

Cumberland Private Wealth Management

Against the grain



Peter Jackson, CIO, with Gerry Connor, CEO.

Cumberland Private Wealth Management has consistently outpaced the market over the past decade-plus, but not by following the herd.

The Toronto-based firm, which manages about \$2 billion for wealthy individuals and families, owes its success to following time-tested principles of investing – especially when those principles have felt counterintuitive.

“We can help you be a good investor,” says Gerry Connor, Founder, Chairman and CEO of Cumberland. “Our investing style will sometimes be contrary to your instincts, but if you will trust us to do what’s in your best interests, we will show you that we can make money for you.”

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What goes up...

Connor has been through more than four decades’ worth of stock market ups and downs. He witnessed the 1974 recession from Wall Street and steered his way confidently through the market crash of 1987, the 2000 tech collapse and the financial crisis of 2008.

His secret: understanding when the market is reaching its cyclical peaks and troughs. He and his team compare past market trends with current conditions, never forgetting that neither bull nor bear markets last forever, and that values eventually revert to the mean.

Connor is known for avoiding technology stocks in the late 1990s, selling gold when everyone else was buying, and buying bank stocks when others were selling. The firm’s head office, in Toronto’s posh and pricey Yorkville, and other sizeable real estate assets, were strategically bought during market downturns, too.

“The problem most investors have is that they take the recent past and they extrapolate it linearly into the future,” Connor says in an interview in his office. “My dad, all of his life, worried about another depression. And many of today’s investors, for the rest of their lives, will worry about another 2008. But here we are, already five years into a bull market, and they’re still on the sidelines.

“We want to prevent clients from making the right decision at the wrong time, buying at the top or selling at the bottom,” says Connor.

No surprises

While Cumberland clients aren’t expected to be professional investors, the firm is known for its transparency, and welcomes clients to meet, and even challenge, portfolio managers at any time.

“Relative to our firm’s size, we have one of the largest teams of portfolio managers in the asset management industry, and our ratio of client portfolio managers to clients is one of the highest around,” says Peter Jackson, Cumberland’s Chief Investment Officer. “We invite our clients to quarterly meetings, conference calls and other special events, and we make ourselves completely available to our clients at any time.”

That kind of relationship is natural to Cumberland leaders, and it’s demanded by its clients.

“Most wealthy investors want to meet the person who’s pulling the trigger, not just some representative,” Connor says.

Indeed, Cumberland only deals with individuals, families and foundations – not large institutions with competing needs and conflicting objectives – and fully understands the unique needs of wealthy private investors.

One of those needs is perfect honesty when an investment isn’t performing as intended.

“If we make a mistake, there’s a point in time when we’ll get out and we’ll protect our clients’ capital,” says Jackson, noting that the firm has a mandatory stop loss policy and, when appropriate, uses an options-based

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Connor and Jackson recognize opportunity and have the courage to execute.

strategy to create a layer of portfolio insurance. “Our clients know that and they can track it; they know exactly when we’ve made a mistake and when we get out.”

“We invest our own money alongside our clients’,” Connor says. “And we’re not afraid to move to the sidelines if we think that’s the right thing to do.”

What the future holds

Today, Cumberland’s Connor, Jackson and their team have a good feel for where we are in the market and economic cycles. The markets are still strong, but the easy money has already been made. Achieving gains at this point in the market cycle requires shrewd investments by those with the experience to recognize companies that have value.

The final part of the cycle, the very top, is where those on the sidelines can’t stand it any longer and pile in to the market. And that’s where Cumberland gets out.

Recognizing those key points in the market cycle, and acting on them, is a rare skill. But being in the game for over 40 years has made Connor exceptionally good at it.

“I’ve seen more cycles than the many young guys out there today,” Connor says. “Often, they know what they want to do, what they should do, but they haven’t got the courage to execute. I do.”

It’s that combination of experience and a reliance on sound, disciplined investing principles that has enabled Cumberland to continue making money for clients over the years, cycle after cycle. ■

Principles for staying ahead of the market

Cumberland’s successful track record is due in large part to following principles that have worked over four decades and five major economic cycles.

Principle 1

Values revert to the mean

Fear and greed can drive any market to extremes. But eventually the trends change direction and market values revert to their long-term average. Recognizing these turning points has been key to Cumberland’s success.

Principle 2

Negativity reduces risk

Connor calls it the paradox of investing: When investors are fearing bad news, market prices are generally already depressed. If bad news actually happens, it often relieves the fear and sends prices higher.

Principle 3

Liquidity trumps economics

Forget economic predictions – the flow of money in and out of the market is a much better indicator of its direction. Cumberland portfolio managers skip the headlines and look at capital flows from central banks and businesses to gauge the market.

Cumberland believes so strongly in these principles that they have established a website CumberlandPrinciples.com to share them with investors. The site also allows interested parties to register for private events where they can meet Connor, Jackson and Cumberland’s partners to learn more about the firm’s views and strategy.

