 for a very good reason: Almost all of the excitement and innovation in technology today seems to be in emerging markets. Asia and Africa will soon host the majority of the world’s middle class, and Apple, Microsoft and other global tech giants are racing to hoover up that disposable income. But they are running into strong competition from nimble new local rivals. The homegrown start-ups often have a far better sense of local needs and trends, and are more adept at spotting and hiring talent. “It’s going to be a tidal wave. This wave will be unstoppable,” says Kothari.

Citrus Pay is already providing online payment systems for many of India’s best-known companies. Its roster includes: IndiGo, the budget airline that has soared during India’s Ryanair-type transformation; Bharti Airtel, the country’s largest cellphone provider; and Meru, India’s biggest taxi company. Kothari’s firm now has more than 17 million users and employs 250 people.

Some of Citrus Pay’s cleverest smartphone apps are aimed at wealthy young Indians who still have to contend with traditional challenges and anxieties. One app will automatically pay the salaries of domestic helpers. Another will send micro-loans to rural villagers selected by local NGOs. Would a Western company have been sufficiently in touch with Indian society to address the below-the-surface frustrations of paying live-in servants, or the shame many young professionals feel about grinding rural poverty? Not likely.

Over the past five years, I’ve written about tech and telecom in the West, and I’ve reported from emerging markets in Africa and Asia. I’ve often struggled to stay awake as Western executives talked about “penetrating the enterprise” and their “solutions” for mundane problems. I’ve been far more intrigued by the all-out race in emerging markets. The bets there almost always seem to be bolder and riskier—plus the weather is better.

Just look at Canada’s largest technology and telecom companies: It’s a veritable snooze-fest. Some are reviled for high bills and poor service—hello, Rogers. The failures and layoffs at BlackBerry are just depressing. Open Text succeeds by doggedly milking corporate customers with useful but eye-wateringly boring back-end software. Vancouver’s tech sector, meanwhile, is now essentially a scenic branch office for Japanese gaming companies and American giants like Microsoft. Hootsuite has created excitement, but it, too, is a supporting player—it makes a dashboard for businesses to organize their offerings on Facebook, Twitter, LinkedIn and other U.S.-built social media platforms.

Silicon Valley is still the epicentre of tech, but it is greying at the temples. Apple, for all its innovation under Steve Jobs, is now churning out iPhones with bigger screens—exactly what the com-
You have to go to emerging markets to find bold new technology that still changes societies. The providers include Western giants as well as local firms. There’s the M-Pesa mobile payments and micro-finance service launched by Britain’s Vodafone and wireless providers in Kenya in 2007, which later expanded to other African countries, India, Afghanistan and Eastern Europe. There’s also WhatsApp’s appeal across the developing world. No wonder CEO Mark Zuckerberg of Facebook (which bought WhatsApp last year) keeps popping up in Indonesia and India as he tries to keep his growth story going.

Western investors are following, too. Citrus Pay received $2 million (all currency in U.S. dollars) in venture capital from Silicon Valley investment bank Sequoia Capital in 2012. I remember my visit to the bustling Co-Creation Hub (CcHub) in Lagos in 2012. Tech entrepreneurs were marking up whiteboards and writing software that actually grappled with Nigeria’s problems, like creating an app that enabled Twitter messages to travel over congested wireless networks (saving messages to send later, rather than having them cancelled). The CcHub has received funding from Google, Nokia, Samsung, Microsoft and Oracle, and from emerging-market veterans like South African telecom MTN and Chinese mobile phone maker Tecno.

The startups are also forcing global giants like Uber to up their game. In India, Uber is reportedly spending $1 billion to fight off local ride-sharing rivals such as Ola. It is valued at about $2.5 billion, and has received funding from revered Indian billionaire Ratan Tata.

For Western investors who don’t mind risk, the opportunities are still enticing. Last year, Sir Terence Mathews, the Welsh-Canadian tech billionaire, told me that Indonesia now is like China in the 1980s: on the cusp of enormous growth. After doing business in Asia for more than 30 years, he opened an office in Jakarta for his Wesley Clover investment firm. He did not hire to head it? Who did he hire to head it? It bungled its lead, and fell behind local startups Evercross, Smartfren and Advan. Cobham—and Indonesia—moved on. Things move fast in places like this.
In the Greek anti-austerity riots of 2011 and 2012, German Chancellor Angela Merkel emerged as the No. 1 hate figure. Effigies of her, sometimes clad in Nazi uniform, were burned in Greek riots. In 2015, happily for her, she had a stand-in: Wolfgang Schäuble, her finance minister. Ahead of the July 5 Greek referendum that was called to accept or reject creditors’ bailout terms, the streets were plastered with posters of Schäuble in full scowl, as if he were watching a dog foul his garden. The poster read: “For five years, he sucks your blood—now say No to him.”

In Germany, that same scowl has made him one of the most popular politicians ever. A poll released in July by the broadcaster ARD gave him a 70% approval rating, the highest since 2009 and higher than Merkel’s own rating. If an election were called tomorrow, Schäuble would be in contention for the chancellor’s job. He is 72, and, since becoming a cabinet minister in 1984, he has often been cited as a potential chancellor or president: Schäuble’s popularity is the envy of almost every politician in Europe. How did he earn his affection? In a word, Greece. Germans are more or less fed up with Greece. The country is now negotiating its third bailout since 2010. Recent polls suggest that as many Germans want Greece to leave the euro zone as stay. Schäuble is in the former camp. Ahead of Greek Prime Minister Alexis Tsipras’s humiliating U-turn in July—when he went from fighting the bailout terms to embracing them, albeit reluctantly—Schäuble opened the door for at least a temporary exit. In a German radio interview, he said that the Greeks should take a “timeout” from the euro. “Everyone knows that a [debt] haircut is incompatible with euro membership,” he said.

What Schäuble didn’t say was that a Greek exit—Grexit—would be highly costly for German taxpayers, since Germany is the single biggest sovereign sponsor of Greece’s bailouts. Grexit would also turn Germany into the very entity that it philosophically abhors, by making it the lead firefighter in the inevitable campaign to control post-exit contagion. That’s the central irony of Schäuble’s stance. Had he got his way, the man who was sick of paying for Greece’s epic mistake would have paid for them doubly or triply so.

Schäuble’s push-the-bastards-out effort came as a shock to most Greeks, many European finance ministers and the European media. He is often lauded as a “champion” of integration, to the point he won the Charlemagne Prize in 2012, which is given for service to European unification. But anyone who had followed his career closely would have known that his commitment went only so far.

When Schäuble was West Germany’s minister of the interior, between 1989 and 1991, he played a key role in German reunification. European unification was next, but he promoted a cautious “variable geometry” approach. Schäuble foresaw a two-speed Europe, where monetary union would be restricted to only those countries that shared Germany’s penchant for fiscal discipline. In 1994, he said, “We cannot set the pace of European integration according to the slowest ship in the convoy.” Yet one very slow ship—Greece—crushed into the common currency in 2001 by using deceitful financial engineering that disguised the true extent of its debt, and by exploiting the euro zone’s hunger for enlargement. The trick worked until 2009. A year later, as the first Greek bailout was coming together, Schäuble called for tough measures to ensure budgetary discipline, including expulsion from the euro zone as the ultimate punishment for any chronically degenerate and profligate country.

So his timeout suggestion was perfectly in character. But if Schäuble’s idea had taken wing, the euro zone’s southern flank would have shattered and Greece might have fallen into the Russian orbit. And the main financial pain would have been felt by Germany itself.

Much of Greece’s €324 billion in debt would have to be written off. About €64 billion of that is held by the German government—directly or through loans by European rescue funds and the International Monetary Fund. German banks hold another €71 billion. Greece’s exit would also rattle the euro and potentially destabilize the whole continent. The theory that the damage would be minor is just that: a theory. No country has left the euro, so there is no playbook.

To contain the damage, the European Central Bank, backed by Germany, would have to buy sovereign bonds in vast amounts. To prevent deflation, Germany and others would have to launch costly fiscal stimulus spending. Add it all up and the cost to Europe could reach hundreds of billions of euros.

In a good-cop, bad-cop routine, Merkel became the good cop,梅尔克 became the good cop and reined in Schäuble. Reportedly, tensions between the two are high. Schäuble’s tough stance on Greece made him a home-country hero. It may also cost him his job.

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AGF head Blake Goldring once boasted that the mutual fund giant was on the prowl.
A fierce debate among investors and analysts had presaged the decision. Simple math suggested there was no other option but to cut AGF’s dividend: By December, quarterly payments to shareholders ate up virtually all of AGF’s free cash flow, leaving nothing to invest back in the business. Still, there was a major unknown: Would Goldring have the nerve to chop the payout? Few things irk investors more than dividend cuts, and the CEO was already under siege for AGF’s ugly investment performance.

The uncertainty ended with an explosion. At 8 a.m. on a Tuesday, Goldring slashed AGF’s payout by an astounding 70%. Caught off guard, investors struggled to digest the news. When the stock market opened an hour and a half later, the company’s shares tanked 21% in three minutes compared to the previous day’s close.

In early December of last year, as the investment community was starting to gear down for the holidays, **Blake Goldring** quietly prepared to drop a bomb. As a dim morning light spread over Bay Street, the CEO of AGF Management Ltd. got ready to announce the most contentious move of his 15-year reign.

Now it looks endangered

by Tim Kiladze
Goldring had plenty of reasons to want to keep the dividend intact. As an investment manager with $35 billion in assets under its watch, AGF is an institution that Canadians count on to safeguard their retirement savings. Slash- ing the payout could send a message that the company couldn’t manage its own finances. A cut would also per- sonally look bad for the CEO. Blake’s late father, Warren, co-founded the firm, and AGF was in fine form when War- ren handed the reins to Blake, who is now 56, at the start of the century. By at least one reckoning, AGF was Canada’s best-selling mutual fund company in both 2000 and 2001. And regular investors wouldn’t be the only ones to feel the pain. Of 82.9 million outstanding common shares in AGF, the Goldring family directly or indirectly own more than 13 million. The wealth generated by this stake, nota- bly $14 million in annual dividend income, accounts for a large part of the Goldring fortune.

But in the end, Blake decided he had no other choice. Despite AGF’s historic branded name, the company was in free fall, enduring a run of retail net redemptions—that is, those from mom-and-pop investors—that would stretch to 30 quarters. That meant more client money had gone out the door than had come in for seven years in a row. The only way to save face was to completely retool; the dividend cut offered up the cash necessary to start investing in a new strategy.

AGF’s profits have long undulated, and Goldring has done his best to stir up hope in light of the dividend cut. “We’ve been down before. We’ve come back in a spectac- ular way,” he says during a July interview. “You’re talking to the quintessential comeback kids.”

This time, few people are buying it. Two camps have emerged on Bay Street: those who think the company has had it, and are happy to say so—albeit in private—and those who are loyal to the Goldring family but still think a turnaround will be incredibly tough. Full-blown believers are virtually impossible to find. Because the Goldrings control AGF through special voting shares—a class of stock the general public can’t own—the family has an iron grip over the company. (Blake’s sister, Judy, became chief operating officer in 2009.) Deep corporate change is often created by tossing out the old guard and installing new faces, but no activist or disgruntled shareholder can make the Goldring fam- ily do anything it doesn’t want to do. Blake’s leadership skills and strategy are constantly questioned, but he’ll be in power as long as he and his family want.

The business of selling mutual funds isn’t what it used to be, either. AGF is now an endangered species, one of the last big independent companies left in a business that has been gradually taken over by the Big Six banks and major life insurers. In the middle of this battle, the industry’s rule book is being rewritten. For many years, AGF made a kill- ing charging high fees to retail clients, but regulators are mandating changes that might make that much harder to do. Industry watchdogs are also debating whether to crack down on the way independent fund companies like AGF persuade investment advisers to sell their funds.

All of which is to say: Even if AGF has a history of re- covering, and even if the company rallies behind a leader, is the task too gargantuan this time around?

Founded in 1957, AGF was the first firm to offer ordinary Canadians a way to invest in a pure U.S. equity mutual fund (AGF stood for American Growth Fund). That gave it an edge. The mutual fund industry also looked very different back then, with only 65 competing portfolios in Canada at the end of 1960.

**Blake’s blues**

During Blake Goldring’s tenure, AGF’s performance has diverged from that of rival CI Financial.

![AGF MANAGEMENT CLASS B SHARES](chart1.png)

![CI FINANCIAL](chart2.png)
Independent companies ran the show, largely because the country’s banks had yet to consolidate the world of financial services. Top mutual-fund players of the day operated as an oligopoly of sorts, which allowed them to charge prodigious fees. Simply buying into a mutual fund could cost an investor up to 9% of the investment, and he or she then had to pay annual fees of as much as 2.3% on top of that.

As the industry matured, fund performance cycled through hot flashes and dark decades. The late 1960s were phenomenal; the 1970s were mostly rough; and the 1980s were largely prosperous. Whatever the returns, the industry’s fees barely budged. Blake, who completed his MBA at INSEAD and worked for five years at Bank of Montreal, joined AGF in 1988 after his father had heart-bypass surgery. Even then, 30 years after the company was founded, its fees hadn’t changed much. “I remember coming in this business when there was just one way to buy a fund,” Goldring recalls with a laugh, marvelling at how egregious the industry used to be. “Somebody had paid 8% for one of our funds back then, and I thought, ‘Wow, they got a discount from 9%.’”

From there, the problems kept stacking up. In 2004, Manulife Financial Corp. pulled $900 million it had asked AGF to manage. Retail investors kept fleeing, resulting in 16 consecutive quarters of net redemptions. Less money to manage translated into fewer fees for AGF. By 2004, profit per share plummeted 54% from its peak in 2001.

Instead of capitulating, Goldring dug in. “We are tigers on the prowl,” he would say, playing off AGF’s striped logo. “We are tigers on the prowl,” he would say, playing off AGF’s striped logo. “We are two to three times the size of our closest competitor on some days.”

Goldring had no choice but to go all in because the industry kept consolidating and AGF couldn’t afford to stand on the sidelines as newly merged players muscled ahead. Mutual fund companies were buying rivals (Franklin acquired Bissett, Amvescap bought Trimark), insurance giants were scooping up mutual fund companies (Power Corp., the majority owner of Investors Group, bought Mackenzie, while Sun Life Financial acquired a 37% stake in CI Financial); and the banks were also invading (National Bank of Canada acquired Aliance, Royal Bank eventually bought PH&N). To counter, AGF acquired 80% of Highstreet Partners Ltd. in 2006, adding $4.8 billion in assets under management. Goldring also touted AGF’s investment-lending arm, AGF Trust—a unique business line that would help the company grow.

The combination of aggressive sales strategies, soaring stock markets and a measure of luck did the trick. By 2007, AGF was at the top of its game, sporting $56 billion in assets under management.
That December, Goldring was named the Canadian Investment Award's Person of Influence, one of the industry's highest accolades. And it was a meaningful one, since his father had won the Career Achievement Award from the same organization years earlier. Jettlagged after flying in from Singapore, Goldring got up on stage to accept his award at a gala dinner in Toronto. In his black tuxedo, he looked like a king standing over the industry.

The glory didn't last long.
The global financial crisis was starting to unfold.

For years, AGF had struggled to find the right replacement for Brandes, and by 2006 they thought they had it in John Arnold. After winning awards for his AGF European equity fund, the Dublin-based portfolio manager was handed responsibility for the International Value Fund, along with his partner, Rory Flynn. He quickly revamped the portfolio, replacing 41 of its 50 holdings and seeing returns of 41% in 2006.

But soon the bet backfired; when the euro crisis hit, Arnold's funds were heavily exposed to financial institutions. His European equity portfolio lost 57% in 2008, made some of it back in 2009, and then continued to lose 20% or more in the next two years. (Arnold left in 2011.)

By now, this was familiar territory for AGF. Just as happened in the tech bubble, the company's stock tumbled returns were obliterated almost overnight. Other financial services firms were also hurting. Even the once legendary AIC Ltd., run by Michael Lee-Chin, was sold to Manulife Financial for a pittance. But AGF's slump was particularly bad because it never ended. Keith Graham, the onetime star portfolio manager, left. Randy Ambrosie did too. AGF Trust, the investment-lending arm, worried about its balance sheet to absorb losses in a down market. Worst of all: AGF's poor investment performance started another run of redemptions.

The company's been trapped in a downward spiral ever since, leading to a sea of troubles. Top talent started leaving in 2009—notable portfolio manager departures include Christine Hughes and Patricia Perez-Coutts—and the company's investment performance continued to be disastrous. By the end of 2013, only 30% of AGF's managed assets outperformed the median returns in the industry on a one-year basis, according to Morningstar Canada. That track record fell to only 15% above the industry on a three-year basis.

With such a spotty track record, it's nearly impossible for AGF to justify its fees. In an era when exchange-traded funds charge as little as five basis points, or 0.05%, annually, AGF routinely charges 2% to 2.5% to its retail investors, because, unlike a bank, it didn't have a massive balance sheet to absorb losses in a down market. Worst of all: AGF's poor investment performance started another run of redemptions.

With Blake Goldring, chief investment officer Kevin With Blake Goldring, chief investment officer Kevin
McCreadie forms a classic good-cop, bad-cop combo

People who know the two men say the change must have ‘killed’ Goldring. “Those are always tough decisions,” he explains. “It was very clear as we started to move past the crash that we needed to take a hard look at how we were operating the business… You always hope that the strategy that you have is going to work, but at a certain point it’s clear you’ve got to take a different direction.”

In June, 2014, Goldring hired Kevin McCreadie, a wily Wharton MBA, as his new president and chief investment officer. The two men are near-polar opposites: While Goldring is nice to a fault, McCreadie, who for the first year on the job commuted to Toronto every Monday morning from Baltimore, doesn’t appear all that interested in winning anyone over. Together, they are a classic good-cop, bad-cop combo.

Under the Hubbes regime, AGF’s CIO would sit and chat for an hour with whomever was in his office; with McCreadie, important conversations last eight minutes. This style is on display as he sits beside his boss in the conference room to explain his turnaround plan. McCreadie waits for Goldring to finish his rambling paragraphs-long answers before giving his own take in 15 words. He has the air of a professor listening to a student.

Watching the two men interact, it’s clear that while Goldring is CEO, McCreadie has considerable say. AGF is trying to transform itself to restore its former glory, and the new CIO is the one responsible for executing the game plan. Before getting hired, he and Goldring exchanged ideas for five months. “We spent a lot of time together,” the CEO explains. Those conversations, coupled with the company’s string of rough results, made the Goldring come to the “realization that we had to do something”—a nice way of saying the situation was dire and a shakeup was necessary.

Instead of rifling a cannon shot through the industry to make sure everyone knows AGF is still kicking, McCreadie is relying on basics to turn the company around. “This is a pretty simple business when you think about what we do,” he explains. “The winning strategy. Goldring has struggled to prove he’s the right person.

“Every conversation about Blake starts out with what a great guy he is,” explains a former senior AGF insider, accurately describing all the conversations that went into the reporting of this story. “People go out of their way to point that out, if only because there’s a ‘dot-dot-dot’ behind it.” Their next thought, the insider says, is almost always a comment suggesting the CEO’s leadership is lacking.

Some people think Goldring would much rather do something else. A major supporter of the military—he is Honorary Colonel of the Canadian Army—his eyes light up when talking about the armed forces. The CEO himself has admitted he originally had no intention of joining the family business. Others say Goldring isn’t a good enough communicator. Indeed, when speaking, he can seem nervous, even when he isn’t.

Another concern: Goldring is “too nice.” Even though returns had been rough for years, Goldring was loyal to his portfolio managers, often treating them with kid gloves.

By 2013, there was enough pressure to force Goldring to do something radical. Too many fires had blazed. One of the worst: AGF had bought asset manager Acuity in 2011, and the acquired company’s returns soon went south, fuelled by the collapse of the mining supercycle. Arguably, this performance wasn’t Hubbes’s fault, because Acuity had just been acquired, but the CIO still parted ways with the company in December, 2013.

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Warren Goldring co-founded AGF in 1957.

As the company prospered, he envisioned the Goldrings as a great Canadian business dynasty. Forrester, the head of its dwindling retail arm, would not understand that clients don’t want to go through another shock. “The world has changed, so risk has become the first part of the conversation, not the last.” The new CIO isn’t looking for the best returns—he simply wants to consistently be in the industry’s top two quartiles.

McCreadie is also big on accountability, particularly for portfolio managers. He wants to hold them responsible for their returns. No one was quite sure of what that meant in his first year on the job, but by June he started sending messages. Marc-André Robitaille, who ran the Dividend Income Fund, left the firm after racking up a poor investment performance.

The obvious question, then, is why not sell—if not the whole business, at least some divisions?

If only there were a simple answer. Right before the financial crisis, when AGF was trading around $38 per share, CI put in an offer, according to people familiar with discussions at the time. Some of the banks also circled AGF. For the Goldrings to have rebuffed those overtures and then sell the business today, when AGF’s shares are roughly $500 million, down from $3.4 billion in 2007, is worth more than where the stock price is today—I don’t argue that with them,” says Scott Chan, an analyst at Canaccord Genuity. “But the problem is that AGF has that dual-class structure and Blake doesn’t seem to want to sell the company or divest some of these business units. So there’s no real catalyst to unlock the value.”

In other words, investors only see a long slog ahead—one where many rivals are trying to market themselves as alternative asset managers, including Lee-Chin.

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The obvious question, then, is why not sell—if not the whole business, at least some divisions?

If only there were a simple answer. Right before the financial crisis, when AGF was trading around $38 per share, CI put in an offer, according to people familiar with discussions at the time. Some of the banks also circled AGF. For the Goldrings to have rebuffed those overtures and then sell the business today, when AGF’s shares are trading around $6, may simply be too hard for them to stomach. AGF’s market value, as of early August, is roughly $500 million, down from $3.4 billion in 2007.

Family dynamics also loom large. If Blake threw in the towel, it’d be much tougher to fulfill his father’s wish of creating a dynasty. AGF is what keeps the Goldring name in the headlines—for better or worse. The Goodman family proved willing to sell its stake in DundeeWealth to Scotiabank in 2011, but the Goldrings don’t seem willing to let go.

There is also the possibility that AGF may not be able to sell, even if it wanted to. Buying the company probably doesn’t make sense for CI or a Canadian bank today because of the difference between their fee structures and AGF’s is so large. It’d be tough to pay a premium to acquire AGF and then turn around and slash its fees.
The market goes up. You think it’s a false start. It goes up some more. You wait for the right moment to buy. It goes up some more. Before you know it, you feel trapped on the sidelines, unsure of what to do next. Fortunately, through the ups and downs of the past 15 years, clients of Cumberland have made the right moves at the right times. And that’s one reason why their portfolios have seen an average annual return of 4% more than the market since 1999 with significantly less volatility.

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Has the market got you trapped?

Peter Jackson
Chief Investment Officer, Cumberland Private Wealth Management Inc.
One day over lunch in Ottawa, Ralph Goodale, the warhorse from the flatlands of Saskatchewan, was stomping all over the Conservative record on economic management. The battering the economy had taken in the early months of 2015 was further evidence for the steadfast Liberal that Canadians had been fooled all along into believing the Tories knew what they were doing.

When I pointed out that, compared to his time as finance minister under Paul Martin, the Conservatives had done quite well electorally with their economic record, Goodale’s mood turned. The difference, he grimly explained, was that Harper knew how to market his work but Goodale’s own party didn’t. The Liberals blew it, he conceded. The economy was blooming when they were beaten by the Tories in the 2006 election, he said. But in the campaign, the Liberals had barely even talked about it. “We didn’t get the message out. We made the operating assumption that it was understood. That tactical decision was mistaken.”

For the Conservatives, Goodale said, “Spin is the number one priority, policy secondary. It’s been clear all along.”

Clear all along?

“Look at the record. Not since the 1930s have Canadian economic growth numbers been so bad as this last decade under Harper.” And no, Goodale argued, you couldn’t blame it on “global conditions,” as the Prime Minister liked to do. The downturn from the financial crisis ended several years ago.

Now, in 2015, as an election approached, there was a new downturn. The Tories’ economic narrative turned sour. Where once Canada was doing better than all the G7 countries, now it was the...
only country among them with an economy sputtering out recession-like numbers.

The bad news kept rolling in. Oil prices had plunged. Growth numbers fell. Bank of Canada Governor Stephen Poloz called the country’s economic performance in the first quarter “atrocious.” Uncertainty prompted a delay in the budget delivery date. The country’s merchandise trade deficit reached an all-time high. A balanced budget, the much-ballyhooed promise of the government, looked less and less likely, given revenue shortfalls. Labour union economists Jim Stanford and Jordan Brennan did a statistical analysis in which they examined 16 indicators of economic progress for all Canadian governments since the Second World War. Their conclusion: The Harper Tories ranked last. It wasn’t just labour economists who were doubting the Conservatives’ record, but the Harper team blew off such studies as being biased.

The dogs barked, the caravan moved on. Through the run of bad news, Finance Minister Joe Oliver showed little concern, maintaining a low profile. When the 75-year-old did appear for Question Period in the House of Commons, pitbull Pierre Poilievre, 36, often stood in his place. The young enforcer had been named the new employment minister. Poilievre, with scant life experience outside politics, had frequently been the subject of unflattering press reports. But he was regarded as one of the party’s best pitchmen by the Prime Minister, a Globe and Mail analysis found, funnelled 83% of the projects under its signature infrastructure fund to Conservative-held ridings.

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Economic performance, as Goodale noted, was highly susceptible to spin. Harper may never have worked as an economist, but his two degrees in the field taught him an important political truth: Statistics could be found to prove or disprove most any theory one wanted. It was all about who had the biggest megaphones.

In preparations for the 2015 budget, Alan Freeman, then-assistant deputy minister for communications at the Finance Department, noticed something odd. On the jacket design for the budget, he saw that the word “budget” was missing. In its place were the words “The Next Phase of Canada’s Economic Action Plan: A Low-Tax Plan for Jobs and Growth.” Freeman wasn’t opposed to the application of a little snake oil to fiscal proceedings. That, after all, was part of his job. But as a public servant rather than a member of the Conservatives’ political operation, he viewed things in a broader perspective. He went to take it up with Dimitri Soudas, who was then Stephen Harper’s communications director. “Shouldn’t we have the word ‘budget’ somewhere on this thing?” Freeman asked. The Prime Minister’s top pom-pom shaker looked at him coldly. He explained how people like Freeman, formerly a journalist with The Wall Street Journal and The Globe and Mail, were caught up in old inside-the-beltway talk. Didn’t he understand that regular Canadian people “didn’t know what a budget was?” Freeman wasn’t sure he was hearing right. Did these guys in the Prime Minister’s Office really think that way about the Canadian voter? Further conversation made it clear Soudas was not going to be putting the word “budget” on the budget.
Freeman walked away, shaking his head. “For a wannabe, the prime minister was a respecting one another. But Flaherty freelanced too much for the boss’s liking. “He didn’t necessarily check before he went out and made statements,” recalled Freeman. But Flaherty too had to buckle under. “Harper would get involved in the most minute stuff. Flaherty would sign off on things he didn’t think were major, but they would come back to us with the message that the big guy didn’t want it.”

Mark Cameron, who worked as a policy adviser at the PMO, came to see Harper and Flaherty as respecting one another. But they would come back to us with the message that the big guy didn’t want it.”

The Conservatives’ hand was forced over and over again. Their initial slowness in recognizing the sinking world economy in the fall of 2008 was mystifying. Drummond, by then chief economist at the TD Bank, recalled warning them at the time, as did Kevin Page, head of the Parliamentary Budget Office. But they remained obstinate. As Page recalled, their economic update that fall was authored primarily in the PMO, not by Flaherty. On the big decision to reverse the position taken in the document and go the Keynesian stimulus route, Flaherty was reluctant. Harper was the more avid of the two, according to Cameron.

In fact they had little choice but to reverse themselves. Not only had the government made commitments to the G20 on stimulus, but the opposition parties held a gun to their heads. If they didn’t bring in a large-scale market intervention, their minority would be defeated. It would be “fair,” Cameron candidly acknowledged, “to say events dictated our actions. But we could have screwed up and didn’t, so we deserve credit for that.”

Yet the Tories made great political mileage with the measure they were forced into. They could boast also—and they never let anyone forget it—that Canada did better than other G7 countries through the great downturn. But they had inherited a sound banking and regulatory system as well as a $13-billion surplus and the lowest debt-GDP ratio since the 1970s. Given Canada’s positioning ahead of other countries at the outset of the global crisis, and given the good fortune of having resource prices remain high, doing better than other G7 countries—comparisons to the G20 weren’t so flattering—was more a logical outcome than any great feat of governance.

Exceptionalism on the economic front served as a strong weapon in the 2013 election. At the same time he was spending great sums to spur the economy, Harper was able to hold his promise to cut taxes—and to poison the atmosphere for anyone wishing to raise levies. Through history, the Liberals had used taxation to build their idea of an equitable Canadian society. They were now left spinning their wheels and...
tongues. In the 2011 election campaign, Michael Ignatieff couldn’t put forward any big new national programs, like a high-speed rail system, because of the cost.

Yet the large deficit the Conservatives had run up, much of it a result of the GST cut and excessive spending in their first two years in power, hardly hurt them on the campaign trail. Nor did the Tories pay a price for Harper becoming the first PM in history to be found in contempt of Parliament. It was for excessive information control—his hiding from Parliament basic costing information on corporate tax cuts, combat jets and other programs.

In governance, the best communications plan is sometimes non-communication. The fewer details provided on financial management, Harper reasoned, the better. The PM had stoked a heated controversy when he killed the mandatory long-form census. Academics like Paul Saurette of the University of Ottawa theorized that today’s Conservatives, unlike the Progressive Conservatives of old, suspected that too much information could too easily contradict gut-driven ideology.

Flaherty wasn’t intellectually curious, recalled Freeman. With the odd exception, only the like-minded were invited to his policy retreats. “The idea was you create your own truths. Don’t be bogged down by studies.” In keeping, the public service, which Harper suspected was overweighted with a Liberal mindset, saw its role changed: Now it would counsel on policy less, and simply follow orders more. Kevin Page noticed the switch right away. “There was a sea change with a capital C.” Nuanced debate was discouraged. “You could see it, the lack of analysis, in the documents, in the language.”

Harper created the Parliamentary Budget Office in 2006, appointing Page to head it in 2008. But when Page started challenging the government’s numbers, Flaherty and the PMO tried to undermine Page’s credibility, even as his numbers held up better to scrutiny than their own. In his book UnAccountable, to be published in September, Page writes that he was told that Harper operatives tried to find dirt in his background to discredit him. He was also brought before a parliamentary committee that, he said, was tantamount to a kangaroo court. “It became very personal,” he writes. “Intimidation and fear-mongering were all-too-common tactics by the Harper government.”

The PMO’s control fixation brought on a marked reduction in parliamentary oversight. Flaherty’s budget bills were turned into sweeping omnibus bills containing hundreds of clauses and measures, such as downgrading environmental oversight, that had little to do with a budget. On top of that, scrutiny at the committee level was further short-circuited by the Tories’ use, in degrees rarely seen, of closure, time limitations, in-camera sessions and heavy-handed tactics to block witnesses.

Harper control required media control. Having spent many years in the media, Freeman now observed from the inside how the press and public could be easily hoodwinked. “One of the impacts of the new media is that nobody has any attention span,” he said. “So the Harper people realized quickly that if they stonewalled or didn’t answer questions, there was a good chance that within two or three days the story would be dead.” The Tories put up any number of new roadblocks to reporters’ accessing information. “Their goal was to make the media instruments of Tory propaganda.”

In some respects, Freeman said, the Conservatives succeeded. When they took away most-favoured nation trading status for China, it meant prices were going to go up on a range of consumer products. “But they did an exception for hockey equipment. They leaked it systematically to the media: We are going to cut the tariff on hockey equipment. It was in the budget as a tiny part of what they were doing. But they spun it so that it became the big story. As a journalist, you should be asking, Do I really want to be used like that?”

With the recession over and with a majority government in hand following their 2011 election triumph, the Tories could return to core principles like budget-balancing. They began aggressively attacking a deficit that had topped $55 billion. A
series of tight budgets would ensure the books would be back in balance by the election.

The trick was to do so while continuing with tax cuts and creating a good level of economic growth. As the Harper team discovered, however, this was no small challenge. The growth strategy became overly reliant on private-sector investment, which wasn't forthcoming. Bank of Canada then-governor Mark Carney chastised corporate Canada on this front, using the phrase “dead money” in reference to the lack of investment from Bay Street towers. Profits coming their way from Tory tax cuts weren’t being re-invested.

The Harper tax scalpel was wielded widely. His government had brought in the two-percentage-point reduction in the GST, introduced the popular Tax Free Savings Account, sliced corporate taxes and given selective breaks to groups favoured in their electoral math. In addition, they broadly expanded the Universal Child Care Benefit and the Child Care Expense Deduction and they pledged to introduce the income-splitting tax bonus.

Progressives contended that most all of the tax breaks worked more to the benefit of the wealthier segments of society. Critics got a big boost when Flaherty, in an indication he had had enough of taking orders from on high, broke ranks on income-splitting, beginning 2014 by saying, “I’m not sure that over all it benefits our society.” It was a rare example of a senior minister going off-message—on a major platform plank, no less. Shortly thereafter, Flaherty stepped down from the Finance post.

It wasn’t just the left that questioned the wisdom of some of the cuts. The GST reduction was roundly denounced by mainstream economists, who favour cuts to income taxes rather than to consumption taxes. Political motivation was seen to be at the heart of many of the other cuts. The Tories sliced and diced a tax system that observers like Paul Boothe of Western University’s Ivey Business School said needed simplification, not increased complication. Drummond was not on side either. “Our biggest problem in the tax system in Canada is the extraordinarily high marginal effective tax rates paid by people in low- and middle-income ranges.” Referring to most of the “fiscal measures,” he said, “None of that stuff does anything for that problem.”

But with the opposition parties putting up only meek resistance, the Conservatives had made headway not just for the moment but in the long game, persuading Canadians that a smaller state was inherently virtuous.

With economic pressures piling up as 2015 began, Harper tried to turn some of the public focus away from the economy to the management of the terror file and to sabre-rattling abroad. On the economy itself, he was not for turning. While economists suggested stimulus was needed for growth and while the Bank of Canada chimed in with rate cuts, team Harper held to a lean approach and poured the airwaves in defence of it. And he could indeed point to some good markers: interest rates the lowest in many decades, inflation way down, unemployment below the average of the last 30 years, new free trade deals, middle-class incomes stable, a budget close to balance and taxes way, way down.

To Goodale, the record didn’t sound so good. Under nine years of Conservative rule, job-creation, he noted, was a mere half of what it was under the last nine years of Chrétien/Martina governments. The Liberals left office with nine straight years of the budget in surplus. There were seven straight deficits under Harper. The national debt went considerably down under the Liberals, considerably up under the Tories. Trade deficits were non-existent under the Liberals, but a common feature under Harper.

What concerned economists like Boothe, Drummond and McGill’s Christopher Ragan was the long run of low growth, the continuing economic stagnation. Should the below-2% growth rate persist, there were a lot of low-hanging economies, they said, that could pass Canada by. Jobs would be harder to come by. Living standards would languish.

There are no easy solutions. “Our level of productivity is low relative to everyone else and our growth rate is one of the worst in the developed world,” said Drummond. “It’s not obvious how you tackle these problems.” Ragan agreed, adding that the deficit obsession didn’t make sense in a low-growth environment. Whether the budget was a few billion in surplus or deficit was “frankly immaterial,” given that the debt-to-GDP ratio was in very good shape. Without a change of pattern, he was not optimistic the country could find its way out of the trough in the years to come.

Harper’s “stay the course” rhetoric was mocked by Liberal Leader Justin Trudeau. He pointed out that “the course we’re on has led us back into recession.” The line had some bite. The opposition parties spotted vulnerability in Harper’s economic armour. In response, he made an extraordinary move. Recent election campaigns had hewed close to the legislated minimum of 36 days in length. Harper more than doubled the 2015 clash to 11 weeks. We’re in the midst of the longest election campaign in 143 years.

No one was fooled as to the reason why. The Conservatives’ purpose was to maximize, with their superior financial resources, their marketing advantage. The longer campaign would allow them to rack up the type of spending on a breed of attack ads and self-promotion spots that had never been seen north of the border.

They were confirming Goodale’s postulate. Policy was secondary. It was primarily about marketing. You spin to win.
Siam Canadian connects producers like Thai Union—which plant is in Mahachai, Thailand, is seen here—with the North American market.
JUMBO shrimp

A booming seafood business in Thailand owes its origin to a Canadian’s peripatetic youth

BY DAVID BERMAN

PHOTOGRAPHS BY BRENT LEWIN
Jim Gulkin epitomizes the global businessman.
He’s a Canadian who holidays in Quebec’s Eastern Townships over Christmas and for six weeks each summer. But his company, which specializes in farmed shrimp, has always been headquartered in the Thai capital of Bangkok. It’s called Siam Canadian Group. “Siam is the old name for Thailand,” he explains, “and Canadian is me.”

If that sounds low-key, Gulkin’s aspirations are anything but. He already has created a frozen seafood-trading empire, with eight offices in six Asian countries. And aquaculture is rising as an important source of global food production, as growth in wild-captured seafood wanes and some observers worry that tapped-out fishing stocks face potential collapse in the decades ahead. Farmed fish now accounts for more than 42% of the world’s total production, up from just over 13% in 1990, according to the UN Food and Agriculture Organization. Farmed shrimp, meanwhile, has grown into the largest single seafood commodity in terms of value. The trend puts Siam Canadian at an interesting place.

When Gulkin founded Siam Canadian in 1987, he was a high-school graduate without a business degree or any first-hand knowledge of running a business—or of seafood. He had spent much of the mid-1970s backpacking throughout Europe, Africa and the Middle East, making him comfortable with different cultures. He then joined the oil industry, first as a roughneck in Alberta, then as a technician with Schlumberger Ltd., based largely in Indonesia but with frequent trips to nearby countries. In his travels, Gulkin discovered something that spawned the idea for Siam Canadian: Besides being a nice place to live, Thailand was also a rising food exporter.

Gulkin made contacts among Thai food processors and with importers abroad, his business started to take off, earning either a middleman’s markup or getting a commission. By 2014, Siam Canadian’s gross sales had risen to $320 million; Gulkin says that the privately held company is very profitable. “At the beginning, it was very difficult because nobody was really taking me seriously,” he says. But things connected: “It was the right time, right place. And I started to grow the business from there.” It hasn’t been easy, though. Farmed shrimp is a complex business, buffeted by factors such as weather, market fluctuations and disease. It has also attracted vocal criticism because of its environmental impact. The World Wildlife Fund has taken issue with how shrimp farms can destroy ecosystems, as organic waste and chemicals seep into...

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groundwater and coastal estuaries. In 2011, the influential Natural Resources Defense Council called shrimp “meals of mass destruction.” Gulkin says the criticisms are good, because they encourage better, cleaner farming techniques. But he stands by farming as the best way to feed a hungry planet. “I think people have to look at the big picture: There aren’t enough fish in the oceans,” he says. “People don’t want to eat only meat; they want to eat seafood, as it is healthier. They want to have an alternative. If the only alternative is to eat wild-caught shrimp or whatever, that’s going to be a problem.”

The industry has been changing dramatically over the past three decades, pushing Gulkin to adapt. Black tiger shrimp have largely given way to vannamei shrimp, a faster-growing variety that is more uniform and can be farmed more densely. More importantly, other countries have challenged Thailand’s pre-eminent status as a global shrimp producer. But as the shrimp industry has grown more competitive, Gulkin has responded by expanding beyond his home base in Thailand, opening offices in Vietnam, China, India, Indonesia and Myanmar. These countries are not always easy places to do business, especially as a foreigner. Thailand, Gulkin says, was always relatively progressive in its attitude toward international trade and the importance of confidence and trust. Other countries have been more challenging, particularly Myanmar, but most had one thing in common: They were export-oriented. “So they’re always pretty friendly to somebody who wants to come in and help them sell their products,” he says. “There weren’t any real barriers.”

The expansion has given the company a global reach, trading with importers in more than 70 countries, with a heavy emphasis on Europe and North America; the United States has become the world’s largest shrimp consumer. Siam Canadian has also diversified beyond shrimp, trading products such as squid, tilapia, cuttlefish and value-added prepared seafood that provide a smoother financial ride when prices fluctuate (shrimp prices have been on a roller coaster recently).

Gulkin is not done yet. He sees more expansion ahead, with sales rising beyond $500 million over the next five to seven years, as Siam Canadian gets more involved in importing and distribution. “In Thailand, we import salmon from Norway and Chile, squid from Peru, dessert products from Europe—and I think that is going to be a way forward for our other offices as well.”
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Getting ahead in business is about more than being tethered to your mobile 24/7. In our seventh annual Executive Survival Guide, we show you how to endear yourself to everyone from the CEO to security; start your day like Warren Buffett; build your personal brand (even if you’re The Boring Guy); and embrace your inner jerk. We’ll also help boost your education quotient with profiles of the best EMBA and MBA schools in the land.

By Dawn Calleja, David Eddie, Cathal Kelly, Tim Kiladze, Dave McGinn, Judith Pereira and Kristene Quan

TAKE IT FROM A JERK

Pope Sixtus V enjoyed a short, remarkably effective run as leader of the Catholic Church during the late-16th century. He was the Rudy Giuliani of the Middle Ages—the man who cleaned up Rome after the city’s long slide into dissolution and despair. By the standards of the age, he was progressive. He was also a world-class jerk.

One day, an anonymous graffiti artist took a fairly tame pop at Sixtus’s sister, archly wondering why she’d been elevated from a washerwoman to a princess. Sixtus put out the word—if the miscreant came forward of his own accord, he’d be rewarded with a wad of cash. If he were discovered by other means, he’d be executed. The guy presented himself to the Pope, who gave him the money and spared his life. Then, in order to prevent further...
MEN THAT ARE JERKS EARN 18% MORE THAN THEIR NICER COLLEAGUES
(according to a 2011 study published in the Journal of Personality and Social Psychology)

outbreaks of comedy, Sixtus cut off his hands and bored out his tongue.

Based on years spent as one sort of vassal or another, I think I’ve had enough working for Sixtus. He’s the sort of boss who lets you know where you stand. Imagine the motivating vigour of thinking to yourself, “I’d better get this report out first thing, or I’ll spend the rest of my life eating with my elbows.”

Sadly, we live in a bland, empathic moment. People are down on the corporate jerk. Everyone wants a leader who cares about your work/life balance and one wants a leader who knows what it’s like to be a workmate to kvetch to.

“Master the all-nighter”

STEP 1 Take a nap. A 50-minute snooze will take you through a full sleep cycle and help you avoid grogginess.

STEP 2 Eat protein. Carbs = serotonin = lethargy. Stick to snacks like nuts, jerky and boiled eggs.

STEP 3 Be strategic. Lay off the caffeine for a day or two. Then use it when you need a jolt. Avoid sugar—it will make you crash.

STEP 4 Move around. Do some jumping jacks or take a quick walk to signal to your body that it’s time to perk up and focus.

STEP 5 Enlist a buddy. It’s easier to stay awake if you’ve got a workmate to kvetch to.

WHY ARE YOU GOING BACK TO SCHOOL?

“My initial motivation was that I wanted to be a stronger leader. I wanted to have a broader scope of understanding from a finance, from a business, from a strategic-analytic perspective. Since then, I think I’ve evolved and believe that once I complete this, I will be a solid candidate for a more senior C-suite position.”

Rachel Nicolle
Vice-president, Operations, Shoppers Drug Mart, Toronto

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Richard Branson, founder of Virgin, leaves his curtains wide open so he wakes up with the sun. Then he swims or kitesurfs around his private Necker Island, plays some tennis and goes for a walk about an hour before the big talk. Breathe deeply, stretch and reset.

**STEP 5**

You’re smart and know what you’re doing. There’s a reason athletes repeat this mantra right before an event.

**Ace the presentation**

**STEP 1**

If it matters to you, it will matter to them. Focus on why you’re excited about the project and think it’s important to your company.

**STEP 2**

Move away from the data. You know what happens when people hear stat after stat? Zzzzz.

**STEP 3**

Start strong with something unexpected. Anecdotes are good, but keep them relevant.

**STEP 4**

Step away from e-mail, FB and Twitter. Go for a walk about an hour before the big talk. Breathe deeply, stretch and reset.

**STEP 4**

If it matters to you, think it’s important to your company. Focus on why the project and the work in small groups to make it matter to others from across Canada, the U.S. and Latin America. Graduates have the opportunity to work in the U.S. or on a one-year visa.

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**DURATION**: 18 months

**MALE/FEMALE RATIO**: 70/30

**Queen’s School of Business**

Queen’s University and Cornell University

Kingston and Ithaca, New York

* Tuition: $108,500

**AVERAGE NO. OF STUDENTS**: 65

**DURATION**: 17 months

**MALE/FEMALE RATIO**: 75/25

**WHY ARE YOU GOING BACK TO SCHOOL?**

“After being in the workforce for the last 20 years and seeing how competitive the environment is, I realized that anything that puts you above and beyond your peers improves your future prospects.”

Marty Meagher
National account manager, Diabetic Division, Bayer Inc., Toronto

**HOW TO**

**WAKE UP LIKE A BOSS**


David Karp, founder of Tumblr, doesn’t open his e-mail until he arrives at work around 9:30 a.m. Only messages from his girlfriend and Tumblr employees show up in his inbox, and he responds to those right away. All other messages are sorted into folders. “If something urgently needs my attention,” he says, “someone will call or text me.”

Bob Iger, chairman of Walt Disney Co., wakes up at 4:30, seven days a week, so he can get work (or a workout) done uninterrupted. Then he drives himself to the office listening to classic rock tunes.

Mark Zuckerberg, founder of Facebook, gets up around 8 and throws on the same T-shirt he wore the day before, thereby saving the minute or two he might otherwise waste picking out a fresh outfit.*

Jamie Dimon, chairman and CEO of JPMorgan, spends his weekends reading mountains of work-related material and prepares questions for employees—which he asks bright and early Monday morning, often as he passes them in the hallways.

Steve Jobs, late co-founder of Apple, once told a graduating class at Stanford: “For the past 33 years, I have looked in the mirror every morning and asked myself: ‘If today were the last day of my life, would I want to do what I am about to do today?’ And whenever the answer has been ‘no’ for too many days in a row, I know I need to change something.”

And whenever the answer has been ‘no’ for too many days in a row, I know I need to change something.”

* Not recommended unless you are the billionaire founder of the world’s most popular social media site.

**SEPTEMBER 2015 / REPORT ON BUSINESS**
By David Eddie

BUILD YOUR BRAND

Sure, there’s Crossfit and P90X. Or you could take a few tips from the man who heads up the world’s most successful company.

“Have you to brand yourself?”

Seems like everyone’s been all over this idea for a while now, but (as usual) I’m a bit of a late adopter. I’ve always earned a living as a writer, but recently acquired my own radio show, and when I asked the program director what subjects he thought I should talk about, he said, rather impatiently: “Brand yourself, Dave! What’s your brand?”

And it was only then that I truly started to think about it. And I decided on Smart, Ideally Funny, but Deeply Flawed Guy Who Is Also a Bad Dad™. That’s no joke, either part.

The beauty of my brand, I think, is it turns potential weaknesses into strengths—but mostly: it allows me to be me. I urge you, when you consider branding yourself, to think along similar lines. Biggest rookie mistake, in my view: of people’s self-branding efforts is trying to be something/someone you’re not.

It’s the Quiet, Hard-Working Type. But you see what a success The Brash Extrovert (a.k.a. The Twirling Diab) is having in your office. So you decide, “I’ve got to be more like that!” Often with disastrous results. Because the frog cannot be a scorpion, and vice versa.

Definite brand not to be: The Griper, the guy or gal who loves a good bitch-session about the bosses or their colleagues. This brand, I’ve observed, does not have a long shelf life.

The good news is that these days, it’s not only the dashing, WASPy Richard Bransons who get ahead, but a polyglot mish-mash of men and women of various shapes, colours and sexual orientations. Begin by taking a long look at the man/woman in the mirror. Decide what are your strong suits, and how

to play them up and how either to turn your weaknesses into strengths, or play them down. Then: sell, sell, sell, baby! If you are the quiet, hard-working type, become The Ultimate Quiet, Hard-Working Type™. Turn your reticence into a virtue and (paradoxically, I suppose) make sure people see it that way.

From here, be consistent and clear. “Branding yourself works on the same principles as branding a company,” says Leigh Gravenor, of Toronto-based PSD+G Strategy Group. She’s worked with companies like Shoppers Drug Mart, but also on branding individuals—for example, someone with a charity to promote. “You have to have a simple, clear, differentiated message. When people think of you, everyone should think the same two or three consistent things. And it should be memorable.” She cites the author Malcolm Gladwell as someone who has branded himself very well.

At the same time, your brand should always be evolving. There should be an aspirational component. I kind of hate to use the example of people’s self-branding efforts is trying to be something/someone you’re not. The EMBAs offers the highest number of elective courses, which students can take at Kellogg’s Evanston campus or a partner school.

Sandermoen School of Business
University of Fredericton
Tuition: $24,500
Average no. of students: 173
Male/Female ratio: 64/36
DURATION: 207 months
Go here if you’re looking
for customization. The
EMBA offers the highest
course number of elective courses, which students can take at
Kellogg’s Evanston campus
or a partner school.

Sobey School of Business
Saint Mary’s University,
Halifax
Tuition: $45,000
Average no. of students: 50
Male/Female ratio: 70/30
DURATION: 18 months
Go here if you’re looking for
a summer holiday break. School’s out between May and August to accommodate family schedules. During the school year, students can elect to work in small groups, and complete a 10- to 12-day international trade mission in second year (in the past, students have gone to Ecuador and Colombia).

Telfer School of Management
University of Ottawa
Tuition: $115,000
Average no. of students: 40
Male/Female ratio: 65/36
DURATION: 21 months
Go here if you’re looking
to build, or work for, the next
tech company. Through the
EMBA’s Signature Series, first-year students travel to Silicon Valley for a high-tech consulting project. Second-year students travel internationally to identify and develop strategies for a client organization’s potential entry to new markets.

I think that there are a lot of tools that I could learn from Simon Fraser’s program that will help me become a better manager. We’re a growing company, and although

I am a directive, there are definitely a lot of things that I could learn.”

Director of Integrated Systems, Paladin Security Systems, Vancouver

WHY ARE YOU GOING BACK TO SCHOOL?

Go here

Apple has an OS called Yosemite, which makes sense, because in June, 2014, Tim Cook tweeted a picture of the park’s Half Dome, which he got to after hiking to Glacier Point—that’s about 17 km.

Cycling You know what happens when you bike regularly—hello, Apple Watch. Cook also uses his bike for good and has participated in two-day cycling charity events.

Hiking
Point—that’s about 27 km.

Sure, there’s Crossfit and P90X. Or you could take a few tips from the man who heads up the world’s most successful company.

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Discover the EMBA for Global Leaders

RANKED #1 IN CANADA SINCE ITS INCEPTION
BY THE FINANCIAL TIMES OF LONDON AND THE ECONOMIST

The Kellogg-Schulich Executive MBA (EMBA) is a flexible 18-month program with classes every third weekend that allows you to tailor your studies to your personal goals while minimizing time away from work. With classmates, faculty and cutting-edge programs from all over the globe, the Kellogg-Schulich EMBA is linked to the elite Kellogg and Schulich Global Networks in the US, Europe and Asia.

YOUR KELLOGG-SCHULICH EMBA CLASS
Classmates are typically mid-career senior managers, successful entrepreneurs and high-potential individuals.

12 YEARS 37 YEARS 30% 20+
WORK EXPERIENCE AVERAGE AGE FEMALE COUNTRIES LIVED OR WORKED

emba.schulich.yorku.ca
of Matthew McConaughey and the vaunted “McConaugheysance” of his career, but it’s true: He went from shrimp-seat meatball of disposable rom-coms like How To Lose a Guy in 10 Days and Fool’s Gold to one of the most respected “dark” and “haunted” artists of his generation—all on the wings of aspiration and careful rebranding. Look for opportunities to do the type of job you want to do (on McConaughey’s case, it started with The Lincoln Lawyer), then be the perfect person for that job. From there, be patient (McConaughey did The Lincoln Lawyer in 2011 and it didn’t have much effect—until Nic Pizzolatto, creator of True Detective, happened to catch it a couple of years later). The Twirling Diva may get the promotion you thought you deserved this year, but your time will come. Basically, it’s really all an elaboration of your mother’s exhortation to “dress for the job you want.” But it’s more than just a nice shirt. Be BE POPULAR with everyone. Don’t just suck up to the boss and ignore everyone else—after all, you never know when you’ll need their help. Follow these steps for knowing who to win over, and how.

**THE BOSS** Whatever your opinion of Star Trek, there’s no denying the brilliance of the Scotty Principle. Named after the engineer who always managed to achieve the impossible, it involves taking the reasonable estimate for achieving a task and padding it by 25 to 50%. Then wait for the praise to getting it done early and under budget. “Room me up to the C-suite,” Admiral. Never say that.

**SUPPORT STAFF** You’re looking at an unconscionably low bar here. At many companies, they’re creating more like furniture than people. Win their devotion by making eye contact and learning their names. If you go for coffee, ask if you can bring them one. What you’ll get in return is loyalty and help when you need to change travel plans, get invoices filed, and expenses filed. **STEP 1**

**DRESS THE PART**

**STEP 1** Add colour and bold. Try a statement accessory or scarf. If you insist on a traditional look, spice it up with purple polka dots or a magenta gingham pocket square.

**STEP 2** About that pocket square: Less is more, which means voluminous cuffs have no place in the boardroom (or anywhere, really).

**STEP 3** Ditch the Windsor knot. If you’re wearing a proper shirt collar (that is, a short one) and tie—2 1/2 inches is perfect—a simple single knot won’t seem so small.

**STEP 4** Focus on cut, not cost. It doesn’t matter if your suit’s a Canali, Chanel or off the rack at J.Crew. Good quality is always worth paying for, but you no longer have to splurge.

**STEP 5** Say it all with a modern twist on the classic “Frankenchrist. The new cut is slim and stops above the knee.**

**STEP 6** Up your game. In the Watery Park era, glasses are stylish—even sexy. For those who don’t wear specs, try sunglassess: You can never go wrong with Persol.

**WHY ARE YOU GOING BACK TO SCHOOL?**

“As I reach the senior level in my organization, and obviously the limited opportunities going forward given that I’m in a senior position, I believe this qualification will set me apart from others.”

Lucie Mihalik
Division manager, Northern Infrastructure Division, Associated Engineering Ltd., Burnaby, B.C.

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**REPORT ON BUSINESS**

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**DURATION**

**MALE/FEMALE RATIO**

**AVERAGE NO. OF STUDENTS**

**TUITION**

---

**Go here** if you’re looking for a hybrid program. Laval’s EMBA has a combination of distance-learning activities and classroom courses. The second year kicks off with a week-long trip that includes company visits and discussions with students from a university in the Boston area. You can also opt to take the 360-degree feedback management test in second year, where you’ve given personal feedback and followed up with a follow-up after the completion of your EMBA.

---

**University of Prince Edward Island**

Charlottetown

**DURATION**

**AVERAGE NO. OF STUDENTS**

**Fees**

---

**Go here** if you like to do research. The program takes an evidence-based management approach where students are taught how to leverage research findings, and that offers both EMBA specializations,
Yes, this is the MBA for you

(especially if you’re interested in technology & innovation)

At Ryerson University, you get a head start in the new economy with an MBA program that’s innovative, experiential and collaborative.

You can earn a higher return on your investment with a 39% increase in salary, 90% placement rate, and competitive tuition.

And find balance between your work, life and studies with a 12-month accelerated Ryerson MBA or a 24-month part-time program.

Go ahead, change your future

ryerson.ca/mba | mba@ryerson.ca
416-598-5325

* average salary from 2009-2014 post-graduation; placement rate is at six months post-graduation
How to Host a business dinner

- Make a reservation at a restaurant whose menu you know well. That way, you can make recommendations if anyone asks.
- Arrive early so you can assess the table. If it’s too close to the bathroom or smooshed into a corner, request a new one. Then invite the VIP to take the seat with the best view.
- Turn off your phone.
- When it comes to ordering, your guests will follow your lead, so order an appetizer to let everyone know they can do the same.
- Ask your guests whether they’d prefer red or white wine, then order accordingly. Choose a wine you’ve enjoyed before or simply ask the sommelier for a recommendation, taking into consideration what everyone has ordered. But limit yourself to two glasses of wine. And if any of your guests start getting messy, subtly excuse yourself and ask the server not to refill.
- Don’t rush the business talk. Wait at least until after the appetizers have been served, but ideally before the main course. Stick to between two and three hours total.
- Arrange beforehand to pay the bill at the maître d’ station. Then, as the meal wraps up, excuse yourself to go hand over your credit card.

Put your feet up and chase your dreams. Get your MBA from Thompson Rivers University and build your future in a way that suits your present. Learn on campus, online, or a combination of both. Study part-time or full-time; it’s your choice.

TRU MBA
The most flexible MBA in Canada.

Thompson Rivers University
tru.ca/mba | 1.877.663.4087
Every September, teenagers from across Canada choose to step outside of their comfort zones at NJC. While studying Canadian Grade 12 and AP curriculum from their new home in Switzerland, they explore a dozen countries, debate in the Model UN, pause in Flanders Fields, network at the Canada-Swiss Chamber of Commerce, ski the Alps, cycle through vineyards and play hockey at the base of the Matterhorn. Academic preparedness, international exposure and guidance expertise lead to acceptances from the finest universities across Canada and abroad. New independence within a small school community enables them to understand who they are and realize how their passions and talents will one day contribute on a global scale.
<table>
<thead>
<tr>
<th>SCHOOL</th>
<th>LOCATION</th>
<th>TUITION</th>
<th>NO. OF STUDENTS ACCEPTED</th>
<th>MALE/FEMALE RATIO</th>
<th>WORK EXPERIENCE (YEARS)</th>
<th>DURATION (MONTHS)</th>
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<td>Asper School of Business (University of Manitoba)</td>
<td>Winnipeg</td>
<td>$36,000</td>
<td>55</td>
<td>54/46</td>
<td>2</td>
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<td>Beedie School of Business (Simon Fraser University)</td>
<td>Vancouver</td>
<td>$36,000</td>
<td>55</td>
<td>58/42</td>
<td>5.5</td>
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<td>DeGroote School of Business (McMaster University)</td>
<td>Burlington, Ont.</td>
<td>$38,000</td>
<td>65</td>
<td>62/38</td>
<td>0</td>
<td>8+</td>
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<td>Desautels Faculty of Management (McGill University)</td>
<td>Montreal</td>
<td>$70,500</td>
<td>65-80</td>
<td>70/30</td>
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<td>Edwards School of Business (University of Saskatchewan)</td>
<td>Saskatoon</td>
<td>$28,000</td>
<td>40</td>
<td>60/40</td>
<td>n/a</td>
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<td>St. Catharines, Ont.</td>
<td>$26,069</td>
<td>30</td>
<td>59/41</td>
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<td>Haskayne School of Business (University of Calgary)</td>
<td>Calgary</td>
<td>$35,872</td>
<td>150</td>
<td>69/31</td>
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<td>16+</td>
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<td>John Molson School of Business (Concordia University)</td>
<td>Montreal</td>
<td>$16,000</td>
<td>170</td>
<td>65/35</td>
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<td>Regina</td>
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<td>20</td>
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<td>Lakehead University</td>
<td>Thunder Bay</td>
<td>$18,320</td>
<td>30</td>
<td>60/40</td>
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<td>Peter B. Gustavson School of Business (University of Victoria)</td>
<td>Victoria</td>
<td>$34,045</td>
<td>90</td>
<td>64/36</td>
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<td>Kingston</td>
<td>$77,000</td>
<td>n/a</td>
<td>69/31</td>
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<td>Ivy Business School (Western University)</td>
<td>London, Ont.</td>
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<td>70/30</td>
<td>n/a</td>
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<td>Toronto</td>
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<td>350</td>
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<td>63/38</td>
<td>n/a</td>
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<td>Royal Military College of Canada</td>
<td>Ottawa</td>
<td>$13,000</td>
<td>22</td>
<td>69/31</td>
<td>5</td>
<td>12+</td>
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<td>Victoria</td>
<td>$40,487</td>
<td>70</td>
<td>56/42</td>
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<td>16</td>
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<td>Sandemore School of Business (University of Fredericton)</td>
<td>Fredericton</td>
<td>$18,000</td>
<td>70</td>
<td>56/42</td>
<td>2</td>
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<td>Sauder School of Business (University of British Columbia)</td>
<td>Vancouver</td>
<td>$43,883</td>
<td>100</td>
<td>67/33</td>
<td>2</td>
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<tr>
<td>Schulich School of Business (York University)</td>
<td>Toronto</td>
<td>$104,710</td>
<td>75/25</td>
<td>66/34</td>
<td>2</td>
<td>16</td>
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<tr>
<td>Shannon School of Business (Carleton University)</td>
<td>Ottawa</td>
<td>$16,770</td>
<td>24</td>
<td>52/48</td>
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<td>16</td>
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<tr>
<td>Sobey School of Business (Saint Mary’s University)</td>
<td>Halifax</td>
<td>$22,670</td>
<td>27</td>
<td>60/40</td>
<td>2</td>
<td>16+</td>
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<tr>
<td>Sprott School of Business (Carleton University)</td>
<td>Ottawa</td>
<td>$30,287</td>
<td>100</td>
<td>65/40</td>
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<td>Ted Rogers School of Management (Ryerson University)</td>
<td>Toronto</td>
<td>$21,459</td>
<td>125</td>
<td>63/37</td>
<td>2</td>
<td>12+</td>
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<td>Telfer School of Management (University of Ottawa)</td>
<td>Ottawa</td>
<td>$25,115</td>
<td>120</td>
<td>66/34</td>
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<td>12</td>
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<td>Thompson Rivers University</td>
<td>Kamloops, B.C.</td>
<td>$30,710</td>
<td>120</td>
<td>66/34</td>
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<td>12</td>
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<tr>
<td>Trinity Western University</td>
<td>Langley, B.C.</td>
<td>$34,200+</td>
<td>n/a</td>
<td>53/47</td>
<td>n/a</td>
<td>12+</td>
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<td>Curriculum allows students to take a variety of elective courses. The Executive Mentor Program matches students with business executives across Canada.</td>
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<td>Emphasis on applied learning, including a four- to eight-month internship after the completion of the academic curriculum.</td>
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<td>A 10-day international study trip. In previous years, students have gone to Singapore, Japan and Argentina.</td>
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<tr>
<td>Courses are offered in a consecutive three-week modular format, allowing students flexibility during their MBA.</td>
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<td>Summer exchange programs with over 20 partner universities.</td>
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<tr>
<td>Offers a co-op, traditional full-time, eight-month accelerated MBA and a part-time MBA.</td>
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<tr>
<td>Students can tailor their curriculum with co-ops, internships, international exchange programs, case competitions and community service initiatives.</td>
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<td>Co-op and service learning allow students to spend at least 25 hours providing course-based business advice to local non-profits and community organizations.</td>
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<tr>
<td>Emphasis on an integrative, strategic understanding of business and leadership. Mandatory international tour.</td>
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<td>Rotman Onboard eight-month fellowship allows second-year students to join Toronto-based non-profit boards, acting as non-voting board members.</td>
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<td>Corporate Residency MBA combines academics with an eight-month placement. Starting Lean program lets students develop and test product ideas with customers.</td>
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<td>The only Canadian member of the Global Network for Advanced Management, giving students access to 27 business schools around the world.</td>
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<td>Two overseas campuses in Hyderabad, India, and Beijing. Students can choose to specialize in up to two of 19 different areas of study.</td>
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<td>Specializing in community economic development, students can take courses in First Nations management as well as peace-building and reconstruction.</td>
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<td>Opportunity to join the student-run Impact Investment Fund, helping to manage a portfolio of more than $400,000.</td>
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<td>Students can work toward completing the Canadian Association of Management Consultants requirements leading to the Certified Management Consultant designation.</td>
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<td>Offers three specializations: management of the growing enterprise, international business, and non-profit and charitable organizations.</td>
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<td>50</td>
<td>70/30</td>
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<td>Quebec City</td>
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<td>1,300</td>
<td>52/48</td>
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<td>80</td>
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<td>Online</td>
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<td>30</td>
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<td>Fredericton</td>
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<td>90</td>
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<td>250</td>
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<td>200</td>
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The new Asper MBA shapes exceptional leaders in professions across the spectrum. Our experiential learning model and unique, market-driven curriculum enable you to carve your own path, empower those around you and become the leader others want to follow.

TRAILBLAZERS DO.

asper-mba.ca
Exit Interview

Alex Tilley was in his early 40s when he set out to design a classy, durable hat for weekend sailors like himself. The iconic Tilley hat became a Canadian success story, and spawned the Tilley Endurables line of outdoor garments and accessories. Thirty-five years later, the hats and clothing are still made in Canada, using a painstaking production process, but the business has struggled recently. This spring, at age 77 and no longer involved in day-to-day operations, Tilley sold his beloved company to Re:Capital, a financial firm that specializes in restructurings and turnarounds.

Your early career wasn't very promising, was it?
I was struck by a car when I was 11 or 12, and I landed on my head. That may have given me my exceptionally poor memory, which might have led to my achieving an educational record: six years at university, passed just three of them. Later, I was fired by Bell Canada after one month and by the Bank of Nova Scotia after about nine months. My dad said I was too full of piss and vinegar to survive in banking.

Did you have any formal training in business?
At one point, I entered an MBA program, not knowing what the term “business administration” meant. I don’t like to administer businesses. I like to set them up. I don’t want to do the nitty-gritty. I flunked out after a year.

Yet you ran other businesses before you made the hat. How did you make a career switch?
I could do it because I worked only in the mornings in the art-rental firm I owned then. The hat was so costly to make, and I never thought it could be a business. But after selling it at boat shows for four years—at higher and higher prices—I learned that people will pay for long-lasting quality.

Looking 10 or 20 years down the road, will people still pay $80 for a hat when cheap knockoffs are available? I haven’t the faintest idea. I never think that far ahead. And the knockoffs generally don’t bother me. I’m pleased they think well enough of us to knock it off. But they never put in the quality that we do.

Is selling a business like watching a child leave home?
In a way, but you have to let children go and find themselves. It was time to leave it in good hands. But the business will always be mine. I’m its father; I gave birth to it, and I will always stand back and care for it.

What is your legacy?
On my tombstone, I’d like to have: A good man who built a better hat. /Gordon Pitts

This interview has been condensed and edited.
Popular is nice, but smarter is better

Traditional indices allow the market to dictate the weighting of a stock. But the market can be fickle, overreacting to both good and bad news.

There is a smarter way. RAFI® indices seek to limit the impact of market sentiment, weighting companies by four key business fundamentals: sales, cash flow, book value and dividends.

Speak to your advisor or visit www.powershares.ca.
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**TREND**

Battle of the wrist

Fitbit, the first superstar of wearable tech, has wowed Wall Street. But rivals are just a step behind

*Fitbit Inc., the company that straps a conscience to your wrist, is a stock that’s moving even faster than its users. Shares of the wearable technology pioneer have doubled since going public in June—raising the question of just how big a market there really is for devices that nag you to walk more and eat less.*

**The great**

Fitbit dominates the activity-tracker market. Its lineup of six gadgets, with names such as Charge and Surge, monitor key fitness indicators such as how many steps you take, stairs you climb or calories you consume. The company’s revenue almost tripled last year to $745 million (U.S.).

**The good**

Several Wall Street analysts love the concept. Analysts at Piper Jaffray compare Fitbit to consumer sensations such as GoPro and Under Armour, while their counterparts at Stifel gush over the “megatrend” of technology as health helper.

**The net-so-good**

This is one expensive stock. It trades for more than 70 times estimated earnings for 2015. The price only makes sense if you think the company’s sales will keep growing at a breakneck pace.

**The bad**

Rivals such as Jawbone, Garmin and Misfit are already well established, and the new Apple Watch doubles as a fitness tracker. Samsung, Microsoft and Google are also in the fray.

**Bottom line**

It’s unclear how Fitbit can prevent rivals from making inroads. The company may be making big strides, but put us down as a step away from convinced.
Way back in 1998, before I started working as a Bay Street stock analyst, I read a book that forever changed how I invest in high-tech companies. That book was The Gorilla Game by Geoffrey Moore, Paul Johnson and Tom Kippola. I’m still benefiting from the lessons in this forgotten classic and wonder why more investors don’t make use of its insights.

The book’s key observation, which holds true today just as much as ever, is that technology tends to be a winner-take-all game. A single company—what the book calls a gorilla—dominates most computer-related sectors. The gorilla begins by disrupting a market and then goes on to gobble up most of the sales and profits. Back when The Gorilla Game was published, Microsoft was the classic gorilla.

To uncover future Microsofts, you find an area in technological upheaval and you invest in all the companies that stand a reasonable shot of becoming that sector’s gorilla. You ideally invest during what the book calls The Tornado, a period of hypergrowth when the new technology is winning customers but it’s still not clear which company will be the long-term winner. Initially, you hold a handful of contenders. Every time it becomes clear that a company in your portfolio no longer has a shot at becoming the gorilla, you sell its stock and invest the proceeds in the remaining contenders. Eventually you wind up focused solely on the gorilla.

Right now, there’s a fascinating gorilla game playing out in streaming video. Amazon, Hulu and many others are using the technology to disrupt traditional TV. To my mind, though, Netflix is already the obvious gorilla. It will likely stay that way until new technology comes along to change the game all over again.

That brings us to one of the gorilla game’s key tenets: Hold on to your winners. Current gorillas in my portfolio include Netflix (streaming video), Google (search and video), Amazon (e-commerce) and Apple (mobile devices).

I’ll own these stocks until new technology threatens to destroy their leadership positions. This happens from time to time. BlackBerry was the gorilla of the smartphone market until Apple changed everything. The moment you’re no longer sure a company merits gorilla status, it’s time to sell. But otherwise you hang on because gorillas can thrive for years.

All that’s required to implement this strategy is an interest in technology and a working knowledge of how to value a stock. To find out more, I recommend reading The Gorilla Game. Meanwhile, ponder what new gorilla games are emerging. Virtual reality? Electric cars? Someone will dominate each area, and it’s not too early to start speculating on whom that will be.

Chris Umiastowski, a former stock analyst, writes about growth stocks for The Globe and Mail’s Strategy Lab.
The indicator

The iShares PHLX Semiconductor ETF tracks the stock prices of companies like Intel and Qualcomm that design and manufacture computer chips—the unglamorous building blocks of computers, smartphones and tablets.

**DOES IT MATTER?**
Chip sales are a leading indicator for the information technology sector because smart gadgets depend upon tiny silicon chips that endow them with intelligence. Optimism among gadget makers results in strong orders for computer chips and rising share prices for companies in the semiconductor sector. Pessimism has the opposite effect.

**WHAT IS IT TELLING US?**
The semiconductor ETF has surged over the past three years in tandem with the tech sector. But it’s been up and down over the past year, suggesting that tech investors may need to rein in their expectations for the next few months.

THE STOCK Fiserv Inc. (FISV-Nasdaq)
- Why are you bullish on Fiserv? It’s not sexy, but we don’t want companies that exhibit volatile growth patterns. Fiserv is the backbone for many banks and insurers that outsource their technology functions. It services range from account and cheque processing to electronic bill payments and mobile banking services.
- What type of growth can it generate? Excluding acquisitions, we are counting on organic growth of 5% to 6%. We expect earnings per share to rise by 10% annually over the next five years.
- What are the risks? The big one is execution. With long-term contracts, Fiserv must hit performance benchmarks or incur financial penalties. Also, its stock is not cheap and trades at the upper band of its historical valuation.
- What about rivals? Costs are high for financial institutions to switch IT providers, so competition is about who can get the customers first. But with more than 14,500 clients globally, Fiserv is the absolute leader.

MARK LIN

A stock to bank on
Mark Lin is counting on Fiserv to deliver growth for years to come

BY SHIRLEY WON
If you want to gauge the extent of today’s passion for technology investing, just start counting unicorns. Two years ago, when venture capitalist Aileen Lee first used the mythical beast as a synonym for high-flying young tech companies valued at $1 billion (U.S.) or more, she did so to stress the rarity of big success stories in the sector. She could count only 39 enterprises started up over the previous decade that had broken the 10-figure barrier.

By contrast, today’s unicorns roam in packs. There are at least 122 of them, according to research firm CB Insights, and that’s using a definition that restricts the term only to companies that are still private. Among the current unicorns are powerhouses such as Uber, Snapchat and Airbnb that already dominate their niches.

It’s easy to understand why ordinary investors are salivating at the prospect of grabbing a piece of such companies when they decide to go public—probably over the next year or two. Past unicorns like Facebook and Google produced huge profits for those who bought them soon after their initial public offerings. Among the herd of unicorns now on the cusp of entering the public market, there’s sure to be at least a couple of similar success stories.

The problem is figuring out which ones they might be. Some recent high-profile
much to get in. "Whoever buys these IPOs at 100 times earnings and holds for the long run, they’re asking for big trouble," Mendel says.

LOOK FOR MOATS
As important as they are, earnings alone can be deceptive. You should also search for companies that have sustainable business advantages—moats—that can repel future competition. "It’s hard to see five Airbnbs," Liston says. "And it looks like Uber is going to be dominant for years to come.”

But not every unicorn is so well-positioned. Consider Veeva Systems Inc., which went public in October, 2013, with great fanfare. The company, which provides cloud-based software to the biopharmaceutical industry, twice raised its IPO price and began trading with a $2.4-billion (U.S.) market value. A week later, it was worth $5.4 billion.

"They were in a sexy sector," says Jerome Hass, portfolio manager at hedge fund Lightwater Partners in Toronto. "And it was due to be one of the cloud companies that actually had profit.”

Those who looked closer, like Hass, spotted problems—notably, the lack of any moat around the company’s business. Veeva’s product was simply a customization of Salesforce.com’s cloud-based infrastructure. Within months of the IPO, Salesforce itself announced plans to enter the same market. Veeva’s stock swooned, falling from over $40 (U.S.) in October to $18.23 in May. It has since bounced back to the $28 range, but Hass is maintaining a short position on the stock. "We still think their business model is vulnerable," he says. "It’s not going to end well for Veeva.”

 unicorns, like Twitter and Box, are now encountering problems, and the current profusion of unicorns is raising fears that investors are becoming less discriminating in their hunt for big paydays. Earlier this year, well-known tech investor Bill Gurley spoke of a “complete absence of fear” in Silicon Valley, leading him to foresee some “dead unicorns.” Around the same time, Michael Moritz, chairman of venture capitalist Sequoia Capital, acknowledged “there are a considerable number of unicorns that will become extinct.”

Investors wading into the hype need to approach unicorns with caution. Here are three tips that can help:

PATIENCE PAYS
In the fever to buy into a unicorn’s initial public offering, it’s easy to forget many hot companies stumble in the early going. Facebook plunged in value a few months after its IPO, before staggering to a spectacular recovery. GoPro’s share price has also been all over the map since it went public last year.

"An IPO is almost the height of maximum hype," says Tom Liston, executive vice-president at Difference Capital. "Expectations are sky-high, and it’s impossible to meet that. The general advice would be to wait. Most of the time, you can buy these stocks six or nine months later at better valuations.”

INSIST ON PROFITS
Thankfully, today’s enthusiasm for technology names still falls short of the euphoria that surrounded the dot-com bubble in the late 1990s. Still, some observers see disturbing parallels. Just as investors in the 1990s were willing to pour money into companies that had yet to produce profits, many of today’s unicorn fans are willing to overlook the absence of earnings.

Twitter is one example of a profitless former unicorn. Another is Canada’s own Shopify, which went public in May at a valuation of about $1 billion despite the company’s own warning that “we have a history of losses and we may be unable to achieve profitability.”

One simple way to focus your investing is to consider only unicorns that already have profits, says Robert Mendel, a director and portfolio manager at Richardson GMP. “The ones that will survive down the road are the ones that have earnings.”

Even better, of course, are situations where those profits come at a reasonable price. No matter how sizzling a company’s growth prospects may look, it’s pretty hard to make money if you have paid too much to get in. “Whoever buys these IPOs at 100 times earnings and holds for the long run, they’re asking for big trouble,” Mendel says.

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WANT TO BUY A UNICORN?
There’s no telling exactly when today’s most-followed unicorns will go public, but private investors are already putting eye-popping valuations on them.

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$459 BILLION (U.S.) TOTAL CUMULATIVE VALUATION

122 NUMBER OF UNICORNS WORLDWIDE

SEPTEMBER 2015 | GLOBE INVESTOR 5
Money from outer space
UrtheCast is a high-risk bet on the appeal of satellite images

By Jennifer Dowty

UrtheCast (UR-TSX) is going beyond the Earth’s limits in search of business.

The four-and-a-half-year-old business surveys the globe from two cameras aboard the Russian module of the International Space Station. While it has yet to turn a profit from the images it generates, it is finally generating revenue. It took in $3.9 million in 2014, and analysts say it can increase that to $31 million this year.

For investors who can stomach risk, the small-cap stock may hold appeal as a long-term bet on the potential of satellite imaging. Over the next five years, the company plans to begin launching 16 satellites and install two additional sensors on the space station, as it seeks to expand its array of services.

The biggest current customers for so-called Earth observation services tend to be governments, which use satellite images for everything from monitoring the health of forests and gauging the extent of natural disasters to tracking climate change and keeping tabs on other nations’ armies and navies. However, there are also emerging markets for satellite imagery in the private sector. Energy and agricultural businesses, as well as financial firms, are finding it useful to take a high-level view of the Earth’s surface, especially with the remarkably fine resolution that is now possible. For instance, one of the videos on UrtheCast’s website shows how satellite images can track the flow of shipping containers around Barcelona’s port area.

Next year will be pivotal for the company as analysts expect it to report its first earnings—a profit of 18 cents a share. The company recently raised just under $100 million from investors, giving it the financial capacity to pursue its growth plans.

For now, though, putting a price on UrtheCast is quite subjective. All six analysts who cover the stock rate it a “buy” but with
GoPro Inc., maker of the tiny action cameras beloved by daredevils everywhere, has a penchant for drama. The company went public in June, 2014, at $24 (U.S.) a share. By October, its share price had quadrupled—then promptly went into a tailspin that wiped out more than half the gains.

GoPro faithful regard the company as a potential juggernaut with a dominant brand. Its detractors see a maker of small camcorders with a huge and unwarranted market capitalization. We asked two observers to lay out the bull and bear cases.

GoPro takes things to extremes. So does its stock one-year target prices that range from $6 a share to $9.60. At press time, it was trading around $3.17 a share, but it has fluctuated wildly over the past year, trading as low as 98 cents and as high as $4.99.

One encouraging sign is that management has a sizable position in the stock, an indication that their interests are aligned with shareholders. Tye Burt, the former CEO of Kinross Gold who serves as chair of the UrtheCast board, purchased 23,000 shares in June at $4.31 a share. The hope is that UrtheCast can follow in the footsteps of DigitalGlobe, which also sells satellite images. It trades on the New York Stock Exchange and is profitable, with revenues in 2014 of $655 million (U.S.).

Given the long time it will take UrtheCast to ramp up, investors don’t have to be in any rush to buy the stock. However, anyone with an interest in space technology should keep a close eye on the company—a job made more pleasurable by the many arresting images on its website.

Jennifer Dowty, CFA, is an equities analyst and reporter for The Globe and Mail.

White-knuckle ride
GoPro takes things to extremes. So does its stock

BY TIM SHUFELT

MICHAEL PACTHER
Managing director of equity research, Wedbush Securities

The euphoria surrounding the company’s IPO was driven in part by hopes that GoPro could find ways to turn the content produced on its devices into cash. That was a mistake, Pachter says. While GoPro videos posted to social media amount to great brand support and free advertising, the company’s future rests on selling cameras—and that niche is big and lucrative enough, in Pachter’s opinion, to keep the business going for a long time.

“Like Kleenex,” the GoPro camera has become synonymous with an entire class of products, he says. “I think it’s a brand that’s here to stay. Others will compete, but I don’t think they have the same brand cachet.”

Enough customers are willing to pay for GoPro’s quality to drive a doubling or even tripling of sales over the next few years, he says. “The incremental revenue throws off a ridiculous amount of earnings.”

ANDREW UERKWITZ
Managing director and senior analyst covering emerging services and technology, Oppenheimer & Co.

There’s no doubt that GoPro makes a great camera and dominates its market, Uerkwitz says. Still, he’s not sold on the demand for GoPro’s core product. “We didn’t think the camera opportunity was ever going to be that big.”

The number of people who want high-quality surfing and skiing videos is limited, and the average consumer has little need for a recording device beyond a smartphone, he says. “Everybody already has a camera in their pocket that’s really good. And the ability to share that is very easy, and it’s only getting easier.”

The company’s sales growth will decline after peaking as early as next year, Uerkwitz predicts. But while he’s skeptical about the potential of the company’s cameras business, he raised his outlook on the stock to neutral after GoPro announced plans to enter the drone and virtual-reality businesses. “That could become material pretty quickly.”

Jennifer Dowty, CFA, is an equities analyst and reporter for The Globe and Mail.
The help-wanted ad for Twitter Inc.’s new CEO might have to run longer than 140 characters. Simply listing the company’s main problems eats up a considerable amount of space: Since its peak in 2013, its share price has been cut in half. It continues to bleed money while its debt has soared to $1.6 billion (U.S.).

Given that litany of woe, it wasn’t a total shock when Dick Costolo, who served as CEO for five years, announced in June that he was stepping down from the top job. But investors who are hoping that new leadership will reinvigorate the stock may want to wait and see how this boardroom drama plays out before putting any more money into the company.

Costolo will continue to sit on the board while an executive search takes place, and is being replaced, for now, by an interim CEO, Jack Dorsey, who already has a day job as chief of mobile-payments company Square. The “sloppy and confusing” transition, in the words of venture capitalist Chris Sacca, appears to signal that the board is impatient for change. And so it should be: Twitter lost $539 million (U.S.) in 2014 and fell short of expectations for first-quarter revenue.

But exactly what changes are required to put some bounce back into Twitter’s stock? That’s where things get tricky.

For starters, the company needs a leader who can artfully guide Wall Street’s expectations back down to earth. In its current shape, the platform seems unlikely to ever attain the size of some social media rivals. Its 302 million monthly active users are only a fraction of Facebook’s 1.4 billion, and the growth rate of its user base has slowed to around 18% a year.

The company also needs someone who can bring costs in line with revenue. While sales have been more or less doubling each year, Twitter has yet to turn a profit. The logical way to do so is by selling even more advertising, but the question is how it can do so in a manner that doesn’t chase away users.

Dorsey, the interim CEO, insists the company is not shifting its strategy. So long as Twitter builds a platform that users love, advertisers will follow, he says. He has not yet specified, however, how the platform can please one group without elbowing the other in the ribs.

Most analysts now regard Twitter as a “hold,” but a significant minority still believes in its prospects. The venture capitalist Sacca, an early investor in Twitter, remains a shareholder and has blogged about his conviction that the company can thrive if it fine-tunes its product, perhaps by segmenting content into channels that could cater to different interests.

If that doesn’t work, another strategy would be to sell the company. Sacca thinks Twitter would make a great acquisition for Google or Microsoft. If so, Twitter’s next CEO may be its last.

CEO Dick Costolo’s “sloppy and confusing” departure underlines why investors are unfollowing Twitter

By Clare O’Hara

One character too many

PHOTOGRAPH RICHARD PERRY/NYT; ILLUSTRATIONS LEEANDRA CIANCI
It’s too generic.”

Mr. Newman says the better way to approach diversification is to look less at product types – funds vs. ETFs vs. individual stocks and bonds – and more at how different classes of assets behave when the economy changes, interest rates fluctuate and inflation rises.

For example, adding high-yield bonds to a portfolio that is largely made up of stocks does not really diversify the portfolio “because the return patterns are going to be very much the same,” Mr. Newman explains. “You’re not getting a lot of true diversification benefits. You’re getting bonds that are going to behave like stocks.”

In Mr. Newman’s view, diversification “needs to go deeper.” To achieve real diversification, investors and their advisors can perform a simple test: “Look at what goes up when stocks go down.”

Don’t worry about those times when stocks “are just having a bad day,” he says. Focus instead on those times when a significant market correction is underway.

Safe-haven, government-type bonds tend to be an asset class that goes up when stocks go down,” says Mr. Newman. “They tend to complement the movements of the stock market.”

Commodities are another asset class that can provide diversity to a portfolio, with the benefit of protecting an investor against the risk of inflation. “Mind you, they’re not a homogeneous group,” he notes. “Agricultural commodity prices move at different times than industrial metals or energy, but if we lump them all into a homogeneous group, they can function as a diversifying element to stocks and bonds.”

Commodities are a good example of an asset class where ETFs can come in handy, Mr. Newman adds. Rather than buying your own pork belly futures or three-month liquid natural gas contracts, “You can use [ETFs] to gain access to some asset classes that previously were extremely difficult for retail investors to invest in,” he says.

In some cases, an ETF can be a helpful tool to diversify a portfolio; in other situations it can make just as much sense to purchase an actively managed mutual fund. “Investors should ask themselves a few simple questions about their own diversification strategy,” says Mr. Newman.

“Do more positions in your portfolio really equal diversification? Do the things you own actually benefit the portfolio? The idea that the more positions in a portfolio, the better off you are – I don’t know if I share that view. It’s too generic.”

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