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THE WALL STREET TRANSCRIPT
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VSB/DAP/ASL

TWST: Tell us about your Firm, and your Funds' strategies.

Mr. Wiseman: We are a Family office that invests in our proprietary portfolio strategies. We are stock pickers that only invest in high conviction names, based on fundamental and quantitative analysis. We won't invest in something where we wouldn't take a personal risk ourselves. Investors contact us to invest alongside us in large amounts. I, along with my team, have a long successful track record at respected pension funds. Most of the quantitative tools that assist us are proprietary. We developed them ourselves based on proven research. This artificial intelligence assists our tight group, and gives us an advantage of 1—2 or more percent alpha per year; a lot of value added. We have three equity investment strategies: Global Small Cap equity, Global All Cap equity, and Canadian All Cap equity. We're value managers and we hold concentrated portfolios. We stay fully invested because every bit of money that's not invested becomes a drag on performance. The average mutual fund will hold 10% or more cash for all the redemptions. And that subtracts from returns over the long run. We always have something to buy..

TWST: Give us a closer look at those three or four strategies that you manage. And please share a view to any key changes over the past year since we spoke that might reflect your view about the surrounding market environment and quantitative approach indications?

Mr. Wiseman: The market’s negative performance of late is in fact pure opportunity. It gives us many more names to choose from. Yet we really haven't had to make many changes, we tend to keep names for 3 years or forever. The changes we are making are margin, and acknowledge we’re seeing some signs that we're at the end of a long market cycle, with a further bull market cycle already on the horizon. But timing of the market is a very dangerous approach, and it's a very costly strategy for investors over time. Studies show that nobody can time the market. We won’t time the market. We are mainly finding more investment opportunities in the small-cap space, while the investment community is focused on the bigger, or more news-driven names to trade. We tend to avoid those names which, in Canada, for example, today feature cannabis stocks.

TWST: Can you drill down a little bit on the sector weightings and possible secular trends related to your different strategies?

Mr. Wiseman: The oil producers and integrated stocks are undervalued. For this and any major sector we at most hold double the index weight. Also, on the global side, we purposely underweight the commodities group. In the Canadian strategy, commodities can be a quarter, even a third, of the Canadian market. With the financials, that can make up most of the market. We can't avoid these two groups in Canada. However, in the global strategies we will go into commodity stocks only when there are very solid bargains. There are lots of other industries around globally. Canada, incidentally, is only 3% of the world economy, and for global portfolios we often do not even hold one Canadian name in these global strategies. Recently and currently, we see European securities altogether being under-appreciated, primarily in Britain. There's undue pessimism being attributed to many stocks that are listed on the London exchange. We'll buy companies that will go up in price whether there's Brexit or no Brexit.

TWST: Tell us more about your global diversified strategy, and which have been your best performers over the past year or so. And where is your strongest conviction is going forward?

Mr. Wiseman: Let’s talk about themes that have done very well. One is healthcare, which in general has been under-appreciated with all the bad news going back for years on the drug companies. We are finding lots of individual stock opportunities whether it’s a drug company, or another member of the health care group. We’ve also liked the manpower brand of stocks that hire people when companies need short-term supply or contract type labor, say for a few months or a season. This service has actually done very well. We know which companies to buy to play the theme. Manpower companies provide a very good solution for industry, that are attracted to this service rather than taking on full-time employees. So, those are two examples of areas that have done very well and we will hold when we play these themes. There are big classical consumer spending stocks whose value is ignored by the market because people are distracted to hear much ado about Disney and Netflix, losing out on financially strong other companies that might have had a bad quarter. Our research assists us to keep on track. Another example of something not prominent in the news that we continue to own is probably the best housebuilder in the world in our portfolio. It just continues to do well.

TWST: Do you visit companies and talk to top management of companies you've decided to hold?

Mr. Wiseman: Our philosophy is contrary to doing that. Meeting management to hear stories is proven to be a negative for performance. If management is in town, or we have a specific question on a holding we are uncertain of, we will meet with them; mostly to get ahead on macro trends that the industry is facing. We do more work going through studying all of a company's financial statements than almost anybody. We read what they are saying, publicly, and what they become accountable for. When we study a company, the numbers have to add up. When they don't, we no longer hold the company, rather than base the decision on the likeability of management. That's the lovely side of public market investing..

Saying that, we will rarely pick up an IPO. It's not our style because Uber, Facebook, all these newsworthy names, we have not held at IPO or afterwards. There are too many problems with just about every IPO and often too risky to consider. Instead, we will be picking up classic, profitable companies that have proven themselves, and we will be buying their stock when it’s cheap. If we think the market has overpriced a name, we will move to the sidelines and go with something else. Our database can generate an instant fair price for every single company in the world. There are always stocks underpriced by the market to invest in.

TWST: Which countries are home to some of your top picks, and heaviest weightings in healthcare or manpower?

Mr. Wiseman: We emphasize the countries where there is good regulation, and management will be on the hook for what they do and say in public markets. We start with the United States, which is half of global markets. It's less than half in the small-cap space. We’re very light in Asia. We are overweight in Europe and the UK as we find undervalued names with compelling business cases there. Regardless of where the companies’ head offices are domiciled, we look for companies that are diversified across the world.

TWST: How does the overall Canadian economy compare to the US? When you look at Canadian companies versus say in the US market, are currency issues a factor?

Mr. Wiseman: Canada has probably the strongest financial system in the world: well run; never had a bank failure. Still, we would be very reluctant in a very concentrated global portfolio to hold a Canadian bank, or even a solid Canadian name as the smart money keeps the market price fair. Overall, we think the Canadian sector is fairly valued. We will put Canadian names in the small-cap space because there are some unique names under the radar, not only Canadian domiciled names, but other countries will list small-cap stocks in the Canadian market because it's strongly regulated and respected. So we'll find some very unique names that will have very strong and sometimes new products. The Canadian economy has grown faster than the U.S. economy over most business cycles. Consequently, Canadian stock market performance has had a stronger return. We will look at a country's currency, but differences will wash out over a long period of time of holding a stock. So, the exchange rate is not a major factor related to whether you choose a company or not. If we want to buy an international company, we will be more likely to do it now because of a temporary good exchange rate, but first we want to hold that company in our portfolio.

TWST: Do you have any hedging strategies? How do you mitigate against risk? Do you hold cash, own gold assets?

Mr. Wiseman: Gold, for example, can serve as a hedge, but people who do not know have to realize it's not a long term hold. We don't see any real economic value to gold. In general, hedging strategies quickly wash out and just subtract from returns, so we don't use them.

TWST: Are you seeing a need to hedge more, or hold more defensive names amid what many are saying as rather toppy end-of-the-cycle kind of market environment?

Mr. Wiseman: Hedging, it's part of a guessing game. You're going to be right as much as wrong. They hedge risk over a short period of time if that's what you need. Most situations do not call for it. So in the end, all you pay for is the cost and it is costly. Being late cycles, we are looking at some more defensive names. We're starting to put more defensive focus in the portfolios. Defensive names we use continue to earn money: we have some of the healthcare names, consumer staples, and some financials for this purpose.

TWST: Are you watching any other kind of out-of-favor themes where you might be finding kind of 'babies thrown out with the bathwater' type of names?

Mr. Wiseman: Yes, we're looking at it stock by stock. And if you attribute our best performance from over the last few years, it's been by us picking these out-of-favor names in every period. That's where our performance is coming from as opposed to where there's been outperformance by sector or a theme.

There are good energy names, healthcare names, strong focused banks across the world; and occasionally a name might be misclassified as an IT name when it's not an IT company. In just about every sector, we're finding a name that's either misclassified and out of favor. We're not just picking newsworthy favorite names.

TWST: On a day-to-day basis, do you look at any particular economic indicators or news?

Mr. Wiseman: Yes, we try to get an understanding of what's driving the market. We use some indicators of volatility, some proprietary measures indicating what countries and sectors to look at. We have developed a portfolio optimizer which looks at how stocks perform as the market goes up and as the market goes down, so we're able to mitigate the risk. Risk is something that has to be measured. It's not a gut feeling. Gut feel or emotions cost individuals returns. Emotions lead to timing the market and other bad short-sighted decisions.

TWST: There seems to be excitement about the electric car trend. What's your view of this segment?

Mr. Wiseman: That's a theme that we look at; artificial intelligence or the electric cars. Electric cars are interesting, so it gets a lot of media time, but people are still buying old-fashioned cars. So, investment-wise, regular car companies are pretty undervalued. We could easily buy a lot of the car companies to put in the portfolio. The car companies are doing very well with or without electric cars as products. We've never held Tesla.

TWST: Canada has been a leader in adopting medically-related cannabis. Is that a market that potentially nterests you?

Mr. Wiseman: No. It's trading at--I don't mean this for a pun--sky high valuations and it's attracting a lot of money that is not the right type of long term investor. These are not our types of names and we certainly are not interested in meeting management for free samples! Eventually, there's going to be only a couple of big cannabis companies. Not all of them are viable. In Canada, for a generation, it's been more or less culturally acceptable and it's even more so now. You can't walk on down the street without smelling somebody smoking. So it's a cultural change, but just because that happens, as with the electric car segment, it doesn't mean that's the way to make money in the stock market through these themes. Right now there are government stores. And certainly, there are individuals who've made a lot of money, but it's more like a private investment.

TWST: To conclude, can you share any additional advice to investors looking to participate in this market?

Mr. Wiseman: Earlier, we discussed the question, 'What looks most overvalued?' I want to point out that the fixed income market in general is certainly overvalued. REITs are undervalued in every country. We stay completely away from any real estate at this time.

TWST: Thank you.

Mr. Wiseman: Thank you for your questions.