

Wutherich & Co. January 2018 Newsletter

Wil Wutherich, President, B.Sc., MBA: Over twenty-five 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 2.6% in January. This compares with the S&P/TSX down 1.4% and the BMO Small Cap Index down 2.5%.

Nice to see another gain in January in the Wutherich & Co. Composite, and nary a pot stock in sight (which you will never see in the portfolio)! We do not focus on particular indexes, macro-economic themes or momentum investing and so performance has been more difficult to achieve over the last few years. However, the portfolio is full of firecrackers that are set to go off. We just don't know when. At one point, we believe investors will pay attention to the fundamentals of individual stocks and this should allow our names to get recognized over time. The recent acquisition of Pure Technologies by Xylem Inc is one example, where we doubled our money in this position overnight. As we write this note, we have a take-over offer for another name in our portfolio: Motorola Solutions has made an offer to buy Avigilon at \$27 per share, up from \$23 before the deal's announcement. We would hate to see all of the names in our portfolio get taken out by US companies at premiums, but it could happen. Many of our names represent good value and have been neglected by the market for years.

One interesting new story that we have recently added to the portfolio is Baylin Technologies. The Toronto based company makes antennas for wireless communications, both for cellular handsets and cellular base stations. New fifth generation, or 5G, networks will require the installation of far more antennas than currently exist. Potentially, every lamp post or every flower pot (perhaps growing marijuana) along city streets will house an antenna. This "densification" of the network is required to bring wireless transmission speeds to much faster levels and Baylin is an important supplier to this market.

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>	2.6%	9.1%	3.7%	4.2%	5.8%	10.7%	11.9%
<u>BMO SCI-WTD</u>	-2.5%	1.7%	6.6%	4.8%	4.8%	8.6%	8.9%
<u>S&P/TSX</u>	-1.4%	6.7%	5.9%	7.8%	5.0%	9.0%	8.1%

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

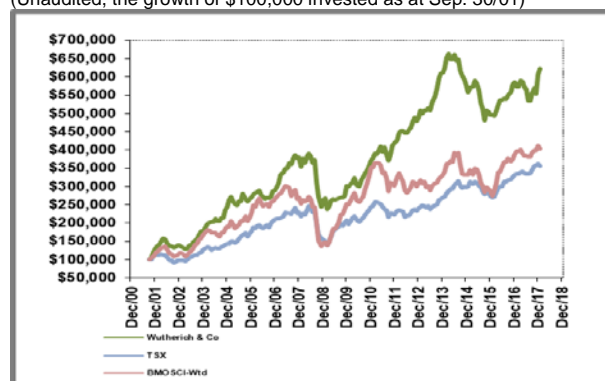
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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	83.69%
• ENERGY	13.76%
• FINANCIALS	14.65%
• INFORMATION TECHNOLOGY	10.08%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	10.76%
• INDUSTRIALS	28.16%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	6.28%
U.S. STOCKS	9.39%
• INDUSTRIALS	4.42%
• ENERGY	4.98%
CASH AND OTHERS	6.92%

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.