

Wutherich & Co. August 2018 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 2.7% in August. This compares with the S&P/TSX down 0.8% and the BMO Small Cap Index up 0.8%.

The Organic, Gluten Free Portfolio

A friend's parents have a farm near Ottawa. They have a small woodlot on their property and sell firewood from felled trees. A neighbor, who does the same thing, decided to put up a sign on the road saying that he was selling "organic firewood". He rapidly sold out of inventory though his practices were no different than any of his neighbors'. It is hard to imagine anyone using pesticides or fertilizer or anything else that would be "unorganic" on their woodlot. Branding made all the difference.

I recently saw a label declaring that a bottle of water was gluten free. Can a wheat protein end up in a bottle of purified water? I suppose the water producer is glomming-on to the gluten free craze that has swept the food industry in the last few years.

As for the Wutherich & Co. Portfolio, we mentioned last month that we were number one in the Pavilion survey of small-cap Canadian investment managers for the year to June. Morningstar publishes numbers for small-to-mid cap Canadian managers. While this sample set is different than Pavilion's and may not be considered comparable, we would like to point out that, for the year ended August, their top ranked fund posted 24.1% versus our after-fee number of 26.3%.

We think our long-term numbers are excellent and this is what we manage to. However, we haven't received much recognition for our recent performance, so we are thinking about rebranding our product the **Organic, Gluten Free Portfolio**. What do you think?

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%	26.3%	9.7%	4.3%	6.1%	10.5%	12.0%
<u>BMOSCI-WTD</u>	0.8%	5.3%	9.9%	5.4%	5.1%	7.3%	8.6%
<u>S&P/TSX</u>	-0.8%	10.1%	8.7%	8.3%	4.7%	8.2%	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

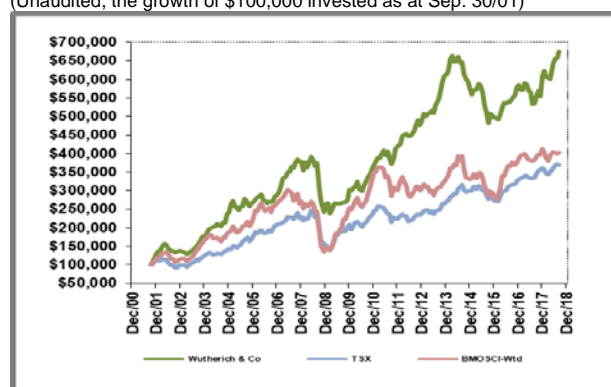
Our style can be described as concentrated, disciplined, long-term growth stock investing. The focus is on established companies that generally have a demonstrated track record in revenue, cash flow or earnings per share growth, with strong managements and solid balance sheets. The current emphasis in 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	77.68%
• ENERGY	5.80%
• FINANCIALS	19.05%
• INFORMATION TECHNOLOGY	10.69%
• COMMUNICATIONS	0%
• CONSUMER	0%
• HEALTHCARE	12.20%
• INDUSTRIALS	21.77%
• MATERIALS	0%
• TELECOM	0%
• UTILITIES	0%
• OTHER	8.18%
U.S. STOCKS	12.38%
• INDUSTRIALS	6.29%
• ENERGY	6.09%
CASH AND OTHERS	9.94%

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.