



mutual gains

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FROM TULIPS TO AI

The Dutch 'tulip mania' of the 1630's is one of the 1st recorded speculative bubbles, and there have been many investment bubbles since then. They've been different in form but the cycle and mentality behind them has been the same. Why? The wiring of the human brain hasn't changed.

The cycle follows a recurring pattern. In more modern times, a new technology replaces or displaces what existed before (e.g. trains replacing horse drawn wagons) . Expectations of huge future benefits attracts vast and growing amounts of investment capital. With such easy money sloshing around, the criteria for investment gets loose and very sloppy; the money being spent doesn't warrant the pay off. Cracks form and eventually everything falls apart.

Today the comparison is today's AI boom versus the internet boom (and subsequent bust) of the late 90's. There are some striking similarities.

In 1999, investors believed the internet would transform

the world. They were right. The internet changed how we shop, communicate, and work. Investors became so excited about the potential that they poured massive amounts of money into almost anything connected to the internet, pushing the price paid for shares of these companies, far beyond what their current and future profits justified.

Something similar is happening with AI today. Companies are spending enormous amounts of money on AI infrastructure (data centers, computer chips, electricity generation and cooling). The belief is that AI will dramatically improve productivity and create new business opportunities. That belief has driven technology stock prices sharply higher (see 2 charts on the next page who were part of the internet boom and bust 26 years ago and are showing the same euphoria very recently).

Just as internet companies built huge amounts of fiber-optic infrastructure during the dot-com era, today's companies are building AI infrastructure at a massive scale. The risk is that share prices (company valuations) are growing faster than the actual timeline of the benefits. This is one of the biggest lessons from 1999 (and the many before): A revolutionary technology can be real and valuable, but it may take many years for the benefits to be realized.

After the dot-com bubble burst, many internet companies disappeared and stock prices collapsed. However, the internet itself continued to grow (along

WE WILL LISTEN CAREFULLY
TO WHAT YOU ARE SAYING
AND BE ATTENTIVE TO YOUR DESIRES
AS WELL AS YOUR FEARS
SO TOGETHER WE CAN BUILD
AND ENJOY
A HARMONIOUS
AND RESPONSIVE RELATIONSHIP
IN ATTAINING YOUR LIFE'S DREAMS
AND THROUGH THAT
WE WILL BE ATTAINING OURS.

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with the surviving companies). The infrastructure built during that period became the foundation of today's digital economy.

The same outcome could happen with AI. The technology may continue changing the world, but some companies may fail and some stock prices may fall if expected profits do not arrive quickly enough. It has happened every time before. But is this time different?

There are several warning signs that resemble the late 1990s:

- A small number of technology companies account for a large share of stock market gains.
- Companies are investing huge amounts of money before knowing exactly how they will earn enough profit to justify those investments.
- Private market valuations have reached extremely high levels (companies that are attracting investment dollars outside of the public markets).
- Investor enthusiasm is stronger than the underlying financial (business operation) results.

It isn't a question whether or not AI is useful. Most evidence suggests it is. The key question is whether today's expectations and valuations are too high.

The most important lesson from the dot-com bubble is that the technology won, but billions of dollars of investors money was lost along the way. AI could follow a similar path. I believe the technology will succeed and transform the world. Our investment teams are seeing it and taking advantage of it.

Unfortunately, many people won't learn from the financial losses that so many experienced (and of which there is so much evidence for) from 26 years ago. It took many big (and perceived safe-bets) companies, 20–25 years just to see their share prices get back to even. The chart in the top right corner is 1 of many examples I could show you. If you bought shares in the late 90's, you would get back to break-even just 12–24 months ago. Most people sold a long time ago and ended up with a significant loss.



Here's another example (left):

We will never put our client's money at risk like that. Looking wrong in the short term is the price paid for being right in the long term. After almost 40 years as a Financial Advisor, overseeing client portfolios, I've seen and experienced too much history to repeat the mistakes that so many have and will continue to make.



WHAT IS 'RESPONSIBLE' INVESTING?

When I started as a Financial Advisor in 1987, there was 1 'ethical' investment product available that you could invest in. This was promoted by 1 credit union in particular. There were also a handful of specific mandates like it, some of which were from faith based entities. The point of these was to align one's portfolio with one's personal beliefs.

The label that has since replaced it is 'Responsible' Investing. This 'responsible' lens however permeates across the entire investment industry, and it is done on a much more multi-faceted basis through what is called ESG (Environmental, Social & Governance). Through this multi-screening process, a critical eye is placed on a company's Environmental practices as well as Social and Governance principles. ESG is, much more nuanced and in my view, much more thoughtful. Case in point. Years ago, many investors would have avoided 100% of fossil fuel producers for environmental reasons. The book "Ethical Oil", which I read about 15 years ago, pointed out how a narrow view like that can actually hurt good companies in the field and actually benefit, bad companies in other countries (and their laissez-faire governmental standards). Since then, the ESG screens have brought a more level headed approach. In the case of the energy industry, it recognizes that a stable energy supply, provided by companies who are held to a high standard, is essential and can be considered for investment.

Tesla was another example, catapulting EV's into the mainstream. A win for environment. However, political views and actions of Elon Musk made Tesla a hot potato. So much so that it became a question of, do I go with the environment or make it about Tesla's largest shareholder, who, as an unelected person seemed to be making governmental decisions? Another tension point, especially for Canadians is, how can I be invested in US based companies, particularly those whose leadership supports a Republican government that has floated visions of taking over another country?

Then there are companies in the weapons business. Nobody wants to profit off war; however, today Canada and much of Europe is upping their defense spending. What was deemed immoral several years ago is now seen as necessary. The difference is reality between ideology vs pragmatism. To which side do you cast your vote and thus your investment decisions?

Today, virtually all reputable investment management firms have ESG screens in place. The firm that we use for managing the majority of our clients has a very pragmatic and thoughtful set of criteria. Every company they consider for investment goes through the ESG lens. Often, as of late, we (collectively me, our clients, and virtually 100% of their 'partners' / staff's investment dollars) are 1 of the largest shareholders in many of the companies that they choose to invest in. This gives us lots of influence in the companies the investment manage-

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ment team decides to invest in, on our behalf.

PS. I can't help feel that the terms 'ethical' and 'responsible' have an air of arrogance to them. 'Look at me, I'm investing ethically / responsibly. You should too'. Anything not labelled as such is by default, unethical or irresponsible? The criteria for making that judgement are based on specific parameters that are subjective; it comes down to what you personally believe is important to do (or not do). Simply put, 'responsible' is in the eye of the individual. I think it should be called "Conviction" or "Conscience" Investing.

NURTURING KIDS TO BE GOOD MONEY MANAGERS

'Train your kids in the ways they should go, and when they are old, they will not depart from it.' Here are some practical ways to have your kids really understand money so handling it will become very natural, with more good decisions made than bad:

- Have them go through your credit card statement—Give them your credit card statement and have them go through the list of charges to make sure everything is correct, giving them permission to ask you questions on anything on there.
- Give them cash weekly so they have to manage their spending (eg. Clothing, activities, etc.). You just have to bite your tongue and let them feel the pain of mismanaging by not adding more money if they find they didn't account for (or leave enough) for a future expense. Discomfort, pain and even embarrassment can be great teachers.
- Allocate cash in separate envelopes for their various needs. Let them have complete reign over the choices they make with each.
- If they have a lemonade stand, loan them the money to buy the ingredients from you. Have them pay back the loan with their sales so they understand profit, loss and profit margins. If they lose money, yes they'll have to pay you back.
- Have them think creatively on how they can earn money by doing what others may not want to do. E.g. Lawn cutting, moving garbage / recycling bins to the street for several neighbours weekly. How about the tried and true paper route? There is no shortage of those.
- When your child is old enough to manage a bank account, put in a month's worth of the expenses you cover for them and have them pay for it out of that bank account.

Of course, every personality and natural ability is different. However, being skillful with money is something everyone needs. Find what works through trial and error, but be patient. Give it enough time for the learning to take root.

WHEN & WHEN NOT TO GET PET INSURANCE

I've always advised that insurance is only needed to cover a catastrophic loss. For insurances that cover relatively small costs, most people will pay more for the insurance than the money they would receive from the insurance company. Pet insurance is one of those.

Most people who get pet insurance will end up being paid out on their pet insurance. Therefore, the insurance simply becomes a savings vehicle to cover your pet costs when you have to pay them. Of course the insurance company needs to make money on being the middle-man, so they add the costs to administer this insurance where virtually everyone is tapping into every year or 2.

I did say insurance should only be purchased to cover catastrophic losses. For a lot of people a \$10,000 pet bill would sink them (although I'd say, you can't afford a pet then). However, disregarding what some may view as a heartless opinion, pet insurance (like so many other insurances like it, e.g. dental), have ceilings on what you can claim. This is often about \$3,000/year. The insurance company does this to keep the monthly premiums low. You get what you pay for, of course. If you were faced with a \$10K vet bill, you'd still be on the hook for \$7,000. In this case, you are probably better off saving for an inevitable future vet bill, monthly. This is called 'self insuring'.

If you absolutely have to cover what would be a catastrophic loss for you, you'd want something with a high maximum payout (e.g. \$10K) and a high deductible (e.g. \$2K – what you would pay out of your own cash). This would keep your monthly premiums as low as possible and you'd be using the insurance in the best possible way, covering a potential catastrophic loss.

THE RISKS OF CO-SIGNING ON A MORTGAGE

Many adult children have done all they can to set themselves up for buying a home, yet their income may be quite modest, which limits their ability to buy even the cheapest home they could possibly buy. In this case, all that may be needed to secure a mortgage on the property is a co-signer; you as the parent (who have hopefully built up a solid financial base), are the natural one to make it happen.

When you sign on to back stop the loan to lessen the bank's risk, you are the assurance that, as long as the loan is outstanding at the bank, they can demand you make good on the debt. You are who the bank comes to for payment of the debt should anything go south with it over the next 25+ years. This could include your adult child missing, or even stopping payments on the mortgage all together.

Furthermore, despite you guaranteeing that the mortgage gets paid in a timely manner, you don't own the property. You have no ownership whatsoever and you wouldn't want it because that would make an eventual gain on the sale of the property, taxable to you. So in this case, you have the liability but have no control of the asset. Also, any negative issues on the mortgage degrade your own credit rating.

You may start out thinking, my child is responsible, they'll make the payments. However, over the potential 25+ years you could be on the hook for the debt, there are so many things that might put that in jeopardy. Your adult child may face a 'between a rock and a hard place' situation. Loss of a job, marital breakdown, death or illness of a spouse, etc. Want more insight on this topic? I'm open for discussion with

you on it. Email jen@ipcsecurities.com and she'll set it up (including other things you want to discuss).

LIFE GEMS- PROJECT529 (STOLEN BIKE RECOVERY)

Good bikes are expensive and e-bikes, more so. This makes a way to recover (and potentially deter) the theft of your bike more important than ever. Project529.com is a portal where you can register your bike for free; they include your details in a database that even local police (Surrey Police in my case) scan routinely to check serial numbers of recovered bikes. Since most people don't record their bike's serial number, this provides a useful tool for you to get your bike back should it be stolen. Also, if anyone questions you about your bike's ownership, you can show them it is yours through the portal.

HHHMMM...

- September has historically been the weakest month for equities: Since 1950, the S&P 500 has posted an average negative return in September, making it the only month of the calendar year with a consistently negative average return over the long term. September has finished in the red more often than not. #PayNoHeed

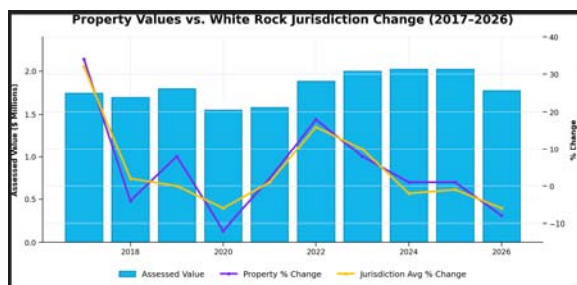
- Shares of companies with headquarters in an emerging market are the cheapest they have been in over 20 years when compared to US companies (S&P 500); in fact they are less than 1/2 the price. The discount has been created because of the hyper focus on US companies connected to the AI story and the shunning of companies that aren't part of it. #BuyWhat'sQuiet

- The \$'s borrowed so far this year through bond offerings for AI related spending is massive. \$445 Billion in total. #DebtCanWreakHavoc

- Ford Motor Co. is getting into energy storage through building batteries. There are investing \$2 Billion for this, converting a factory in Kentucky for making batteries for EV's and producing large energy cells for the storage business (battery bank grids). #DiversifyingABusiness

- In 2025, travel and tourism was one of the world's fastest growing economic sectors. Trips to Europe by Americans increased from ~17.5 million annually in 2019 to 24 million in 2025. In 2002 only 22% of Americans had a passport. Today it is ~55%. #HowTheOther1/2Lives

- In July I noticed a home for sale in #WhiteRockBC that had a great view. It seemed quite reasonably priced and move in ready. It was personally tempting to buy and move into. I checked the tax assessed value history and the price of this home. It was about the same price it was 10 years ago. A random search of a handful of others shows that prices had gone up by ~25% in that time (=2.26%/yr, about the rate of inflation). #WideRangeOfOutcomes



- Despite so much focus being put on the rising cost of groceries, housing (rent and mortgage payments, etc.), the cost burden of taxes is often not even talked about. Yet, in 2025, the average Canadian family spent a larger share of its income on taxes (41.9%) than on total basic necessities (36.0%). #TaxesAreRisingFaster?

- The Social Security Trust fund(a key pillar in retirement and disability income funding for Americans) is expected to be depleted by the end of 2032. This is primarily because of the aging work force (fewer workers contributing, and more retirees receiving it). Canada's system is very different. CPP is fully funded and continues to grow. OAS is

paid out of government revenues. #DifferentApproaches

- Canada has over 40 million people and 432 MRI machines. The US state of Pennsylvania has just over 10 million people and 507 MRI units. In fact, we have fewer MRI's per million people than Slovakia has. Japan, the USA, Germany, Italy and Norway have over 3 times the number of MRI machines / million people. #WeCanDoBetter

- Being a private chef, doing meal prep for busy families is a growing industry. It's a combination of the passion for cooking and the creativity of it while at the same time earning a healthy income and being self-employed. A typical family pays \$3,500 to \$4,000 / month, which includes the cost of groceries. The billing rate as a private chef is \$95 to \$150/hour. #BeYourOwnBoss

- If you think crime is bad in Vancouver, according to StatsCan it has a CSI (Crime Severity Index) significantly lower than the top 2 in Canada. Chilliwack has the highest crime rates by far, 2 years running (2024 & 2025). Kamloops is #2. #SmallCityBigCrime

- Of the 400 million children in India, possibly up to 35 million are orphans. 11 million are abandoned (90% are girls). 3 million live on the streets. Some families sell children into slavery to pay off family debts. 2/3rd of all children suffer physical abuse, and half suffer some kind of sexual harassment or abuse. Over 1 million end up in prostitution (mostly Nepalis and Bangladeshis). Society prefers male children, so some families abort, abandon, or even kill girl babies. The female population today lacks 35 million girls when compared with the male population. Women have lower rates of literacy and education, and domestic abuse is a widespread problem. #ValueOfHumans

- My mom & dad took our family (5 of us in total) on a trip to the Netherlands in 1970. The cost of a return, non-stop flight from Vancouver was \$300/person, paid for by a 1 income family. That is ~\$2,600/person in today's dollars (x5=\$13K just of the flights) . Their mortgage on their home was secured in 1966 for 6.75%, fixed for 25 years, which up until the early 2000's was considered a screaming deal. #Perspective

Comparing inflation today with the 1970s

