

Quarterly Update

For the quarter ending March 2025, the portfolio returned 0.98%, compared to the benchmark, S&P 500 (VFW), which returned -4.24%:

Date	Portfolio ¹	VFW ²	Relative
Q3 2024	5.22%	4.56%	0.66%
Q4 2024	7.95%	8.81%	(0.86%)
Q1 2025	0.98%	(4.24)%	5.22%

The portfolio holdings as of the market close on March 31, 2025, are as follows:

#	Symbol	Cost/Share ³	Market Price	Return	% of Portfolio
1	BRK.B	\$419.93	\$532.58	26.83%	23.17%
2	AMZN	\$199.37	\$190.26	(4.57)%	11.04%
3	AAPL	\$170.30	\$222.13	30.44%	4.83%
4	GOOGL	\$143.52	\$154.64	7.74%	8.97%
5	CSU	\$3641.80	\$4557.37	25.14%	11.43%
6	BABA	\$142.43	\$132.23	(7.49)%	5.28%
7	CEG	\$283.33	\$201.63	(28.83)%	7.31%
8	Tr Bill / Cash	\$-	\$-	-%	27.97%
					100%

¹ Portfolio returns are money-weighted and net of fees, including exchange and trading costs. It also accounts for currency fluctuations.
² VFW returns are sourced from the official Vanguard website: <https://www.vanguard.ca/en/product/etf/equity/9563/vanguard-sp-500-index-etf>.
³ Per-share costs are calculated on a net basis.

Review

The portfolio outperformed the S&P 500 (VFV) by a meaningful margin last quarter, driven by three main factors. First, the large position in Berkshire Hathaway demonstrated resilience during the market downturn, supported by the company's substantial cash reserves accumulated in recent years. Second, as political pressures in Mainland China began to ease, the portfolio has benefitted from the meaningful gains in Alibaba. Lastly, the decision in November to allocate approximately 30% of the portfolio to cash helped reduce market exposure and limited the overall decline in portfolio value.

Cash Deployment

The current strategy for the portfolio's cash reserve involves dollar-cost averaging into S&P 500 (VFV). The portfolio previously exited its VFV position at approximately \$130, having entered at around \$105 a year prior, with the capital redeployed into Constellation Software. While Constellation Software has since generated an above-market return, the decision to fully liquidate the VFV holding could be viewed, in retrospect, as less than optimal. The initial VFV allocation provided a degree of insulation against individual company-specific risks. Given the portfolio's 5–15 year investment horizon, a complete absence of S&P 500 exposure elevates the overall risk profile, without a necessarily commensurate increase in expected returns.

Re-entering VFV proved difficult, as its valuation, reflected in a consistently high P/E of >25, offered little reassurance. Now, a year later, the same price level is available in the market. While attempting to time the market is generally considered an exercise with a probabilistic outcome akin to predicting wind direction, there is little fundamental reason to believe that the underlying constituents of VFV have not experienced a collective growth of 3–10% over the preceding year and are likely to continue compounding at their historical rate. Assuming this premise holds, the recent market decline offers an opportunity for investors with a long-term view to initiate or add to a broad market index position at a more reasonable valuation than was prevalent in the preceding months.

The portfolio's objective can be boiled down to outperforming the VFV by 1–5% annually. While the benchmark for success could theoretically be adjusted by redefining risk beyond mere monetary loss, and rationalizing periods of underperformance by assessing risk-adjusted (for which is different from loss of capital) returns relative to the VFV, such an approach simply seems a waste of time for a long-term investor. The risk-adjusted return can hold some validity in the short term, where the precise timing of capital withdrawal can influence relative outcomes, however, over the long term, absolute and relative performance remains the ultimate determinant of success.

Alongside the VFV, cash reserves will be deployed to initiate one or two new positions and to increase existing allocations in companies considered to be more attractively valued relative to the portfolio's overall holdings.

Howard Marks in his memo *Nobody Knows*:

Nobody knows the real significance of the recent events in the financial world, or what the future holds

Amazon

Amazon, unlike Alibaba which resides in a highly competitive Chinese retail landscape, has a dominant position in the U.S. and Canadian e-commerce markets. Making Amazon positioned in a far less contested environment—effectively making it a castle with a stronger moat due to its geography and societal structure.

Beyond its core retail operations, Amazon's continued expansion into cloud computing through Amazon Web Services, combined with ongoing investments in proprietary data centers and in-house chip development, supports a strong outlook for future cash generation and further strengthens my conviction in Amazon's long-term economic prospects. At this time, I see no credible threats to Amazon's core economic characteristics and believe the company is well-positioned to continue expanding from here.

Constellation Energy

Constellation Energy owns and operates 21 nuclear reactors at 12 facilities, making them the largest U.S. operator of nuclear power plants.

The core investment thesis for Constellation Energy is on the conviction that the energy usage per unit of digital information will increase dramatically with the widespread adoption of large language models, as well as other AI models for image and video generation, and various forms of digital content.

As the locus of content generation shifts from human cognition to sophisticated computational systems, the complex biological process of converting food into thought is replaced by the demand for electricity to power these mathematical models. It is reasonable to anticipate an ever-increasing reliance on these "second brains" – AI systems – to augment human productivity by automating routine cognitive tasks. This fundamental shift requires an increase in electricity consumption, particularly to power the data centers that underpin these AI applications. While the electrification of transportation and other infrastructure sectors will also contribute to increased electricity demand, the energy requirements of the burgeoning AI industry represent a particularly compelling growth driver.

Nuclear energy is uniquely positioned to play a crucial role in meeting this escalating demand due to its cost-effectiveness relative to other alternatives. While acknowledging the importance of wind and solar energy in the transition to a renewable energy economy, their inherent intermittency and lower efficiency compared to nuclear power make it unlikely that they can fully displace traditional baseload power sources in the near to medium term.

While the initial acquisition of Constellation Energy was made at a slightly elevated multiple, the conviction towards the investment thesis remains strong. A major downside risk is the potentially prolonged underinvestment in nuclear energy infrastructure. However, given the increasing recognition of nuclear power's role in a clean and reliable energy future, the likelihood of this scenario materializing seems low.

Google

Google is the preeminent advertising company. Its business model, mainly Search and YouTube ads, could face disruption if a better advertising method emerges.

The rise of AI has sparked concerns that Search might be replaced by tailored AI agents or community platforms like Reddit. It was recently found that many Search users often add "Reddit" to their queries to see what has been already answered by others. This was seen as a signal that a shift in information seeking has begun. However, for businesses wanting to advertise, these AI agents and communities offer limited visibility. Therefore, Google's core advertising revenue stream is likely to remain strong unless a better advertising model can be developed. Even then, Google's vast resources and distribution power could enable it to quickly adapt and develop competitive solutions.

Recent stock depreciation, possibly due to these concerns, appears to overstate the near-term economic risks Google faces.

Next Investing Hero

Discovering exceptional minds with diverse interests and, importantly, strong ethics is a true joy of value investing. For roughly the past three decades, Warren Buffett and Charlie Munger have been leading figures in the investment world. They have shown that operating with integrity in a capitalistic society not only aligns with values of living a good life but also leads to financial success.

With Mr. Munger's recent passing and Mr. Buffett's eventual departure, the question arises: who will succeed these two iconic investors? Who will have the courage to challenge conventional accounting and regulatory practices while maintaining the highest character in business dealings and beyond?

Perhaps a direct replacement isn't even necessary. In sports, new stars emerge every few seasons after legends retire. Consider Jordan, Kobe, and LeBron in the NBA, or Pelé, Maradona, and Messi in soccer. The successor in the investment world might emerge from within Berkshire Hathaway, possibly Greg Abel, Ajit Jain, Todd Combs, or Ted Weschler. However, this individual could certainly come from a different 'team'.

Identifying this potential successor could even be itself a sound investment thesis. A virtuous management with strong capital allocation skills emulating Berkshire Hathaway and its owner's principles, starting from a smaller capital base is ought to be a cash generating machine. I am eager to see who the world, or I, will discover.