Rupel Ruparelia

President, Heathbridge Capital Management Ltd.

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Please tell us a little bit about your background and how your career in investment management began and how you ended up at Heathbridge?

I earned my undergraduate degree in economics and finance from Queen's University in Kingston. After graduation in 1993, I began my career in the back office of a brokerage firm. Over the next two years, I progressed through various roles while completing professional courses, eventually moving into in-house money management.

Shortly after, our division was acquired by a major brokerage affiliated with a bank. I transitioned from a supervisory operations role to junior trading associate and analyst positions, performing foundational work in portfolio management. This period provided an intensive, hands-on learning experience, including two years of demanding 80-hour weeks, where I gained insight into the portfolio management process from the ground up.

In 1999, we decided to go off on our own. Rob Richards, who is an Ivey MBA graduate from 1970, founded Heathbridge just before this and that is when we took off. Rob and I have worked together since day one, and he is now our Chairman. He promoted me as President in late 2014 or early 2015. We built our team out through that time. We manage predominantly for high-net-worth individuals and foundations. We have historically managed institutional funds, but our focus is on high-net-worth individuals.

Your risk management strategy involves diversifying with respect to industry and operating characteristics. How do you maintain a deep understanding of each unique industry?

Our risk management strategy emphasizes diversification across industries and business characteristics. Maintaining a deep understanding of each industry has become easier over the past few decades, thanks to the wide range of research tools and resources now available. Once you grasp an industry, you can efficiently evaluate individual companies within it.

At our firm, we take a generalist approach rather than specializing, so everyone develops a working knowledge of multiple industries. While there is a learning curve, most team members have a solid foundation in the sectors we cover. When we pursue a company, we conduct a thorough analysis, often leveraging external resources such as industry publications and expert insights to ensure a comprehensive understanding.

Are you able to elaborate on your Checkmark Investing strategy and explain why you use it instead of traditional types of investing methods?

Our Checkmark Investing strategy was developed by our founder, Rob Richards, who drew on years of experience observing top money managers both in Bay Street and internationally. As a former top-ranked research analyst and later a buy-side portfolio manager, he identified the factors that consistently drive successful investments.

"The strategy focuses on identifying strong businesses with financial stability and capable management — particularly those that can deliver on their growth potential. A key aspect of our approach is evaluating companies after a share price decline. Such downturns allow us to assess whether the drop is temporary or permanent, offering insight that rising prices rarely provide. Buying after a decline also tends to reduce risk and increase potential upside. This pattern — initial decline followed by recovery — forms the “checkmark” shape that inspires the strategy’s name.”

Do you favour small or large companies? Do you prefer domestic or international markets?

We take a sector-agnostic approach, evaluating companies primarily in North America but also globally, provided they meet our investment criteria. While we do not favor any particular region, we are currently finding more opportunities in the Canadian small-cap sector, which is out of favour, whereas U.S. mega-cap stocks remain highly sought after.

Until about a year and a half ago, the Canadian market offered numerous opportunities, and we also identified attractive prospects in other international markets. Today, opportunities in the U.S. are limited, though not entirely absent.

Building on that, and speaking specifically about the U.S., you mentioned being sector-agnostic. But to what extent do you factor in cross-border political or regulatory risks, particularly between Canada and the U.S., when making valuation assumptions? Has that approach changed recently under President Trump’s leadership? Or has it remained consistent?

We do not focus heavily on political considerations, as there will always be regulatory and political noise, particularly in North America. In some international markets, however, political and legal instability—such as weak rule of law, unenforceable property rights, or unreliable accounting standards—can make countries effectively un-investable. What has shifted in recent years is the heightened uncertainty around the rules of the playing field, which makes it harder for businesses to evaluate their operating environment and profitability.

Our approach remains fundamentally bottom-up, starting at the company level. However, we are now more attentive to macroeconomic factors and market dynamics, including the disconnect between high equity valuations and ongoing negative or uncertain news. Historically, such conditions can create compelling investment opportunities once risks are reflected in prices. The current challenge is that some risks are known but not yet fully priced in, making downside assessment more difficult and increasing overall investment risk.

Have there been instances where your evaluation model generated a signal to buy, but your qualitative judgment led you to pass the investment? How did you approach that decision?

That is an excellent question. Our evaluation process combines quantitative and qualitative analysis as an integrated framework rather than treating them as separate steps. A quantitative screen may flag a potential opportunity—for example, a security trading at a significant discount to net asset value—but qualitative factors might indicate that the discount is justified. In such cases, the investment would not proceed.

Decisions like these do not arbitrarily override quantitative signals; they result from a holistic review where an opportunity may pass initial screening but fail subsequent qualitative assessment. Because the two components are closely linked, it is difficult to isolate instances of explicit overrides or to judge them as successes or mistakes in hindsight.

Do you view holding cash as an attractive investment decision? What signals indicate that risk is sufficiently elevated, or opportunities are sufficiently scarce to justify holding cash?

Cash is one of the most underrated components of a portfolio. For us, it is a bottom-up decision rather than a top-down target. We do not aim for a specific cash level; instead, cash represents uninvested positions, providing flexibility to act when attractive opportunities arise. During frothy markets or when stocks reach our targets, we may trim and rebalance, generating cash. If suitable opportunities are not available, we are comfortable holding.

Conversely, many investors raise cash during market declines, often near lows, which can leave them overexposed to missed opportunities. In contrast, our approach naturally deploys cash when compelling investments emerge. While cash is a by-product of our process, we value it highly—without it, we could not capitalize on opportunities when they arise.

Has there been a time where you felt that you had a reserve large enough that you worried that it was not being deployed effectively?

This is the nature of our approach. Holding cash requires constant vigilance. We worry when we have too much—questioning whether we are missing opportunities—and we worry when we have too little, concerned about being unable to act when new opportunities arise. We regularly review our cash positions to ensure we are not overlooking anything. However, because cash is a byproduct of our process, we avoid succumbing to the pressure to deploy it rapidly during frothy or extreme market conditions. Historically, those are often the periods where acting under pressure can lead to unfavorable outcomes.

When an investment does not work out, when do you throw in the towel? And how do you decide to leave the position and realize that your thesis may not be playing out as you expected?

“When investments do not unfold as expected, we review our thesis and original assumptions. Each investment decision begins with clearly documented assumptions—why we bought the stock and what we saw as its strengths. Over time, we review these assumptions to determine if they remain valid.”

Share prices can remain flat for several years, particularly for value investments, but this does not prevent us from monitoring the thesis. Occasionally, we conclude that our original thesis was incorrect. While some investments take years to play out, others may grow earnings without an immediate price response. The key is to remain disciplined: update assumptions when necessary and recognize when a holding no longer aligns with the original investment rationale.

What role does the company’s management play in your investment decision?

Management is a critical consideration for us, forming our third investment criterion after the first two are met. Strong management acts as an effective steward of capital—they can deliver the company’s potential, are aligned with shareholder interests, and make disciplined capital allocation decisions.

Much of this insight comes from reviewing annual reports, where leadership typically outlines goals and objectives. Speaking directly with the CEO or CFO can provide additional clarity on subtler points. Ultimately, management matters because their ability to execute affects whether a company continues to meet our original investment criteria. While essential, it is one of several factors we evaluate in our process.

It sounds like the business model plays a significant part of your investment decisions. What kind of business model

does Heathbridge consider to be a good one?

We do not commit to one specific business model. Instead, we evaluate each industry based on certain key characteristics. For example, we ask: Are there meaningful barriers to entry? If only two or three companies operate in the space and it is difficult for new competitors to enter, we take that as a positive sign. It suggests the existing players have some protection and can operate more sustainably.

We also look at pricing power. Industries with pricing power—where companies can raise prices without losing customers—tend to have stronger business models. In contrast, commoditized industries typically lack pricing power. In those markets, if one company starts doing well, new competitors can quickly enter and undercut them. That makes it very difficult to maintain a long-term competitive advantage. Contract manufacturing is an example of a particularly tough industry. Companies are often competing primarily on price, and if price is your only differentiator, you don't really have an advantage. In that case, you must be the lowest-cost producer—and clearly demonstrate why you can sustain that position.

So while we do not favour one specific model, we consistently look for businesses with durable, sustainable advantages. We want confidence that they can continue operating successfully and remain competitive twenty years or more into the future.

In 1996, Greenspan famously used the term "irrational exuberance" during the dot-com boom. Are there any key trends you spot irrational exuberance in markets?

That was an interesting time when he said that because from 1996 to 2000 tech went through another bubble phase, so he said it early. And the challenge you have is that you can see areas that are changing, but you are unsure how long the change will last. Because if you got out of that space in 1996, you would have missed four years of a huge run in the market. After the tech bubble burst in 2000, that was an 80% correction over the next couple of years in NASDAQ, roughly 50% in the S&P 500.

Many of the technology investments made in the 1990s are now taken for granted. Smartphones, for example, are more powerful than older computers and allow people to do almost anything from their hands. However, while consumers benefited from that infrastructure, investors and many of the companies behind it did not always see returns from those investments.

A similar dynamic may be emerging in AI. It is already a powerful, widely used tool that has transformed everyday tasks and benefited from major advances in computing power and speed. Yet enormous amounts of capital are flowing into the space, including startups with no revenue and only expenses, making it unclear where sustainable profits will come from. Some established companies are investing heavily as well, though they at least have existing revenue models to support these efforts. Overall, the AI sector currently shows signs of bubble-like conditions.

How do you sort through the noise when it comes to AI companies? How would you sift through that to find real value in AI?

We focus on companies that are further along in their development — those with strong balance sheets and consistent free cash flow. In the AI space, that means businesses using or benefiting from AI while already generating real profits. This approach eliminates many speculative names. We may miss the next breakout success, but it is almost impossible to predict which one that will be.

We avoid companies that rely on repeated funding rounds and rising valuations without proven profitability. Instead, we look for businesses that can improve margins and productivity by integrating AI into their operations. Often, the biggest winners are not the AI creators but the industries that apply AI effectively.

Another angle is infrastructure. For example, in the U.S., utilities benefit from rising power demand driven by data centers. These companies are public and profitable, offering exposure further down the value chain. The closer you move toward early-stage AI developers, the higher the risk.

How do you understand the market's flight to gold and silver coupled with the rapid rise of AI stocks? Is this a rational reaction?

It is not. I find it perplexing because, in the world of AI technology, there seems to be a herd mentality. Investors are heavily allocating to index-related positions—like the S&P 500 and NASDAQ—often automatically. At the same time, metals such as gold, silver, and copper, which are traditionally seen as safe havens during times of worry, are also rising. There is widespread concern about the debasement of the US dollar and other currencies, reinforced by political pressures to lower interest rates. These signals contradict each other: some investors act as if the world is on the verge of collapse, while others behave as if everything is better than ever and risks are worth taking. To me, this disconnect makes little sense.

With the rapid expansion of private credit in North America, have you seen changes in how companies structure their balance sheets to accompany this new inflow of credit? And has this altered how you assess durability, downside risk, and margin of safety within a business?

Following the 2008 global financial crisis, the world economy stood on the brink of collapse. In response, central banks intervened with extraordinary monetary stimulus to prevent a complete breakdown of the financial system. However, as conditions stabilized, policy normalization proceeded slowly. This approach became the standard response to subsequent economic disruptions, marking a significant structural shift in monetary policy.

During this period, companies grew increasingly comfortable with higher levels of debt. Corporate priorities shifted from maintaining conservative balance sheets toward optimizing return on capital employed, often resulting in lower cash reserves and greater leverage. As interest rates declined, firms could sustain and expand their debt burdens more easily. And so identifying companies with strong balance sheets became more challenging, as elevated leverage became more common across sectors.

Regulatory changes following 2008 also reshaped the lending landscape. A growing share of corporate debt migrated from traditional banks to alternative lenders, particularly within private credit markets. The underlying risk did not disappear; rather, it was redistributed. When assessing financial strength today, it is therefore essential to examine not only the level of indebtedness but also the sources of financing. While large public companies typically access private credit only when terms are favorable, a broad range of businesses have increasingly turned to these markets, driven by substantial capital inflows.

Private credit, private equity, and infrastructure investing have expanded significantly over time. Although these asset classes gained traction in the 1980s and accelerated between 2000 and 2008, their growth since 2008—especially from 2018 onward—has been exponential. In a prolonged low-interest-rate environment, leverage increased and investor demand for these vehicles intensified. Overall, companies today appear more comfortable operating with higher leverage than was common approximately 15 years ago.

You talked about lowering interest rates or printing money when the economy is bad, and about how those were used in 2008. Given the extensive use of these levers in the past, do you think that these sorts of mechanisms are already "maxed out?" Do you see that as an issue for society or business in general going forward?

There is legitimate concern at both the corporate and individual levels. Monetary policy tools are most effective when reserved for periods of acute stress. Prolonged or repeated use reduces flexibility and may limit policymakers' ability to respond to future crises. Canada's current position appears somewhat more stable than that of the United States, although conditions are softening, with rising unemployment and job losses emerging. The U.S. economy, by contrast, continues to run relatively strong. However, aggressive monetary expansion carries broader risks. Beyond inflation, excessive reliance on money creation can undermine confidence in a currency—particularly the U.S. dollar, which serves as a global reserve. If confidence erodes, the consequences could be significant.

When policy flexibility becomes constrained, restoring stability typically requires difficult adjustments at the individual, corporate, and societal levels. The United States experienced such a reset during the 2007–2009 subprime crisis, when many households faced foreclosures and were forced to deleverage. Canada did not undergo a comparable correction; while real estate prices declined modestly, household debt-to-income ratios continued to rise and now remain elevated. For these reasons, the reduced capacity to deploy monetary levers in future downturns is a meaningful concern—not only for businesses, but for the broader economy.

Have you ever chosen not work with a client who did not understand your investment perspective?

Yes, we have declined to work with prospective clients when there was not a strong mutual fit. Our priority is alignment. Investors who focus solely on short-term returns often do not fully appreciate the underlying investment process. It is essential that clients understand how we invest, what to expect, and the long-term discipline required for the strategy to succeed. We seek long-term partners who are aligned with both our philosophy and time horizon.

There are two dimensions to this assessment. First, we evaluate philosophical alignment—whether the client genuinely understands and accepts the investment approach. Second, we assess financial positioning. As part of our service, we provide a comprehensive financial plan to ensure that investment decisions are consistent with broader financial goals. Proper alignment reduces the likelihood that market volatility will create unnecessary stress.

Market declines of 20% to 40% are inevitable. Investors who are financially stable and mentally prepared are far better positioned to remain disciplined during such periods. Conversely, those facing significant financial pressure—for example, high debt levels or employment uncertainty—may struggle to maintain a long-term perspective when their portfolio value declines. Ultimately, we are not simply offering an investment product. We are establishing a long-term relationship. For that relationship to succeed, clients must be both financially prepared and aligned with our investment philosophy.

Throughout your career, have you learned about investing from other investors? Who were your biggest role models?

Yes, I have learned extensively from other investors throughout my career, and that process of continuous learning remains essential. At the top of the list is my partner and founder of our firm, Rob Richards. I also recommend the annual letters of Warren Buffett, particularly those from Berkshire Hathaway. They provide enduring lessons on capital allocation, discipline, and long-term thinking. I would also highlight Philip Fisher's *Common Stocks and Uncommon Profits*, as well as the foundational work of Benjamin Graham, including *The Intelligent Investor*, co-authored with David Dodd. These works establish the core principles of value investing and risk management.

Beyond them, I have benefited from reading investors such as Howard Marks and Seth Klarman. Even when their approaches differ from my own, the discipline and recurring themes—risk awareness, patience, margin of safety—are consistently reinforced. I have also spent considerable time studying behavioral psychology. Technical skill and analytical rigor are necessary, but investors can undermine themselves without the proper mindset and process. Knowing what to buy is only part of the equation; having the discipline to act—and to hold through volatility—is equally critical. Behavioral finance helps address that gap.

After many years, I find that the same core principles continue to surface. The fundamentals of sound investing have not materially changed, which is why many seasoned investors today still emphasize the same lessons they articulated decades ago.

Speaking of Warren Buffett, he has a very particular style of investing and concentrating in a few companies. What are some of your thoughts on that method? Do you concentrate like Buffett does, or do you prefer to diversify your portfolio into various companies?

Warren Buffett and Charlie Munger complemented one another well. Although Buffett never invested in Costco, Munger did, recognizing it as an exceptional business. In recent years, however, the company has traded at elevated valuation multiples, making new purchases more challenging. Buffett has often acknowledged the influence Munger had on his evolution as an investor, particularly in appreciating the value of high-quality businesses.

Our approach can best be described as concentrated yet diversified. We hold approximately 20 positions, each in distinct businesses and sectors. We avoid excessive exposure to any single industry—for example, we would not own multiple banks simply for the sake of diversification. The objective is meaningful exposure to differentiated ideas. In my experience, many successful investors do not manage portfolios consisting of hundreds of securities. Instead, they focus on a limited number of investments they understand deeply, monitor closely, and size appropriately. Concentration, when combined with thoughtful diversification, helps maintain focus and reduces the risk of being distracted by market noise. A portfolio of 100 stocks is difficult to track effectively, and even strong performers may have limited impact if position sizes are too small.

One book that addresses this concept well is *Fortune's Formula*, which explores position sizing and conviction-based investing. It profiles Edward O. Thorp, who later founded a highly successful hedge fund. A key takeaway is that capital allocation should reflect the strength of one’s conviction, balanced with disciplined risk management. During the period covered, his fund reportedly did not experience a losing quarter—an illustration of the power of combining conviction with rigorous controls.

“Diversification is often motivated by fear of error. While risk management is essential, over-diversification can dilute strong ideas. The challenge is to strike an appropriate balance. Our structure—roughly 20 equally weighted positions—seeks to achieve that balance, allowing successful investments to meaningfully offset weaker ones while maintaining prudent risk control.”

You have talked a lot about the kind of industry voices and prominent investors in the space who you take lessons from. To what extent do you factor in industry voices when making an investment decision? Whether that be talking hands on VNN or other investors who you may follow through a newsletter, to what extent do you let their opinions influence your investments?

Industry commentators and prominent investors can provide useful perspective, but their views play a limited role in our investment decisions. When listening to others, our primary objective is to understand their incentives and time horizon. Some may be speaking from an existing position and therefore have an interest in promoting a stock. Others may operate on very short time frames—minute to minute or week to week—whereas our approach is long term. As a result, much of the short-term commentary is not directly relevant to our strategy.

That said, external views can be valuable when they present a well-reasoned counterargument. If a stock we own declines and someone articulates a credible negative thesis, we will examine it carefully. The goal is not to react to opinion, but to test our own assumptions. If the critique reveals a risk we had not fully considered, that is constructive and improves our process.

We also value commentary that provides substantive industry insight. If an investor highlights a structural issue within a sector and we can independently verify it, that may meaningfully inform our analysis. In those cases, we are learning new information rather than simply reacting to sentiment. However, short-term trading opinions—such as recommendations focused on options activity or near-term price movements—have little relevance to our framework. Ultimately, external voices are most useful when they deepen our understanding of fundamentals, not when they attempt to influence short-term market.

Throughout your entire investment career, what was one of the biggest mistakes that you have overcame, and what are some of the lessons that you have taken from?

One of the most important lessons in my career relates to both errors of omission and errors of commission—a distinction often emphasized by Warren Buffett. Mistakes of omission occur when you fail to invest in a business that later proves to be highly successful. Those situations require intellectual honesty. You must ask whether the opportunity was dismissed too quickly, whether further research was warranted, or whether your analytical framework caused you to overlook key strengths. That reflection is critical to improving judgment.

In terms of mistakes of commission—investments we did make—one notable example was our position in General Motors prior to the financial crisis. At the time, the company met many traditional value criteria. It appeared to be undergoing a genuine turnaround, with new leadership, improved product quality, and meaningful operational restructuring. The investment thesis was not based solely on a low valuation; it reflected a belief in fundamental improvement. However, two key indicators began to deteriorate: market share continued to decline, and financial performance weakened. When the company turned cash flow negative—well before the broader crisis—it became clear that the thesis was not unfolding as expected. We exited the position, and while the investment ultimately resulted in a loss for clients, we avoided holding it into the bankruptcy that followed.

The primary lesson was the importance of discipline. When the underlying facts change and the investment no longer meets defined criteria, action must follow. It is easy to rationalize holding a position to avoid admitting an error. That is a mistake. A value-oriented approach will inevitably face challenges, and not every contrarian position will succeed. The key is to reassess objectively, acknowledge when you are wrong, and respond decisively.

You said you learned a lot from your partner and founder, Rob Richards. So, what advice can you share with young investors and readers of this newsletter?

For young investors, the most important principle is to start early and prioritize financial discipline. It may sound cliché, but managing your personal finances effectively creates the foundation for long-term investing. By consistently saving, contributing to retirement accounts, and living within your means, you ensure you have capital available to invest when opportunities arise. This requires deferred gratification—choosing long-term benefits over immediate rewards—much like the “marshmallow test.”

“Maintaining control over your financial decisions is crucial because you cannot control the markets. Setting aside a reserve for emergencies and staying financially flexible allows you to act opportunistically without stress. Avoid chasing fads or short-term trends, such as cryptocurrencies or speculative assets. True investing is distinct from daily trading or gambling; it involves disciplined, patient allocation of capital over the long term.”

Equally important is the time you dedicate to research and reflection. Track your investment decisions: why you bought an asset, how it performs, and why you eventually sold it. Reviewing and analyzing your successes and mistakes cultivates learning and improves future decision-making. Intelligence alone is not sufficient; focus, discipline, and consistency are far more critical.

Finally, embrace early, small mistakes as learning opportunities. Experimenting in your early years allows you to build experience safely, whereas errors made later with larger sums can have significant consequences. Investing is a lifelong process—start early, be disciplined, continually learn, and remain patient.