

Wutherich & Co. April 2019 Newsletter

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

Monthly Message

The Wutherich & Co. Composite was up 4.9% in April. This compares with the S&P/TSX up 3.2% and the BMO Small Cap Index down 0.3%.

We submit our numbers to Mercer (a pension consultant) to compare how we have done versus our peer group. As of March 31, 2019, we rank #1 in the country relative to their Canadian Small Cap Equity Universe for the one, two and three year periods.

Most of our companies continue to generate excellent results and this has driven portfolio performance during the last three years as it has for the nearly two decades that we have been in business. Look at the Performance Chart on Page 2. Though there has been plenty of volatility, you can nearly put a ruler through the green Wutherich & Co. line on top. A consistent investment philosophy has driven our performance since the start. In fact, the Investment Philosophy section on Page 2 has not seen as much as a change in punctuation since it was first written nearly 20 years ago. While there will be plenty of swings and surprises along the way, the consistent application of our investment philosophy should generate good returns for years to come.

We have trimmed several holdings in the portfolio as their valuations have pushed up against our limits. We intend to deploy the resulting cash in other good names. One recent example is Sangoma Technologies (STC-T, \$1.70), a Markham, Ontario based provider of communications systems. Though the company has been around since 1984, new management joined in 2010 and has reinvigorated growth, both organically and through acquisitions. The company is profitable with a good balance sheet and the capability of more than doubling in size over the next five years. We think this stock can meet or exceed our 15% target rate of return over the long-term.

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>	4.9%	20.4%	11.5%	2.3%	10.7%	8.9%	11.9%
<u>BMOSCI-WTD</u>	-0.3%	-5.2%	3.3%	0.1%	8.6%	5.3%	7.8%
<u>S&P/TSX</u>	3.2%	9.6%	9.1%	5.6%	9.1%	7.7%	8.0%

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

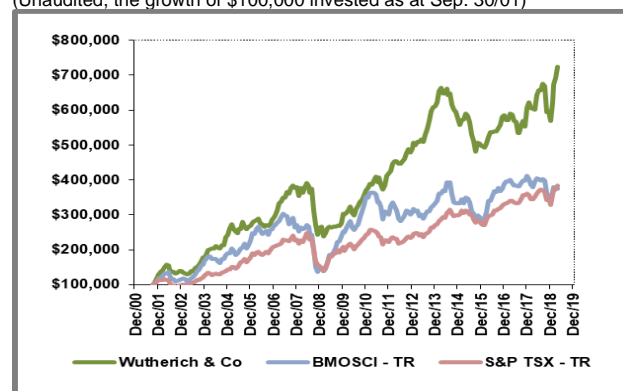
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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	85.74%
• ENERGY	6.22%
• FINANCIALS	16.73%
• INFORMATION TECHNOLOGY	19.71%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	9.97%
• INDUSTRIALS	24.81%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	7.75%
U.S. STOCKS	4.91%
• TECHNOLOGY	4.91%
CASH AND OTHER	9.35%

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 Independent 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.