Masai Ujiri is the Toronto Raptors’ real MVP
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EDITOR’S NOTE

Do you get eight hours of sleep a night? Does anyone? Fatigue costs billions, so here are some dos and don’ts.

THE EXCHANGE

A&W lost ground during a rough pandemic, and CEO Susan Senecal says millennials are now more interested in health than fast-food nostalgia.

BIG IDEA

Management brainiacs have cooled on the benefitsof failing fast, but it can still provide an edge.

WHAT YOU CAN LEARN FROM

The Kids in the Hall are approaching their 40th TV anniversary, and these oldsters have lessons to teach.

THE ECONOMY OF...

When COVID-19 hit, the nine-restaurant Terroni chain built Spaccio—an Italian food super-factory to supply itself.

DECODER

U.S. and Canadian home ownership rates confirm a grim new reality: The dream of a house is still alive there, but fading here.

FOR YOUR CONSIDERATION

Hammond Power Solutions started making transformers in 1917, and the third-generation CEO says it’s still a cutting-edge growth stock.

SMART MONEY

EdgePoint Wealth launched as stock markets crashed in 2008, and star fund manager Geoff MacDonald has outperformed ever since.

TURNING POINT

The agony of disease inspired Smash + Tess co-founder Ashley Freeborn to make truly comfortable clothes.

THE REAL MVP

Toronto Raptors president Masai Ujiri radiates the confidence of a winner. The perception is reality—and quite deliberately created by him. Even star players he’s traded agree.

SHOP ‘TIL YOU DROP

Shopify really is in trouble. The stock price is sinking, visionary CEO Tobias Lütke has turtled, and top executives are jumping ship. Is it the beginning of end—or the end of the beginning?

LOST IN TRANSLATION

When Toronto artificial intelligence phenom Cohere’s software works right, it can do almost anything—shift between languages and even write parts of news stories. But it can still go awry, too, and fast.

CANADA’S TOP ADVISORS

There are about 80,000 licensed financial advisors across Canada (too few of whom are women or members of other disadvantaged groups). We talked to five of the best, and they describe huge opportunities as well as struggles.

THE RANKING

The 150 best in the business as ranked by SHOOK Research.
Attention, shoppers

Back in December 2014, the cover of this magazine featured a man with clear blue eyes and a plaid newsboy cap, along with the line, “Programming genius.” Introvert. Crusher of executive egos.” Online, the story’s headline was less enigmatic: “Our Canadian CEO of the Year you’ve probably never heard of.”

As you might’ve guessed from the hat alone, the man was Shopify founder and CEO Tobias Lütke—then a largely unknown German savant running a growing Ottawa startup with 500-odd employees. “Congratulations if you’ve heard of Shopify, but don’t worry if you haven’t,” Trevor Cole wrote. “The company actually prefers it that way. Despite becoming a darling among venture capital firms, drawing a total of $122 million in VC investment, and despite attracting a spate of recent coverage... Shopify likes to remain hidden, like plumbing. It wants its customers to be the name brands.”

The eight-year-old company had already garnered a $1-billion valuation, and Shopify-powered retailers—120,000 of them—had surpassed $5 billion in total sales. As Cole wrote, “in the wake of Nortel and RIM, it may be the next great hope of Canada’s high-tech sector.”

Our choice raised some eyebrows. There were letters—lots of letters. And I vividly remember a business journalist from a rival news outlet descending on me at an event not long after the CEO of the Year issue came out, screeching about the sheer idiocy of our pick. Shopify was bleeding money! It was doomed to fail!

Within a few years, however, our choice was looking pretty prescient. The business journalist even apologized. By the time the pandemic hit, Shopify was practically a household name. With e-commerce soaring, Shopify’s revenue increased by 86% in 2020 and by 57% the following year. Its headcount exploded, reaching 10,000 by the end of 2021—nearly double what it was pre-pandemic. Its market valuation followed suit, knocking Royal Bank of Canada off its perch as the country’s most valuable company.

But it turns out there’s a limit to e-commerce uptake. With stores open once again, online shopping has hit a plateau—which has investors very, very worried. Shopify’s stock has dropped 84% off its peak roughly a year ago (when its market cap hit $210 billion), and it has laid off more than one-tenth of its employees.

Amid the torrent of dismal news coming out of Shopify’s Ottawa headquarters, we started to wonder: Were we wrong after all? Tim Kiladze set out to determine whether Shopify’s comedown is systemic (in other words, the business model is fundamentally wobbly) or simply part of growing up. Lütke wouldn’t talk to us—he’s not doing much of that these days—but his longtime lieutenant, Harley Finkelstein, did. So did lots of other people. We’ll let you decide on Shopify’s long-term prospects yourself after reading “Shop ’til you drop” on page 34.

But if you disagree, no screaming, okay? /Dawn Calleja

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Is fossil fuel a dinosaur?
Paul Christopher Webster wrote about the engineering, environmental and financial challenges of the Coastal GasLink natural gas pipeline.

As much as I like the alternatives, there is no possible way the world will not need oil and gas by 2030. Maybe, just maybe, we’ll be able to get rid of coal by then, but even that’s unlikely. —TheFly13

As long as we continue to put human need and greed ahead of all other considerations, we are on a self-destructive path. We have been told that no new fossil fuel infrastructure should be built anywhere on this planet. But here in B.C. we think we know better. LNG is still carbon, and when it’s burned, it goes into the atmosphere that we share with all the other life forms on our Earth. ...Everyone needs to be thinking about the future their descendants will inherit and remembering the lessons from their ancestors. It’s time to wake up and change everything. If we don’t, Earth will do it for us, and we ain’t seen nothing yet. —SDraper

It’s pathetic that the Energy East line was cancelled. Canada could truly play a role in greening the world with clean natural gas. Some people clearly can’t see how good they could have had it. That would have been a true legacy. —Gene Lawrence

Alarm bells ringing
Trevor Cole interviewed BCE Inc. boss Mirko Bibic about the company’s 5G plans, Lisa LaFlamme and more.

As a longtime Bell C-suiter, Mr. Bibic is very much responsible for the state of Canadian telecom today: world-class expensive, technologically backward and widely hated by its own customers. ...Welcome to Canadian “competition,” where one giant monopoly buys up all their smaller competitors so they can compete with another giant monopoly doing the exact same thing. —nvfo495

Before any ambitions to “fix” Canada’s telecom industry, BCE senior management might want to start with fixing its own problems. —CVCA1

I stopped reading at “Won’t comment.” There’s a reason I don’t give Bell the time of day —ramblinpaul

Correction
In the October issue, Odyssey Trust Company’s description on the Canada’s Top Growing Companies list was incorrect. It is a transfer agent and trust company.

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NEW RULES

The big sleep

With the end of daylight savings and the slow march toward winter, we’ve officially entered the sleepy season. Embrace it. Getting less than seven or eight hours of shut-eye for more than a day or two in a row can affect attention, dexterity and vigilance to details, according to the Mayo Clinic, and can even lead to heart disease and obesity. It seems Ben Franklin was on to something when he said, “Early to bed and early to rise makes a man healthy, wealthy and wise.”

DO

Set the temperature to around 18 C, which the U.S.-based National Sleep Foundation has deemed the perfect sleepytime temp

DON’T

Try so hard. Oxford researcher Colin Espie defines insomnia as a “preoccupation with sleep.” Worrying about getting enough of it will just leave you lying awake

“I’ve never worked through a night. The only times I worked more than 40 hours in a week was when I had the burning desire to do so. I need eightish hours of sleep a night. Same with everybody else, whether we admit it or not.” — Tobias Lütke, founder and CEO of Shopify.

(For the scoop on Shopify, see page 34)

DO

Power nap if you must—but only for 26 minutes. NASA found pilots who napped that long showed alertness improvements of up to 54%

DON’T

Sleep next to your phone—its blue light suppresses melatonin, so stop using it 30 minutes before hitting the hay

DO

Stop breathing so much, which can lead to hyper-arousal. Try taking four or five breaths a minute for 10 minutes daily to calm your nervous system

WAKE UP AND SMELL THE TIRED

$136 billion

That’s how much fatigue is estimated to cost employers each year in health-related productivity loss (in US$)

WHY SO SAD?

Increase in depression after the fall time change, according to a Danish study

LUCKY NUMBER

7

Minimum hours of sleep the typical adult needs per night

26% of people globally get that much

IT KNOWS WHEN YOU ARE SLEEPING

$11.2 billion

Expected sales (in US$) of sleep-tracking devices by 2028, up from US$2.6 billion in 2019

AFTER HOURS

AVG. SLEEP GLOBALLY

WEEKNIGHTS

6.8 HOURS

WEEKENDS

8 HOURS

JEFF BEZOS

SERENA WILLIAMS

TIM COOK

BILL GATES

ELON MUSK

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Burger mama

A&W had a hard pandemic. But CEO Susan Senecal has big plans for Canada’s oldest fast-food burger chain—and she’s not going to let a looming recession knock her off course

BY TREVOR COLE

Just a few years ago, you might have said that A&W’s prospects were sizzling. The first ever quick-service restaurant (QSR) in Canada held down second place in the burger-chain hierarchy, after McDonald’s. It had a bigger share of the market than Wendy’s and Burger King put together. And it had a major hit on its hands with its Beyond Meat Burger, a continent-wide first, which helped the brand make inroads with millennials. But the COVID-19 pandemic hit A&W harder than most QSR chains. Now CEO Susan Senecal—a 30-year A&W veteran—has some ground to make up, just as ill winds threaten to snuff the economy’s flame.

How big is the QSR market in Canada?
It’s big. Total food service is around $60 billion. QSR is about half of that and burgers about a third. So it’s in the $15- to $20-billion range.

In 2017, about a year before you became CEO, A&W had a 14.4% share of QSR burger dollars.

Where are you now?
Well, our strategy is for us to hit the $2-billion mark over time. Last year’s sales were around $1.6 billion, and we have our minds set on continuing to grow. (1)

So, is it accurate to say A&W hasn’t grown its position?
No, actually. We lead when it comes to new restaurant openings. We’ve been growing our same-store sales, as well. But others have probably grown. I’d say we’re making good progress in the marketplace, and we’ve outpaced our competitors for new restaurant growth and often for same-store sales, as well.

How would you compare A&W’s performance during the pandemic to your competitors’?
The story of the pandemic was that drive-thru restaurants were able to remain open. We have a lot of restaurants in shopping centres and in urban locations without drive-thrus. For many regions, dine-in was completely shut or dramatically restricted, and shopping centres were completely closed. So our business was disproportionately impacted by the pandemic.

How did you respond?
One of the scary things was, we’re used to having great high-touch relationships with our franchisees. We see one another multiple times per year. All of that went away. On top of that, everyone’s pandemic experience was different. We had urban downtown restaurants that went from being open 24 hours a day to zero. For some of our franchisees who had drive-thrus, it was the opposite. They were looking for staff. So, there was a real multiplicity of experiences, and we had to adapt our approach. (2)

Are you still dealing with the after effects?
We had our first negative same-store sales growth in decades in 2020, (3) but we were back to double-digit growth the following year. As of fall 2021, we were back to having all of our restaurants reopened. Our shopping centres and urban
restaurants have still not seen the return to the kind of traffic numbers there were pre-pandemic, but they’re heading in the right direction.

Ten years ago, A&W decided to target millennial customers. Why?

We wanted to shift our focus to the new generation of guests. And the baby boomers were very successful with our guests. We love to innovate.

Was it your decision to put Beyond Meat on the menu?

I don’t think there’s any one person at A&W who makes decisions, but I was at the table when we had our first taste. We’d been looking for what we were calling the quintessential veggie burger. I can tell you I tried many, many patties. We had a mantra: We wanted the burger someone would choose, not the one they’d settle for.

Tell me about the tasting process. We usually tasted the patty first. Then we would make them into burgers with different sauces. We think it was November 2017 when we were able to get some Beyond Meat patties. The first thing we noticed was the look and the sizzling—it looked very appetizing. When we tasted it, there were five or six of us around the table, and I said, “I think this is it.” That was one of the fastest launches ever for A&W. Within six months, people could buy them at our restaurants. (5) We were the first QSR in North America to launch a Beyond Meat burger.

It sold out almost immediately. How did you overcome that? We sort of had to regroup. We stopped for a few weeks until we could rebuild supplies. We wanted to make sure we didn’t run out again.

These are not great times for the Beyond Meat company. Sales have plummeted and the stock is crashing. What is behind that? We’re not experiencing any difference in consumer demand. But I think it depends on the company’s priorities and on the supply chain. There’s lots going on in the world that probably led to people making different choices than they might have if things were smooth sailing.

You recently signed a pilot agreement with Pret A Manger to use the brand in Canada. What need does that address? One is speed and convenience. Pret is a pick-up-and-go idea. We’re only about 10 weeks in, so there’s probably lots that we’re gonna learn. Often we see people that are buying both—they’re buying an A&W breakfast, for example, and grabbing a sandwich for lunch. Or they’re coming in for dinner and picking up a yogurt pot for the next day. We’ve not done very much in terms of marketing so far, so we’re just observing what happens. (6)

You mentioned earlier that you’ve been growing the number of stores steadily. (7) How many are you planning to add next year? We’ve been opening 20 to 40 restaurants a year, on a very steady basis, for many years. We see that number continuing to tick up by double digits every year. A lot of our growth has been in drive-thru restaurants, as well as finding opportunities in the convenience area, with partners like Petro-Canada. How nervous are you about opening more stores on the cusp of a recession? We look at our business on a long-term basis. The demand for QSR restaurants really varies according to a couple of things. If people are working and mobile in the economy, and their kids have stuff to do, we become a convenient choice. Obviously, a recession would be hard on Canadians, and anything that’s hard on Canadians makes me worry for them. It’s not a factor in deciding whether or not to open a restaurant.

How is A&W weathering inflation? We’re certainly seeing a true, heightened cost of production. Many of the changes that were

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**NUMBER OF LOCATIONS ACROSS CANADA**

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<th>Number</th>
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<td>318</td>
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<tr>
<td>Regina</td>
<td>292</td>
</tr>
</tbody>
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4. A&W estimates that millennials account for more than one-third of its business (while representing roughly a quarter of the population).

5. The Beyond Meat Burger launched in July 2018.

6. A&W currently has one pop-up store in Vancouver and another in Toronto, with plans to open a total of 12 pop-ups offering Pret A Manger products in those two cities.

7. A&W had 861 stores when Senecal began as CEO. It had 1,015 at the beginning of 2022.
brought about in the past couple of years—the enhanced needs for safety and so on—cost a lot of money. We’re fortunate that we have long-term partnerships with great suppliers that have seen us through what would have been the most challenging supply chain issues during the pandemic and in recent times. So, we’ve been able to keep our prices affordable, and our franchisees are focused on that. Unlike, say, Tim Hortons, you don’t seem to have much franchisee drama. (8) Why not? If you talk to anyone from A&W for more than a few minutes, whether it’s a franchisee or one of our team, you’ll hear two things. One is about strategy, and one is about climate. And those two elements are linked. You want to create a good strategy, but you also want to be able to execute it really well. For that, you need alignment and understanding, and the efforts of people in every restaurant, at every till, at every drive-thru, in every kitchen. To do that, we have something we call climate—the behaviours we think we need to implement the strategy. We carefully select those key behaviours, and we commit to them. That requires us to have a lot of in-person, high-touch relationships with our franchisees, to make sure all of us understand and can demonstrate the behaviours. Those same types of behaviours tend to result in very long-term relationships. In many cases, we have second- and even third-generation groups of franchisees. I think that really changes how people view the partnership. More and more service workers are unionizing. Is unionization a concern for A&W? I’m gonna go back to climate, because I think what people are looking for is fairness. They’re looking for respect, they’re looking for trust. I think human beings are pretty good at carrying on conversations. What we’re not so good at sometimes is starting communications. Too often, if there’s something bothering someone, they don’t really address it. But it doesn’t go away. It kind of sticks in their craw. Whereas climate offers a really nice, easy way to get you to pay a lot of attention right away. Because I’m saying “climate,” right? And it’s a joint commitment.

My understanding was that you were actively trying to discourage unions at A&W. Did I hear right? No, I wouldn’t say so. I think what we’re really trying to do is create the kind of environment where our staff, our guests and everyone feel welcome at A&W, and would like to engage in conversation that can make things better.

The publicly traded face of A&W is the A&W Revenue Royalties Income Fund. Why isn’t A&W a public corporation? It’s a great segue from strategy and climate, because our strategic horizon is a long-term one. Climate is very important to us, and we want to be able to continue to invest in that. But at the same time, we wanted to offer the public, and ourselves, the opportunity to access the public markets. A top-line fund seemed like the natural fit. (9) How would being a corporation prevent the company from investing in “climate”? (10) A&W has 10 company-owned stores, in the Ottawa region. The remainder of its stores are franchisee-owned. The role of the Revenue Royalty Income Fund is to distribute the cash to unitholders. There’s not too many dividend ideas out there that have been as consistent, or as successful, over the long stretch. So, we’re pretty proud of the results of that fund.

In 2020 you cut the dividend by 37%. Could that explain why your share price has trailed your competitors’ over the past couple of years? Our business results are really what drives the performance of the fund. We had a harder pandemic because of our concept mix. (10) We’ve seen ourselves bounce back very, very strongly as a result of that. But it’s on the back of results that we’d never want to repeat. I think that’s probably more of a factor. You once said that strategy for A&W is a blank piece of paper, which I think means you respond to opportunities as they come. What opportunities are you responding to these days? Because we’re with the millennial generation, a big one is family visits. So that’s on our radar. We’ve been working hard to make sure that our restaurants, our menu and what we do are very favourable to families. I think that’s super important for people right now.

This interview has been edited and condensed.

Trevor Cole is the author of five books, including the novel Practical Jean, which won the Stephen Leacock Medal for Humour.
As flashbulb memories go, it is destined to become a defining moment in countless careers: It’s mid-March 2020, and suddenly you have to figure out how to run the company while locked up, or down, depending on your view of these things. No more client face-to-face meetings capped off with an ice expensed lunch. No more team pep talks. No more sitting down with a stack of cheques that need your John Hancock. You had to act fast or fail.

Which, admittedly, is slightly different than the mantra that pervaded the tech sector for much of the decade prior to the pandemic. “Fail fast” was a catchphrase popularized in a 2013 bestseller called *Fail Fast, Fail Often*, by Ryan Babineaux and John Krumboltz, Stanford University researchers steeped, presumably, in the agile world of Silicon Valley.

They had reworked the 19th-century notion of trial and error, a term coined by a Columbia University psychologist who, in turn, repackaged that timeless parental imperative to learn from one’s mistakes. Fail-fasters espoused a vision of entrepreneurship that went more or less like this: Come up with an idea, invest as little as possible to see if it works, figure out how to tweak it so it does work, rinse and repeat. Instead of trying to devise a solution for everything that could go wrong, they argued, entrepreneurs should “iterate,” which was a polite way of saying they shouldn’t be afraid of having some scheme go totally side-
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ways. Indeed, in the buzzy pre-pandemic period, fail fast itself became something of an industry, with tech and consulting giants such as IBM and McKinsey offering advice on how to stumble constructively.

Alas, those were different times—or were they? In this post-pandemic world, which has become much more digitized, much more volatile and much more risk-averse, does fail fast still have cachet? Did businesses and managers come through the plague with a new way of thinking about ideas they wouldn’t have touched with a barge pole five years ago, or has this whole wrenching experience forced organizations to downshift and back away from the free-wheeling ethos of the pre-pandemic 2010s?

The not entirely satisfying answer is: both. If the state of venture capital deal-making offers any insight, then fail fast is alive and kicking. In both the U.S. and Canada, the pandemic period saw a huge surge in deals. According to Pitchbook, the volume of U.S. deals—angel, early-stage and late-stage—almost doubled between mid-2020 and early 2022 (there’s been a decline more recently). The Canadian Venture Capital Association reports very similar trends.

“If anything, the fail fast and learning from failure [orientation] is even more salient after COVID than before,” observes Grant Wilson, an assistant professor of marketing at the University of Regina’s Hill School of Business, who studies innovation.

Prior to going into academe, Wilson worked at a biotech startup. “The company really subscribed to fail fast and learn fast,” he says. But not all belly flops are created equal. In his research, Wilson has identified three broad categories of failure: self-inflicted wounds, failures that occur because of imponderables or uncontrollable economic trends, and failures that happen when firms embrace the idea that errors can be put to good use. Those in the latter category, he adds, have a culture that strongly discourages finger-pointing. “They don’t care about who is responsible. They don’t emphasize the blame game. They’re not focused on who did what,” he says. Unfortunately, this outlook doesn’t come easily.

Strategic management expert Paul Snowdon, an assistant professor at McMaster University’s DeGroote School of Business, has observed a very different post-pandemic dynamic in the larger organizations for which he consults. Almost all, he says, had to make major pivots and adjustments when the pandemic started, a process that forced many out of long-established habits. He wondered whether they had permanently shifted their outlook and would continue to embrace the kinds of innovations and workarounds triggered by COVID-19 restrictions.

“That’s actually not what happened,” Snowdon says. While there were change agents in these larger organizations who felt at home in that unfamiliar world, many more wanted to get back to their old pre-pandemic ways. “There’s largely been a return to the way it was,” he says, “with some areas of the business learning from this experience and applying what they learned.” He adds that in large and mature firms—where well-established business lines determine budgets, staffing levels and so on—abrupt shifts, such as rapid product changes, tend to reduce output, which is disruptive.

It’s worth pointing out that even in the before times, not everyone in the tech world worshipped at the altar of fail fast. Netscape founder Marc Andreessen, one of Silicon Valley’s venture capital titans, is one skeptic. In a 2016 interview, he said that “fail fast” makes sense for tactics—if a tactic doesn’t work, find another tactic. But, he added, “I think fail fast is catastrophic if it is applied to strategy and goals. A lot of founders talk themselves out of what are going to be good ideas in the long run because they aren’t getting immediate traction.”

Indeed, some tech companies whose leaders had totally bought into fail fast or “agile” innovation found themselves trapped in a state of perpetual chaos characterized by chronic short-term thinking and a fixation on beta testing.

Others have pointed out, wisely, that failing fast didn’t achieve much of anything if you didn’t also learn from your mistakes, which, as everyone knows, is far easier said than done. “Why does failure undermine learning?” asked a pair of University of Chicago organizational psychologists in a 2019 literature review. “Failure is ego threatening, which causes people to tune out. Participants learned less from personal failure than from personal success, yet they learned just as much from other people’s failure as from others’ success. Thus, when ego concerns are muted, people tune in and learn from failure.”

Assuming the pandemic didn’t short-circuit our deep-seated ability to course-correct, it would seem the fail-fast approach to innovation still has merit—although perhaps its devotees, having endured not just COVID lockdowns but supply chain chaos, runaway inflation and a vanishing labour force, may bring a bit more gravitas to the process. Still, Wilson says the fundamental insight about fail fast remains unchanged, which is that companies of all scales should embrace an ethos of learning from failure. “That failure-learning orientation is a difference maker between the top and middle of the pack.”

/John Lorinc
“I’ve got this.”

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The Kids in the Hall

The Canadian sketch troupe that conquered stage and TV (but not film) is nearing its 40th anniversary and remains one of the best-known comedy acts in the world. This past year, the Kids (Bruce McCulloch, Dave Foley, Mark McKinney, Kevin McDonald and Scott Thompson) returned with a new sketch series on Amazon Prime and a new tour. So what’s the secret to their longevity?

Jaime Weinman

You gotta spend money to make money

The Kids’ comedy patron, Canadian comedy mogul Lorne Michaels, brought slick production values and a live audience to their original six-season self-titled show, giving it the same high-quality look as his other, more famous, creation, Saturday Night Live. Other Canadian comedy shows struggled with budgetary constraints that gave them less of a life in reruns than Kids in the Hall.

Be universal

When Queen Elizabeth died, Thompson, who played her on the show, pointed out that was the only time any of them had played a real-life celebrity. The show also generally avoided region-specific or even country-specific humour (Buddy Cole, the CBC-skewering “Screw You, Taxpayer!” and a few others notwithstanding). While many creators remain tied to their time and place, the Kids’ work is accessible to just about anyone, giving their sketches a timeless quality.

Pick your battles

One of the characters in the Kids’ theatrical debut, 1996’s Brain Candy, is a child with cancer. Paramount argued it was too tasteless, even for a dark comedy. The Kids fought for “Cancer Boy” and won, but they ended up alienating the studio, which contributed to the film’s failure. Someone might have reminded them of this old maxim: If you give in on minor things, you’ll have a better shot at preserving your overall vision.

Go big or go home

Thanks to Michaels, the Kids’ original series landed on two major U.S. networks: HBO and CBS. The show never became a huge hit south of the border like it did in Canada, but it did become a cult fave—and considering the size of the U.S. market, that translated into a pretty big audience. If they’d played it safe and stuck to the domestic market, there’s no way they’d be back on the air 33 years after their debut.

Give the people what they want

While the Kids in the Hall revival brought back a few recurring characters (including Cole and our recently departed monarch), Foley described it as having a “very low quotient of nostalgia.” That’s not entirely true: The Kids—whom McCulloch once described as portraying “weird sort of antihero people from the suburbs”—still brandish their unique brand of humour built around the weird and dark urges repressed by their families and friends, which is exactly what fans craved.
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THE ECONOMY OF...

Demand and supply
How the restaurateur behind Terroni built his own supply chain to keep customers fed during COVID-19

From a small café and grocer on Toronto’s Queen Street West in 1992, Cosimo Mammoliti (above) has built a food empire with nine restaurants across the city specializing in authentic Italian meals made from ingredients imported from Italy. For years, production of staples like pasta, sauces, bread and desserts were spread across its various locations. Just two weeks before the pandemic sent the country into lockdown, Mammoliti launched Spaccio East, a vast commissary kitchen that bills itself as a “centralized artisanal hub,” bringing much of that backend production under one skylit roof. He’s since launched a second Spaccio in the city’s west end where the chain’s pasta is made, as well as meals for its subscription delivery service, Porta, launched last year. With containers of raw goods coming in and thousands of meals going out daily, Spaccio is a vertically inteegrated, one-stop supply chain which, for those watching from the second floor of the attached restaurant, plays out like a ballet of food prep.

The 16,000-square-foot Spaccio East kitchen, which occupies a former sound studio, employs close to 75 people and has bread, pastry and gelato departments, as well as a butcher, kettles for making sauces and steamers for vegetables. “Anything that’s needed in the restaurants that’s time-consuming, I can do here,” says Mammoliti. “And I make it the same every day, so if there’s a problem, I can control it.”

Each year, the Terroni chain imports 146,835 kilos of flour for its bread and pasta from Molino Mariani, a miller in Italy’s Marche region. “They have dedicated wheat fields just for us,” says Mammoliti, who tapped the flour producer’s consultant, Giuliano Pediconi, to be his master baker.

Guanciale, or cured and spiced pork jowls, hang on racks to dry. The Spaccio East kitchen features its own butchery department and fridges, and Mammoliti buys meat directly from a local abattoir. “We cut it, we weigh it, we tag it, we know everything about it,” he says.
Among Terroni’s imports: 2.1 million ounces of tomatoes, 11,650 kilos of hot peppers and 26,090 litres of olive oil. Supply disruptions have boosted prices: A shipping container that used to cost $4,000 is now $12,000. “I could buy everything a lot cheaper here, but the strength of my business has a lot to do with the fact that I control everything.”

Since the mid-2000s, Mammoliti and his family have owned a wine agency, Cavinona, that imports wine exclusively from 94 producers in Italy for its own shops and restaurants, plus other restaurants and a wine subscription service launched last year.

Workers prepare pasta dishes that will be sealed (yes, even the shrink-wrap machine is imported from Italy) and sold at the Spaccio East store (above). Mammoliti originally envisioned the store being a small counter with only a few items for sale. Then COVID-19 hit, and demand from homebound consumers for ingredients and prepared meals exploded.

As for the pandemic recovery, Mammoliti says it’s a work in progress. “When you’re talking 10 restaurants being closed for so long, then open, closed, open, closed—I had to lay off people three times. It was really hard,” he says. “We’re busy now, but that was two years of damage that will take a while to repair.”
Owning a home of your own has long been a cornerstone of the American dream. So in the wake of the U.S. housing market collapse in the mid-2000s, as home ownership rates there plummeted, more than a few smug Canadian observers—and anxious American ones—noted that the country’s northern neighbour was out-dreaming America. By 2011, Canada’s home ownership rate, or the share of households that are owner-occupied, had climbed to 69%, while the U.S. rate had tumbled to 66% from 69% in 2004, before bottoming at less than 64% a few years later.

But the past decade has seen home ownership rates in the two countries converge to within a percentage point of each other in 2021 (66.5% in Canada, 65.5% in the U.S.) as ownership levels in the United States rebounded while growing numbers of Canadians were squeezed out of the market altogether by year after year of double-digit house-price gains.

When Statistics Canada reported the downturn in home ownership rates in September as part of its release of 2021 census data, the hit to one demographic group stood out: young adults. The home ownership rate for those aged 30 to 34 fell to 52.3% from 59.2%. The drop was even more pronounced for those in the 25 to 29 age group, falling 7.6 percentage points to 36.5%.

Those declines look even starker when compared to how young Americans have fared between 2011 and 2021. Young-adult ownership rates have largely held steady or, in the case of 25- to 29-year-olds, increased. While ownership levels are still slightly higher for young Canadians, the trend of the past decade shows a massive erosion of the ownership dream for young people in this country. /Jason Kirby
The Globe and Mail and SHOOK Research congratulate

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Thane Stenner, CIM®, FCSI®
Senior Portfolio Manager and Senior Wealth Advisor

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If you haven’t heard of Thane Stenner, you likely haven’t been paying much attention to the upper echelons of Canada’s wealth management industry. The founder of Tiger 21 in Canada – a high-net-worth investor peer network – is one of the nation’s most sought-after wealth managers, whose clients’ net worth ranges from $25M to 2.5B.

(Canadian Family Offices Magazine, 2022)

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(Canadian Family Offices Magazine, 2022)
For Your Consideration

Hammond Power Solutions Inc.
Guelph, Ont.

Revenue (2021) $380.2 million
Profit $15.2 million
Three-Year Share Price Gain 96%
P/E Ratio (Trailing) 8.2

Launched in 1917, HPS (as the company refers to itself) is now the leading maker of dry electrical transformers in North America, and it's expanding fast in Mexico, India and other countries. Virtually any electric device needs a transformer to step voltage up or down. In HPS's early years, that meant tube radios. Today, explains CEO Bill Hammond, the third generation of his family to run the company, transformers range from something tiny you can fit in your hand to the size of a car garage, and go into things such as EV recharging stations, renewable power generation facilities “and so many other new technologies that we never foresaw.”

Dry-type transformers, by the way, are cooled by air, while wet-type ones are filled with oil or other liquids. Hammond, who's 70, was promoted to the top job in 2001, when sales were $75 million. They’ve increased solidly since. The stock price is another story. The shares drifted sideways after the 2008-09 financial crisis, although they've surged again since the pandemic. “If you could tell me how the stock market works, that would help us significantly,” Hammond says. He sees his company not as a sleepy value play, but as “a growth stock that’s undervalued.”

To him, HPS’s prospects are stronger than those of many startups, and it has a solid financial track record. Lots of glitzy newbies trade at price-to-earnings ratios of 40, 50 or more—if they have earnings at all.

Since the 1980s, many other Canadian-owned manufacturers have fled or folded. But remaining resolutely Canadian helped HPS, Hammond says, because traditionally, it had to manufacture a full product line—“we had to be all things to all people.” The company grew bigger than its specialist U.S. rivals, as well as divisions of multinationals such as Siemens, Eaton and Schneider Electric.

After the financial crisis, many of its biggest customers in mining and oil and gas were slammed by sector downturns. But the company has expanded into other industries such as induction heating products, which are used in silicon chip and fibre-optic cable manufacturing. In recent years, HPS has also caught a tailwind as the world electrifies. And mining and petroleum are now rebounding.

Hammond may also be more diplomatic than he needs to be about his family's 66% control of HPS through four-for-one multiple voting shares. Like many money managers, he argues such arrangements provide long-term stability. “A lot of investors want to dwell on quarterly results or bet big on one flashy new technology.” “There’s nothing sexy about our business,” he says, “but we do it well.”

John Daly

FOCUS INVESTING

5 things we learned from Kaitlin Thompson

5G has been the Next Mega Thing for more than five years, and telcos and other major tech providers have already spent billions preparing for it. But how big a deal is 5G? And as with any massive innovation, how should investors play it? Bet on established tech behemoths? Search for hot newcomers? Or a bit of both? /JD

1. Thompson is VP, product strategy, at Evolve ETFs, launched in 2017, which aims to profit from big innovation trends and offer some safety through diversification. Evolve manages about $3 billion, and 5G is one of eight equally weighted themes in its Innovation Index ETF. Even so, consumers likely “won’t notice a tone of differences from 5G right away,” she says.

2. The headlines are somewhat true, Thompson says: China is ahead of North America in deploying 5G. But the U.S. is close behind. “Most American cities have access to 5G,” she says. And some individual companies, such as T-Mobile, have jumped ahead of rivals. That means North American investors can deploy money at home and don’t have to invest in Chinese companies.

3. Almost every sector will benefit. They include health care (monitoring patients at home in real time and sharing data through entire medical systems), retail (using augmented and virtual reality to better fulfill customer demand), automotive and entertainment. “Data is our most precious resource now, and 5G lets us transmit it faster than ever before,” Thompson says.

4. A key tech question still applies: What will Apple do? Thompson says 3G came onstream in the early 2000s, “but no one really knew what to do with it” until the iPhone arrived in 2007. Waves of new apps followed. She also likes a Henry Ford analogy: “If you asked people back then what they wanted, it would have been a faster horse, not a car.” Many new uses may not exist yet.

5. Investing in new tech is risky, and a long-term perspective is essential. The Innovation Index ETF has 42 holdings, but four are other Evolve funds that focus on themes such as the cloud and e-gaming. Investors get exposure to about 230 companies—a lot of diversification for a $65-million fund. Still, it’s down about 30% this year, versus 32% for the Nasdaq Composite Index.
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Twenty years ago, Geoff MacDonald partnered with a friend to buy three blueberry farm properties on Prince Edward Island. The yield of the wild berries increased as roots spread to empty patches of soil, and the land value has appreciated. The strategy on the hobby farm is similar to the way MacDonald co-manages the EdgePoint Canadian Portfolio Fund with Tye Bousada and Andrew Pastor. The $2.5-billion fund buys undervalued stocks of companies with growth potential, and it has outpaced the S&P/TSX Composite Total Return Index since the fund’s inception. We asked MacDonald, 52, how it has beat the index over 14 years and why he finds stocks such as Restaurant Brands International, owner of Tim Hortons, attractive.

Your firm and funds, including EdgePoint Canadian, launched in late 2008 during the financial crisis. Why did you do that in a bear market?
We didn’t know a crisis would happen. Early that year, we analyzed the fund industry, which is generally run by sales and marketing people. We saw a pattern of money chasing funds with strong recent returns, but it was investors who bought a year or two earlier who did well. We wanted to run EdgePoint differently and make money for investors. Many people said it was not a good time to launch, but it was. Even if a lot of money didn’t come in, it would be invested at attractive prices.

Your fund has outperformed over the long haul. What’s the secret?
If you want to beat your competitors or an index over time, your fund should look different from the index. Our compensation is not linked to a benchmark. If your bonus is based on beating an index, a fund manager will focus on what is in it, and suddenly the source of risk comes from differing from that benchmark. We approach risk like a businessperson would, which is the chance of losing money. Diversifying the fund by ideas is also key because the benchmark is dominated by financials and resource stocks. That means we own smaller companies, too. We buy undervalued stocks to hold for at least three to five years, and we look for growth we think others don’t see.

Why is Restaurant Brands, owner of Burger King, Tim Hortons, Popeyes Louisiana Kitchen and Firehouse Subs, a top holding?
We believe Restaurant Brands can do 5% growth in new restaurants yearly for a long time without needing capital. It’s a franchisor, so it collects fees from franchisees, who spend the money to build and upgrade the restaurants. Popeyes, which has fewer than 4,000 stores globally versus KFC with more than 25,000, has long runway for growth in the U.S. We also see substantial growth for Tim Hortons, which has 5,300 restaurants. We expect that 2,000 new outlets could open in China within the next five years. In Canada, Tims struggled during COVID-19 lockdowns, but people are returning to work, and there are lineups again. It’s also benefiting from menu changes with pricier, higher-quality items. I’m a fan of the chicken habanero wrap.

Why do you own Osisko Gold Royalties, a precious metals stock?
Osisko provides miners with capital in exchange for revenue generated from gold and silver production worldwide. It doesn’t own the mines, which is a capital-intensive business, so its margins are high. We believe it can grow its gold-equivalent-ounces production by about 40% over five years. Because Osisko intends to be a pure-play royalty and streaming company, the valuation multiple investors will pay for this stock will likely expand in the future.

Your fund owns PrairieSky Royalty, Advantage Energy, CES Energy Solutions, Tourmaline Oil and Secure Energy Services. Why do you like the oil and gas sector?
Despite higher commodity prices, energy producers have been reluctant to aggressively bring on more supply. There’s a chance oil and gas prices will remain high in the future because of rising demand. The transition to renewable energy will involve natural gas for a long time, and oil will still be part of emerging-market economies. The environmental, social and governance narrative against energy firms will change because many are doing good things. Generalist fund investors who left the sector will have to come back in a big way.

/ Shirley Won

EDGEPOINT CANADIAN PORTFOLIO FUND (SERIES F) ANNUALIZED TOTAL % RETURN*

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* RETURNS TO AUG. 31, 2022. SOURCE: MORNINGSTAR DIRECT
Masai Ujiri has turned the Raptors into a winning organization—and grown its valuation by 517% since taking over in 2013. What’s his secret?

By Nicholas Hune-Brown
Photographs by Anthony Gebrehiwot

The Raps’ vice-chair and president at Hotel X in Toronto
was stopped by Alan Strickland, an Alameda County sheriff’s deputy. The two got into an altercation. The sheriff’s office requested that Ujiri be charged with battery of a peace officer, though the district attorney never pressed charges. Strickland sued Ujiri, saying he’d struck him in the face with both fists, though the accusation felt absurd on its face. And then it stayed that way for more than a year: the word of a law enforcement officer against Ujiri’s.

On the bus in Orlando, he watched newly released body cam footage and saw what everyone would soon see: Ujiri approaching Strickland with his hand in his pocket to pull out his credentials and the sheriff’s deputy pushing him violently—once, and then again, even as Ujiri explained that he was the Raptors president. Incontrovertible proof.

On the bus, Ujiri thought, Wow. This is really what happened. In the months since the incident, he had begun to doubt his own memory. Did I hit him first? he wondered. He’d seen movies about the innocently accused, and he’d never understood how people could come to question their own experience in these situations. Now he understood.

He went to the arena. He watched the game but hardly watched the game. Then he called a car and went back to the hotel. “As soon as I got to the room, I just started crying,” he says.

Ujiri tells me this in his office at the OVO Athletic Centre—the gleaming $30-million cube that Maple Leaf Sports & Entertainment, which owns the Raptors, built when Ujiri told them the team needed a world-class practice facility if it wanted to attract world-class talent. It’s early September, just before the start of the pre-season, and most of the players are already back in town, gearing up for another campaign. On the other side of the office wall, Pascal Siakam is draining pull-up jumpers over the outstretched arms of a trainer, the thump of the basketball and the squeak of sneakers audible.

On the eve of his 10th season with the team, Ujiri has the air of a man who has already won everything and is now trying to do the harder thing—win again. He’s doing it from a position of enviable security. Ujiri is the face of the franchise—a role generally held by the people who actually play the games and fans that is perhaps unique in the league. He is, after all, the guy who came to a losing team and brought it a championship. He’s the executive who came to a franchise that many dismissed as small-market and instead saw “a goldmine”; under his leadership, the team’s valuation has increased by 517% and become one of the 10 most valuable franchises in the league.

On the sidelines that night in Oakland, however, all that success meant nothing. He was just a man, a Black man, who needed to be put in his place. And that’s part of the reason that even now, years later, the memory still hits him so hard. “It’s even getting to me now,” he says, his eyes welling up for a moment.

People close to him say they’ve never seen him more emotional than in the days after the video was released. He couldn’t sleep. But when he got on the phone with his team in Toronto, it was to get them working. “What can we do?” he asked. He wasn’t talking about his own case; that had been put to rest. “What are we going to do?”
In both basketball and business, the word “leadership” gets thrown around a lot. It’s a term overused to the point of meaningfulness, applied to any executive who might plausibly deliver a TED Talk or any athlete whose contributions aren’t captured by the box score. One simple way to think about it, however, is as an act of transmutation: the ability to take a group of people, with their own individual ambitions and desires and fears, and turn them into a single unit working toward a common goal.

Masai Ujiri has many qualities as an executive. There’s the dealmaking that makes other execs wary of trading with him (transforming mid-dling guard Greivis Vásquez into two key players on a championship team remains a shocking robbery, even seven years later). There’s the brand-building that turned the “We the North” Raptors into Canada’s Team. There’s the eye for talent that saw future All Stars in unheralded prospects like Siakam and Fred VanVleet. But those who work with him say it’s Ujiri’s ability to connect with people and inspire them toward a collective purpose that is his singular genius.

“When I stand out there and look at those guys,” says Ujiri, “they believe in me. And I believe in them.”

“He’s incredibly charismatic,” says Webster. “He makes you feel like you’re a part of what he’s part of.” In 2013, Webster was a 28-year-old salary-cap wunderkind working at the NBA head office. He’d been offered other front office jobs, but Ujiri was the one who convinced him to make the move and join him with the Raptors. Teresa Resch, now a vice-president with the team, was also part of that original team. Ujiri had only met her a few times, but he’d made an impression on Resch. “He’s a great connector,” she says. “He’ll meet you and you’ll feel like you have a connection with him.”

She and Webster both insist that this is just who Ujiri is. “He’s always been like this,” says Webster. But the fact is, when Ujiri walks into a room today, his story precedes him, and that story has its own power. Before you meet him, you know the broad outlines. Ujiri was a skinny-legged kid from Zaria, a city in Nigeria, who found basketball as a teenager and managed to grind out a playing career in England, Denmark and Finland. He was a charming striver who parlayed a few contacts into an unpaid scouting job with the Orlando Magic, couch-surfing across Europe on his own dime. And he was the front-office savant who made the NBA equivalent of the mailroom-to-CEO ascension in record time—scout and then quickly assistant general manager. The first African-born GM of any major North American sports team. NBA Executive of the year. World champion.

Here’s a dumb-sounding observation about Ujiri: He only cares about winning. This is both a boring sports cliché and a colossal understatement—like saying a polar bear only cares about hunting, when the real story is that if a polar bear stops hunting, it literally stops being a polar bear. But his need to win is such a totalizing way of looking at the world, not just basketball, that it’s worth trying to understand.
“Maybe the best way to explain it is that failure is not an option,” Ujiri says in his office. But failure is an option. In a basketball season, only one team wins. Everyone else loses. So how do you handle that? “I don’t handle it,” he says. The miserable season the team spent playing in Tampa because of COVID-19 restrictions, for example? A season in which the Raptors, in fact, mostly lost? “That was a winning season,” says Ujiri emphatically. “Because we got Scottie.” And Scottie Barnes—the grinning, preternaturally gifted Rookie of the Year who Ujiri picked against conventional wisdom? Scottie is winning personified. “When we interviewed Scottie Barnes, he mentioned the word ‘winning.’ I think it was 27 times,” says Ujiri. He looks at me meaningfully; 27 times is a lot of times to say the word winning. “In my head, I said, ‘Oh my god. You know? Winner.’”

In most other people, in most normal walks of life, this winning obsession might read as borderline delusional. When they arrived in Toronto together in 2013, Resch remembers Ujiri hitting the same note every single press conference: We will win here. “I think at first people were kind of like, ‘Well, I don’t know,’” Resch remembers. The city seemed pretty content with losing. The organization’s rhythms and business strategies were built around steady mediocrity. Opening day was the biggest day on the calendar because the team never made the playoffs. You had to reward the season ticket holders with a big event early in the season because the basketball wasn’t reward enough. But Ujiri kept saying it, says Resch. “Then people started believing it.”

Under Ujiri, the Raptors did win, more than they ever had in franchise history. And that was enough until it wasn’t. Ujiri remembers watching the closing minutes of Game 2 of the 2018 second-round series against the Cleveland Cavaliers. That was the series in which LeBron James once again coolly demolished Ujiri’s team, and the term “LeBronie” trended on Twitter to signify James’s complete ownership of the city.

“I remember walking to my office on the 15th floor,” says Ujiri. The Scotiabank Arena was empty, the offices abandoned and dark. They were only down two games, but Ujiri could feel it: They’d had a chance, and they’d let it slip away. The greatest regular season in Raptors history, all the progress—it meant nothing if they lost. That’s when he made an oath. “I looked in my office, and I swore to myself that we would fucking win in this place, man,” he says. “I’m gonna fucking win.”

What followed is both the most triumphant and the most painful period of Ujiri’s tenure. He fired reigning coach of the year Dwane Casey, a man he considered a father figure. He traded DeMar DeRozan,
a beloved fan favourite, for Kawhi Leonard, an inscrutable superstar who some thought might not even show up in Toronto. On the night that trade went through, Masai was in Kenya, on the tail end of a trip that began with him opening a basketball court with friend and former president Barack Obama. It was 3 a.m., and he paced back and forth in the hotel, building up the courage to tell DeRozan the news.

The standard GM response to a transaction like that is that it’s “just business”—a phrase meant to artificially demarcate the personal from the professional, as if the two weren’t always messily entangled. Ujiri doesn’t pretend anything is just business. “When I look at those guys,” he says, gesturing toward the court outside his walls, “when I stand out there and look at those guys, they believe in me. And I believe in them.” What he means is that to succeed as a team, there can be no barrier between a business relationship and a friendship. You need to connect. And yet…you also need to win.

Exactly how to square those two needs is something he’s still working on. “It’s very hard for me,” he says. “Extremely hard.” But the thing about those personal connections is that they can persist, even when the business relationship is done. He reaches into his pocket and pulls out his cellphone. It’s Kyle Lowry—greatest Raptor of all time and ex-employee after being traded to Miami in 2021. He’s texting Ujiri late in the night because his kid is playing football now, and the proud father just had to send his friend a video. Ujiri still gets these texts from Lowry. He stays in touch with Leonard, too. “Even now, DeMar. After all of that, you know? It’s better.”

What are the Raptors worth?

The most obvious way for Masai Ujiri to keep the relationships and avoid the unpleasantness? Leave the basketball side of things behind. In 2022, you can see a clear non-NBA path laid out for him, if he wants it. His charity Giants of Africa continues to grow, and each off-season Ujiri leads camps and builds basketball courts across the continent. He moderates panels at United Nations conferences, hob-nobs with politicians, has multiple world leaders on his phone—not just Obama but Justin Trudeau and President Paul Kagame of Rwanda. Success has brought with it a certain gravitas, and at times he carries himself more like an ambassador or statesman than a basketball executive.

Nick Nurse has noticed the evolution. The Raptors head coach first met Ujiri in England, where Nurse was coaching the Birmingham Bullets and Ujiri was just a scrappy guard for the Derby Storm. Over the years, they kept bumping into each other out on the outer rim of professional basketball employment—as coaches and scouts in tournaments around the world, both trying to make it to the big leagues. “He was super hungry,” says Nurse. Today he has less to prove. “He carries himself with a lot of confidence. Not that he didn’t before, but it’s a calmer confidence now.”

One evening in early September, I follow Ujiri to a Giants of Africa event in a soaring atrium in downtown Toronto. Ujiri created the event, AfrICAN, as a networking for African professionals in the city and to help fuel economic development on the continent. Afro-beats music fills the space while more than 300 jubilant guests drink from an open bar and eat small plates of fried sea bream and spiced beef gumbo. Raptors forward Precious Achiuwa and rapper Shad bump elbows with Uber drivers and small business owners. The whole thing feels like an outgrowth of Ujiri’s animating philosophy: If you can connect people, bring them together, who knows what you might achieve?

Ilyas Adiris, a tall 29-year-old Somali-Canadian actor and filmmaker, stands by himself, nursing a drink. Like so many in the crowd, he’s come because of Ujiri. Not just his work leading the Raptors, but his work in Africa. “Masai Ujiri is my idol,” he says. “As weird as this might sound, I want to be the Somali version of him.”

Chef Marc Kusitor has business cards for his Afro-Caribbean catering company ready to distribute. His day...
The last time I meet with Ujiri, it’s at a corporate speaking gig in a hotel ballroom filled with accountants and tax consultants. He and his people arrive at the Royal York Hotel and move through the space like a practised SWAT team—his security guard John scouting out the hallway, his publicist locking step with him as they head toward the elevator, assistant trailing behind.

Backstage, Ujiri is introduced to the organizer. He’s introduced to the stage manager, to the person who will introduce him, to the woman in a blazer who won a company-wide contest to interview him onstage and who now, frankly, looks terrified, staring blankly into the middle distance clutching a water bottle. Ujiri looks them each in the eye and smiles, touches his hand to his heart. And then he’s out to a standing ovation from a ballroom full of mostly middle-aged, mostly white accountants in lanyards.

Everyone here is trying to do the same thing I am—glean leadership knowledge from someone who is very good at leading. We all want to understand what makes him a successful executive, a winner, and to take that knowledge home with us in a few digestible, transferable lessons.

On stage, Ujiri is happy to oblige. He busts out some of what I’ve come to recognize as core Masai-isms. “Show more passion than ambition,” he says, an elegant index finger raised in the air. “You need an organization that’s full of leaders,” he says, so hire people who are smarter than you. “Win,” he says, over and over. “We win on the court. We win off the court. And when you do, you bring other people along.”

In the ballroom, this all goes over great. Ujiri has figured out how to take his genius for personal connection and reproduce it at scale. I would, if I had the money, definitely pay to have him come inspire a few hundred of my favourite accountants.

But it’s impossible not to feel like there’s something missing. Asking Masai how he leads is, in the end, as unsatisfying as asking a great player how he plays basketball. Some alchemy of natural talent and countless hours of hard work? Instinct and experience? There are gaps in the narrative that don’t have satisfying answers. He went from scout to GM because…he was doing a really good job scouting? And those gaps, unfortunately, are best filled with the qualities that sound like the clichés of basketball press conferences and business self-help books. A passion so intense it spills over to those around him. An overwhelming need for success. A genuine instinct for human connection that looks at a stranger and sees a future teammate.

Here’s what Ujiri did after the Oakland footage became public: He tried to take his personal experience and turn it into something bigger.

He couldn’t stop thinking about the people who got tangled up in the criminal justice system and didn’t have what he had—the best lawyers in the world, money and celebrity. His team found a group called The Bail Project, a non-profit that pays bail for people, and he made a big donation. But that kind of help-at-a-distance is never enough for Ujiri. He doesn’t just want to fund a basketball camp in Mogadishu—he wants to be out on the court with the kids. So Ujiri flew out to Chicago.

In his office, he tells me the story of the man he met there. This isn’t something he’s really spoken about before, not something he did for publicity, but we’ve somehow gotten here, and now he wants me to understand what the encounter meant to him.

So the man, let’s call him Sid, is diabetic. He’s gay and has a loving partner. And during the pandemic, Sid lost his job, lost his insurance and began rationing his insulin. “He had one of those attacks, you know?” He was out on the street, acting erratic, and he tried to enter a car he thought was his own. The police arrested him. For days he was in prison. “His partner could not find him.” Eventually the bail project intervened. They found him in the system, paid his bail, brought him home.

That was the man Ujiri flew out to meet. He walked into his apartment. “The first thing I saw was bananas. He loves bananas. I love bananas,” says Ujiri. “He has two watches on. He loves watches. I love watches.” Sid loved photography, just like Ujiri. And they had both, in their own way, had an experience with the law that made them feel as if everything they’d worked for in their lives could be taken from them. That was something they talked about, too. The two men were objectively extremely different. But all Ujiri could see when he walked in the door was what they had in common.

I ask him: What was the purpose of that meeting? What did he hope it would achieve, for either of them? He seems genuinely baffled by the question. The value is, to him, self-evident. “Well for me, I found a friend,” he says. “I think he did, too.” Now, when he goes to Chicago, he checks up on Sid. That’s one more person on his team. He made a connection—another link in Ujiri’s vast and growing chain of personal relationships. The benefits go without saying. That’s how you win.
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It also had quite the upside: E-commerce penetration was still low; Shopify had the potential to expand globally, and the company could keep branching into other areas, such as payments. “We saw massive growth potential,” says Mark Rutherford, co-manager of Mawer’s Canadian equity strategy.

Mawer was right. Over the next two years, Shopify’s share price tripled. And then the pandemic hit. “COVID-19 essentially poured gasoline on the growth,” Rutherford says. With everyone trapped at home, e-commerce sales soared, and a special aura surrounded the company. Shopify was seen as central to the new economy. The company says it accounts for 10% of all U.S. e-commerce, and it handles US$47 billion in gross merchandise volume a quarter, predominantly for apparel, cosmetics, beauty and home goods. From the first lockdown through November 2021, when Shopify’s stock hit its peak, the shares jumped another 300%. For a while, it was Canada’s largest company by market value. Mawer trimmed its position during the rise to cash out gains, but because Shopify’s shares had soared so much, its stake was still worth $377 million by late last year.

And then the tech sector crashed. No one was safe, but Shopify was one of the worst hit, with its shares plummeting 84%. Mawer waited it out for a while, but by the spring the firm had had enough and sold what remained of its stake.

To outsiders, it may seem like Mawer simply couldn’t stomach the tech wreck. That’s partially true, but the portfolio managers were also spooked by something else. For all the hype, explosive e-commerce growth has stalled out, and the market is now much more competitive. Shopify has also morphed into such a giant that it’s starting to clash with Amazon a little too often. Instead of sticking to his lane, Lütke’s gone all in on assembling a delivery, fulfillment and logistics business, just like the incumbent heavyweight.

In a way, the investment resembles Facebook’s pivot to the metaverse. The giant dominated for a decade, but the digital world is changing so quickly that it worries about remaining relevant. Shopify’s shift isn’t as drastic, because it’s mostly building a complementary business. But like so many tech stars, it’s wrestling with its identity. Netflix, for one, recently lost subscribers for the first time in a decade and modified its business model to allow ads—something it swore it would never do.

The struggle for Shopify is that it’s making this pivot with an almost entirely new management team following an exodus over the past two and a half years. Rank-and-file employees are also uneasy after 10% of staff were let go this summer. Despite the tumult, Shopify is still hell bent on building something Canadians are proud of. “We’re going to build one of the most durable companies on the planet,” says president Harley Finkelstein. “I want Canada to be really proud of the long-term story of Shopify.” But layer in the market crash, and it’s enough to make you wonder: Is there a way out of all this trouble?
First things first: Shopify is not on the cusp of crumbling. Unlike the scores of unprofitable tech companies that soared during the pandemic, Shopify has a fairly sound balance sheet and a solid base of recurring revenues. It’s a real business with devoted clients.

Based in Ottawa, Shopify’s co-founders bootstrapped the business in its early days—the other two co-owners left early on—and its first round of venture capital funding raised a grand total of $7 million in 2010, a pittance compared to what it could have hauled in if it had been created a decade later, at the height of the VC boom. “Very few VCs believed that software businesses targeting SMBs were good investments, let alone ones that could deliver venture returns,” Bessemer Venture Partners, the firm that led the funding round, said in a post-mortem on the investment.

Shopify had a few things going for it. Crucially, there was a massive tailwind from the digital revolution, and Amazon wasn’t really focused on the SMB market. But Shopify didn’t have the market to itself. It had a number of rivals, like BigCommerce, Volusion and Magento—the latter of which was purchased by eBay, then flipped to Adobe. To stand out, Shopify courted developers to build add-ons for merchant stores, which meant customers had access to a bunch of drag-and-drop applications offering, for instance, shipping labels and automated orders whenever inventory got low. Another crucial feature: tiered pricing form erchants of all sizes, so as clients grew, Shopify could offer them more services.

But none of it was rocket science; Shopify’s product was simply more elegant. “There have been many tools that launched before Shopify and after Shopify,” says Juozas Kazuikenas, a consultant for e-commerce marketplaces. “In many ways, Shopify didn’t invent this or materially disrupt it. They just made a much better interface and network of partners.” If that sounds dismissive, it’s not. He deeply respects the company. Elegant design is how Apple defined itself under Steve Jobs.

Eric Fuller has run his wooden-puzzle business, CubicDissection, based in Raleigh, N.C, on Shopify since late 2017. He used to use Volusion. “Before Shopify, there were only a couple of large hosting companies, and they generally focused on large clients. It was clear they didn’t care about the little guy,” he says. Shopify’s product adapted to all sorts of sales styles. “Our website sees 80% of its business during a six-hour period every four to six weeks when we release new work. It’s mostly crickets, then it gets slammed. Shopify handles it with ease.”

Shopify also expanded with its Merchant Solutions division. One major project was mini-lender Shopify Capital. Instead of turning to a bank, merchants can sell Shopify their receivables at a discount in exchange for access to funding. Customers also needed a way to collect credit and debit payments online, and instead of forcing them to add on an external tool, Shopify built one that processes the transactions through Stripe. Each transaction costs the merchant about 2% to 3%, a good chunk of which goes to Stripe. But a small amount falls to Shopify’s kitty.

This all meant that for many years, Shopify’s strategy was pretty simple: Sign up more merchants, process more transactions, and revenues would grow. Investors were fixated on potential—profits didn’t really matter as long as the company was bringing in more merchants. That might seem easy in retrospect because e-commerce growth was so high. But Volusion, for one, filed for bankruptcy protection in August 2020. Shopify found a way to remain at, or near, the top of the class, depending on whom you ask—its market value hovers around US$40 billion, while BigCommerce’s is US$1.2 billion. Lately, though, Shopify’s narrative has changed because the pandemic boom has disappeared. Sales are still elevated relative to 2019, but it turns out in-person stores still matter—a lot. E-commerce as a percentage of retail sales has plateaued around 15%, a stall that has hit everyone, including Amazon.

At the same time, rising interest rates have taken a sledgehammer to tech valuations. Growth stocks flourish when rates are low, because endless expansion is cheap and easy to finance. But they get pummelled when rates rise. The fear now is that rates will need to go even higher, because inflation is quite stubborn and won’t fall quickly. That could put the global economy into a coma, which means consumer demand will drop. Shopify’s subscription revenues are heralded for being sticky—the service is arguably akin to an utility at this point—but its payments business would certainly feel the pain, and that’s what’s been driving revenue growth.

That’s the simple version of what’s gone wrong, and it’s the most widely accepted narrative. But it’s only part of the story.

What made Shopify stand out for so long was that it was the anti-Amazon. The U.S. retail giant loves to be front and centre, making sure everyone knows they’re buying something through one of its portals. Shopify’s mantra, meanwhile, was to stay out of the way and let entrepreneurs be entrepreneurs. It worked for so long because the direct-to-consumer business model was a dominant one online. The likes of Facebook and Instagram had boatloads of data on their users, and they made it easy and affordable for merchants to buy cheap ads that micro-targeted niche audiences. Those users would eventually find their way to
stores run by Shopify.

But then Apple made privacy a core tenet of its business model. Social media companies were so effective at selling ads because they tracked you across the entire internet—and even in some private chats. In April 2021, however, Apple rolled out a software update for iPhones that allowed users to opt out of being tracked. It was a hit. Now when merchants buy ads, it’s a bit more like throwing spaghetti at the wall.

Digital commerce is also in a different place. When Shopify was a baby, it was able to grow quickly because it was one of the first movers. Then it was perfectly situated when COVID-19 hit. “For them to sign up merchants, it was almost like shooting fish in a barrel. People were desperate to get their stores online,” says Desmond Lau, an analyst at independent research shop Veritas. Now that the world has re-opened, it’s pretty clear a lot of demand was pulled forward, so it’s slimmer pickings for new signups.

All this means Shopify has to work harder to attract new clients. In 2021, it spent 21% of its revenue on sales and marketing, Lau notes. That has jumped to 25% this year. In consulting terminology, this means Shopify now has a higher cost of customer acquisition, a crucial metric for tech companies. Across the sector, one ratio is held sacrosanct: the lifetime value of a client relative to the cost of bringing it in. Anything above three times is good—that is, if you spend $1 to add the client, they should deliver $3 in value. Lau worries Shopify’s ratio is starting to drop, and rather quickly, but there’s no real way to know. It’s impossible to know what Shopify pays the likes of YouTuber MrBeast, says, when he promotes the service. It’s all a black box—which is fine in an up market, but when investors are losing money, the knives come out.

Another financial threat: shrinking margins. Shopify is typically associated with helping small businesses set up online stores, but most of its revenue growth comes from processing payments. This unit has lower margins, primarily because it has to pay a good chunk of its fees to Stripe. This summer, Shopify disclosed that its gross profit as a percentage of total revenues dropped to 51.8% during the first half of the year from 56% a year earlier.

Nothing has flustered investors more than Shopify’s pivot to logistics and fulfillment. The company had been hinting at this expansion for years, and in 2019 it even bought 6 River Systems, which made cloud-based software and mobile robots for fulfillment centres, to take a stab at it. But it wasn’t a priority. Now Shopify is all in, spending US$2.1 billion to buy Deliverrr in May, and telling investors it needs to spend $1 billion more to integrate everything and get it up to snuff.

It’s all so disorienting because Shopify is late to this game. There are already scores of third-party companies that handle warehousing and fulfillment, and the likes of FedEx are big in the logistics game. “The market is pretty well taken care of. There are unicorn-size companies and small startups,” says Kaziukenas. “It’s not really something Shopify can disrupt in any meaningful way.”

The investments also seem to put Shopify on a crash course with Amazon and its Prime delivery business. Amazon seems so rattled by the threat that it’s clapping back with a new program that allows merchants to use its delivery and fulfillment system even if they don’t sell through an Amazon site. All they have to do is add a “Buy with Prime” button to their website. In other words, they’re cutting Shopify’s grass.

Shopify has promised investors its pivot to fulfillment won’t be too costly—nothing like Facebook’s spend on the metaverse. But it’s expensive enough that in the first six months of the year, the company reported a US$2.7 billion net loss, more than wiping out its total profit from the same period last year. It’s as if the pandemic boom never happened, and it was enough to spook Mawer. “We don’t know how much this is going to cost,” says Rutherford, the Mawer portfolio manager, “and what type of return they will get.”

Harley Finkelstein has heard this all before. Via video call from Montreal, where he grew up, Shopify’s president explains he hasn’t been back home to Ottawa in six weeks. Instead, he’s been on the road telling Shopify’s story again and again, and answering questions from confused investors and analysts. If Lütke is the shy and deadly serious brains behind it all—he once said his wife calls him “an immigrant to the human condition”—Finkelstein, a former DJ and T-shirt entrepreneur, is the marketer.

“If you had asked me 10 years ago what Shopify does, it’s really easy: e-commerce for small businesses,” says Finkelstein. But now it’s so much more, and the sheer breadth can trip up investors.

To help solve the conundrum created by Apple’s privacy changes, Shopify is leaning on something it calls Audiences, a tool that helps merchants find customers. Shopify’s clients can select the product they want to sell more of, and algorithms will build what the company calls “an audience of high-intent buyers.” That list is then shipped to whatever ad network the merchant chooses—though right now it’s only available on Facebook and Instagram. In a way, it’s an in-house advertising agency that’s free for Shopify Plus clients, the premium ver-
sion of its e-commerce subscription package.

Another fix: an updated point-of-sale device. Shopify has long had checkout devices for brick-and-mortar stores, but they hadn’t been updated in a while. In September, the company rolled out a new version, arguing physical retail was rebounding in importance now that lockdowns had subsided. (E-commerce sales still make up roughly 90% of Shopify’s gross merchandise value.)

The largest source of uncertainty is Shopify’s logistics plan. Initially, there were fears management would spend recklessly to compete with Amazon on warehouse space, especially because it paid a hefty multiple for its acquisition of Delivererr. Finkelstein pushes back. “This is not a $10-billion thing. I know there’s been reports of that. It’s ridiculous. We don’t have to own the warehouses. We don’t have to own the staff. What we need is really great software. It’s a very different model.”

The way he explains it, Shopify isn’t suddenly going to become an owner of industrial real estate. The goal is to make software that can track a merchant’s order from the time it leaves the manufacturing plant, through the port to a distribution warehouse, and then on to the end customer. “We don’t want to do one-day cheap shipping like Amazon. That’s not the point,” Finkelstein says.

He offers more context: Shopify wasn’t really looking to get into shipping or logistics, but as its merchants got bigger, it became more of a priority because they were getting screwed by the massive minimum orders demanded by many third-party logistics providers. Shopify thought, What if we could build plant-to-porch software? It has since partnered with Flexport, whose clients are shipping-container companies that get goods to the port, and it bought Deliverrr, which handles balancing, the term for getting stuff from the port to the fulfillment centre. For the last piece, it’s working with third-party fulfillment centres in the hopes of renting empty space and then deploying new fulfillment-management software (some of which came from its 6 River Systems acquisition).

The problem is that it’s going to take time to build all this out, and that investment will create substantial losses right when investors are increasing their scrutiny.

But there is a plan. Shopify is not an electric-truck SPAC that went public with zero revenue and is now scrambling to deliver its first-ever order. Its struggle is one of execution. Save for Lütke and Finkelstein, the entire executive team has turned over in the past two and a half years—sometimes in a pretty harsh manner. In the fall of 2020, Lütke announced that chief product officer Craig Miller was leaving and filled the hole with…himself. The reasoning for each departure has never been clear—some leaders seemed to burn out and were happy to enjoy their wealth. Others might have clashed with Lütke over time. Just when the turnover seemed to be slowing, in early September Shopify announced its CFO and COO were also changing. Even the Bay Street analysts who had been constant cheerleaders for the company finally admitted it was strange.

Shopify used to have two great things going for it: a strong culture and a meteoric share price. Shopify really cared about its people, and its offices were inviting places to be. Free hot breakfast. Open beer taps all day. A corporate Soho House of sorts. It’s been hard to replicate that working remotely.

Worse, there are some concerns the company is starting to resemble an American tech giant—less soul, more cutthroat. Kaz Nejatian is Shopify’s newly appointed COO, and last fall he famously tweeted, “We should celebrate hard work more than we do,” adding that China’s growth was fuelled partially by 9-9-6 companies, where employees work 9 to 9, six days a week. (His tweet was in response to the Ontario Liberal Party’s idea to test a four-day work week.) It was the polar opposite of what Lütke used to preach, talking openly about being home by 5:30 p.m. every day, even as CEO.

As for the shares, no matter how much spin the executives put on it, the freefall is painful. Lütke and Finkelstein have tried to brush it off, saying investors are simply too short-term-focused. But try telling that to a Gen Z employee who feels they’ll never be able to buy a house. Shopify has had to modify its compensation structure—employees can now choose their mix of cash and shares, whereas it used to be a pre-set ratio—and this spring a number of top executives tweeted that they were buying the stock as it crashed. The sacred rule used to be that no one was allowed to talk about the stock at work because it sent the wrong message. Yet, here were the leaders doing just that, in the most public forum possible. (It didn’t help that Lütke quietly cashed out $623 million in 2021 as Shopify approached its record high.)

Finkelstein appreciates the concerns about Shopify’s executive exodus, but he stresses he and Lütke view leadership as a two- to three-year “tour of duty.” The rule doesn’t apply to either of them, though. “I just recommitted to another decade,” he says. Lütke, meanwhile, was just granted a special founder share that gives him 40% of Shopify’s shareholder votes, meaning he’ll essentially have control of the company in perpetuity. But Finkelstein pushes back on any slander about Shopify’s culture. “I reject the fact that we are becoming like some big tech company. There is a soul to this company,” he says. Shopify has an ethos, he swears: It is entrepreneurs building software for other entrepreneurs.
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Ajay Virmani
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Mary Winston
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Every company faces tumult. It’s a function of growing up. The struggle for Shopify is that it’s going through it in the midst of a complete market reset. Valuing tech stocks used to be as basic as slapping a multiple on the sector—say, 20 times sales. And because Shopify was one of the beloved companies, it earned a premium valuation—perhaps 25 times. It really was that simple.

In a down market, investors go hunting for weaknesses, and Shopify’s margins are compressing. Software companies were so attractive for so long because they could be scaled—build the software, then sell it to as many customers as possible with minimal extra costs. But by adding so many divisions, including fulfillment, it’s hard to tell what’s worth what or even what an appropriate multiple should be. Microsoft, meanwhile, is minting US$16.7 billion a quarter, and it’s been around so long that it has very clear benchmarks. Facebook (now Meta) is often seen as the poster child for Web 2.0 companies—that is, those that came of age after the dot-com crash. For a while there during the pandemic, when Shopify was worth more than $200 billion, it seemed to be verging on this level of fame. Meta, though, reported US$39 billion in net income in 2021, the banner pandemic year. Shopify’s equivalent profit: US$2.9 billion, much of which will be offset by losses this year.

Shopify is living the age-old rule in real time: Success masks all sins on the way up, and the pain compounds on the way down. No one knows how long the market rout will last, but if its leaders are ever feeling particularly low, they can look to their chief rival for inspiration. Amazon’s stock lost 90% over two years after the dot-com bubble crashed, yet it was able to claw its way back.

In a letter to investors when Shopify went public, Lütke wrote about wanting it to be a company that sees the next century—not just for its own sake, but for Canada’s, too. He’s harped about how easy it is to turn into BlackBerry, which was hyped just as much as Shopify at one point, only to lose all relevance. When Shopify was soaring, Lütke could seem paranoid, never satisfied. But the current downturn makes his fears seem a little too on the nose. If Shopify truly plans to be around for 100 years, this is shaping up to be the ultimate test of its resilience.
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COHERE’S AI SOFTWARE CAN WRITE FLUENTLY, ANSWER QUESTIONS AND DISTILL CHUNKS OF TEXT TO THEIR ESSENCE. IT EVEN GENERATED PARTS OF THIS STORY. BUT IS IT READY TO BE UNLEASHED ON THE WORLD?

By Joe Castaldo

Illustrations by Domenic Bahmann
Before Aidan Gomez co-founded an artificial intelligence company, he worked as an intern at Google Brain in Toronto alongside Geoffrey Hinton, a luminary in the field of AI. Gomez was the kind of person, Hinton recalled, who had so many ideas that it was difficult to get him to focus on what he was supposed to be doing.

But Hinton noticed that Gomez was particularly interested in learning to translate languages. At that time, machine learning wasn’t advanced enough to be useful for translation, but it wasn’t far off. When he was about to enter his third year at UBC, Gomez co-founded Unbabel with Daniel Jinich, an Argentinian who had studied at Oxford. At first, Gomez said, it was a way to earn money on the side. Then he and Jinich realized that it could become a legitimate business. They have raised $22 million from Y Combinator and other investors, including billionaire Elon Musk. “It’s kind of like magic,” Gomez said in an interview last month. “There’s this thing that has no resemblance to how the brain works, yet we’re able to use it to communicate.”

Except Gomez didn’t do any of that. Cohere, the AI startup that Gomez actually co-founded, made it up. Gomez never described AI as “magic,” never attended the University of British Columbia and never started a company with Daniel Jinich, who, as far as I can tell, does not exist. I wrote the first paragraph, which is true, and pasted it into Cohere’s web application before clicking a button labelled “Generate.” Cohere conjured the rest, piecing together a plausible, if fabulated, article. Cohere generated endless new realities for Gomez with the same two sentences, in fact. In one creation, he was the CEO of AIDAN.AI, still grappling with too many ideas, inspired to pursue AI after seeing Jurassic Park at 10 years old. “I was blown away,” Gomez (didn’t) say.

It might seem like magic, as Cohere told us, but it’s the result of countless hours of work and billions of words. Cohere, based in Toronto, is an natural language processing company, a branch of AI broadly devoted to improving the ability of computers to generate and interpret text. Cohere’s large language models (LLMs), the programs that do this work, have been trained to understand language by digesting essentially the entirety of the publicly available internet—blogs, digital books, news articles and so on. Cohere’s models can be used to write fluently, answer questions, distill a paragraph to its essence, extract important details from a mass of text and many more tasks that Cohere hopes other developers will make real. Applications relying on LLMs are already here—the technology is being used to power more sophisticated customer service chatbots, assist with writing computer code, summarize and analyze customer feedback, improve search results, generate marketing copy, and help writers mired in a creative rut.

Gomez, who is 26, started Cohere in 2019 with two friends, Nick Frosst and Ivan Zhang. The trio seems typecast to work in the cerebral and eclectic world of AI: The first time we spoke, Gomez had pinkish hair parted straight down the middle; Frosst harbours a love for Magic: The Gathering, a fantasy card game; Zhang, meanwhile, dropped out of university. Since teaming up, they’ve raised US$175 million, built a team of about 135 people, and set up additional offices in Silicon Valley and London. It’s a small company up against some of the biggest firms in the world. OpenAI, founded by a handful of tech power players, is perhaps the best known, but both Alphabet’s Google and Meta (formerly Facebook) have their own LLMs, not to mention deep pockets and access to the most powerful supercomputers in the world, which is necessary to ensure their models keep improving.

Cohere is taking a different approach. “The technology that’s being developed, it’s isolated within these huge organizations,” Gomez says. He wants to make Cohere’s language models available to all and ensure they’re so easy to work with that the average developer can write their own applications or start entirely new companies. In effect, Cohere aims to be a platform powering countless products and services. “For every one machine-learning expert, there’s a thousand non-expert developers,” Gomez says. “If we really want to see this stuff permeate technology more broadly, we need to give that 1,000 the capability to build with it, instead of just the one.”

If he has his way, anyone, anywhere, will be able to make the machines talk, listen and learn. One can only hope it proves to be a good idea.

One morning this past summer, I met with Nick Frosst at the company’s office in downtown Toronto. Cohere was undertaking a renovation, and with piles of cardboard on the floor and a lone couch sheathed in plastic in the reception area, the place had the feel of a work-in-progress.

Frosst stopped by the kitchen for coffee first. Humming to himself, the wiry 29-year-old in jeans and Nike sneakers could
Outside of Cohere, Frosst is the singer for an indie band called Good Kid, which operates a Discord server for fans. A while back, he noticed that people tended to ask the same questions over and over again. To make life easier, he used Cohere to program a bot to monitor queries. If a question is similar to one that’s been answered before, it will provide a canned answer. He pulled up Discord and saw with satisfaction that when someone recently asked if the band had plans to tour the U.K., the bot immediately piped in with a list of Good Kid’s upcoming shows.

Frosst, who grew up in Ottawa, came to AI through a job at a board-game café in Toronto. A suitably nerdy conversation with a customer about the computability of board games led to a recommendation that he get in touch with John Tsotsos, a York University professor working on computer vision, who took him on as a research assistant. Later, Frosst became Hinton’s first hire at Google Brain’s Toronto office. “He’s exceptionally good at social interactions,” Hinton says. “Most computer scientists aren’t.”

Gomez, meanwhile, grew up in the small town of Brighton, Ont., with agonizingly slow dial-up Internet. His frustration led to an obsession with technology and programming, as he fruitlessly searched for hacks to improve his web access. He enrolled in computer science at the University of Toronto in 2013 and took a year off to work at a tech incubator in Vancouver. He was assigned to integrate machine learning into a piano sheet-music app—his first real exposure to the field—and started reading papers by Hinton on artificial neural networks. Gomez, imbued with the kind of hubris only a young man can possess, emailed Hinton to critique his approach to a particular AI concept and propose an alternative. Hinton wrote back to politely explain all the reasons why Gomez’s idea wouldn’t work.

When he later returned to U of T, he fell in with its small crew of machine-learning pros and students. He’s never stopped to consider why he’s interested in AI. “I just take as an axiom that artificial intelligence is the coolest problem you can work on,” he says. In 2017, he scored an internship at Google Brain in San Francisco, where he contributed to a seminal paper that revolutionized natural language processing (NLP).

At the time, the latest advancements relied on what are called recurrent neural nets, which effectively processed words one at a time. Only traces of previous words remained in a neural net’s memory, and these systems could not grasp context. A recurrent neural net could be tripped up by something as simple as “may,” which can indicate permission, possibility, the calendar month or a person’s name.

Gomez and his fellow researchers outlined a new method dubbed transformers. Rather than process words sequentially, transformers consider all previous words in a sentence when calculating the probability of the next one. Transformers deploy a mechanism called “attention” that essentially helps the model more accurately guess the meaning of a word based on those around it, parsing, for example, whether “bat” refers to the animal or the implement used to whack a ball.

Gomez is one of eight authors on the paper, titled “Attention is All You Need,” and he’s modest about his contributions, crediting two others as the principal investigators. “My contribution was mostly on the code itself and the framework for training these models,” he says.

Transformers are now everywhere in natural language processing. In 2020, for example, OpenAI released its latest model, called Generative Pre-Trained Transformer 3, or GPT-3. It was shockingly sophisticated, capable of writing prose and essays, and answering questions with a level of precision not seen before. The advent of transformers is one reason why one can command GPT-3, as I did, at my six-year-old’s behest, to write a story about Thomas the Tank Engine in which his friend Percy runs out of fuel:

Percy was having a busy day, shunting trucks and taking passengers around the island. He was so busy that he ran out of fuel and had to stop. Percy was very embarrassed and had to call for help. Thomas and Gordon came to Percy’s rescue and pushed him back to the shed. Percy was very grateful and promised to be more careful in the future.
I was more impressed with this than my son, particularly with how GPT-3 accurately brought in other elements from the Thomas universe—an island, “shunting,” Gordon—and how it reflected the series’ promotion of friendship, slavish devotion to work and puritan morality.

Hinton, like everyone in the field, took notice of the transformers paper and invited Gomez to join Google Brain in Toronto in 2018. He met Ivan Zhang around that time, who’d dropped out of computer science at U of T but still popped into the program’s Slack channel. Zhang, now 25, quit school to take a job at a friend’s genomics startup. He was itching to do something of his own and proposed starting a business with Gomez. Every day, they sent each other one idea until they hit upon training an AI model on the internet. “I didn’t even care about the business aspects,” Zhang says. “I was so down to work with Aidan, and I thought it was a really cool engineering problem.”

In the midst of the brainstorming, Gomez gave a talk to an AI company in Toronto, whose co-founders had recently started a venture capital firm. Gomez mentioned he had an idea, and the next morning he found himself pitching to a room full of VCs. The firm, Radical Ventures, soon cut Gomez and Zhang their first cheque, and Frosst joined in January 2020.

They also approached Hinton to invest, though he rarely does so. He turned them down. “It seemed very ambitious to me,” he says. “It wasn’t clear how they were going to get the resources to train these models.” A large language model has to feed on many terabytes of data, which requires immense computing power. But Cohere managed to strike a financial deal with Google to use its supercomputers.

After that, Hinton was in. He’s never played around with Cohere’s language models, though. His investment was based on “gut instinct.”

Before investing in Cohere, Radical Ventures had concluded that large language models were going to be, well, big. “We had a thesis, independent of meeting them, that this technology was going to be so important to virtually every business in the world,” says Jordan Jacobs, a Radical co-founder and Cohere board member. “The applications are really endless.”

Here are a few ideas: Marketers can generate ad copy; programmers can generate code; lawyers can extract important details from contracts; customer feedback can be summarized and categorized; social media posts can be analyzed for sentiment; sophisticated customer service chatbots can help clients and reduce costs; more powerful virtual assistants can make life easier; clever semantic search engines can replace clunky keyword searches on websites and apps; and content moderation services can be improved. “There’s a lot of these really mundane tasks that I think this stuff is really great for handling, because it will do a way faster, way cheaper job,” Frosst says.

Startups and other tools are already flourishing, too. One called Viable summarizes customer feedback. Copy.ai generates marketing plans, cold emails, resignation letters and more. Sudowrite promises to help smash writer’s block by assisting with novels and screenplays. Epsilon Code uses plain language descriptions to create and debug computer code. Grok summarizes mountains of Slack messages.

All of these companies are built on GPT-3. When I pressed Cohere about exactly who’s doing what with its LLMs, everyone retreated to generalities. Gomez said about 3,000 developers are signing up to Cohere each month and that the company is earning revenue. (Cohere charges a fee per “token,” which is a word or part of one.) He described a bifurcated market of sorts. At one end, there’s a grassroots community of machine-learning experts, developers and hobbyists forming around Cohere. They gather in the company’s public Discord server, where the founders are very active, to trade tips, ask questions, give feedback and share what they’ve built. Cohere hosts hack-a-thons, too, and one group of past winners used the company’s models to build a job interview app for tech workers. The program asks questions about technical concepts and provides feedback on the quality of the answers, along with suggestions for improvement.

At the other end, large enterprises are interested in what can be done with Cohere’s LLMs. Gomez notes it’s still early, while Jacobs at Radical Ventures is unabashedly bullish. “They have a massive customer pipeline,” he says, adding that content moderation, particularly for multiplayer gaming applications, is a promising area. The volume of text flowing online is virtually impossible for humans to police, and automated solutions are only so effective. An AI-powered moderation tool, though, can marry the judgment of a human moderator with the speed of automation, while distinguishing between the jocular trash talk common in gaming and actual harassment. “The nuance is hard to pick up,” Jacobs says. “Having AI monitoring for healthy interactions versus toxic ones is inevitable if we want to protect anyone online.”

The closest I came to learning about how Cohere is used in a real-world business setting was through Ada Support Inc., a Toronto company developing AI-powered customer service chatbots for clients such as Zoom Video Communications and Shopify. Ada initially used out-of-the-box NLP software, such as programs made by Google and Amazon, to power its chatbots, but eventually collected enough data to build its own models, which it uses today. Those models excel at what NLP experts call intent classification—essentially, understanding what the customer is talking about. But the models are not designed to write back.

Cohere has the potential to both interpret customer requests and respond. “Being able to do both those things at once is very significant,” says Ada CEO and co-founder Mike Murchison. (He’s also an investor in Cohere.) “It adds a whole other level of savings, in theory, to the business.” Today, Ada
is only using Cohere’s technology in a limited fashion, such as coming up with potential responses to customer inquiries. A human agent still has to approve which message to send.

Hurdles remain. First, the response time isn’t fast enough to handle a large volume of inquiries simultaneously. Second, Ada and its clients have to trust the technology to work all the time. “The error rate is too high for us to put this in a production environment right now,” Murchison says.

While he says Cohere’s models are rapidly improving, that’s also true of its competitors. No one around Cohere seems too worried, though. “My general line is that we have competition,” says Mike Volpi, a partner at Index Ventures in San Francisco, which invested in Cohere. “But they’re oriented in slightly different ways than we are.”

OpenAI is a hybrid—part for-profit company, part non-profit research institute—with a much broader goal of achieving artificial general intelligence, meaning software that’s just as capable as we are at learning and completing tasks across domains. Google appears more interested in using LLMs for its own products, such as improving search.

“Google makes so much more money doing what it does that I don’t know that it would be consistent with their objectives to try to go directly and compete with Cohere,” Volpi says. Meta, bruised by privacy scandals and demands for more transparency, is taking a cautious approach, focusing on the AI research community and offering full access to its LLM model to only a few “highly resourced labs.”

That can change, of course, particularly if the potential really is as limitless as Cohere’s backers contend. Both Google and Meta can rely on profits from their existing businesses to continually improve their models, a luxury a startup like Cohere does not have. OpenAI is not entirely without commercial aspirations, either. It enjoys a close relationship with Microsoft, which invested US$1 billion in 2019 and then secured a commercial licence to integrate GPT-3 into its products. Last year, Microsoft announced a service to help its own business customers work with the technology.

But the more fundamental question about LLMs has nothing to do with market size or competition. It’s about how to use them responsibly.

In 2016, Microsoft set up a Twitter account for a chatbot named Tay. Behind the bot were machine-learning algorithms designed to improve its conversational skills the more Tay traded messages with users. Within hours, trolls inundated Tay with racist and toxic language, which the bot parroted back in unpredictable ways. Microsoft apologized and pulled the plug.

The experiment underlined a few important points. Perhaps the most obvious is that releasing AI in the wild without rigorous testing and risk analysis is both careless and potentially harmful. Also, AI can only learn from the data humans decide to feed into it. An LLM trained on the totality of the internet will ingest vast amounts of horrible language, biases and stereotypes, all of which it can regurgitate. As a couple of AI researchers put it in a 2020 paper, “Feeding systems on the world’s beauty, ugliness and cruelty, but expecting it to reflect only the beauty, is a fantasy.”

Cohere’s own documentation makes the risks clear. “Despite our ongoing efforts to remove harmful text from the training corpus, models may generate toxic text. This may include obscenities, sexually explicit content, and messages which mischaracterize or stereotype groups of people,” according to its user guide.

A wide body of research has emerged around how to build responsible AI, and in 2021, a group of researchers, including Emily Bender at the University of Washington and Timnit Gebru, the former co-lead of Google’s ethical AI team, published a paper outlining the risks of LLMs. Toxicity is a pernicious issue, they note, as language generated by LLMs and put online can find its way into training data for successive models, entrenching the problem. Language and our understanding of social concepts is constantly evolving, and the authors note “it isn’t likely feasible for even large corporations to fully retrain them frequently enough” to keep up with the pace of change.

Just as the commercial opportunities for large language models are endless, so too is the potential to hijack them for nefarious purposes. Bad actors could use LLMs to flood the internet with conspiracy theories or extremist ideology, for example. When I prompted Cohere with some text about world elites orchestrating the pandemic, it was happy to burrow down the rabbit hole:

The next step in this plan is the introduction of the vaccine to the world’s population. Once the vaccine is rolled out, it will bring about the Great Reset. COVID-19 is no more dangerous than the flu. This is what doctors have been saying all along. What we have seen in recent weeks is a co-ordinated effort to change public opinion and control the narrative. The Bill & Melinda Gates Foundation has funded many think tanks and has put together a vast global network of media assets to push the COVID narrative.

Cohere’s terms of service technically prevent someone from building a bot to convert people into paranoid antivaxxers, and the company has an extensive list of prohibited activities, such as inciting violence, hate speech and sexual exploitation. Some categories are harder to define, like political manipulation and misinformation—a problem that every large social media platform has struggled to label and manage. “We disallow a lot of stuff,” Gomez says. “When we catch someone doing it, their accounts are gone.”

In June, Cohere partnered with OpenAI and AI21 Labs, based in Israel, to put out a set of best practices for LLMs, including documenting weaknesses and vulnerabilities, disclosing lessons regarding safety and misuse, and building
diverse teams. Bender at the University of Washington says
the principles are a step in the right direction, but adds she’s
“very skeptical of the companies’ commitment to them [and]
ability to carry them out properly.” She notes the document
starts off with AI hype: “Computers that can read and write
are here.” Without qualifying the statement, it leads people
to believe these systems have human-like capabilities, a
popular misconception Bender and other researchers have
been at pains to correct so as not to overstate what these sys-
tems actually do. “If they mean ‘read and write’ in the sense
of store data and spit it back out, that’s nothing new,” she
said over email. (“Computers understanding and generat-
ing text—reading and writing, for lack of better terms—is a
major technological achievement, one Cohere aims to con-
tinue to drive forward in the coming decades,” a company
spokesperson said in response.)

Cohere also formed an independent advisory council to
monitor its work, though the company has yet to disclose its
members. The size of Cohere’s dataset means that no matter
how much filtering and scraping of toxic language it does,
not everything can be caught. “It’s impossible,” Gomez says.
“That’s what you’re working toward—minimizing that prob-
ability of it saying something harmful. But, absolutely, that
system is not foolproof.”

Earlier this year, Gomez compared Cohere’s reading abili-
ties to that of a high school graduate; its skills at compos-
ing language that’s indistinguishable from a human were not
quite as advanced. “It’s still figuring out its footing,” he said.
But it’s doing so rapidly. When it’s off and running, the impli-
cations—good and bad—are unpredictable.

In the interest of journalistic fairness, it seemed appropri-
ate to ask Cohere’s LLM what to expect when the technology
is more advanced. Of course, a large language model doesn’t
possess any intrinsic knowledge. All it does is endlessly run
the odds on the likeliest word to follow another, plucking it
from its vast repository, and moving on with no fundamental
understanding of what it’s stringing together. It’s a kind of
linguistic chimera.

When I prompted Cohere with some text about the impli-
cations of LLMs, the words it produced were strangely suit-
able, though, the sort of thing an entrepreneur would say to
build excitement without really saying much at all. “It’s a
question that both fascinates and terrifies people who work
in computer science,” Cohere wrote. “The only thing that’s
certain is that we are going to be surprised.”

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Why water-monitoring technology is a game-changer for high-rise construction projects

In the insurance world, it’s often said that “water is the new fire,” and the new normal for annual catastrophic losses related to water damage is around $2-billion, according to the Insurance Bureau of Canada (IBC).

The problem is even more acute in high-rise construction projects, where it can be hard to pinpoint a leak, or a challenge when a leak occurs at night or on the weekend, when the site is unoccupied. A small leak can turn into millions of dollars in damages.

Severe water damage causes several challenges for construction companies. Related project delays can translate into increased costs for labour and materials, and they can drive up financing costs from lenders to finish the project, heavily impacting and they can drive up financing costs from lenders to finish the project, heavily impacting developers and their brokers to roll out water damage.—since construction projects are unlikely to have internet availability.

The sensors are connected in real-time to a dashboard and mobile app, providing 24/7 monitoring. If water is detected where it shouldn’t be, or water supply exceeds a predetermined parameter, alerts are sent to key contacts and water valves are shut off automatically or remotely through the app.

The technology is sophisticated enough to sense moisture levels and to differentiate between normal and excess water flow for a duration of time. It may not prevent a leak from happening, but it can catch a leak in real time to mitigate damage.

On a project in partnership with Northbridge, Jones DesLauriers Insurance Management Inc. (JDIMI), a professional services firm specializing in corporate risk management and employee benefits solutions, worked with Tribute Communities, a builder of high-rise and low-rise communities.

“Together, they tested a water IoT solution in a high-rise construction project which was of particular interest to Tribute, as they’d had to make four water-related claims on a state-of-the-art commercial space about a decade ago. As a result of the damage, they had to rebuild the space three times over the life of that project.

“Those four leak claims cost us close to a year and a half,” says Gus Stavropoulos, chief financial officer with Tribute Communities. “We learned a lot in that building and we learned there has got to be a better way to do this.”

When they rolled out water IoT sensors during the recent construction project, they didn’t have any significant water claims and credit the risk-mitigation benefits of the technology for that outcome.

“We had one case where we got ahead of it,” Mr. Stavropoulos says. “There was a report of a pressure leak, and our staff quickly got the alert and dealt with it and it was done. It was a loose valve, but that could have turned easily into a quarter-of-a-million dollars in damage — and a couple turns of a wrench saved us a lot of problems.”

He says he believes water IoT technology will revolutionize loss exposure on high-rise construction projects — and that the industry as a whole needs to be at the forefront.

“I wish this technology was available 10 years ago when we had a $3.5-million water-damage loss,” says Michael Kucharuk, partner and account executive with JDIMI. “Overall, I’m glad to hear Northbridge is proactively addressing water damage in construction projects through technology and connecting with GCs and brokers on the issue.”

While there are hundreds of insurance providers registered in Canada, only a handful specialize in the course of construction projects.

“There are definitely fewer insurers now than prior to 2020,” says Cathy Ciccolini, partner at Masters Insurance Ltd., which also partnered with Northbridge on a water IoT pilot project.

“Of those still available, they may not be comfortable covering 100 per cent of the risk, so multiple insurers are needed to cover a portion of the risk to reduce their exposure in the event of a loss. This means more

We look at the frequency and severity of water losses, and in the last five years both have been trending in the wrong direction.

Jonathan Graham, Underwriting director of construction and contracting, Northbridge Insurance
negotiations are required due to the nature of having multiple insurers participate — especially on large multi-tower projects.”

Ms. Ciccolini says she believes water IoT technology will be useful to the construction industry in the future — it may even become a requirement, like sprinklers or smoke detectors. Future projects will be marketed with “no water damage claims” from past projects, allowing new insurers to offer potentially more capacity, as well as better rates and deductibles.

“I strongly recommend developers adopt this type of protection,” Ms. Ciccolini says. “Most of them have had a water damage claim — some small, some larger. I impress upon them that water damage claims will affect the next project I have to place for them.”

Mr. Kucharuk from JDMI shares: “While it is still very much in its infancy in this part of the world, genuine interest from both developers and insurers is prevalent and gaining momentum. Not that long ago, developers heard about IoT technology as a new ‘thing’ that may come to fruition one day. This clearly isn’t the case any more — forward thinking developers are familiar with how to use the technology to their benefit.”

He adds it’s a natural, pragmatic progression to help reduce both frequency and severity of claims, which is key for insurers and vital to developers — as it will greatly aid in keeping their construction timelines on track and reducing water damage costs.

“There’s a lot of opportunity to reduce the likelihood but also the size of a water leak, so we can prevent or mitigate the risk by using this technology,” says Christopher Mastro, director of risk services with Northbridge Insurance. “It’s about identifying where the issues are and also being able to act remotely.”

Developers also have the ability to pass on the cost of water IoT technology to the building owner once a project has wrapped up. And building owners can benefit from the technology post-construction, as it can help mitigate potential continuing risks and insurance costs.

“It’s probably more cost effective to put it in during construction because you can protect the site and ensure owners occupy the building on time,” Mr. Mastro says. “If your building is 98-per-cent done and a hose comes off a toilet on the 12th floor, you could set your whole project back by months. But for building owners, it offers ongoing risk management.”

While the technology can’t necessarily prevent the frequency of water-related events, it can have a dramatic impact on severity — providing timely insights to reduce the severity of loss — which is a win-win-win for construction companies, insurers and ultimately building owners.

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Across the country, there are 80,000-plus licensed financial advisors doling out advice ranging from great to meh to portfolio-busting. For the second year, we present 150 of Canada’s most effective professionals, in partnership with SHOOK Research. Plus, how firms big and small are struggling to bring more women into the industry.
Debra Wooding had her epiphany in the late 1980s, while working as a branch administrator at Midland Walwyn Capital in Edmonton. Of the roughly 50 wealth advisors at the firm, only one was a woman, which posed an interesting opportunity for Wooding. While the industry was all about stock picking and maximizing earnings for clients, she knew women investors often had different priorities and represented an underserved market—one that she could cater to if she became an advisor herself.

“For many women, money is emotional and can be tied to feelings of safety and independence, a mindset I understood,” says Wooding, who got divorced around that time and was a parent to two young children. “As a woman I had a competitive advantage—one that still exists today.”

So, she drafted up a step-by-step plan outlining her career progression from branch administrator to investment advisor, including the night courses she’d take to get her certifications and how she’d host wealth seminars for women to attract clients. By 1993, she was a fully licensed investment advisor, and successfully landed $5 million in business in her first year by focusing on client relationships and becoming a trusted money manager to women. She did it all while continuing her full-time role as branch administrator (and later assistant and branch manager) to earn a steady salary—not to mention raising a family. “I knew I could do the job as well or better than all those guys,” she says.

Flash forward about 30 years and Wooding, 64, now leads a multidisciplinary team of 10 at CIBC Wood Gundy and has a $730-million book of business, placing her at No. 101 on this year’s list of Canada Top Wealth Advisors—one of just 15 women on our 2022 ranking. If that female contingent sounds low, it’s because only 15% of the wealth advisors in the country are women—a percentage that hasn’t budged in years, despite the industry’s desire to bring more women into the fold.

Indeed, Canadian firms have come to accept what Wooding intuitively understood back in the ‘80s: Female advisors do provide a competitive advantage, especially in a marketplace where women are expected to control $2.7 trillion in wealth, or about 50% of privately held assets in Canada, by 2024. Although both male and female advisors can serve this growing demographic, some studies show that 70% of women clients prefer to work with a woman advisor, and 80% of women switch financial advisors after their spouse dies.

“When I think about the future of wealth management, we need to be more diverse and reflective of our client base,” says Natalie Bisset, head of corporate development at Richardson Wealth, which set a bold target last December to increase the number of women advisors in its ranks to 50% within five years. “Women have been proven to be great advisors. We’re planning for the next decade and beyond.”

To be clear, there’s never been a dearth of women in the wealth management industry as a whole. But they’re largely in junior roles, supporting a team’s lead advisor as assistants or associates. (At Richardson, for example, 81% of assistants and 74% of associates are women.) Those who have made the leap to full-fledged investment advisor with their own book of business, like Wooding, are the exception, not the rule.

The reasons why are varied and systemic. For one, lead advisors—mostly men—have been more likely to view other men on the team as suitable successors, mentoring them to eventually take over their business. And the economics of building a book of business from scratch, as Wooding did, may not be very appealing to women who have already established themselves in the industry and would need to give up their salary in the hopes of retaining a large enough clientele as an independent advisor before going bankrupt. “One candidate I spoke to told me she took out a second mortgage on her home to make an investment in her career,” says Bisset. “It blew my mind that he’d say that to someone with 15 or 20 years of experience.”

To address these obstacles, firms are implementing innovative solutions to identify female talent and help them progress so they can eventually become wealth advisors with their own teams. These include formal and informal mentorships, coaching workshops and “master” classes, associate development and new advisor programs, and compensation structures that offer financial support to women as they transition out of a salaried position to the variable income of an advisor. Richardson, for example, is in the early stages of launching a succession program that will allocate $25 million to help existing team members, including women, take over a retiring advisor’s book of business. Given that 53% of the firm’s licensed associate investment advisors and associate portfolio managers are women, the succession program could help create an internal pipeline of female lead advisors.

Such professional and financial supports were the missing ingredients in the industry’s previous attempts to onboard more women, as Susan O’Brien can attest. In 1998, she decided

“I’d go home on a Friday night and cry because I didn’t earn any money that month. I had four little kids, so I took out a big line of credit, and that’s what we lived on”

—Susan O’Brien, who left her job as a tax consultant in 1998 to become an investment advisor at a bank-owned brokerage in Calgary
to leave her career as a tax consultant to become an investment advisor, joining the rookie program at a bank-owned brokerage firm in Calgary. It was a sink-or-swim setup; rookies were effectively independent advisors who were responsible for landing clients while taking courses to get their licences, with little help or advice from senior wealth managers. “I’d go home on a Friday night and cry because I didn’t earn any money that month,” says O’Brien. “I had four little kids, so I took out a big line of credit, and that’s what we lived on.”

She persevered, but many rookies didn’t—the failure rate of the program was 80% to 90%. It took her five years to know she’d survive in the business, but only another five before she became one of the firm’s top advisors. Last year, she moved her four-person team (which has since grown to five) and $275-million book of business to Richardson Wealth, which she says provides a more inclusive environment than the old boys’ network at the bank. “Here my entire team is valued, whereas at the bank, only I was valued as the revenue generator,” says O’Brien, 63. “There isn’t a focus on monthly revenue numbers here. We’re valued for the kind of advice we’re providing to clients.”

Andrea Linger, vice-president of practice management at Raymond James—which set a goal in 2014 to have 25% women advisors at the firm in Canada by 2025—is careful to distinguish between those old high-failure-rate rookie programs and her firm’s three-year Advisor Internship Program (AIP). “This is not a rookie training program,” she says. “We onboard new financial advisors who have at minimum three years of client-facing experience, preferably at the associate advisor level, by providing intensive training and coaching to support their development.” About a quarter of AIP participants so far have been women, and the program has a 65% success rate, in part because it provides built-in salary and expense support while new advisors build their book of business.

That was a key differentiator for 33-year-old Brianne Gardner, who joined Raymond James in Vancouver in 2017 as an associate advisor and recently graduated from the program. “The AIP gives you the skill set to be successful and allows you to slowly wean off of your salary over three years,” she says. “That gives you a financial head start you don’t see at other firms.” As a result, she now manages a $100-million book of business with her partner, John McLean (also an AIP graduate), and was named one of Canada’s top 15 advisors for new asset growth in 2021.

Such initiatives are slowly moving the needle on the number of women advisors at the firms that use them. In 2014, when Raymond James set the 25% target, 14.8% of its Canadian advisors were women; today it’s about 18%. Similarly, RBC Dominion Securities has seen the number of women investment advisors increase by 30% over the past five years to a current overall level of 18%, thanks in part to an investment advisor leave program it created in 2018. The program allows lead advisors to step away from their business—to take maternity, parental or sick leave—without the fear that they might lose clients to another advisor. “To ensure that clients have uninterrupted service, someone from our head office who is trained and has all the credentials is transplanted to lead that advisor’s team during their leave,” says Jennifer Lemieux, branch director and senior investment advisor at RBC Dominion in Kingston, Ont. “When the leave is over, that person returns to our head office.” By offering dedicated supports as well as financial compensation during leaves, women at the firm are more likely to see a future for themselves as lead advisors without the need to sacrifice a family life.

With 17% women advisors, Richardson is above the national average of 15% but still has a long road to reach its 50% target. “It’s a five-year aspirational goal,” admits Bisset. “We’re early in this journey and there’s no one solution. We have to be innovative.” A big part of the firm’s plan is to recruit teams that are aligned with their values of collaboration and sharing, who are excited when colleagues land a big client rather than being competitive and territorial with them.

The Conlin Group, which moved to Richardson from BMO Nesbitt Burns in September 2021, is a perfect example. The team is led by 55-year-old Tim Conlin (No. 144 on the Top Wealth Advisors list) and his partner Maria Miletic, 32, who was promoted to associate portfolio manager after she’d worked toward her portfolio management designation while on maternity leave with her first child in 2020. She’s a 20% partner in the business, and they share duties—he’s the main contact for most longtime clients, while she generally focuses on the next generation: clients’ children and grandchildren.

It’s a model Richardson is hoping to replicate; Miletic and Conlin were tapped to make a presentation at a recent firm conference about how other teams could explore the idea of growing their business through partnerships. “It’s an efficient and scalable business, and we can work together to reach as many clients as we can and grow the pie,” says Miletic. Or, as she and Conlin put it to the conference attendees, who responded heartily: “We’ll grow this bitch.”

Of course, all these strategies—from internships and partnerships to leaves and culture shifts—are not fast fixes. “We do need to be realistic,” says Linger, who is also head of the Women Canadian Advisors Network at Raymond James. “These programs take a lot of time to develop and ensure they are effective.” But with women’s forthcoming $2.7 trillion in investable assets up for grabs, the stakes couldn’t be bigger.

“When I think about the future of wealth management, we need to be more diverse and reflective of our client base. Women have been proven to be great advisors. We’re planning for the next decade and beyond”

—Natalie Bisset of Richardson Wealth, which aims to ensure half its advisors are women within five years
Since her days at the University of British Columbia, where she participated in the portfolio foundation management program while getting her degree in finance, Christina Anthony has been interested in helping people manage their portfolios.

First she worked as a bond trader at Goldman Sachs in New York and then in investment banking. After three years in New York, she made the switch to Goldman advisor in Seattle, earned her CFA designation and then moved to Odlum Brown in Vancouver in 2002. “Through the banking and trading experiences, I was able to gain a great perspective on how companies really work, and how the stock and bond markets interact,” she says. “I was then able to take a step back and say, if I look at this as an investment opportunity, what’s going to matter to me, and how am I going to analyze it?” Understanding the debt side of the business, in particular, has been key, she notes, pointing to the 2008 financial crisis. “It was the fall of the mortgage market that happened first,” she says, explaining that her credit background “gave me great insight into what was going on.”

Best advice I ever got
Prioritize the most important things in your life, which for me is taking care of my family and friends, and trying to be a great member of my community. That may not sound specific to wealth management, but that’s what ends up being at the core of how I think and who I am.

My advice for investors
Have enough cash on hand to take advantage of opportunities as they present themselves, because we may not know what causes pullbacks in markets or in particular companies, but if you have cash, you can take advantage of them.

My investing motto
Buying great companies with great management that have innovation built into them leads to strong competitive advantages. We know these companies are going to continue to be successful and grow, regardless of what the market does. And that means if we invest in them for long enough, our portfolios will grow.
Finance was all around Rob Tétrault growing up. His father was an investment banker, his mother an accountant. He started out as an insurance litigator, but when the job failed to bring him much in the way of personal satisfaction, Tétrault quit to get his MBA and then launched his own Winnipeg-based practice 13 years ago. He calls the move the best decision he’s ever made. “I consider myself lucky to be in this industry and to have been able to surround myself with such high-quality people,” he says. “I would not trade my team for anyone else’s. They’re fantastic.”

That team includes his sister and fellow advisor, Tania Tétrault Vrga, and his father, Claude, who heads up business strategy. “I’ve been so incredibly lucky to have solid mentors, most notably my father,” says Tétrault, who is proudly Métis and devoted to helping Indigenous peoples achieve economic success. “He was an advisor, so a lot of the mistakes he made, he was able to share with me, which allowed me to avoid making the same ones. I’ve learned so much from him.”

**Best advice I ever got**
When my dad got cancer last year, he told me to just focus on the things you can control. That really guides my life, and it has tremendously relieved any stress and mental anxiety.

**My investing approach**
Our focus is always on risk-adjusted returns. So for the amount of volatility we’re taking in an investor’s portfolio, what kind of returns can we generate? We believe every investment should be looked at independently and that there’s a whole bunch of other assets you can invest in aside from stocks and bonds. And we’ve generated phenomenal risk-adjusted returns by focusing on that.

**My investing outlook**
I’m a big believer that when markets correct, if you have cash or additional capital, or if you can rebalance, add as much equity exposure as you can. And you don’t really worry about where you’re buying at the bottom. There’s no doubt this market is going to recover. I don’t know when it’s going to happen, but you definitely want to own equities now and into 2023.

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Rob Tétrault
Senior portfolio manager and branch manager, Canaccord Genuity Wealth Management (Winnipeg)
Ross Ferrier
Branch manager and investment advisor, CIBC Wood Gundy (Thornhill, Ont.)

Ross Ferrier had two dreams as a high-schooler: to play professional baseball and work in the investment industry. He was drafted by the New York Mets while at the University of Waterloo and played in the minors for three seasons. He started his second career, as an advisor, 24 years ago. Now, he manages 30 other advisors and their staff. Ferrier figures his success stems from his approach to building relationships with clients, rather than his skill at picking stocks, bonds and mutual funds. “I don’t think you could be successful and have lots of clients if you weren’t doing a good job in that regard,” he says. “But if I look at my career, it’s been more about our interest in people’s lives and the service we offer clients.”

That service, he says, includes creating a plan that works for each unique situation, set of objectives and personality. “We have some clients with hundreds of millions of dollars who could choose investment people anywhere,” says Ferrier. “They have big goals, and they’re allowing me to serve them so that they can fulfill those goals. It’s an incredible responsibility, but I love it.”

My mentor
My mother was born in Jamaica, and I used to spend a lot of time there. Early in my career, I read about Michael Lee-Chin, and I cold-called him. At the time there weren’t a lot of people of colour on Bay Street, and while I always looked at my colour as a super advantage because it made me stand out, it was good to see someone from similar roots who had some success in the industry. We’ve been close ever since.

My investing approach
I look at each client portfolio as if it’s my own money at stake. There’s nothing I would put my clients’ money in that I wouldn’t have invested in. I also look at things from a holistic point of view. I tell clients that in order to build their net worth, look to other asset classes—even ones I don’t deal in.

My investing outlook
This is a period where returns are normalizing to what they have been like historically. Because the previous two years were not normal. People might have to be more comfortable with single-digit rates of return.

What keeps me up at night
Someone with an iPhone can pretend they are a quality dispenser of information, and they might be acting on behalf of a source that has a slanted view. People are being manipulated, and that concerns me.
“I love people,” says An-Lap Vo-Dignard, explaining part of what makes him happy doing the work he does. A lifelong Montrealer, Vo-Dignard has been in the wealth and portfolio management business for more than 20 years. After graduating with a bachelor in finance from HEC Montréal, Vo-Dignard started out on the credit side of the finance world. He soon made the shift to working as an advisor after being drawn to the stock market. Vo-Dignard joined what’s now National Bank Financial in 1998 and started working with partner Ian Provost in 2001. “We analyze risk differently, so we complement each other well. I worry about things that are less likely to happen but could have a high impact,” says Vo-Dignard. “Ian worries more about things that have a higher chance of happening but will have a lower impact.”

The team now includes a staff of 15, including analysts and a financial planner—everything clients need right on hand. All these years later, Vo-Dignard remains passionate about his work and building a better world. “I’m proud that I was very vocal in helping to create the bank’s ESG committee,” he says. And he’s happy his clients can now make solid returns by investing in companies that are doing good. “Before, it was almost like charity; because the returns were really bad,” he says. “But we’re entering a phase where you’re going to get rewarded.”

What keeps me going
Besides when we generate good returns and the markets are up, a great day is when a client is so satisfied with our services and they trust us so much that they put their neck on the line to refer a friend or family member to us. It’s the biggest compliment, and it humbles me.

Investing outlook
Volatility will be something investors have to get used to. But short-term volatility could be a long-term opportunity. With people panicking or being overenthusiastic, that’s when you have the opportunity to buy low and sell high. Remember, it’s a marathon, not a sprint. Stick to quality companies: good balance sheets and not too much debt, sound management, leaders in their industry and with good brand power.

Best advice I ever got
A very successful entrepreneur once told me: “Never get into business with someone with whom you do not share the same values.” Sometimes you flag something without exactly knowing why, but you’ve got to trust your instincts.
Canada’s 2022 Top Wealth Advisors

<table>
<thead>
<tr>
<th>RANK</th>
<th>NAME</th>
<th>COMPANY/ORGANIZATION</th>
<th>TEAM ASSETS (CUSTODIED)</th>
<th>TYPICAL SIZE OF HOUSEHOLD ACCOUNTS</th>
<th>MINIMUM ACCOUNT SIZE FOR NEW BUSINESS</th>
<th>TYPICAL NET WORTH OF RELATIONSHIPS</th>
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<td>$2-10M</td>
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<tr>
<td>44</td>
<td>Stan Clark</td>
<td>CIBC Wood Gundy</td>
<td>$842M</td>
<td>$1-10M</td>
<td>$1M</td>
<td>$2-20M</td>
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<tr>
<td>45</td>
<td>Frank Teti</td>
<td>BMO Nesbitt Burns</td>
<td>$2.4B</td>
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<td>$1M</td>
<td>$3-6M</td>
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<td>46</td>
<td>Karen Ikeda</td>
<td>Nicola Wealth</td>
<td>$1.7B</td>
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<td>47</td>
<td>Brad Goldhar</td>
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<td>$500K</td>
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<tr>
<td>48</td>
<td>Benjamin Lee</td>
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<tr>
<td>49</td>
<td>Craig Baun</td>
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<td>$2-25M</td>
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<td>50</td>
<td>Matt McGill</td>
<td>Manulife Securities</td>
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<td>$3-10M</td>
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<tr>
<td>RANK</td>
<td>NAME</td>
<td>COMPANY/ORGANIZATION</td>
<td>TEAM ASSETS (CUSTODY)</td>
<td>TYPICAL SIZE OF HOUSEHOLD ACCOUNTS</td>
<td>MINIMUM ACCOUNT SIZE FOR NEW BUSINESS</td>
<td>TYPICAL NET WORTH OF RELATIONSHIPS</td>
</tr>
<tr>
<td>------</td>
<td>---------------------</td>
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<td>-----------------------</td>
<td>------------------------------------</td>
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</tr>
<tr>
<td>51</td>
<td>Thane Stenner</td>
<td>Canaccord Genuity Wealth Management</td>
<td>$682M</td>
<td>$10-165M</td>
<td>$10M</td>
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<td>52</td>
<td>Manik Sincennes</td>
<td>National Bank Financial Wealth Management</td>
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<td>$500K-10M</td>
<td>$1M</td>
<td>$1-2.5M</td>
</tr>
<tr>
<td>53</td>
<td>Ross Turnbull</td>
<td>Odium Brown</td>
<td>$924M</td>
<td>$1-10M</td>
<td>$1M</td>
<td>$3-10M</td>
</tr>
<tr>
<td>54</td>
<td>Shelly Appleton-Benko</td>
<td>Odium Brown</td>
<td>$989M</td>
<td>$300K-5M</td>
<td>$250K</td>
<td>$2-10M</td>
</tr>
<tr>
<td>55</td>
<td>Rahim Chatur</td>
<td>Richardson Wealth Ltd.</td>
<td>$1.1B</td>
<td>$1.5-5M</td>
<td>$1M</td>
<td>$2-10M</td>
</tr>
<tr>
<td>56</td>
<td>Ted Veilkonja</td>
<td>CIBC Wood Gundy</td>
<td>$662M</td>
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<td>$250K</td>
<td>$1.2-2.25M</td>
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<td>Richard Brunet</td>
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<td>58</td>
<td>Neil Pope</td>
<td>CIBC Wood Gundy</td>
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<td>59</td>
<td>Jon Greyell</td>
<td>ScotiaMcLeod</td>
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<td>Oliver Gilbert</td>
<td>CIBC Wood Gundy</td>
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<td>$3-15M</td>
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<tr>
<td>61</td>
<td>Bob McKenzie</td>
<td>3Macs, a division of Raymond James Ltd.</td>
<td>$783M</td>
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<td>62</td>
<td>Darren Farwell</td>
<td>ScotiaMcLeod</td>
<td>$955M</td>
<td>$1-8M</td>
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<td>$3-10M</td>
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<tr>
<td>63</td>
<td>Jeff Watchorn</td>
<td>CIBC Wood Gundy</td>
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<td>$1-7.5M</td>
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<tr>
<td>64</td>
<td>Alexandra Horwood</td>
<td>Richardson Wealth Ltd.</td>
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<td>$1.5-10M</td>
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<td>$5-20M</td>
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<tr>
<td>65</td>
<td>Gord Love</td>
<td>Wellington-Altus Private Wealth</td>
<td>$880M</td>
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<td>$5-75M</td>
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<tr>
<td>66</td>
<td>Todd Degelman</td>
<td>Wellington-Altus Private Wealth</td>
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<td>$500K-32M</td>
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<td>$1-50M</td>
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<tr>
<td>67</td>
<td>Angus Watt</td>
<td>National Bank Financial Wealth Management</td>
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<td>$1.5-10M</td>
</tr>
<tr>
<td>68</td>
<td>Michael Dorfman</td>
<td>BMO Nesbitt Burns</td>
<td>$1.1B</td>
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<td>$2M</td>
<td>$2.5-20M</td>
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<tr>
<td>69</td>
<td>Ida Khajadourian</td>
<td>Richardson Wealth Ltd.</td>
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<td>$1M</td>
<td>$3-10M</td>
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<td>70</td>
<td>Michael Marcovitz</td>
<td>TD Wealth Private Investment Advice</td>
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<td>$2-5M</td>
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<td>71</td>
<td>Wade Kozak</td>
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<td>$1-100M</td>
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<td>72</td>
<td>Sophia Itto</td>
<td>Nicola Wealth</td>
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<td>David Boyd</td>
<td>BMO Nesbitt Burns</td>
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<td>$2-5M</td>
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<tr>
<td>74</td>
<td>Bob Thompson</td>
<td>Raymond James</td>
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<td>$2-10M</td>
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<tr>
<td>75</td>
<td>Himalaya Jain</td>
<td>Wellington-Altus Private Wealth</td>
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<td>$3-50M</td>
<td>$1M</td>
<td>$5-75M</td>
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<tr>
<td>76</td>
<td>Rob Gray</td>
<td>ScotiaMcLeod</td>
<td>$941M</td>
<td>$500K-80M</td>
<td>$500K</td>
<td>$1-100M</td>
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<tr>
<td>77</td>
<td>Matthew Bacchiochi</td>
<td>GMG Private Counsel ULC</td>
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<td>$5-15M</td>
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<tr>
<td>78</td>
<td>Shawn Jerusalim</td>
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<td>$1M</td>
<td>$2-15M</td>
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<tr>
<td>80</td>
<td>Scott Stewart</td>
<td>ScotiaMcLeod</td>
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<td>$500K-1M</td>
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<td>$700K-1.5M</td>
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<tr>
<td>81</td>
<td>Marc Dalpé</td>
<td>Richardson Wealth Ltd.</td>
<td>$903M</td>
<td>$500K-10M</td>
<td>$300K</td>
<td>$300K-5M</td>
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<tr>
<td>82</td>
<td>Andrew McQuiston</td>
<td>Wellington-Altus Private Wealth</td>
<td>$1B</td>
<td>$25-125M</td>
<td>$10M</td>
<td>$2-5M</td>
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<tr>
<td>83</td>
<td>Andrew McDonald</td>
<td>CIBC Wood Gundy</td>
<td>$586M</td>
<td>$750K-2.6M</td>
<td>$500K</td>
<td>$1.1-6.8M</td>
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<tr>
<td>84</td>
<td>Chris Stephenson</td>
<td>Steadyhand Investment Funds</td>
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<td>85</td>
<td>Colin Ryan</td>
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<td>$3-100M</td>
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<tr>
<td>86</td>
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<td>$500K</td>
<td>$2-100M</td>
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<td>87</td>
<td>Jean Poliquin</td>
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<td>88</td>
<td>Graham Stanley</td>
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<td>$2-5M</td>
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<tr>
<td>89</td>
<td>Roberto Pietracupa</td>
<td>ScotiaMcLeod</td>
<td>$781M</td>
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<td>$1.5-3M</td>
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<tr>
<td>90</td>
<td>Tom Vandewater</td>
<td>ScotiaMcLeod</td>
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<tr>
<td>91</td>
<td>Darrell Gebhardt</td>
<td>TD Wealth Private Investment Advice</td>
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<td>$750K</td>
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<tr>
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<td>Richard Julé</td>
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<tr>
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<td>$620M</td>
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<td>$5-200M</td>
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<tr>
<td>94</td>
<td>George Sakkas</td>
<td>ScotiaMcLeod</td>
<td>$2.3B</td>
<td>$500K-1M</td>
<td>$500K</td>
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<tr>
<td>95</td>
<td>Charles Tucker</td>
<td>ScotiaMcLeod</td>
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<td>$1.5-10M</td>
<td>$3M</td>
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<tr>
<td>96</td>
<td>Philippe McCaggie</td>
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<tr>
<td>97</td>
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<td>$3-7M</td>
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<tr>
<td>98</td>
<td>Graeme Watt</td>
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<td>Cameron McLean</td>
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<tr>
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<td>Daniel Lalonde</td>
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<tr>
<td>102</td>
<td>Drew Abbott</td>
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<td>$560M</td>
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<td>$3-20M</td>
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<td>103</td>
<td>Peter Papadopoulos</td>
<td>CIBC Wood Gundy</td>
<td>$728M</td>
<td>$1-350M</td>
<td>$1M</td>
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<td>Michel Bertrand</td>
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<td>$578M</td>
<td>$1.1-25M</td>
<td>$500K</td>
<td>$1-2M</td>
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<tr>
<td>105</td>
<td>Andrew Palazzi</td>
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<td>$1.2B</td>
<td>$1.5-10M</td>
<td>$2M</td>
<td>$5-10M</td>
</tr>
</tbody>
</table>
reforms that came into effect at the end of 2021.

The 2022 ranking reveals year-over-year changes, with some advisors moving significantly up and down the list. These changes are primarily driven by the fact that the 2022 ranking does not include production numbers. Production was removed from the algorithm to comply with the client-focused reforms that came into effect at the end of 2021.

Methodology
For a second year, the Canada’s Top Wealth Advisors ranking, developed by SHOOK Research, celebrates the country’s best in the financial industry. The 2022 ranking reveals year-over-year changes, with some advisors moving significantly up and down the list. These changes are primarily driven by two reasons: a significant increase in the number of nominations compared to last year, and the fact that the 2022 ranking does not include production numbers. Production was removed from the algorithm to comply with the client-focused reforms that came into effect at the end of 2021.

Advisors are ranked based on the results of data provided during the nomination and research periods. The algorithm is based on a methodology that includes qualitative elements such as in-person, virtual and telephone due-diligence meetings that measure best practices, plus a review of compliance records. It also includes quantitative measures, such as client retention, industry experience and growth rates. Investment performance is not a criterion because client objectives and risk tolerance vary, and advisors rarely have audited performance reports.

Advisors are nominated by their firms. Neither The Globe and Mail nor SHOOK Research receive compensation in exchange for placement on the ranking. This year’s nomination and research periods took place between February and July 2022.

SHOOK’s research and rankings provide opinions intended to help investors choose the right financial advisor and are not indicative of future performance or representative of any one client’s experience. Past performance is not an indication of future results. Advisors are judged on individual performance, but total team assets are shown, which can include one or more additional advisors.

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Maili Wong, CFA®, CFP®, FEA
Senior Wealth Advisor, Senior Portfolio Manager,
The Wong Group at Wellington-Altus Private Wealth Inc.
Board Member, Wellington-Altus Financial Inc.

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thewonggroup@wellington-altus.ca
778-655-2410

WAPW is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.
Smash + Tess is the antithesis of that. It’s about uplifting women, making people feel good in their own skin, no matter their shape, size or colour.

I’m very lucky to work with both my mom and my best friend. None of us had a strong fashion background, and in some ways I attribute our success to that, because how we approached the brand wasn’t so much on the creative side, but more looking at what women need. I believe in strength-based leadership—making sure that what you do daily is what you love and what you’re good at. I’m the passionate spokesperson for the brand and lead the team day to day. My mom, Teresa, was a pioneer businesswoman in the ’80s and ’90s, and is financially focused, so I have a built-in CFO. And my best friend, Mercedes Laporte, is our style director. So we all do what we love, and it works for us.

One of our core values is responsibility. For us that means we give back to the community that has helped grow and sustain us, whether that’s through charitable donations or using our platform to amplify voices that otherwise struggle to be heard. We also consider our impact on the Earth, so we do small-batch production and made-to-order. The fashion industry is such a culprit of mistreating and underpaying workers, so we keep a careful watch on our production, all of which is done in Vancouver, so we can ensure these talented sewers are getting paid fair wages.

It’s a challenging world right now, but we’ve managed to weather a lot of the pandemic storm. We were in a good position in a number of ways: The product we offered was the right product, and we were offering it through the right channel, which was online. And British Columbia never did get locked down. As a result, we saw a ton of growth. But we continue to be deeply affected by fuel surcharges and the global shipping crisis. Now that people are going back into the office and travelling, Smash + Tess has been focused on leading the charge for new work wear. Because what we all learned in the pandemic was we actually don’t have to sacrifice comfort for style.

Interview by Alex Mlynek
We salute you!

Canada's Top Wealth Advisors
by *The Globe and Mail* and
*SHOOK Research*.

At Richardson Wealth, we’re proud of all our advisors. But today, we celebrate these eight extraordinary individuals for the highest form of recognition an advisor can receive from one of the most credible sources in Canada. Their exemplary work and unending dedication to their clients is simply outstanding.

A thunderous bravo to each of you.

RichardsonWealth.com

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DIFFERENT MINDSET.
DIFFERENT APPROACH.
DIFFERENT RESULTS.

CG is purpose-built with the mentality and capabilities to support clients in ways that set us apart from other financial services firms. We’re built that way for one reason only – to maximize client outcomes. Because at CG, we’re driven by your success.