

Interest Gained™

Our best insights and updates, every quarter.

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Did Somebody Say "Communication?"

"Summer is approaching and we are looking at some promising growth potential through the rest of the year. In this issue, we will also deconstruct behavioural finance and share the bare facts about the 2016 tax changes."



Managing Money - The Time-Tested Way

Gary Perron, CFA, Portfolio Manager, Founder

Welcome to our seventh newsletter. In the last two full years, the TSX 300 has produced negative returns, but, as indicated in the accompanying charts, its business valuations have dropped from 11x cash flow to between 7-8x cash flow.

In other words, during the last two years, TSX 300 companies have grown their cash flow generation, and in some cases earnings, but stock prices have not changed. The TSX suffered large negative returns in the resource sectors, which classify as cyclicals due to the ongoing changes in supply and demand for the underlying commodities. There can be no forgetting that Canada's economy is highly dependent on the production and price of commodities, which have direct and indirect consequences on the cash flow generation and earnings of Canada's public companies.

We are pleased to announce that our Kipling Monthly Income Pool, during its first year, delivered an 11% return.

The investment discipline of owning companies having free cash flow, after all company expenses, along with reasonable valuations, has delivered better risk-adjusted returns, relative to market indices.

The "Portfolio Management Commentary" on Page 9 speaks to our mandate and further shows that that, compared to traditional portfolio structure of 100% long positions, the Perron & Partners "enhanced" portfolio structure is proving the value of its construction by providing better returns with similar-to-less risk than the market.

The history of the "enhanced" pool introduced first - the North American Enhanced Dividened Pool (NAEDP) - shows, in its historical numbers in the last year, an outperformance relative to benchmarks of 7% - and that result was achieved with less market risk than conventional industry measures; the "since inception" numbers