



Lessons in Life and Asset Management From Surviving the 2004 Tsunami

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I'm by nature a reflective person. I look back on life experiences and examine them to see what I learned and how I can use these experiences to make self-improvements. Sometimes, they are personal improvements and sometimes they are professional in nature. Herein I share one of the most trying times in my life, and the one that has had the most profound impact on my outlook to my personal life and influenced how I manage money. It is both an honorarium on the 11th anniversary of the disaster that claimed an estimated 230,000 lives and a personal essay to give my investors insight into some of the experiences that shape how I think about managing their money. It is a story of the power of coincidences, and how one event can lead to things going in completely different directions than anticipated.

It was December 2004 and I, my wife Conney and our two children, Ashley (aged 4) and Alex (aged 3) were visiting Singapore. I had originally met my wife in Singapore the first time I was working there for Citibank in 1996. We had originally planned to take a side trip to Bali, Indonesia to celebrate our wedding anniversary which fell on the 23rd of December. The day before we were to leave for Bali, the Canadian and U.S. consulates published "do not travel" advisories warning of credible intelligence of potential terrorist activity. Recall that in 2002, Jemah Islamiyah, a violent Islamist group, bombed the tourist district in Bali and killed 202 people, mostly vacationers. So, when we read the advisory, we took it seriously and cancelled our trip. We were going on vacation and saw no need to put up with the stress of having to worry whether there would be an attack. There are so many other beautiful places to visit after all. We selected another place which we loved to travel to and had been to many times; Phuket in Thailand and off we went. This was coincidence number one.

We were scheduled to be there for a week of relaxation on the beach with the two children and my mother-in-law. It was an otherwise uneventful trip until the night of the 23rd when Alex wasn't feeling well and only the company that a mom could provide was sufficient for him. That being our wedding anniversary, we delayed our planned private dinner date. This was coincidence number two. By the 25th, Alex was feeling better and now as energetic as always, so Conney and I decided to venture out for dinner and an evening out on the town. We had intended to take full advantage of having a built in baby-sitter in my mother-in-law to stay out later than we normally would. So we wandered in around 3 a.m., having had more than a few celebratory drinks. As I later found out, as grandmothers are inclined to do, my mother-in-law indulged the children's desire to stay up late and thus they went to bed far later than we would have allowed them to if we were there. This was coincidence number three.

I recall waking at around 5 a.m. with my bed rattling. Still half asleep, I muttered to myself "damn honeymooners", assuming that the shaking was an overly enthusiastic couple next door. It was of course the earthquake that ultimately had caused the tsunami, but I managed to shake it off in my mind at the time as nothing more than the honeymooners I had assumed it to be and quickly fell back to sleep.



Around 8 a.m. my wife yelled for me to get up and come and look over the balcony. We were on the third floor with a beach front view and when I peered over I saw that water was up to the level of the first floor and saw beach furniture, building wreckage and various other debris floating around. At the time, I'd never experienced a tsunami and just thought maybe a large wave had come in. I set off downstairs to investigate after telling my wife under no circumstances to come down.

I would investigate and come back up with a report. The children were small and I didn't want anyone in the family to be at risk. The water had receded by the time I got down to ground level and I quickly found a lady who began to explain what she had seen. We talked for a while until my family walked up beside me. Curiosity had gotten the better of my wife. I pleaded for her to get off the beach area and maybe go have breakfast with the children because we still didn't know what had happened so it wasn't worth it for all of us to take a risk that didn't need to be taken. I promised to tell her whatever I heard so she'd miss nothing.

I returned to my discussion with the lady. The beach was maybe 75-100 yards behind her. While she was talking, I looked over her shoulder and watched numerous people on the beach playing in the rough surf and a few more with jet skis trying to take advantage of the waves to perform jumps; an innocent, yet foolish mistake that was likely fatal. As we continued to talk, over her shoulder, I noticed the ocean. The whole ocean seemed to be on an elevator. It rose and rose and rose. I'd never seen anything like it. Then it hit land and there was a giant wall of water coming straight for me. Instinct took over. I turned immediately and ran to the restaurant where my family was hopefully having breakfast. I don't know how many people just stood frozen in fear as the wave came over them. I credit my 12 years as a trader for saving my life at that moment. That's coincidence number four. As a trader, I was used to making huge decisions instantaneously and acting on instinct. I'd been conditioned to think clearly under pressure, and to react without hesitation. I felt no fear, not because of bravery, but because there was no room in my head for any other thoughts or feelings than finding my family. I had seconds before I would have been washed away. My training saved me.

As I entered into the restaurant I quickly saw them and yelled "RUN!". I headed straight for the door with them at my side, or so I thought. I was running along a glass hallway that ran parallel with the beach, heading for the stairwell which I knew would get us up from ground level. We couldn't outrun the wave, but maybe we could out climb it, assuming of course the building didn't collapse. But it was the only chance I saw. Two chefs had run out of the kitchen and yelled for the crowd to follow them to try to outrun the wave. The flow of the crowd was now in two directions, one group following me and the other group following the chefs.

When I looked to my right, my family was gone. I turned to look behind me and they were on the floor, all four of them. Panicked people poured down the hallway trampling over them like stampeding cattle. Some people carried their breakfast with them, their dishes smashing to the floor as they tripped over my family. My loud verbal warning in the restaurant had given everyone leisurely eating their breakfast a chance to escape. However, that warning turned into the stampede that was trampling over my family on the ground. My inattention to where they were for even that brief second could have been my fatal mistake. Lesson learned. Stay focused. Although I had no perception of time, I knew it was running out and my mistake had cost us precious seconds. To this day, my family still teases me about this and I feel tremendous guilt about it. I ran back to them and yanked them from the floor, throwing my daughter, the eldest, over my shoulder fireman style and turned back to run down the hallway again for the stairs. I knew that up was our best option. That was coincidence number five. We got to the stairs and bound up as fast as we could. The wave hit and smashed through the glass hallway panels, shredding those that were too slow or that chose to try to outrun the wave with the two chefs. Lesson learned. Be decisive. Only recently, in a casual conversation with my daughter, when we were relating our earliest memory in life, she told me that her earliest memories were watching the people behind us and those who followed the chefs die and a young boy holding onto a palm tree as the wave washed over him. We don't know what happened to the boy. I don't know to this day why it took her ten years to tell me. She never wanted to talk about it and assumed that we knew what she saw. Alex only remembers losing one of his Power Ranger flip flops. I guess that was upsetting enough for a three year old that he remembers that. I still recall being struck at how quiet the children were and how they passively accepted the otherwise rough treatment of a fireman carry during a full tilt sprint in a stampede of panicked people. I've only surmised that they instinctively knew there was a danger and did not to squirm or cry as a result.

Most people don't know that there were two waves, not one. The second one was actually the largest but the first one likely hurt the most people as it caught them unaware. We later heard stories of how the ocean had receded far out all along the beach. This is the warning sign of an impending tsunami. The water first gets sucked out before rushing in as a massive wave. Unfortunately, few knew this and when the waterfront receded the first time many tourists walked out to explore and maybe search for shells in the area now uncovered by water.

Although we had no idea at the time of the scope of the disaster, I knew that this wasn't small time and we needed to be ready in the event that the roads were out, the airport was destroyed and that there may be no food or water for days or weeks. We headed back to our room. The building, being concrete and newer construction had survived the impact although the units on the ground floor were destroyed, certainly drowning some of those still in their rooms. The hotel it seemed was the safest place to be at the time. Depositing my family back in our room which the waves hadn't reached, I set off immediately for supplies, planning for the uncertainty that lay ahead. I went to the hotel supplies room and grabbed cases of water and snack bar snacks that may have to feed the family for a while. The power was out. I tried to access our hotel safe but it was fried. All of our identification, plane tickets and money were in there. Lesson learned. Always have access to liquidity and crucial resources. A frantic hotel worker ran down the hallways screaming that they were evacuating the hotel. Another wave was on the way and we had to head for higher ground much further back from the waterfront. There was a village up the hill and so after packing a bag with all the water I could carry we headed out, watching and listening nervously for the next wave. We got to the village to wait the wave out. I looked for places I could climb if I had too. There were none I could get the children up to. We waited nervously. We waited some more. We tried hard to call out or send a text message

to family that we were ok and where we were. The phone lines were down. After a while, the children were hungry and as I had prioritized water, had nothing they wanted to eat. Unfortunately, the stores would only accept cash. Reminder on the lesson learned... always have liquidity! A young English couple was kind enough to lend us some money to buy the kids something to eat. Both children were extremely well behaved considering the circumstances. They were certainly bored with nothing to play with or do but to their credit they just rested or slept, which was a little unusual for them.

After a few more hours of waiting, the hotel suggested we could wait, go back to the hotel or have the hotel move us to a different hotel in the mountains but they warned us that it was not a very hygienic one. As night was approaching, the uncertainty of sitting in the dark in the village or moving to a squalid hotel with two small children seemed less appealing than our existing hotel room. It had survived the first two waves so we nervously returned to our room, hoping for the best. The hotel staff, one by one, drilled the hotel safes so guests could access their money and identification.

Rumours ran rampant that the airport had been destroyed. We were fortunately scheduled to leave the next day (coincidence number six) but we were concerned that we may not be able to leave and may have to wait for rescue from Canada. It was time to call the Canadians in Distress hotline in Ottawa to see what they had planned to evacuate Canadians stranded in the disaster area. To my utter amazement, their only plan was to let the Thai military deal with it. When I informed them that there were thousands dead, many more injured and that all Thai government forces were completely overwhelmed, that water and power was out, all they would do was take our names and passport numbers. They had no intention to send planes to evacuate anyone. Never in my life had I needed the government of Canada more and had they so utterly failed me and my family as citizens and as taxpayers. Just great. We were on our own. Lesson learned. Never trust government to bail you out. As my wife had a Singaporean passport, we called the Singaporean consulate and registered with them. If my government was going to stand by and watch, maybe my wife's one wouldn't. Besides, they were closer and would certainly have more citizens there.

We finally got through to some family to tell them we were ok. They didn't even know that there was a tsunami. Even CNN had barely grasped the scope. They had reported estimates of a few thousand dead across all the countries affected. Being on the ground, I knew that these initial estimates were off by a wide margin (a factor of about one hundred times the original estimates).

So now our only option was to wait out the night, hope for no more waves and that the airport would be open tomorrow. We dressed everyone for bed with clothes ready to run, including wearing our shoes. I packed a "bug out" bag. At least this time we had money, identification, food and water; everything we needed. Everyone went to sleep except myself. I stayed awake while the family slept, to watch CNN for the most current updates as the only source for a potential warning of a follow on wave. If there was a warning, we'd be ready to go on a moment's notice. Fortunately, the night passed uneventfully, for us anyway. For others, the evening was much worse. We only got a sense for this when we headed to the airport.

The following morning we heard the airport was open. We left early to catch our flight out, expecting pandemonium. As we drove to the airport, and our taxi pulled up, it was clear the desperation people were in to leave. The usually busy airport was as packed as a can of sardines. Many people stood in towels, bathing suits, barefoot, without passports, identification or money. They only had with them

what they had on the beach. The injured were everywhere. Fortunately, airlines brought in extra planes and people booked any flight they could get on to get out. We were fortunate enough to get on our flight. On the flight back to Singapore, we met some of the families. One was behind us and told us how they were separated from their children and didn't find them until the next day. The boy had an open hole in his stomach, a puncture wound he sustained while being caught in the wave. He bravely held a towel to hold off the bleeding until he could get to a hospital in Singapore. Singapore wasn't their planned destination. There wasn't enough medical care in Thailand as the hospitals were full and they were in full triage mode. Only the patients in the direst position were being attended to. That's just what it's like in a disaster zone. Lesson learned. In a disaster, your medical needs may not be attended to for a long time. You need to be able to handle first aid. For this family, Singapore was just the first, closest place they could get a flight to get to a hospital. I still can't imagine the panic that I would have been in had I been separated from my family, particularly my young children, not knowing if they were injured or even alive. A few short hours later we landed in Singapore, greeted by throngs of my wife's family, ecstatic that we'd made it.

A few days later we were back in Canada. I called the same Canadians in Distress hotline that I'd called before to let them know we were back safely, if only so they could take our name off the list of the missing or at risk and focus whatever minimal efforts they were extending to Canadians remaining in the disaster area.

We were extraordinarily fortunate. A long series of coincidences put us on that beach that day and a long series of coincidences and decisions got us out safely. While it's not a memory I cherish, I'll never forget that day and I'm better for the experience.

For those of you interested in seeing a movie of what the experience was like, I'd suggest watching "The Impossible" with Naomi Watts and Ewan McGregor, which is based on a true story. I watched this with my family when it came out. It was difficult for us to watch, but we felt it important particularly for the children to see what they may not have remembered, and for us to remember how lucky we were.

Let's look at the coincidences that got us there and got us out:

1. We weren't supposed to be there. We should have been in Bali but for the "do not travel" advisory. In hindsight, we would have been better off not changing our plans.
2. My son was sick on our anniversary. Had he not been, we would have gone out that night and stayed in on the 25th.
3. If we had not been out that night, the children would not have been able to pressure grandma, as kids often do, to indulge them and allow them to stay up late and they would have been put to bed on schedule. They would have been on the beach during the first wave as they were on every other day of our trip. The children's clubhouse, where they often went first thing in the morning, was smashed to smithereens. They wouldn't have stood a chance.
4. The family was in the restaurant and I knew exactly where they were when the second wave hit. I credit my training as a trader for saving our lives here twice. The first time, it was being able to move and not frozen in fear like so many behind me.

5. My training as a trader also allowed me to stay clear headed and calculate that it was better to be higher than try to outrun the wave. Outrunning was a fatal choice. Instinct, honed from years of development, kicked in and I ran calculations in my head faster than I could think or say them and I reacted without hesitation or fear.
6. It was our last day when all of this happened. We got out on schedule. Staying would have been pretty difficult albeit survivable.

So this was my “black swan” event; completely unpredictable; an unstoppable force; a long series of coincidences that both put us there and got us out quickly. A black swan event is a metaphor that describes an event that comes as a surprise, has a major effect, and is often inappropriately rationalized after the fact with the benefit of hindsight. The theory was developed by Nasim Taleb to explain:

1. The disproportionate role of high-profile, hard-to-predict, and rare events that are beyond the realm of normal expectations in history, science, finance, and technology.
2. The non-computability of the probability of the consequential rare events using scientific methods (owing to the very nature of small probabilities).
3. The psychological biases that blind people, both individually and collectively, to uncertainty and to a rare event’s massive role in historical affairs.

All of us took something from the experience, both good and bad. My son Alex, who always loved the beach and the water where we loved to vacation, became very afraid of the beach. He didn’t understand much about what happened, but he associated the beach and water with the word tsunami and the danger this entailed. It took him two years before we could get him back near the water comfortably. For my daughter Ashley, this represented her first childhood memory. That’s just sad. For myself, I chose to learn and grow from the experience. However, the event has also had some lasting effects on me beyond lessons and growth. I have a very skewed version of risk. I get on planes and count seat backs both ways to the nearest exit. I selected our office space to be on a low floor. I take disaster preparation to the nth degree. I’m always looking to mitigate risks. Trading taught me to mitigate risks whenever possible or desirable but the tsunami heightened my awareness of and appreciation for non-financial risks and black swan events. Lesson learned. Use negative experiences for positive purposes.

Lessons I Learned and How This Experience Made Me Better and More Resilient Than I Was



Lesson 1: Don't Rely on Governments to Bail You Out

You are on your own. Never trust governments to bail you out when you need them most. I don't mean this just in disasters. All of us need to be self-reliant. Government isn't the solution. Need more proof? Look at Greece where everyone was on the dole in one way or another. Now the state is broke, can't pay the dole anymore or access capital markets, there is massive unemployment, the economy is in depression, there are capital controls to restrict people from accessing whatever is left of their life savings and prospects are bleak. Justin Trudeau and Kathleen Wynne...are you listening?

As an asset manager, I don't want to assume that governments will bail me out. They only bail out the "too big to fail" and those with political influence. Think about GM, AIG, and the banks in the financial crisis. There was no bailout for small businesses or people without a powerful lobby and paid-for politicians in their pockets. A natural disaster didn't even get me a bailout. As a person and as an asset manager, knowing that we're on our own means that we have to be prepared. This drives us to be better because only the fittest and most prepared survive.

Lesson 2: Be Prepared for Anything

Be prepared for anything. You never know, and probably couldn't even guess when a black swan event is going to hit you. Be adaptable and flexible. As an asset manager, I focus on processes, procedures and redundancies for systems and people. You need to have a disaster recovery plan. Studies have suggested that about 85% of businesses are out of business within a year if they have a loss of data or operating systems. A few years ago, our office had a flood which destroyed every computer in the office except mine and the data server. Because of my experiences, and because it was sound business practice, we had a Business Continuity Plan. We were mostly digital files by then and we had backups so that even if the server was knocked out, we wouldn't have had much data loss (maybe a few days of work at most). Our critical accounting and management systems were all web hosted and not onsite. We had the flood at 6 pm on a Sunday evening and were back up and running as a company by 2 pm Monday. We had minimal downtime and no disruption to our residents or investors. That was because we had a Business Continuity Plan and were ready.

Personally, I'm ready for almost any natural disaster. I keep a "bug out" bag with medical supplies, emergency food, water filtration equipment, other supplies and cash. Black outs, ice storms and other natural disasters happen. A couple of my friends and neighbours chuckled when we had a home generator installed. That is, until the ice storm in 2013 changed their mind. Our house was the only one on the block with power and heat. Many of our neighbours have decided to opt for installing one now. You will never know exactly what to prepare for, but some preparation is better than nothing.





Lesson 3: Keep Moving

Movement is life, standing still is death; literally and figuratively. If I'd stood in place moments longer, my entire family and many others would have certainly perished. Personally, I set short, medium and long term goals. I set off to achieve them and then set new ones so I always have something to reach for. As an asset manager, I think the same way. I always re-evaluate where I am and decide if this is where I should be and if not where should I be? Are competitors, opportunities or dangers here...or over there? Decide where you want to be and move, move, move! In the age of Uber and similar technologies, every business must look to exploit disruptive technologies to keep them ahead of the

competition and look for threats to their existence and respond immediately. People and businesses must move, grow and evolve to survive. Be Uber or get Ubered!

Don't be complacent. Don't let life happen to you. If you find you are in trouble, take action immediately and figure it out. You may not have time to reconsider later. All humans have a "fight or flight" instinct. Practice using it.

Lesson 4: Coincidences Can Happen But That's No Excuse to Resign to Fate

Coincidence can be a powerful determinant of where you end up but you often have a choice of how to respond. We are responsible for our own fate most of the time. You can complain about what fate has thrown you or take control and make the best of it. You can freeze and resign yourself to fate or you can move and have a chance. You may not succeed, but you will be better off than if you had done nothing. If you're going to die, die on your feet, not your knees.

Lesson 5: Focus on Access to Resources, Liquidity and Reducing Risks

Always have quick access to resources. Never stretch yourself too far. Personally and as an asset manager, I keep liquid financial resources available. Financial markets can go into crisis at any time with little to no warning. I always encounter investors that tell me they have no cash because it has a zero (and in some places in the world negative) yield. Cash gives you options. The lost income is insurance premium. No one regrets paying for fire insurance on their home if it never burns down. You can sit out a crisis or do some buying at panic depressed prices. It is better to be a patient buyer of opportunity than a panicked seller by force.

As an asset manager, I think about lowering risks, including liquidity risk and diversification. I prefer asset classes that are resilient to loss (like apartments and mortgages). I take diversification very seriously. I look to diversify investment holdings and not being overly concentrated. I diversify where my capital comes from and when it matures. That means having a diverse selection of lenders from whom we borrow and laddering our maturities so that we don't have too much maturing at any one time. We tend to borrow from "balance sheet" lenders, i.e. lenders that lend their own money as opposed to lenders that are mere conduits for others. While this doesn't mean that a balance sheet lender won't pull away



your liquidity, it's less likely to happen when a lender knows you, understands you, believes in your ability to execute, has a track record with you and has an incentive to maintain a long term relationship with you. A faceless lender you've never met is unlikely to be concerned about maintaining an ongoing relationship with you. Whenever possible and practical, we use CMHC insured financing. This means that our mortgage debts are government insured so we don't need to worry that we can't roll over our mortgages when they mature (unless the Government of Canada is in default).

We diversify our investor base, across the country and by type (i.e. institutional, portfolio managers and retail clients). We also diversify our distribution channels, between big bank dealers, exempt market dealers, direct institutional investors and portfolio managers. Diversification is one of the few free lunches in the financial markets. Every person and business needs to have a risk reduction strategy and execute on it.

Lesson 6: Use Negative Experiences for Positive Purposes

This event was an opportunity to grow and learn. Even the negative psychological scars of increased risk perception I've used to benefit me as an asset manager. I invest in things I perceive as safe and look for ways to reduce risk when possible and desirable. It's not always desirable to eliminate risk as to do so come's at the cost of not getting any return at all. In my view, it's cliché but true; whatever doesn't kill you, makes you stronger, but only if you embrace it.

Lesson 7: Be Decisive

I've known a number of people who were very indecisive. They pondered decisions for the longest time. Time didn't always yield better outcomes for their decisions. While it is important to consider all of your options, you need to act for any of your decisions to matter. Doing nothing or delaying in making a decision is also a decision and may have dire consequences. Decisiveness is a tremendous skill that one can learn. Assess your options, make a decision and execute. As an asset manager, I'm always in search of market intelligence because having up to date information allows me to make quick decisions with confidence. I spend hours every day reading and collecting intelligence. I rely on experience and the intelligence I've collected so that when required, I can make a quick decision with confidence. It doesn't mean that I'll be right, but if your intelligence is good, the balance of probabilities is in your favour. A simple example is keeping track of the market, so that when you are presented with a good opportunity, you know that it is a good deal and you can act immediately before someone else does or the market moves away from you.





Lesson 8: Stay Focused

Focus is critical for success in life and as an asset manager. While most decisions aren't life or death, it is much easier to be successful in both life and asset management with focus. For a brief moment when running with the family that day, I had lost focus and it was a near fatal mistake for all of us. It was only because I had reacted quickly and been decisive moments earlier that we had a few seconds to spare for me to correct the mistake. You don't always get a chance to fix a mistake.

As an asset manager I focus on our areas of expertise and on executing on our plan. We know what we want to accomplish and stay focused on making it happen. This doesn't mean that we stick only to one thing. Our business model, in part, has always been to look for under exploited niches (Lesson 3: Keep Moving). Once we find something we're attracted to, we focus on it, collect intelligence, build or hire expertise if we don't have it already, formulate a plan and then execute on that plan. Staying focused also means constantly learning new things. Just like a doctor needs to stay up to date on all the latest research and treatments, we need to know about all the newest technologies, best practices and ideas for optimizing property performance.

Lesson 9: Today May Be the Last Day

You've probably heard it said that you need to live every day as if it's your last. This doesn't mean living in fear. That is crippling. It means enjoying today and those that you choose to share your life with. You can never know when some accident could strike that removes a family member or friend from you forever. Enjoy them and never wait until later to share your feelings for them.



Phuket, Thailand | Beach Sunset

Closing Thoughts

All of us are products of our cumulative experiences. Some of these experiences are the result of random chance and others are the result of purposeful intent. Undoubtedly some of these experiences will be unpleasant or worse and aren't enjoyable to recall. However, all negative experiences have the potential to lead to learning and growth if we decide to embrace the opportunity to do so. We can choose to let ourselves be damaged by what has happened to us, let that cripple us or define who we are, complain about it or blame others and ask for a bail out. Alternatively, we can choose to take ownership of our experiences, take responsibility and be improved by them, as difficult as that may be. I choose to look back to reflect, learn and grow to keep moving forward positively.



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