

Wutherich & Co. December 2018 Newsletter

Wil Wutherich, President, B.Sc., MBA: Over twenty-six years as an equity analyst and portfolio manager with Standard Life, Van Berkomp & Associates and Wutherich & Co.

Monthly Message

The Wutherich & Co. Composite was down 4.5% in December. This compares with the S&P/TSX down 5.4% and the BMO Small Cap Index down 3.8%.

The Wutherich & Co. Portfolio did a partial u-ey in December. Though we didn't get quite turned around, we did come back from an 11.6% deficit at one point during the month. Still, the portfolio is down about 16% from the end of September. It is very hard to imagine that our companies are worth, collectively, 16% less than three months ago when we don't believe that they were overpriced to begin with. As we said during the last few months, we would like to bring cash even lower while buying more of our favourite names. At 3%, we are just about there. Being nearly fully invested, we get to watch and wait. The market should eventually get the value of these stocks and drive performance over time.

We don't normally suggest any kind of timing or push our clients to take a harder look at making contributions, but we will give them a nudge this time. The Wutherich & Co. Portfolio is about as cheap as it has been for probably 7 years, the last time being the Fall of 2011. We think that the odds are very much on our side that we should have good performance over the next five or ten years. JF and I are putting our money where our mouth is! We have both added money to our various accounts this January. How about you?

Once again, we would like to wish our clients and friends all the very best in the New Year.

The following table illustrates the performance of the Wutherich & Co. Composite to the present:

(Unaudited, since Sep.30/01)*

	<u>MONTH</u>	<u>1YR</u>	<u>3YR</u>	<u>5YR</u>	<u>10YR</u>	<u>15YR</u>	<u>INCEPTION</u>
<u>WUTHERICH & CO.</u>	-4.5%	-6.2%	4.7%	-1.4%	8.0%	8.1%	10.6%
<u>BMOSCI-WTD</u>	-3.8%	-18.2%	5.6%	3.1%	8.8%	4.8%	7.3%
<u>S&P/TSX</u>	-5.4%	-8.9%	6.4%	4.1%	7.9%	6.6%	7.1%

Please note that the Wutherich & Co. Composite is reported **AFTER FEES**.

Wutherich & Co. Factsheet

Company Objective

Our goal is to seek prosperity for our clients through participation in stable, growing companies in North America, led by strong management teams that we consider our partners for the next five or more years.

Investment Philosophy

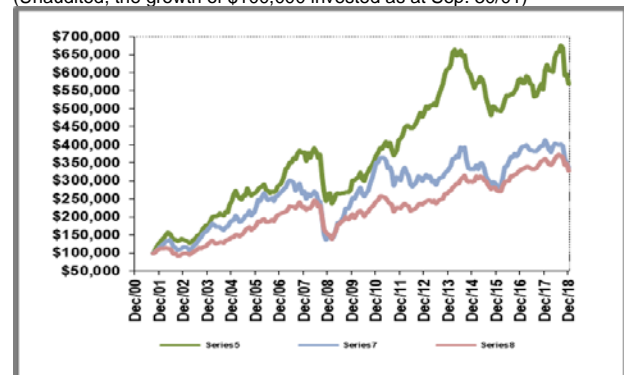
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in the portfolio is on the equity of small to medium capitalization companies, defined roughly as \$50 million to \$5 billion in market capitalization. The portfolio may include large capitalization companies if the right elements are there. Stocks are bought with a keen eye to valuation, so you're not likely to find many high multiple stocks here. The portfolio will likely maintain a significant percentage in foreign securities, providing exposure to investment returns outside of Canada.

Portfolio Composition

CANADIAN STOCKS	90.61%
• ENERGY	5.29%
• FINANCIALS	17.43%
• INFORMATION TECHNOLOGY	17.20%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	11.98%
• INDUSTRIALS	30.28%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	8.42%
U.S. STOCKS	6.38%
• INDUSTRIALS	6.38%
CASH AND OTHERS	3.01%

Performance

(Unaudited, the growth of \$100,000 invested as at Sep. 30/01)*



Your account with us

Wutherich & Company is an independent investment counsellor. We do not hold assets for our clients, but simply exercise trades over your account as per an agreed upon investment policy statement and portfolio management agreement. Your account is held at [National Bank Correspondent Network](#) in your name. Withdrawals from that account can only be sent to you at your designated bank account and/or address of record. Wutherich & Co. may also do withdrawals from your account to satisfy any fees that may apply to your account. All accounts are cash accounts. Unlike hedge funds, we do not use leverage or derivatives to manage your money. Also, we are not a fund company – if you are a private investor with us, your account will mirror the Model Portfolio but your investments are not pooled.

Other Facts

- Annual fees are 1.5% of assets on a quarterly basis in arrears, plus applicable taxes
- Any commissions, custodial or brokerage fees are in addition to the annual fees
- Clients qualifying for an institutional account would be charged 1.5% for the first \$1 million, 1.0% from over \$1 to 10 million and 0.5% for the next \$40 million
- Fees on any accounts over \$50 million would be subject to negotiation
- Minimum account size is \$250,000
- Investments are 100% RSP eligible

*The Wutherich & Co. performance shown here (using the Time Weighted Rate of Return method) is of a composite which combines the performance of all of the accounts managed by Wutherich & Co. that have been invested according to the Wutherich & Co. Portfolio throughout their history. These accounts vary greatly in the size of assets that they contain and whether or not fees have been deducted directly from the accounts during their history. BMOSCI-wtd = BMO Small Cap Index, Total Return, weighted. This index is currently the most comparable to the Wutherich & Co. portfolio due to its average market capitalization, though it may differ greatly in its sector weightings; TSX = S&P/TSX Total Return Index. Due to its large capitalization nature and substantially different sector weightings, this index may not be considered comparable to the Wutherich & Co. Portfolio.