

A CHANGING LANDSCAPE

By Tom Baltzis

The year is 2025. Ryan Smith a 45 year old with a law degree is working as a part-time barista at the nearest Starbucks. He and his family live in his parent's home chained by the student loan he is trying to pay off. He spends most of his days looking for more work on his smartphone, canvassing every possible jobsite imaginable. What is wrong with this picture, one might ask? What happened to the days when education ensured an individual of a good paying job, the dream of homeownership, a decent car, and even piece of mind or nest egg for his family? We need only to come back to the present for the answer....

Disruptive Technology

Never have we seen an era where technological advances are evolving at such a rapid pace that barriers to entry in various industries are being lifted almost instantaneously. Disruptive technologies are challenging inefficient and mature industries, and the closest example in history to have such a major impact was the Industrial Revolution in the late 1800s. The economy at

the time was predominantly agrarian, and became industrial and urban mainly through disruptive technology.

What were the main factors to this phenomenon? Innovation, industrialization and mechanization to primary areas such as communication, transportation and financial system paved the way. How is it that much different to today's world? Google has changed the way we educate ourselves and research various topics. We no longer use an Encyclopedia but rather "google it." How about Apple and "there is an app for that" on all their iPhones, iPads and most recently, watches. Do you remember the video store around the corner? Gone, thanks to Netflix, which incidentally, has also become a major detriment to the film industry. Facebook, Twitter, Skype have already changed the way we communicate and made the world an even smaller place. But for those of us who enjoy to travel, there is Uber for our commute and Airbnb for our trips. Let us not forget Tesla (and its affiliate companies) with its breakthroughs in various renewable energy sources reducing our dependency for oil. If that is not enough, consider how

Amazon & Alibaba have almost singlehandedly made 'big box' stores into showcases for ecommerce.

It is not uncommon for customers to inspect a product at a 'brick and mortar' retailer only to go home and order it online. And how does one pay for their items? Obviously with Bitcoin! This peer-to-peer technology operates with no central authority or banks, and is trying to challenge the world's financial system. Disruptive technology is only going to accelerate and challenge every aspect of our lives that is deemed inefficient. The good part is that we become more efficient and effective. The bad part is that technology is replacing jobs...

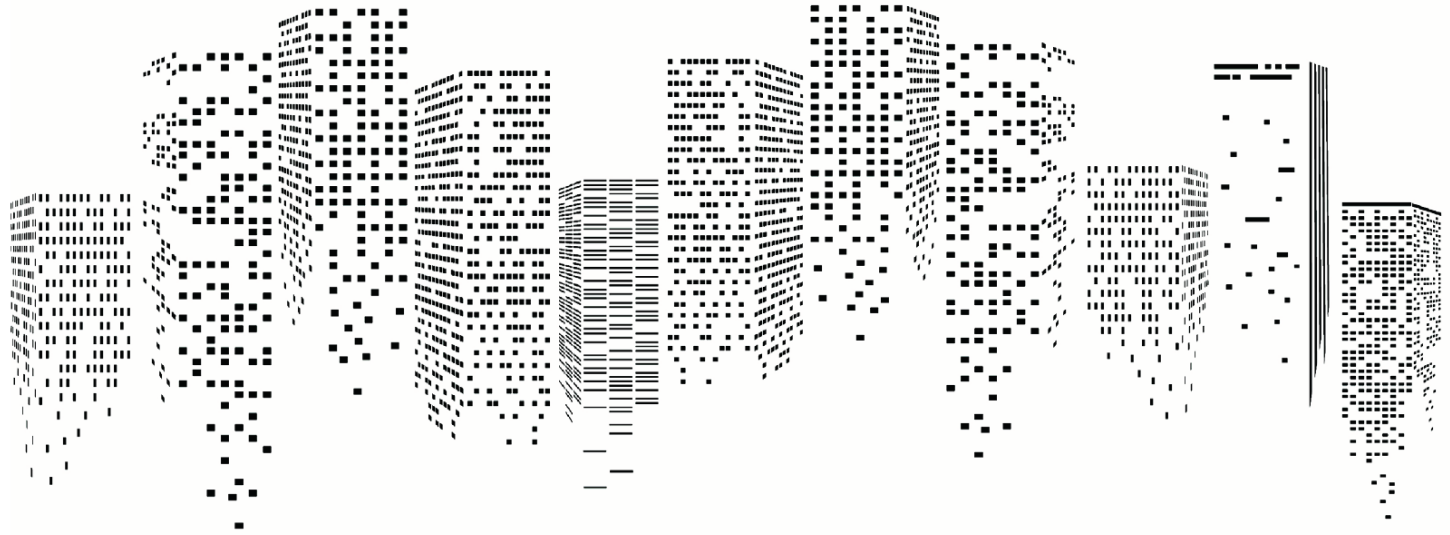
Extreme Capitalism

The days of working at a company for 25 years are gone. We are in a world where technology is pushing capitalism to its extreme. Over the years, we have all learned the basic economic principals of supply and demand. What happens when supply of human capital is no longer scarce and demand for human

capital is decreasing? The supply of human capital will have to meet the decreasing demand, therefore putting downward pressure on real wages. As in the case of our barista Ryan, we face the phenomena of 'underemployment.' Yes, Ryan is employed but his skills, knowledge and experience are used below their capacity and desired productivity level.

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At the same time, major developments in technology are creating a polar effect: advances in manufacturing robotics are reducing jobs while technological progress in health care is increasing human life expectancy. In other words, more people in the world competing for a decreasing number of jobs, hence lowering global wages. So where is wealth going to come from for future generations?



Intergenerational Wealth Transfer

The biggest wealth transfer in Canadian history is set to take place in the near future, where the baby boomers are set to inherit close to \$1 trillion. In order to preserve this new found wealth and without the reliability of a stable job market, baby boomers will seek higher returns from their investments in order to maintain their lifestyle. Higher returns will require more risk tolerance. In some cases, higher risk does not necessarily mean traditional volatility found in the stock market, but rather products that could compliment a stock portfolio, and or reduce the correlation to the market. Demand for alternative investments will increase, especially for investments in venture capital funds and private equity deals. We are already seeing this trend today and it will only accelerate with time.

Alternative Investments Becoming Mainstream

Alternative products will become an important part of people's portfolios for higher risk adjusted returns and diversification benefits. Investors are going to come across more and

more alternative products that are going to challenge mature industries and take profits away from the conventional players. For example:

- The demand for alternative energy sources including solar, wind and geothermal are readily available and are competing with oil. We have recently seen that in the reflection in oil's price.
- The commercial real estate market will be transformed to adapt to changing consumer buying habits, i.e. online shopping. Traditional shopping malls will have to reinvent themselves to survive.
- The health care industry will continue to see much more investment dollars flow towards preventative measures rather than reactive procedures.
- Technological advancement projects will continue to evolve and be attractive investment opportunities for investors that have the appetite for this kind of risk.

In some cases, many of these alternative investments may be in their infancy stage or start up stage and could only be found in the private or exempt space. Or in other cases, due to the nature of the

underlying asset, the exempt market (with its different investment structures) might be more conducive for business than the traditional public market.

Putting it all Together

So what does this all mean for investors? Investors need to understand that technology is changing the rules of the game and it is here to stay. Technology is making our lives more efficient but is replacing traditional manual labor with robotics or mechanization. Real wage growth is being challenged so individuals will have to look at alternative investment opportunities to grow their net worth and sustain their lifestyles. If a low interest rate environment continues, investors are going to have to look to alternative investments to generate a performance greater than a simple passive strategy.

Those who believe that history tends to repeat itself and that trends will reverse are deceiving themselves.

The only part of history that will repeat itself is the fact that we keep evolving and changing. Ironically, I leave you with a famous quote made by Lenin during the Russian Revolution:

"There are decades when nothing happens and there are weeks when decades happen."

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-Valdimir Lenin

Tommy is the CEO and founder of WhiteHaven Securities. He has earned the right to use the CFA designation and the CPA, CA designation. WhiteHaven Securities is a dynamic fully integrated financial services firm currently expanding its operations across Canada. WhiteHaven Securities' multi-license platform is anchored on discretionary portfolio management, exempt products, insurance and mutual funds. Clients and representatives alike, benefit from WhiteHaven's unique in-house approach to financial management.