

DM Monthly Report

NOVEMBER 2018

PORTFOLIO ACTIVITY

In October, we deployed accumulated dividends and other cash to select positions in both DM Cdn. Equity and DM Foreign Equity.

FEATURE STOCK

Berkshire Hathaway Inc. (BRK.B)

As many readers will know, BRK is the multinational holding company run by perhaps the most accomplished investor in history, Warren Buffett. We first opened a position in BRK at the end of 2015 and have since added to the holding on two occasions, making it a top 5 weight in both the DM Foreign and DM Total Equity Portfolios. Our original buy rationale for the company was driven by what we calculated to be a very attractive risk/reward profile, with about 40% upside based on our estimation of the stock's intrinsic value at the time. In recent years, BRK has shifted its focus from being a shareholder in public companies, to using its vast cash resources to acquire entire businesses, including names like GEICO, Lubrizol, BNSF Railway and, most recently, Precision Castparts. BRK's strong Q3 earnings report revealed that, despite buying back nearly \$1bn of its own shares in August, the company's massive cash balance continued to swell, raising the likelihood that additional investment activity will follow in the quarters ahead. BRK shares have gained 13% so far this year and more than 70% since our original purchase.

VPI CANADIAN BALANCED POOL PASSES 10-YEAR MARK

A little over a decade ago, a financial services firm based in Winnipeg called Value Partners Investments (VPI) hired Dixon Mitchell to manage a soon to be launched balanced mutual fund. Since that time, VPI has flourished to become a significant player in the Canadian fund and advisory space, while DM has added assets, expanded our portfolio management team, and continued to hone our equity and fixed income investment processes. As both firms have grown, so has the size, following, and track record of the VPI Canadian Balanced Pool.

At inception, VPI set the asset mix ranges for the fund with fairly wide bands, allowing DM a high degree of management flexibility and the ability to provide unit holders with an investment experience very similar to that of our typical internal client with a balanced asset allocation:

Asset Class	Permitted Allocation Range
Equities	50% to 80% of assets
Fixed Income	20% to 50% of assets
Foreign Equities	Up to 50% of equity investment

Though the mandate was launched just ahead of the 08/09 market collapse, it quickly recovered and began accumulating steady gains for investors. In fact, the fund's return has exceeded the average of its peer group (often by a wide margin) in each of the past seven complete calendar years, including the first three quarters of 2018. According to global investment research firm, Morningstar, the VPI Canadian Balanced Pool has achieved a top quartile ranking amongst its peer group over every standard measurement period (highlighted row in table below) and has even landed within the top decile for each interval, garnering it a 5-star rating by the service. With DM's balanced model significantly ahead of its benchmark for the first 10 months of 2018, both the VPI Canadian Balanced Pool and our internal clients with similar asset allocations are on track for another strong year.

To 30-Sep-2018

VPI Canadian Balanced Pool	YTD	1-year	3-year	5-year	10-year
Total return	6.0%	10.8%	10.2%	9.1%	7.1%
+/- category	4.9%	6.0%	2.8%	2.7%	1.5%
+/- index	2.5%	1.5%	2.9%	0.9%	1.0%
Quartile rank	1	1	1	1	1
Percentile rank	6	2	2	6	8
Funds in category	417	409	336	265	140

Source: Morningstar