

Quiet Counsel

Spring 2017
Investment Outlook



 **Leith Wheeler**
INVESTMENT COUNSEL LTD.

Quiet Money.®

Thank You for 35 Years!

Thirty-five years ago, Leith Wheeler opened its doors. Not one of these years would have been possible without our clients. On behalf of everyone at Leith Wheeler, I would like to use this milestone as an opportunity to express our deep gratitude for the trust and confidence you have placed, and continue to place, in us. As has been the case since we first opened our doors, we are committed to earning and deserving your trust every day by putting your interests first and delivering exceptional long-term investment results.

A lot has changed since that day in 1982 when Murray Leith and Bill Wheeler left the comfortable confines of one of Vancouver's leading securities companies to set up their own investment management firm. At that time, they had one client and a vision of building a "high performance investment firm with a reputation for fair dealing." Since then, two people have turned into 83, a new generation of management has taken over and \$25 million under management has grown to \$18 billion. As Leith Wheeler has grown, we have remained committed to evolving to meet the needs of our clients and the challenges of the changing world and financial markets.

There are certain fundamental principles that guided Murray and Bill in the early years of the firm that continue to guide us today. These principles: **putting clients first, delivering exceptional long term investment results** and **building a culture that is devoted to these core principles** are what drew me and many of my colleagues to the firm. In many ways, these principles are simple, but not always easy to follow. Bill and Murray's ability to "walk this simple but challenging talk" is what set them apart. Many a time, when the firm wrestled with a tough business decision, Murray would question a conclusion by asking "would we feel good about this if it was detailed on the front page of the newspaper?" As only the third CEO in the Firm's 35-year history, I am proud to carry on the legacy of doing the right thing even when it is not always the easy thing.



Download previous newsletters, and read some of Our Ideas online at: LeithWheeler.com

Put clients first

From the outset, Murray and Bill committed the firm to dealing with clients fairly and putting their interests first. Today we still provide clients with honest "straight talk" – telling it like it is – even when it is difficult to do so. We listen to clients' concerns to ensure we are meeting their needs and providing them with independent and objective advice and assistance. We manage the firm's growth so that it does not hamper client investment returns or service expectations. We stand up for clients' rights as investors by taking on a shareholder activist role when circumstances dictate. Over the years, we have fought for and achieved equitable outcomes for our clients in a wide range of takeover, squeeze out and reorganization transactions. Transactions involving Crown Zellerbach and CIL stand out as great examples of Leith Wheeler's willingness to fight for our clients' interests.

Deliver exceptional long term investment results

We have always believed the best way to deliver excellent returns for our clients is by conducting our own in-depth research and investing for the long term. As value investors, we search for companies that we are happy to own throughout various economic cycles and are reasonably priced. This philosophy plays out in some of the key questions we ask before we make any investment: Would buying the whole company rather than just a small portion of the company make sense? Would we buy the stock even if there was no stock market to buy it back? This approach has led us to own some companies for very long periods of time. Royal Bank of Canada, CN Rail, Toromont and Saputo are companies which have delivered exceptional compound returns and have been part of our Canadian Equity portfolio for over 20 years.

We also strive to avoid short-term trends or fads that may sway our disciplined investment approach, even when the pressure to buy the “hot” stock or bond, or participate in the “hot” sector is tremendous. It

seems that every market cycle has its own variation of the “this time it’s different” story. When the firm started, it was Dome Petroleum. In the late 90’s, it was the “.coms” and Nortel. More recently, it has been gold stocks and Valeant Pharmaceuticals. In each case, our disciplined value-driven investment approach meant that we avoided these types of investments, despite the sometimes painful impact on short term performance.

Build a culture that is devoted to these core principles

Building a firm that delivers on these core principles isn’t always easy, but Murray and Bill established a successful blueprint that I am pleased to say we continue to follow. It begins by hiring, nurturing and retaining great people. Leith Wheeler has been built by individuals who possess a strong sense of integrity and a sincere commitment to servicing clients. Every employee has the opportunity to become a shareholder and we are proud to say we remain fully employee-owned. Currently 65 of our 83 employees are owners of the firm and this number continues to grow every year.

We believe this breadth of ownership gives our employees a real sense of personal responsibility for our firm’s reputation, our client relationships, and the results we deliver for our clients.

The next thirty-five years and beyond

We are looking forward to continuing to grow and evolve with our clients, while remaining guided by our core principles. Stock market and economic cycles have come and gone over the last 35 years and will continue to do so. Our belief in our principles will be tested by new “bubbles” and “busts.” New technologies will impact the markets just as they have over the last three decades. No matter what the future holds, we are confident that adhering to our core values will continue to serve our clients well, just as it has in the past.

I would like to finish as I began, by thanking each and every one of our clients. We would not be celebrating our 35th anniversary without you.

– Jim Gilliland, President & CEO

This article is not intended to provide advice, recommendations or offers to buy or sell any product or service. The information provided is compiled from our own research that we believe to be reasonable and accurate at the time of writing, but is subject to change without notice. Forward looking statements are based on our assumptions, results could differ materially.

Reg. T.M., M.K. Leith Wheeler Investment Counsel Ltd.
M.D., M.K. Leith Wheeler Investment Counsel Ltd.

Author: Jim Gilliland, CFA, President & CEO, Head of Fixed Income

Editor: Leanne K. Scott, MBA, CFA, Vice President, Portfolio Manager

SPRING 2017 EDITION

LeithWheeler.com

Vancouver Office

Suite 1500 – 400 Burrard Street
Vancouver, British Columbia V6C 3A6
Tel: 604.683.3391
Fax: 604.683.0323

Calgary Office

Suite 570 – 1100 1st Street SE
Calgary, Alberta T2G 1B1
Tel: 403.648.4846
Fax: 403.648.4862

Toronto Office

Suite 1801 – 145 King Street W
Toronto, Ontario M5H 1J8
Tel: 416.646.8240
Fax: 416.646.8249