

Wutherich & Co. February 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 down 2.7% in February. This compares with the S&P/TSX down 3.0% and the BMO Small Cap Index down 3.9%.

The Wutherich & Co. Portfolio was down along with the markets in February. We don't make too much of this as we always focus on the fundamentals of the businesses in the portfolio. Many of our companies report quarterly or year-end earnings during February or March and their stock prices often react accordingly. What we have noticed in the last few years is that negative reports cause a much stronger reaction than positive ones do. We always try to look through these short-term reactions and make a thorough re-assessment of our thesis for owning a stock. Over the last few quarters, we generally like what we see, though there are always a few troubled children. The portfolio, in aggregate, is not the cheapest that we have seen over our history of managing portfolios, by a long shot, but we think it should provide good long-term returns. On top of this, we could see a few more "firecrackers" go off (Pure Technologies and Avigilon are recent examples) where some of our undervalued names get taken over at much higher prices.

We would like to say a special **Thank You** to those clients who contributed to their RRSPs this season. While January and February are a great time of year to do this, contributions can be made all year long.

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> | -2.7% | 6.2% | 2.1% | 3.9% | 4.9% | 10.6% | 11.6% |
| <u>BMOSCI-WTD</u> | -3.9% | -2.4% | 3.9% | 4.6% | 3.9% | 8.4% | 8.6% |
| <u>S&P/TSX</u> | -3.0% | 3.2% | 3.5% | 6.9% | 4.3% | 8.7% | 7.8% |

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

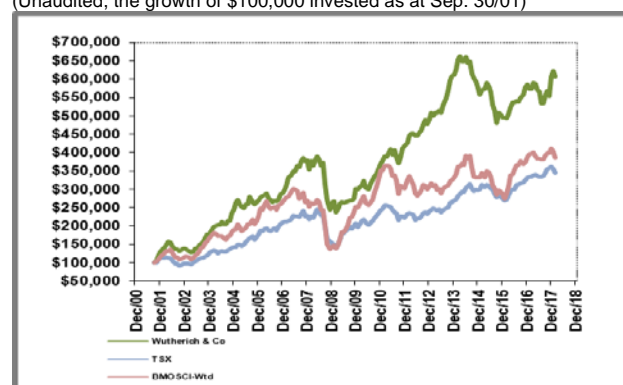
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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 | 81.80% |
| • ENERGY | 13.44% |
| • FINANCIALS | 15.25% |
| • INFORMATION TECHNOLOGY | 9.01% |
| • COMMUNICATIONS | 0% |
| • CONSUMER | 0% |
| • HEALTHCARE | 10.79% |
| • INDUSTRIALS | 26.81% |
| • MATERIALS | 0% |
| • TELECOM | 0% |
| • UTILITIES | 0% |
| • OTHER | 6.49% |
| U.S. STOCKS | 10.00% |
| • INDUSTRIALS | 5.18% |
| • ENERGY | 4.82% |
| CASH AND OTHERS | 8.20% |

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.