# TSX Venture Exchange loses 45% in the last year

**The S&P/TSX Venture Composite Index – {TSX: VIJX},** commonly known as the Toronto Venture Exchange has lost 45% in value in the last year.

This is quite an incredible and alarming drop for a single year, and only highlights the issues the Venture is facing. What are the causes for this fall?

It is very sobering to realise that the **Toronto Venture Exchange**, **{TSX: VIJX},** has lost 45% in value in the last 12 months!

Only one year ago the index stood at the heady heights of 1050, having fallen from the recent high of 2450 in January 2011, and the all time high of 3350, reached in 2007.

Clearly with around 70% of the index consisting of junior resource companies, and with the "commodities supercycle" now seriously off the rails, with falling prices of gold, copper, oil, etc.etc.a fall is to be expected, of course. What is not to be expected is the severity of the fall, which is becoming precipitous, and begs the obvious question, why has the index fallen so far,and continues to fall?

Currently, 66% of mining companies listed on the TSX. Venture Exchange have a market cap of CAD $1 million or under! That is an incredible fact, and as stock values continue to fall, along with commodity prices, it is also a number that is increasing!

These vast majority,if not all these companies have no real future as investments, in the current low and falling commodity price environment, they are simply hanging on doing smaller and smaller “keep the lights on and pay the salaries” type financings amongst friends and insiders, and this surely cannot continue for much longer?

Their continued presence on the Exchange is almost embarrassing, but their listing fees of around CAD $35,000 per company per year are readily accepted by the exchange of course!

I think the answer is fairly obvious, and  simply that far too many of the companies listed on the Venture Exchange are clearly lifestyle vehicles for the management, and not looking after shareholder interests.

**It’s about time that people started to look at the accounts of companies they are invested in, or are contemplating investing in!**

In particular, they should refer to the the **Related Party** section of the accounts, which is conveniently located at the very end (for obvious reasons!), of 20 or 30 mind numbingly boring pages of property descriptions and endless tables of figure.

They can be very illuminating!  In addition to showing the the

CEO’s salary, and remunerations of other directors, this is where you can often find management rewarding themselves in other, obscure ways.

The favourites are;

- A director is being paid for legal services provided to the company.
- A director is being paid for geological services tot he company.
- A company owned by a director is being paid for the office rental.
- A company owned by a director is being paid to provide secretarial services.
- A director is being paid for ‘consultancy services’ to the company.
- A director vending in a property he already owns for a large price than he paid for it.
- A director owning the drilling company that performs the work for the company.

The amounts involves can sometimes be eye watering, and the name of the recipient director, nor a description of the ‘consultancy services’ provided will ever be given.

When a CEO or director is asked his remuneration, he will only quote his standard salary figure, not the figure actually earned inclusive of his additional earnings.

I have learned to *always* check the Related Party section of the accounts before I make an investment decision in any company,as they tell the real story!  Many companies have an empty section here because they are running in a transparent and honest way, and these are the companies I will consider investing in.

Incredibly