# Nexus Notes

**December 2021**
Vol. 26, No. 4

## *Featuring:*



Invest *Thoughtfully*™

NEXUS

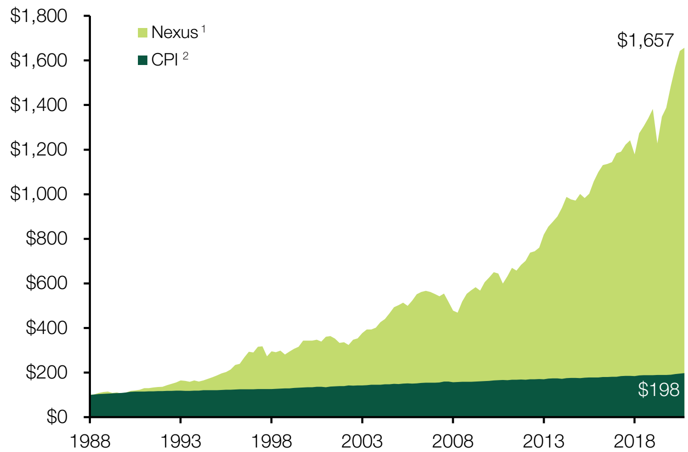
Our market-resilient investment strategy focuses on long-term results, providing investors with peace of mind through all stages of life.

## Building Value for Clients

Since its establishment in 1988, Nexus has pursued an investment approach which concentrates on real growth in client wealth over the long term.

The chart illustrates the impact of this long-term investment thinking – a $100 investment in a balanced portfolio in 1989 has grown to $1,657 at September 30, 2021.

### $100 Investment with Nexus in 1989




NEXUS

nexusinvestments.com

1 "Nexus" reflects the performance of a composite of Nexus accounts managed to a balanced mandate (until September 30,1997) and the Nexus North American Balanced Fund (thereafter). Returns shown prior to the deduction of investment management fees.

2 CPI is the "all-items" Consumer Price Index for Canada, not seasonally adjusted.

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## *In this issue:*



To download a copy of this issue, or to access more resources go to: nexusinvestments.com/insights/nexus-notes-quarterly/


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FROM THE EDITOR

# Winter Wonderland vs. Winter Blues

Another December has arrived, and with it comes the start of another winter. I have a love-hate relationship with the season that I think many Canadians share. There's a lot to like about the winter. There are the holidays and the chance to spend time with friends and family. I have fond memories of playing in the snow as a child, building snow forts and snowmen, and that kind of thing. If you are a fan of winter sports, that gives you even more reason to love the season. There is also something beautiful about a landscape that is covered in freshly fallen snow. On the other hand, the cold, the ice, the short days, and the often treacherous traveling conditions can make for a real grind. Over time it starts to feel like winter just goes on too long.

I was sad to learn that Bob Topp, one of the founding members of Nexus, passed away this October. I had the opportunity to meet Bob at several of our client events, although I never had the pleasure of working with him. As a planner myself, I will remember Bob for his foresight in understanding the importance of wealth planning to a client's success. It's also a testament to Bob that we still have many clients that stretch back to his tenure here. And many of their family and friends have also joined us as clients over the years. It's times like these that have us reflect on the past. In this issue, Denys Calvin has recorded some of Nexus's history, and you can read about how our firm has grown into what it is today in his article.

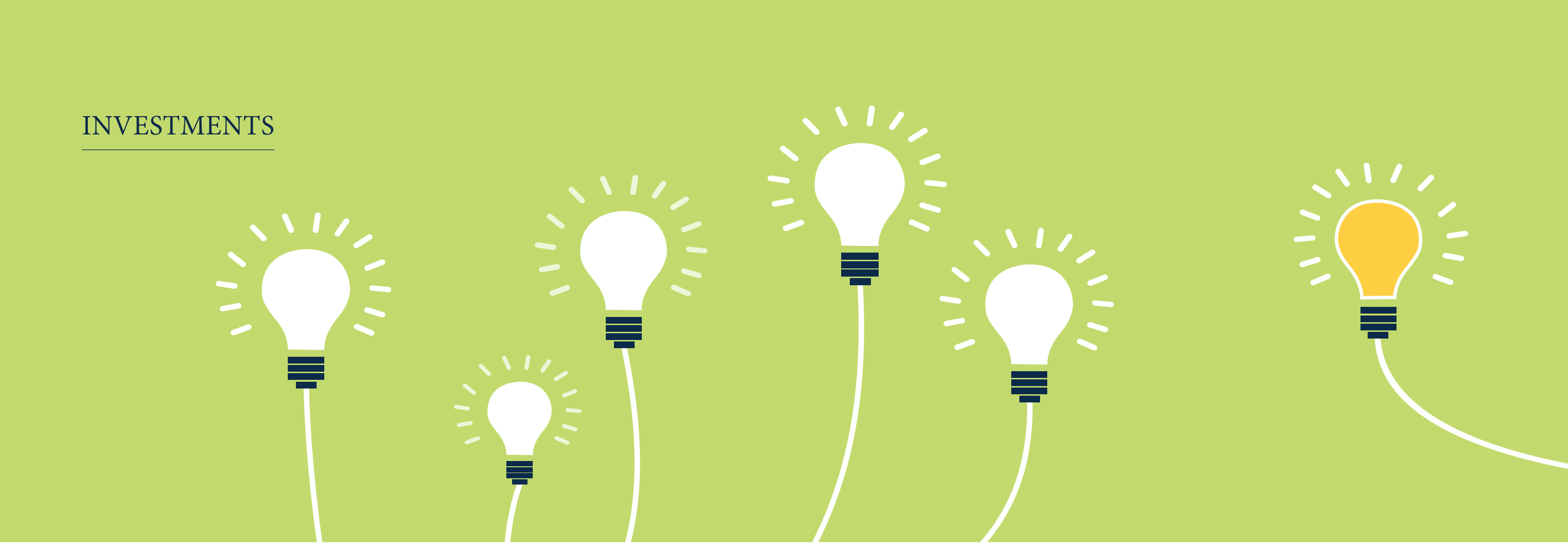
In November, we hosted our annual client event, held virtually for a second year. We welcomed guest speaker Matt Ridley, who spoke about innovation and its impact on the world. When we think about the future, it can sometimes lead to feelings of dread. The future is unknown, and that can be scary. And while there will be inevitable misfortunes, Matt Ridley's overall message is one of optimism. As long-term investors, it's a good idea to be prepared for a bumpy road. Still, it's also important to remain hopeful about the outlook for the future. If you haven't seen the presentation, you can find a recording of it on our website. John Stevenson's recent article explores more of Matt's ideas.

In our last issue of *Nexus Notes*, I said that fall was the season that felt like it should be the start of the new year. But there is no denying that December is the official end of the year. While we probably prefer to associate this month with the holidays, last minute tax planning, and end of year charitable contributions come to a head in December as well. Like so much of our financial lives, these activities work better if they follow a plan. Alana Buckley provides her thoughts on how you can achieve your charitable goals using Donor Advised Funds.

As winter begins, I find my thoughts skipping ahead to what March and April will bring, mostly better weather. And while that is, in a sense, a hopeful view of the future, it's also important to enjoy the times we are in. So, from all of us here at Nexus, we wish you and yours a healthy and happy holiday season.

Brad

Brad Weber
CPA, CA, CFP



# The Rational Optimist

*by John C.A. Stevenson, CFA*

This note takes its title from the 2010 book by Matt Ridley. The book was well-regarded internationally, but perhaps nowhere more admired than within the walls of Nexus. As we contemplated one more year of offering an annual client event virtually, we thought Matt Ridley might be the perfect person to present an entertaining and thought-provoking talk. Miraculously, we were able to convince him to do so.

For those who are not familiar with Ridley, he is the author of many books, including the aforementioned *The Rational Optimist: How Prosperity Evolves* (2010), *How Innovation Works: And Why It Flourishes in Freedom* (2020), and, most recently, *Viral: The Search of the Origins of COVID-19* (2021). He is a true polymath in the renaissance tradition, being a Fellow of the Royal Society of Literature AND the British Academy of Medical Sciences. Also known as Viscount Ridley, he is a sitting member of the British House of Lords. In fact, he spoke to us from a conference room in Westminster and those who paid sharp attention may have heard a faint bell after which he had to vote on a motion from his phone.

Ridley's message in all his writing is one of underlying optimism. The human race has an incredible capacity to innovate and improve the lives of mankind. Problems that were thought to be impossible to solve have been conquered time and again over the centuries. In the 1960s, predictions were widespread that the pace of population growth would overwhelm the ability to produce food. Sensible people predicted that famines were inevitable and hundreds of millions of people would die. Since then, the number of people dying from famines has plunged to levels that are a tiny fraction of what was experienced historically. Similarly, the number of people living in absolute poverty around the world has declined steadily over centuries, but this decline has accelerated since 1960. All of this is because of innovation. Innovation, in his view, is the most important phenomenon in the modern world.

In his book, and in his talk, Ridley distinguishes between invention and innovation. Twenty-one different people can lay claim to inventing the electric light bulb before Thomas Edison started to work on it. What Edison did was to innovate to make it commercially viable. He experimented with 6,000 different plant materials in order to make the filament last. Because of his dogged determination, his innovation is what led to the light bulb catching on.

Reflecting the dominance of the pandemic in our current lives, Ridley took us back to the origins of vaccines. Lady Mary Wortley travelled with her husband to Constantinople when he became British ambassador in 1716. At the time, the world was being ravaged by smallpox. Lady Mary witnessed a procedure called "inoculation" in which the pus from a smallpox survivor was mixed with a person's blood and introduced to their body through an open cut. No one understood why it worked, but it seemed to have the effect of protecting a person from smallpox. Lady Mary was brave enough to try it successfully on her own children. Ultimately, she brought the procedure back to England and convinced the Prince of Wales to use it on his children in 1722. Current mRNA COVID vaccines can trace their origins back to this practice of inoculation. And we can thank Lady Mary for introducing this knowledge from the Eastern world to the Western world's medical community.

As the title of the book suggests, a condition that is required to foster innovation is freedom – in particular, the freedom to experiment and pursue trial and error. An example of how innovation has been frustrated by this lack of freedom is in the realm of energy. In Ridley's view, the answer to the challenge posed by climate change is well known: nuclear power. And there has been significant innovation in nuclear power. The monolithic nuclear plants we have at Bruce, Pickering and Darlington are ancient technology. Small modular reactors now exist that use a liquid salt made of a variety of elements. Thorium, for example, is more abundant than uranium and produces 100 times more energy for the same amount of fuel. It has the property that as the temperature rises, the reaction slows so a meltdown is impossible. There is dramatically less waste to dispose of, and weapons-grade material cannot be derived from the fuel used in small modular reactors. Yet the answer to our climate change problem sits largely on the drawing board because of government regulation and reluctance to support it. Believe it or not, a jurisdiction that seems to have the courage to pursue this compelling new technology is Ontario. Ontario Power Generation announced in the last couple of weeks that it would build a new small modular reactor at Darlington. That decision made Ridley smile.

In the question and answer session that followed his remarks, Devin Crago observed that, despite Ridley's underlying optimism, there must be something that keeps him awake at night. What is it? Ridley responded that indeed there is: the disappearance of "enlightenment values", and specifically, the willingness of people to engage in constructive discussion on important issues, to talk about alternative points of view, and to seek common ground with one another. Like many of us, he despairs over the polarization that exists with the current political discourse and he worries that people's opinions seem to be getting more and more extreme. The world is not without challenges.

*"... the power of innovation to create a better future serves as powerful support to the idea of being a long-term investor."*

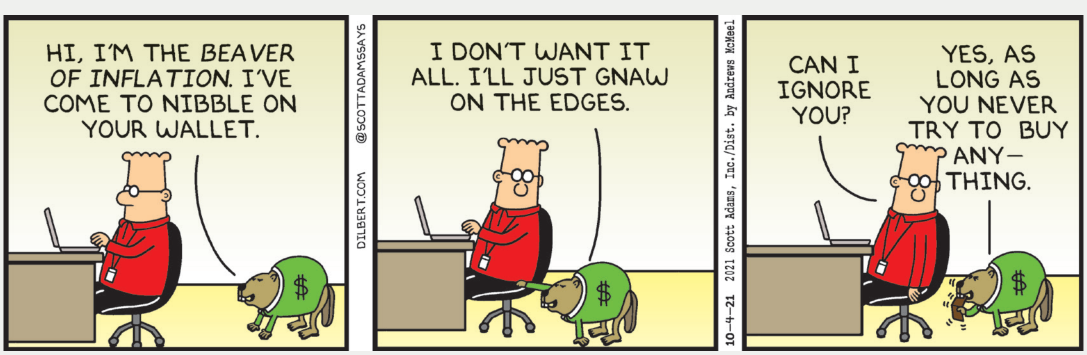
I think one of the reasons that Ridley's writing resonates so strongly at Nexus is because his belief in the power of innovation to create a better future serves as powerful support to the idea of being a long-term investor. We've said repeatedly how it is impossible to see around corners – to predict the future. Without doubt, crises will arise. Nothing is perfect. But over time, the ingenuity of the human race means that good things will happen. Human beings are often seduced by someone predicting doom and gloom (e.g., famine, poverty…) because we instinctively think they must be trying to help us by pointing out the disasters ahead. In contrast, someone who has an optimistic outlook must either be naïve, or worse, duplicitous. Ridley's thinking reinforces our view that it is rational to be optimistic.

We highly recommend Matt Ridley's books and, particularly, the presentation he made to Nexus clients. I think it lived up to our very high expectations. Please contact any of us at Nexus to get a link to it on our website.

# Worth a Thousand Words…

**A little humour makes the world a better place.**

A regular feature in Nexus Notes is the inclusion of a topical and insightful editorial cartoon. While some may address more serious or controversial issues, we particularly delight in amusing reflections on our current society. We hope you enjoy.



# Donor Advised Funds: *An Overview*

*by Alana R. Buckley, CPA, CA, CFA*

As we approach the end of the calendar year, taxes and charitable giving inevitably surface as "things to do" in peoples' minds. Here, we'd like to focus on one specific topic: the donor advised fund (DAF). As is the case with all tax and estate considerations, the appropriateness of creating a DAF will vary based on each client's circumstances. After reading this blog, if you think that a DAF may have a role in your personal financial plan, please connect with your Nexus contact to discuss further.

## What is a DAF?

Unlike a normal donation (where the donation of the money and the designation of which charitable organization will receive the funds occurs simultaneously), using a DAF allows you to make a donation now, but the donation effectively goes into a "holding tank" (the DAF). In the DAF, your donation can be invested, grow tax-free over time, and any part thereof can be granted (designated) to the charitable organizations of your choice later – months, years or even decades later.

Much like a registered private charitable foundation, a DAF is a philanthropic vehicle that allows you to make and manage charitable donations as an individual or a family. Once it has been established, you are able to direct to whom and when designations to charities are made. You can incorporate your philanthropic goals and personal/family values into the way the DAF is invested and how the designations are made. Compared to having a registered private foundation, we like DAFs as they are much easier to create, lower cost to operate, more flexible, and offer full privacy. Notably, a DAF is only suitable in limited cases – we suggest a minimum initial donation of $100,000. While sizeable, this is dramatically smaller than what is required for a private foundation.

Here are some of the advantages of a DAF as we see them. Hopefully, by understanding the advantages, you can assess the appropriateness in your case.

## Opportunity to make charitable donations on your own time/schedule

The timing of getting a tax deduction and giving to charity need not be the same. Sometimes there is a reason to make a large donation for tax purposes (such as an event that triggers a major tax bill – frequently the realization of substantial capital gains) and then spread the giving out over multiple years. Alternatively, it may make sense to donate for tax purposes only during your higher earning years but distribute funds to charities at a later date.

## Donated funds continue to grow tax free

If large-scale giving is on your radar, donating and then subsequently investing the funds in the DAF can increase the size of your gift. By donating sooner and investing the funds within the DAF, all future investment growth on the donated money is now tax-free, so the DAF will grow more quickly than if you invested the funds in your personal account (which effectively grows at a lower *after-tax* investment return) and donated it in later years.

## A DAF can be a recipient of funds in your will

If you have an established DAF, it can be named as a beneficiary in your will. This can help with "right-sizing" your estate and promotes intergenerational giving if you want to have your family involved in your long-term giving plan.

## Continue to have the money invested with Nexus

One important factor when considering a DAF is who will manage the funds (and how much that will cost) once you have made the donation. We work with several DAF administrators who can hold your DAF account at Nexus. This enables us to continue to manage our clients' DAFs in our pooled funds, along with allowing flexibility in desired asset allocation.

## Maintain your Nexus fees on your DAF

Once funds are donated to the DAF, they are no longer yours. Despite this, we will link the DAF account with your Nexus portfolio for fee calculation purposes, so that our fee will remain the same as if the DAF were still within your group of accounts. This results in a lower effective investment management fee compared to having the DAF and your remaining portfolio managed as separate, stand-alone portfolios.

## Much easier upfront and long-term, compared to a private foundation

There is no comparison between a DAF and a private foundation when it comes to what's required, both in terms of work and cost. Running your own foundation requires an independent board (or a trustee), creation of a new legal entity, approval and registration of a charity with the CRA, as well as the ongoing requirements of tax filings, audits and evidence of meetings. DAFs are much simpler and can be opened quickly with minimal paperwork. This is because the DAF administrator and Nexus take care of all the administrative requirements. In addition, all the information that is effectively made public for a private foundation, due to its registered nature, can remain private for a DAF. If you so choose, nobody other than Nexus and the DAF Administrator need even know that you have a DAF. For more information on DAFs vs. foundations, please see this blog by Dianne White: nexusinvestments.com/insight/that-giving-feeling.

## In conclusion

At Nexus, we have managed investment assets held within DAF accounts for many years. While the management of DAF investment assets is not new to us, we have recently developed a working relationship with additional DAF administrators that we had not previously collaborated with. This means that you have a broader set of choices for the DAF administrator and you can choose the one that best meets your needs. We look forward to sharing this information with you, should you be interested.

## DAF FAQ

### What are the total fees associated with a DAF?

The total cost will be composed of the fees charged by the administrator and the fees charged by Nexus. Because the administrators are charities, these fees are expense recovery charges that range from 0.60% for a very large DAF to 1.25% for a smaller DAF, depending on the administrator you work with.

Nexus will charge an investment management fee on your DAF that is based on your existing fee schedule, so there is no change in the total investment management fee paid across your DAF and your remaining portfolio. This is significantly better than the typical requirement of having the investment management fee separately applied to a stand-alone DAF.

### What is the minimum donation required to start a DAF?

Nexus requires a minimum investment of $100,000 to open a DAF that will be managed by Nexus. Some DAF administrators have a lower minimum (but typically higher all-in costs).

### Can I involve others with donating into the DAF or deciding how to disburse the funds?

Yes, anyone can donate to your DAF, and you can name additional advisors if, for example, you want to involve family members in your DAF or have them eventually replace your role entirely. The charitable tax receipt will always be issued to whoever makes the donation.

### What kind of charities can I donate to?

Designations can be made to any Canadian charity registered with the CRA, as well as a number of international educational institutions that the CRA has approved.

### Who technically owns my DAF account?

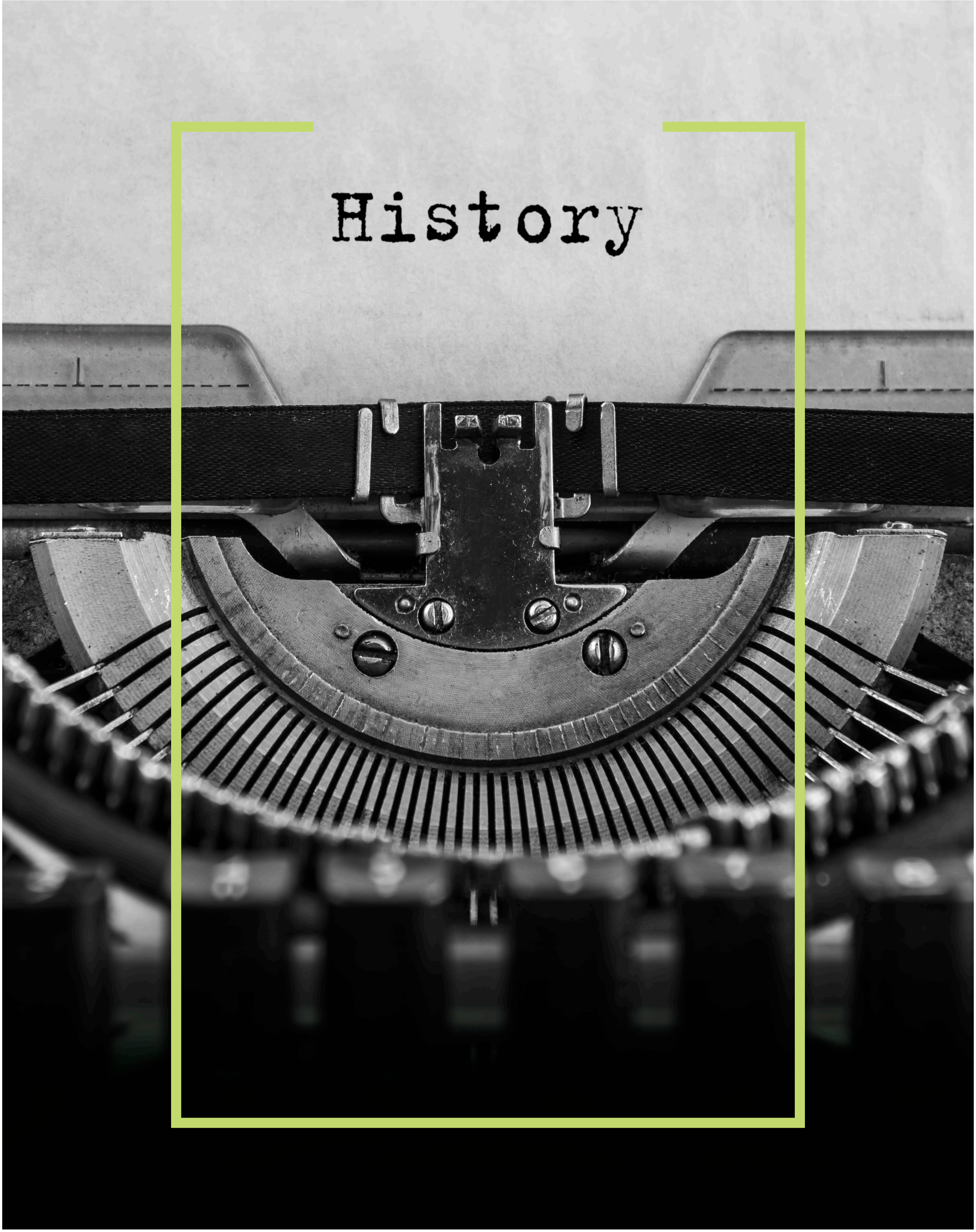
Once a donation is made to a DAF, the funds are no longer yours. They "belong" to the not-for-profit foundation that your DAF is a part of. You can provide input (hence the term donor-advised fund) on how the investments are managed and are the assets are granted, but you cannot take them back.

### Is there a minimum annual distribution from a DAF?

The CRA requires that all foundations (and your DAF would be a sub-component of one larger foundation) distribute at least 3.5% of their total assets annually. In most instances, each individual DAF is required to distribute 3.5% annually.

### Can I change DAF administrators or investment managers once I have opened a DAF, or otherwise close the DAF entirely?

Yes, you can change administrators or investment managers for an existing DAF. Any investment manager must be approved by the DAF administrator. The original form of DAFs had a required minimum life (usually 10 years). You can now open a "flexible" DAF that can be shut down at any time, by simply granting all the funds in the DAF and requesting that it be closed.


History

# Walking Through Time
# *The History of Nexus*

*by R. Denys Calvin, CFA*

Bob Topp's death last month triggered my memory "replay" button, likely as it did for many of us, whether as a long-time Nexus client, employee, or both. Bob was one of the Nexus originals, having joined the firm, not just at its legal formation in 1996, but as a founder in 1993 of one its two predecessor firms, Vantage Investment Counsel Inc. In fact, I remember first meeting Bob and his business partner, Peter Gordon, not long thereafter in Vantage's offices in the old Canada Permanent building at Bay and Adelaide.

The whirring of my memory "tapes" (floppy-disk drives? hard disk drives? not-so-solid-state drives?) got me to thinking. While we occasionally regale newer colleagues with anecdotes and lessons learned over Nexus's more than 33 years in business, the story of the firm exists more as an oral history than anything written that a new employee or client can read.

So, in an effort to "get it down on paper", here goes. Given the topic, this will be a longer read than our usual fare. Accordingly, it is broken into sections, in the hopes that readers can easily find the parts that most interest them.

## In The Beginning...

Nexus's corporate roots date to August of 1988, when Bill Berghuis "hung out his shingle", as John Stevenson is fond of expressing it, as Berghuis Investment Counsel Ltd. Though Bill was at that time younger than the five Nexus directors are today, he had already accumulated a long career in the investment management business in Montreal and Toronto. Peter Turner joined him the following year, after many years as an investment banker at what was once called McLeod Young Weir Inc. Together, they gradually attracted family, friends, neighbours and business associates as clients, building the firm from zero, so that by the mid-90's, they were managing about $65 million for families and a handful of charitable organizations.

Meanwhile, in 1993, Peter Gordon and Bob Topp joined forces to form Vantage. Peter had recently retired from Foyston, Gordon & Payne Inc., an institutionally-oriented investment firm he had co-founded. Bob had recently retired as a finance executive with mining company Sherritt Gordon. A third founding partner left early on to go in a different direction. With great foresight, Vantage offered clients both investment management and financial planning services (sound familiar?). Peter and Bob gradually developed a following, so that by the mid-90's they were managing $35 million or so.

*Bill Berghuis and Peter Turner, 1989.*

1995 marked an inflection point for the two firms. Bill Berghuis and Peter Gordon, in addition to being "fellow fisherman"[1] in the private client investment management business, were also neighbours in Rosedale. Bill, with an eye to the future, had just succeeded in attracting his son-in-law, John Stevenson, into the business from life as a mergers and acquisitions investment banker at Rothschild Canada. But Berghuis and Vantage were both still small, so, for each of them, the path to $100 million, let alone to $1 billion, looked long and slow. So a conversation between neighbours begat an agreement to pool their business resources under a new banner.

As the corporate lore goes, John had heard that corporate names containing an "X" resonated with people. After a quick trip to the Toronto Public Library – to confirm that the word "nexus" did, indeed, mean what he thought it meant – the new partners agreed on their new moniker: Nexus Investment Management Inc. When Berghuis and Vantage merged at the beginning of 1996, the combined entity managed just over $100 million for about 135 families. Interestingly, 74 of those clients (or their descendants) remain clients to this day, nearly 26 years later.

*Continues on Page 8*

Top from the left:
Fergus Gould, John Stevenson,
Dianne White, and Geoff Gouinlock.
Bottom from the left:
Bob Topp and Bill Berghuis.

## Building The Team

In the spring of 1996, John persuaded Geoff Gouinlock to join the firm as the second of the “next generation”, after his prior life on the “sell side” of the bond business at Dominion Securities and then JPMorgan. No doubt Geoff knew then, bond maven that he is, that 25 years of declining interest rates lay ahead, and that a tailwind that strong would prove more rewarding to a bond *owner* on the “buy side” than to a *seller* of the things. In Geoff’s telling of it, at that point in its history the business consisted of John, him and “four guys in their 60s”. So, in addition to finding new clients, attracting “next generation” talent to the team quickly became a priority.

Peter Turner retired in September, 1997, and was, in a sense, succeeded by Toby Condliffe, who arrived just over a year later. Fergus Gould joined Nexus in March, 2000 after a career as an investment banker at ScotiaMcLeod and a management consultant at McKinsey & Co. – just in time to take Peter Gordon’s place on the investment team when Peter retired that June. With an eye to Bob Topp’s pending retirement, Dianne White was lured away from KPMG’s personal financial planning practice in May, 2001, to provide similar financial, retirement, tax and estate planning services to Nexus’s growing client roster.

With Bob Topp’s retirement in June, 2002, Nexus had largely completed its first leadership transition – Peter Turner, Bob Topp and Peter Gordon transferred their responsibilities to the “nextgen” team of John Stevenson, Geoff Gouinlock, Fergus Gould and Dianne White. Over those first 6½ years the business had grown – from portfolios totalling just over $100 million for 100+ clients to approximately $367 million for about 250 clients. At the same time, a clear pattern had been established in the firm’s professional ranks: everyone at Nexus has chosen to step away from a large, corporate environment to join a small, independently-run operation.

> "Everyone at Nexus has chosen to step away from a promising career in a large, corporate environment, to join a small, independently-run operation."

As 2007 began, 11 years after Nexus's formation, the firm had grown to manage portfolios totalling $622 million for over 300 clients. Bill Berghuis announced his intention to transition responsibility for managing his client relationships to the other four partners, while continuing to participate in the firm's investment committee. Later that spring, Denys Calvin joined the firm in the new role of senior operating officer, assuming responsibility for those aspects of the business other than managing portfolios and serving clients.

By mid-2011, when the firm was managing over $750 million for nearly 400 clients, the five partners had blended roles, with each looking after a group of clients, while also carrying significant other responsibilities – investment research for John, Geoff and Fergus; financial planning for Dianne; and operations for Denys. To continue Nexus's success and growth, additional talent, especially professionals with "purer" roles, were required.

So, beginning in 2011 the pace of hiring picked up, with, on average, one new professional joining the firm each year. Jim Houston and Mahmood Hassan arrived that year in client service capacities. Devin Crago joined the investment research team in November, 2013, just after the firm's assets under management had crossed the $1 billion mark. Alexandra Jemetz came aboard in 2014, in a client service/business development role. Nicole Weiss assumed the newly-created position of marketing manager in September, 2016. Terence Tse took on a new finance and operations role when he joined in January, 2017. Alana Buckley became the fifth member of the investment team when she arrived in March, 2018. Brad Weber succeeded Mo Hassan as a wealth planner in the summer of 2019, mere months after the business had reached $2 billion under management. Tom Wilson assumed a client service role when he joined in November, 2020. Most recently, Ian Ligertwood, arrived this past August in another newly-created position, this one focussed on operations and technology.

Businesses like Nexus's rely on a capable operations team to make things run like the proverbial Swiss watch. Such things can be as simple as processing trades or arranging for RBC to send a client funds from their Nexus portfolio, or as involved as getting the paperwork and documentation in order when a new client comes on board and transfers in a raft of accounts from another financial institution. What might once have been done by a single assistant back in 1988, now requires a skilled team of 6 to organize, execute and manage. Today's administrative team consists of three veterans – Heather Knight (who started working with Bill even before the formation of Berghuis Investment Counsel), Jackie Richards (joined in mid-2002, just as Bob Topp was retiring), and Bessie Christopoulos (arrived just weeks before Denys in April, 2007) – and three relative newcomers – Karrie Cheng (May, 2019), Preethi Khatri Chetri (September, 2020) and Lily Lucacescu (February, 2021).To this point, we have told the Nexus story as one about people and growth.

There are other ways to review the firm's evolution: the form of portfolio management, client events, client communications, and ownership.

## Form of Portfolio Management

Like Berghuis and Vantage before it, Nexus began managing client portfolios entirely in segregated accounts – accounts which hold individual stocks, bonds, money market instruments, and cash. Segregated portfolio management is more costly to operate than if clients hold units in a collective vehicle like a pooled fund. So, in an effort to keep costs low for clients, as well as to accommodate smaller accounts, Nexus launched its North American Balanced and Equity Funds in September, 1997.

In those early years, investment results were perfectly satisfactory. But the size of the pooled funds remained modest. In fact, five years later – coincident with the launch of the Nexus North American Income Fund – the Balanced and Equity Funds accounted for only $31 million, or less than 10% of the $360 million the firm had under management. The Income Fund grew comparatively quickly as the bond holdings in most segregated accounts were replaced with units of the Income Fund. In 2007, after 10 years the 3 pooled funds had grown to a combined $207 million, or nearly a third of Nexus's $649 million of assets under management.

Things began to accelerate in 2009. In addition to marking the low point in the global financial crisis, that year marked something of an inflection point for Nexus's pooled funds. Until then, the pools had served largely as a means of managing small accounts and an efficient mechanism for investing client portfolios in bonds. By 2009, it was apparent that many clients had no preconceived notion about whether a segregated or pooled portfolio was preferable, and pooled management was lower cost. So, for many clients whose portfolio didn't need to be segregated (for example to hold low cost base pre-existing securities or to *exclude* a security that we held in our pooled funds), a portfolio comprised entirely of a mix of our pools became the preferred choice – lower cost, simpler reporting, and easier to manage. Given this, along with strong investment results, Nexus's pooled funds grew more quickly. The four pooled funds (we added an International Fund in 2015) now represent almost 55% of our total assets under management, up from less than a third in 2007. The Equity Fund has been the biggest beneficiary of this trend, growing from $18 million in early 2009 to over $650 million.

## Client Events

When the firm began, there were no group client events. A Nexus partner would meet with one client at a time. However, with the creation of the pooled funds in 1997, periodic presentations to unitholders as

*Continues on Page 10*

a group became feasible. These took the form of an annual presentation (starting in October, 1998) and update presentations shortly after the end of each of the other three calendar quarters.

By October, 2004 the annual presentation had morphed into a bigger event at the National Club involving all Nexus clients, not just pooled fund unitholders. Preparing a thought-provoking presentation and organizing several enjoyable events for clients each November became a key feature of Nexus and was an "all hands on deck" undertaking at the firm.

Just as the audience for the annual presentation expanded to include all clients, so too did the quarterly "pooled fund luncheon" presentations evolve into all-client updates. In recent years, we started to take one of these events "on the road", delivering presentations to client gatherings in Oakville or Collingwood. And these regular events were occasionally supplemented by various topical presentations covering estate or retirement planning.

For many years we recorded audio versions of our presentations so anyone unable to attend in person could flip through the written materials while listening to the presenters' voiceover. Though there had long been discussion about spicing up the audio with some video, the pandemic necessitated a switch from live to virtual. While these virtual events lack the interaction and ambience of our in-person presentations, they have made it easier to host guest speakers, including well-known authors, such as Morgan Housel (*The Psychology of Money*) and Matt Ridley (*The Rational Optimist* and *How Innovation Works*). Between the live performances and the video recordings, we can now reach a much broader audience than before.

*Old Logo*

*New Logo*

## Client Communications

Though group presentations provide the best forum for communicating with groups of clients, it is Nexus's written materials that have the broadest reach. Like the firm, these materials have also evolved. What began as a simple cover letter and *Outlook* to accompany the quarterly reporting package, has since expanded to include reports for each of the pooled funds (since 1997), and evolved further in 2013 into the 8-page *Nexus Report*.

For most of Nexus's history, all reporting went by mail. About 5 years ago we launched our portal to provide an electronic form of delivery (as well as a document library) for any clients who wanted it, either instead of or in addition to hardcopy.

Nexus's written materials have also played an important role in presenting the firm to prospective clients. The earliest such effort was our newsletter, *Nexus Notes*, which has been published three or four times a year since March, 1996 – right after the merger of Berghuis and Vantage, effectively continuing Vantage's newsletter, *The View from Vantage.*

In late 1999 we launched our website. Back then it was pretty basic. It has undergone several overhauls since then, most recently in 2020 in conjunction with our rebranding that also included the launch of a new logo and our "Invest Thoughtfully" tagline. Our blog entered the scene in 2015. Now most content for *Nexus Notes* is published first as a blog, before reappearing several weeks later as a newsletter article.

## Ownership

No history of Nexus would be complete without a review of the firm's ownership. From the beginning, the business was employee-owned. A year or two after


*The Nexus team during a Zoom meeting.*


*Nexus reception area reflecting new branding.*

each new professional settled in, he or she would be invited to buy shares. Early on, the shares would be acquired from an existing shareholder who was headed into retirement. But as the pace of retirements abated, the company itself issued new shares in exchange for cash. Nexus's predecessor firms were owned by one or two principals. By the summer of 2019, all 12 Nexus professionals – everyone with a meaningful influence over the running of the place – had "skin in the game".

In all cases, the price per share was determined using a simple formula that valued the business based on current financial metrics. The methodology remained the same from Nexus's formation. The philosophy behind the formula was to strike a price that was "fair" to both buyer and seller, but with a deliberate skew in favour of the buyer, so that the buyer would feel enthusiastic, not obligated.

As Nexus grew, so did the firm's value. However, that growth also created a conundrum. When the business was small and worth, say, $1 million, 10% of the company cost much less than a modest single-family Toronto home. A mid-career professional could (and did!) scrape together the cash to acquire a double-digit percentage interest. But as Nexus's assets under management approached $2 billion, 10% of the business cost more than a detached Toronto home. For a mid-career professional with a family and a mortgage, owning more than a small percentage of Nexus had become out of reach.

This conundrum – the more successful the business, the less affordable it becomes for the next generation of employees to buy it – precipitated the decision to seek an outside buyer. Three simple criteria guided our assessment of the buyer: the proposal had to be good for our clients, good for employees, and fair to shareholders. By August, 2019, it was clear that a partnership with Focus Financial Partners was ideal by all three measures. This was announced that December, and completed on February 1, 2020. Essentially, the arrangement involved Focus buying the business and then contracting the leadership team to manage all aspects of the business and share in its future growth. The leadership team and its successors continue to run an independent business and retain "skin in the game", but at a more manageable valuation.

## The Future

So here we are in late 2021. Nexus now manages over $2.6 billion for nearly 600 clients. The business employs 20 people, with more hires in the works. We manage the business independently and grow it the way we always have – one new investment idea and one new client at a time. Plus ça change…

1) I credit this expression to an investment advisor friend at RBC Dominion Securities who, when I once introduced him as "a friendly competitor", demurred and said we were really more akin to "fellow fisherman", working in the same waters, commiserating and sharing investment ideas, but rarely competing for the same client.

# Nexus Holiday Hours

The Nexus office will be closed on the usual statutory days (December 27th, 28th and January 3rd) as well as the two Fridays before Christmas and New Years (the 24th and 31st). Otherwise we'll be at our posts, including on Wednesday and Thursday, December 29th and 30th.

*This Holiday Season…*

*We wish for festivities filled with warmth in the company of our loved ones.*

*Thank you for your continued support.*

*Happy New Year!*

Invest Thoughtfully™

At Nexus, we offer thoughtful wealth planning and investment management with unparalleled personalized service to private clients and foundations.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