



CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

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Patient Capital

“Investing should be more like watching paint dry or watching grass grow.
If you want excitement, take \$800 and go to Las Vegas.”

Paul Samuelson

When you are investing your hard-earned money, how soon do you think you should start to see the returns piling on to your original investment? The next day? Within a week? A few months later? A year, two years?

For most, one of the primary questions one has milling around in one's mind when investing, is “How soon is too soon or - too late, for that matter, for you to be seeing the beautiful returns stacking up in your investment account? You know, the returns that support and justify the whole idea of investing in something and making your money work for you?”

The challenge with most investors, especially beginners, is that when they invest, they want to be rewarded for the investments NOW! Often times there is no patience in the game, no opportunity given to your investment to make your money work so that it can really generate the wealth that it is so able to do over time. And actually, when you think about it, why wouldn't you be impatient? Why wouldn't you want to be rewarded NOW rather than later! So, I really do not blame this “right now” mindset at all. It is very human after all: we are so eager to see an increase in our portfolio. Actually, we are so sad if we see no movement in our accounts or even worse if there is a decline in our portfolio over a period of time.

What I keep on sharing with investors – who cross my path asking for advice – is that the market always goes through a cycle. This means that there will always be a high which will be followed by a low which will then be followed by a high. And the cycle goes on and on. So, if a market is experiencing a decline, I can guarantee you that the market will inevitably experience some good years in the future. It is just a matter of when! Of course, there may be some investments that may not recover and if that is the case, then surely the fundamentals of the company will be flawed regardless of whether the economy is going through a recession or is enjoying economic growth.

What am I trying to get at here? Stock investment, which is grounded in wealth creation and long-term rewards, is closely connected to a concept referred to as *patient capital*. What do I mean by that? According to Wikipedia, with patient capital, the investor is willing to make a financial investment in a business [same as buying stocks] with no expectation of turning a quick profit. Instead, the investor is willing to forgo an immediate return in anticipation of more substantial returns down the road. Therefore, as the name suggests, patient capital requires patience, not only from the investor but also from the recipient of the investment itself. Let us look at this from two separate perspectives, 1) as an entrepreneur looking for financing to fund a project or a company and also 2) as an investor making investment decisions to create wealth.

For the former, when trying to raise funds for a project, there is normally two main ways to get this done. Either through a loan or bond issue, whereby you receive the principal and you are expected to pay back this principal in addition to some amount of interest. This is like the typical loan arrangement from a commercial bank and issuance of corporate bonds. Or, through a financing option in which you raise money through equity investments on the stock exchange – in other words, patient capital.

Under the loan arrangement with say a bank, the borrower will normally be forced to pay back the loan amount starting immediately, often even before the project or company may really be able to afford to make these payments. You can now understand why, most entrepreneurs seeking a means to raise capital may prefer “a patient capital investment” as they do not have to worry about making monthly loan payments, especially in the early parts of the project – the launch segment when it will take some time for the business operations to pick up. With patient capital, the entrepreneur is able to focus solely on running the core of their business for future growth.

Based on this, as an investor seeking wealth creation, it is worthwhile to be patient in your expectations and have a long-term time horizon in order to truly benefit from the concept of

having your money work for you. This is because patient capital needs time to churn out the returns!

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