

Simple arithmetic shows that $1 + 1 = 2$, but in the world of investing it's sometimes more than that. In fact, over the past century a 1% rotation out of Growth companies has, on average, produced a 3% increase in Cyclical -financials, industrials, materials and energy. This is because the sheer size of Growth companies relative to Cyclical, means that re-positioning a given dollar amount of the former has a much larger impact on the latter. Case in point is the technology titan Apple. With a market capitalization of US \$2.7 trillion, a 1% move (or US \$27 billion) to MasterCard would send the credit card issuer up by over 7%. This is even more amazing given that MasterCard with a market cap of US \$372 billion is the 20th largest company on the planet.



WHEN DOES 1 EQUAL 3?

1% rotation out of growth & defensive companies = cyclical 2.9% increase
Jan. 1, 1926 to Apr. 5, 2021



Due to the size of the growth and defense company market cap, 1% rotation out of growth & defensive is a 2.9% increase in cyclicals.

Company category

Sectors

Growth & defensive

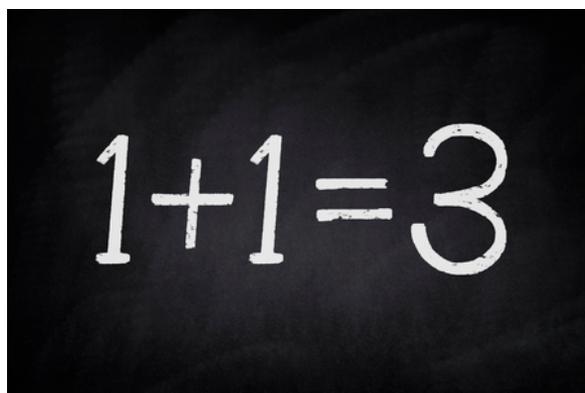
Technology, Communications, Health Care, Staples, Utilities, REITs, Discretionary

Cyclicals

Financials, Industrials, Materials, Energy

A core holding in our portfolios is the EdgePoint Global Growth & Income, which includes **Financials** (Affiliated Managers Group and Bank of America), **Industrials** (Mitsubishi, Kubota, O'Reilly Automotive), **Materials** (Berry Global -the world's largest plastic packaging company) and **Energy** (Flowserve -one the largest suppliers of industrial machinery for the Oil & Gas sector and Prairie Sky -an Oil & Gas royalty trust). Year-to-Date the EdgePoint Global Growth & Income is up 10%, as growth investors move to underpriced cyclical stocks.

Identifying undervalued companies with solid earnings growth potential is hard to do. This is why we partner with wealth management companies like EdgePoint, which follows a strategy called Second-Level Thinking. Rather than buy the first name in a given industry, Costco for example, they own PriceSmart which is Latin America's equivalent -and trading at a fraction of the brand name valuation. Microsoft is the go-to name for information technology, but value can be found in Fujitsu, also a provider of IT, network and telecommunication solutions. Case in point, Fujitsu can be purchased at a Price-Earnings (PE) multiple of just 17, or half that of Microsoft. For more on Second-Level Thinking click <[here](#)>.



We take the responsibility of managing your money very seriously, and exercise the highest due diligence when choosing which wealth managers to partner with. This research also informs the weighting or importance given to a particular position in our retirement portfolios. *Our over-riding goal is to deliver a better investment outcome* -one with solid upside capture of Market gains, while protecting on the downside at the same time. We're a third of the way through 2021 already, and our investment

thesis is playing out nicely. Look forward to speaking/Zooming with all of you as we approach the mid-point of the year at June 30th. As always, reach out to me anytime.

Be safe, be well!

Martin
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