To finish up the week, today's blog looks at the issue of uncertainty and the central role it plays in investing. Paradoxically, most investors seek certainty -predictability of returns- and yet such an outcome is the result of **uncertainty**. Confused? Well take a couple of minutes and watch the short video <here> from **Edgepoint** called Embracing the Unknown. It provides insight into why we seek certainty (the feeling of control) and why this search for peace of mind can only come about through owning businesses that the Market doesn't currently recognize as sure things. To be sure, in investing, certainty and comfort are rarely any good, and long term returns result from owning businesses that don't offer the short term peace of mind that most of the market craves.

"You realize I'm taking an enormous personal as well as professional risk just being seen with you."

So why is this? As the video explains, stock prices reflect investor expectations, meaning that certainty of outcome (appreciation in share value and rising dividends) is already priced in. In other words, the stock price has already risen to the level (higher level) that incorporates the collective expectations of investors as a whole. Once this happens the return opportunity going forward is limited, barring some fundamental positive change to the earnings expectations going forward. It's a bit like expecting your child to come home with an A in math and when they do, there is little fanfare because the outcome merely matched (not exceeded) what was predicted to happen.

Edgepoint is fundamental to our investment portfolios precisely because its investment thesis recognizes this reality and seeks to capitalize on uncertainty by building portfolios of quality stocks that most investors have shunned, because their outcome is less certain. Uncertainty allows them to have a view about a business that others don't, and investing in undervalued securities positions the portfolio for a more positive outcome. Carpe incertae!

Be safe, be well!

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