

Wutherich & Co. January 2019 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 up 9.3% in January. This compares with the S&P/TSX up 8.7% and the BMO Small Cap Index up 8.6%.

The Wutherich & Co. Portfolio has gained 18% from its low on Dec. 24, 2018. Just since the end of September we have experienced one of our worst months in October at -11.2% (only September and October of 2008 were worse) and one of our best months in January at 9.3% (only November and December of 2001 were better). All this while very little has changed amongst our names in the portfolio with one exception. On January 20th, ZCL Composites announced that it would be bought by Shawcor Ltd. for \$10 per share. We had owned ZCL successfully from December 2013 to January 2018. The stock declined significantly from January to November of 2018 when it looked cheap again by our metrics. We repurchased ZCL in November for \$6 per share. The \$10 take out provided us with a 66% gain in just over two months.

All this to say that it is best to ignore market volatility and just focus on the prospects of the individual names that you own. Their value will out over time either through stock price increases or acquisitions by other firms.

Also, a big shout-out to those clients that heeded our call to put in more money. The 18% recovery from December 24th sure feels good in their wallets right about now. Regardless of this move, the portfolio still offers good value and should support future returns. It is RRSP season and so it is an excellent time to look at adding some of your annual contribution to your accounts with us.

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>	9.3%	-0.1%	7.9%	0.0%	8.8%	8.4%	11.1%
<u>BMOSCI-WTD</u>	8.6%	-8.8%	10.0%	1.4%	9.5%	5.2%	7.8%
<u>S&P/TSX</u>	8.7%	0.5%	9.8%	5.6%	9.1%	7.0%	7.6%

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

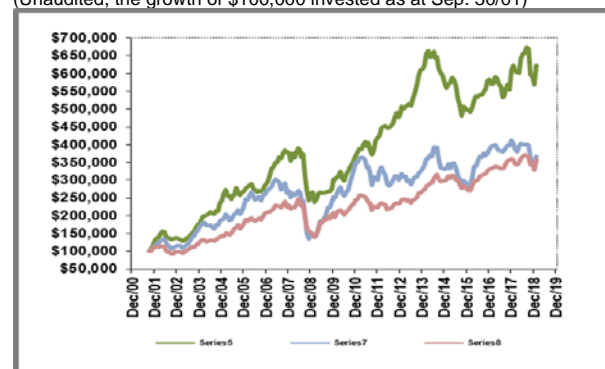
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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	92.01%
• ENERGY	4.80%
• FINANCIALS	18.22%
• INFORMATION TECHNOLOGY	16.76%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	10.81%
• INDUSTRIALS	33.20%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	8.22%
U.S. STOCKS	5.49%
• INDUSTRIALS	5.49%
CASH AND OTHERS	2.50%

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 private 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.