A Word of Benchmarks

Comparing portfolio returns to a benchmark can be a useful exercise for monitoring the efficacy of an investment style. It is imperative, however, that an appropriate benchmark be referenced. Often investors erroneously compare their personal returns with an individual company stock or a broadly referenced stock index like the S&P 500 or the TSX 60, when in fact only a limited portion of their savings should be allocated to the capital risk and volatility of corporate stocks and bonds.

A large exposure to violent capital swings is generally undesirable and dangerous to financial health and stability—especially the older one becomes, the more of our life savings we have
already amassed, and the less lifetime we have left to make back losses. It is also particularly dangerous during the increased volatility of secular bear environments where price risk is very high, loss cycles steep and dividend yields unusually low.

An alternate investment method is known as an 'absolute return' approach where one does not design portfolios to track with the ups and downs of equity markets, but rather to protect capital from losses and garner positive compound returns through full market cycles. This 'absolute return' approach is designed to be a very different experience than the conventional long always method and is the approach we follow at Venable Park.