

# THE MATCO CANADIAN EQUITY FUND

MARCH 2017

## FOCUSED ON DIVIDEND PAYERS AND DIVIDEND GROWERS

### RISK PROFILE



### COMPANY OVERVIEW

Independent Canadian Investment Management Firm dealing with:

- » Private Clients
- » Institutions (Not-For-Profit) & Condo Boards
- » Advisors

Specializes in Canadian Investments

AUM	\$500 Million
INCEPTION	2006
EMPLOYEES	14

### FUND OVERVIEW

The Matco Canadian Equity Fund follows a quantitative investment process focused on fundamentals that will provide long-term capital appreciation and reliable dividend income. The capital appreciation component is achieved through bottom up fundamental analysis that leads to investments in companies with superior fundamentals. The dividend income component is achieved through investments in companies that pay a dividend and companies that grow their dividend. The Funds' investment style, income and growth at the right price, provides investors with strong downside protection in down markets.

TOTAL FUND ASSETS	~\$85 Million
INCEPTION	November 2007

### PURCHASE OPTIONS

- » Series A (MAT300), Series F (MAT301), Series O (MAT302)

### TEAM

Baron Lee, CFA  
Jill Angevine CA, CFA  
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### MATCO FINANCIAL INC.

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## OBJECTIVE

- » Invests primarily in larger market capitalization companies with superior fundamentals and strong management teams focused on delivering sustainable long-term earnings growth and dividend growth

## INVESTMENT STYLE

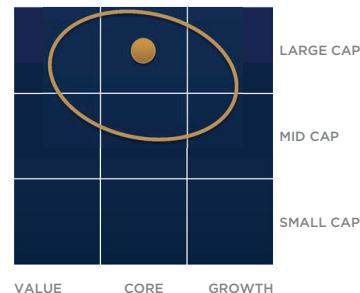
- » Maximize Return, Minimize Volatility

GROWTH

ATA

REASONABLE

PRICE



## INVESTMENT CHARACTERISTICS

### KEY CHARACTERISTICS

	Matco Canadian Equity Fund	S&P/TSX Composite TRI
Return on Equity	13.4%	12.1%
Price to Earnings	20.9	20.4
Dividend Yield	2.6%	2.8%
Beta	0.9	1.0
Quarterly Earnings Momentum	10.6%	4.9%
Quarterly Earnings Surprise	3.6%	1.6%
Quarterly Estimate Revisions	3.4%	-0.6%
12 Month Price Change	22.0%	15.9%

*As of March 31, 2017  
Source: Bloomberg and CPMS*

### DIVIDEND CHARACTERISTICS

	Matco Canadian Equity Fund	S&P/TSX Composite TRI
Dividend yield	2.6%	2.8%
5 year annualized dividend growth rate	8.7%	10.9%
Cash flow yield	12.9%	11.0%
5 year annualized cash flow growth rate	9.6%	6.5%
Payout from cash flow	18.7%	23.8%
Earnings yield	4.8%	4.9%
5 year annualized earnings growth rate	5.6%	3.6%
Payout from earnings	42.9%	47.8%

*As of March 31, 2017  
Source: CPMS*

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## SHORT-TERM TACTICS

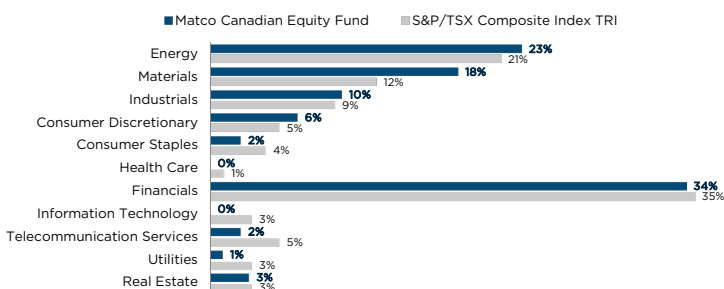
Positioning the portfolio for a late recovery that should continue throughout 2017:

- » An earnings recession in 2016 has provided easy year-over-year comparables for an earnings recovery in 2017
- » The energy sector and materials sector are expected to drive earnings growth in 2017, 169% and 40%, respectively

## TOP 10 HOLDINGS



## SECTOR ALLOCATION



As of March 31, 2017

## LONG-TERM STRATEGY

Positioning the portfolio for a secular bull market with many years remaining:

- » Investing in companies with strong fundamentals and visible growth profiles (organic growth and/or growth by acquisition)
- » Investing in companies that will return value to shareholders through dividends and/or share repurchases

» **SELLS: Loblaw Companies (L)** – After a 15.3% rally from its low in November we decided to lock in profits, as food deflation for the grocers continues to be a concern. **Rogers Communications (RCI.B)** – RCI.B traded 8.4% higher after reporting Q4 financial results, which provided an opportunity to lower the portfolio's exposure to telecommunication services, an interest rate sensitive sector.

» **BUYS: Teck Resources (TECK.B)** – After a 23.4% selloff, we initiated a position in TECK.B, which provides exposure to met coal, copper and zinc (met coal prices should bottom in the near-term and copper and zinc prices should trade higher as inventories continue to be depleted).

## PERFORMANCE

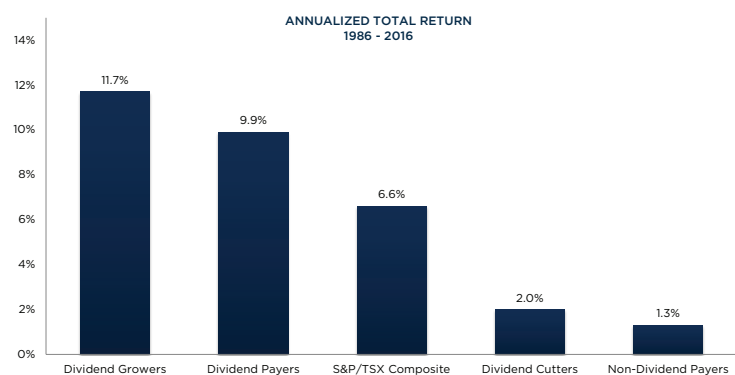
	3 Month	YTD	1 Year	3 Year	5 Year	7 Year	Inception
Matco Canadian Equity Fund*	1.0%	1.0%	13.1%	4.0%	7.9%	6.9%	4.5%
S&P/TSX Composite TRI	2.4%	2.4%	18.6%	5.8%	7.8%	6.8%	4.5%

As of March 31, 2017 \*Series F

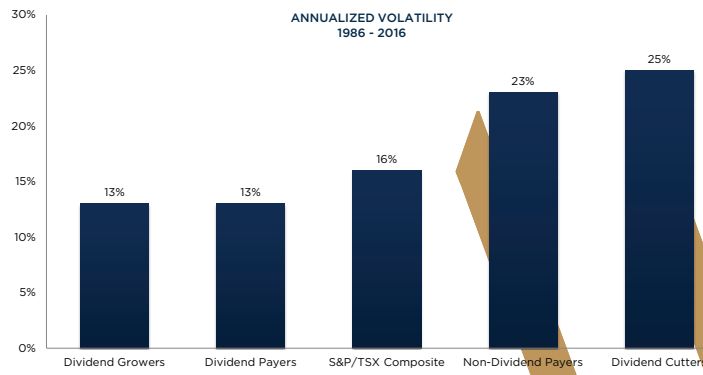
	2016	2015	2014	2013	2012	2011	2010
Matco Canadian Equity Fund*	14.6%	-2.5%	6.7%	18.1%	7.2%	-7.3%	16.6%
S&P/TSX Composite TRI	21.1%	-8.3%	10.6%	13.0%	7.2%	-8.7%	17.6%

As of March 31, 2017 \*Series F

## DIVIDEND GROWERS & DIVIDEND PAYERS - OUTPERFORM WITH HALF THE VOLATILITY



\*Source: RBC Capital Markets Quantitative Research \*As of December 31, 2016



\*Source: RBC Capital Markets Quantitative Research \*As of December 31, 2016