

## Wutherich & Co. August 2018 Bulletin

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.

### Here's to number1!

Last week we mentioned that we would bring you additional colour on our latest Pavilion report. So here it goes.

Pavilion (previously Brockhouse Cooper) keeps track of our performance relative to a group of peers in what they call the Canadian Small Cap Equity Universe. The latest report, as of June 2018, showed that we were ranked #1 in our peer group on a one-year basis and #3 on a two year basis, gross of fees. We show gross of fees in this communication to be consistent with how most managers report their numbers. We normally show after fees in our client communications to better reflect the experience that our clients actually enjoy.

The report also shows the Beta and R-squared ( $R^2$ ) of our portfolio for the 5 last years as it compares to our benchmark: the BMO Small Cap Index. Beta measures the volatility of a portfolio compared with that of a benchmark index. A beta greater than 1.0 indicates a portfolio which is more volatile than the index, less than 1.0 indicates that it is less volatile than the index. Our beta is 0.6, meaning that, despite participating in a volatile part of the market, namely Canadian Small Caps, our portfolio has almost half the volatility of the benchmark index.  $R^2$  shows how closely our portfolio is correlated to the index. An  $R^2$  close to 1.0 indicates that the portfolio is highly correlated with the benchmark index. Our  $R^2$  was 0.4, meaning that we have a relatively low correlation with our benchmark. We have always told you that we are different and this is a clear indication that we are. From the perspective of how this fits in with your investments, this is exactly what you want. We add much needed diversification to your overall assets.

Though our short-term numbers have been good, we want to spend a minute reminding our readers of our long-term track record. Those of you who have been reading us for years know that this is where we have always been focused. The inception of the Wutherich & Co. Composite dates to September 30, 2001. From this date, we've delivered an annual return of 11.8% after fees (13.4% before fees). We did this despite three major market downturns: The 2000-2002 dot com bubble burst, the 2008-2009 financial crisis and a 2014-2015 Canadian small cap downturn. This compares to the BMO Small Cap Index at 8.6% and S&P/TSX at 8.1% and shows the strength of our core investment philosophy in that it can make a big difference to our clients' wealth over the long-term.

Though the last few years have shown significant ups and downs, in the long term, we have come out ahead. We remain confident that we can continue to do this for our clients in the future.

*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 &amp; CO.</u>	0.3%	23.4%	7.6%	4.4%	6.1%	10.5%	11.8%
<u>BMOSCI-WTD</u>	-1.0%	4.5%	8.7%	5.7%	5.0%	7.7%	8.6%
<u>S&amp;P/TSX</u>	1.1%	11.7%	7.5%	8.8%	5.0%	8.5%	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

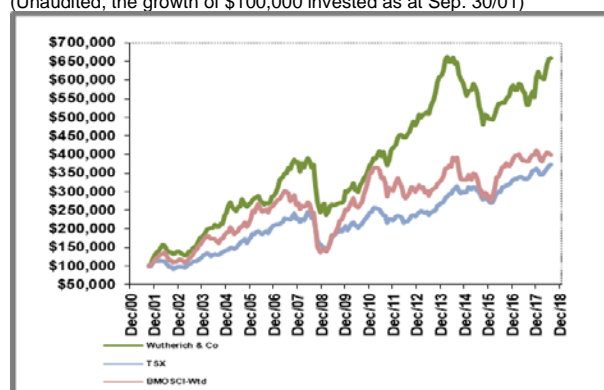
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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

<b>CANADIAN STOCKS</b>	<b>83.72%</b>
• ENERGY	5.17%
• FINANCIALS	17.21%
• INFORMATION TECHNOLOGY	15.81%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	14.41%
• INDUSTRIALS	23.87%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	7.26%
<b>U.S. STOCKS</b>	<b>11.91%</b>
• INDUSTRIALS	5.91%
• ENERGY	6.00%
<b>CASH AND OTHERS</b>	<b>4.37%</b>

## 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.