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Why Michael Lee-Chin is investing in nuclear power

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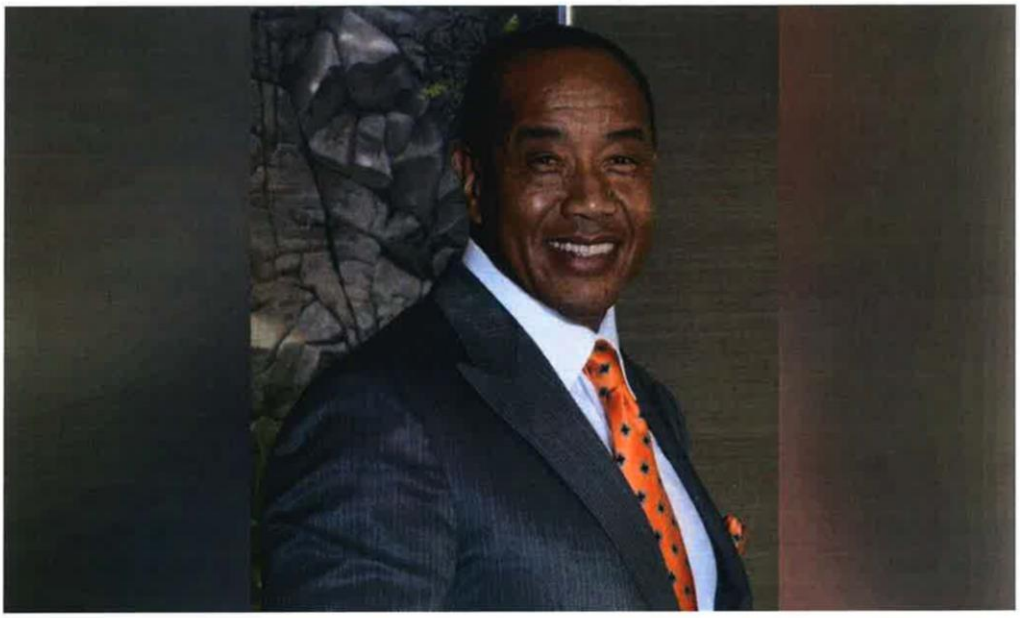
David Kitai

Billionaire advisor and entrepreneur says the same principles that he used to build his wealth have dictated a focus on nuclear energy



Michael Lee-Chin built his wealth on two sets of principles: the three Ps and the five laws of wealth creation. The president and chairman of Portland Holdings Limited, and CEO and chairman of its investment dealer, Mandeville Private Client Inc., explains that the three Ps stand for predict, plan, and persevere.

The five laws of wealth creation are as follows: own a small number of high quality businesses, understand those businesses, ensure those businesses sit in long-term growth industries, ensure those businesses use leverage prudently, and hold the businesses for the long-run.

It was those two sets of principles that Lee-Chin says informed his decision in 1983 to invest in the Canadian wealth management business. He saw, then, that in a decade the baby boomer generation would move from consumption to saving. He famously invested $500,000 in Mackenzie at $1 per share in 1983. By 1987 Mackenzie traded at $7 per share and that investment was worth $3.5 million. He predicted what was coming, he made a plan for it using the 5 laws, and he persevered.

Lee-Chin now looks at the world and is ready to make his next prediction: nuclear power will sit at the core of our future energy consumption.

"The world's energy mix is a hub-and-spoke model and at the hub you have fossil fuels and on the spokes you have renewables. Fossil fuels have some wonderful characteristics: they're always on, they're highly scalable, and they're energy dense, but they're dirty. They are contributing to two of humankind's biggest challenges: cancer and climate change," Lee-Chin says. "The energy mix of the future will be that same hub-and-spoke model, but we need to substitute fossil fuels for something else that is energy dense, scalable, always on, and clean. The only source of energy currently known to humankind with those qualities is nuclear fission."

In line with Lee-Chin's vision for the world's new energy mix, Portland Investment Counsel Inc. has launched the Portland Replacement of Fossil Fuels Alternative Fund. The fund is currently looking to invest in businesses at various stages of the nuclear value chain. In discussing the strategy, Lee-Chin cited another set of preconditions for wealth creation that he thinks nuclear energy meets: a gap between perception and reality, inefficiencies, and a lack of capital.

The gap, he says, is that many people still don't accept that nuclear power will be the core of our exit from fossil fuel reliance. The inefficiencies, he believes, come from a technology and infrastructure set that is relatively old and ripe for disruption and innovation. The lack of capital, he notes, is something of a product of gaps in investor understanding of nuclear technology as well as the aforementioned inefficiencies.

Christopher Deir says that the shift towards greater efficiency and better understanding of Nuclear is now underway. Deir is the Chief Nuclear Officer at AIC Global Holdings Inc., a subsidiary of Portland Holdings. He noted that in the US, Canada, and around the world there are ongoing public private partnerships building new reactors using new technologies. These projects represent the first wave, he says, and are largely underpinned by government aid through cost share funding and support because the cost and regulatory approval structures of these projects are not fully known. Once this first wave is completed, he says, there should be a much larger rush to develop more reactor projects.

"We're seeing clear signals out there. At COP28, 22 countries have committed to triple their nuclear reactors by 2050," Deir says, "That's the second wave."

One of the key technological developments behind these projects is the onset of small modular reactors (SMRs) and very small modular reactors (vSMRs). These reactors promise much faster turnaround times to construct and are less capital-intensive to build and run. Deir notes that they can play a key role in bringing power to rural and remote areas, while also supplementing larger urban centres. Unlike renewables such as solar and wind, Deir

says, nuclear energy generates heat rather than just electricity. Using renewable electricity to generate heat is very inefficient, while an SMR can help support our needs for both heat and electricity.

Lee-Chin explains that in working to access nuclear power as an investment trend, he is seeking the 'picks and shovels' of the industry as well as its downstream impacts. That means accessing uranium production, SMR and vSMR technology, construction and implementation, and some of the technological uses of SMRs and vSMRs — such as hydrogen fuel production.

As advisors look at the tailwinds behind nuclear power and begin to discuss its prospects with their clients, Lee-Chin says the conversation needs to begin with an alignment between advisor and client.

"Every client, every human being, should be concerned about the existential threat cause by fossil fuels, and I think most of us are, so getting that alignment is not difficult," Lee-Chin says. "The next step is to go back to the energy mix, that hub-and-spoke model. Advisors just need to give their clients a practical way to participate in what the energy mix of the future will be. They need to follow those three Ps: predict, plan, and persevere."