



September 2020

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THE HILLSIDE FAMILY IS GROWING (THANKS TO YOU)

Mike Preto, CFP®

September often feels like another New Year, and perhaps more so in 2020 than ever. September marks **Hillside Wealth's** performance anniversary, the kids are back in school (thank goodness), and we're coming into the final stretch of 2020 full of enthusiasm.

We are very excited to introduce you to Amanda Baxter, the newest member of our team. Amanda spent her first 8 years in the industry at a well-known national organization. Amanda is highly aligned with our core values and philosophies, and she brings a wealth of experience and enthusiasm to Hillside that we'll all benefit from.

As Hillside's growth continues (primarily due to referrals from existing clients - a special thanks to those who have gone above and beyond for us), we have recognized the need to maintain the high levels of Service and Planning that we have promised you. Amanda will be a big piece of **Hillside Wealth**. We're thrilled to have her on the team, please help me in offering her a warm Hillside Welcome.

Jason has a longer than normal piece for you this month, so I'm going for the short and sweet variety. Wishing you and yours all the very best for the rest of 2020 which will surely go down in the books as one to remember.

PORTFOLIO UPDATE: ANOTHER YEAR OF PERFORMANCE IN THE BOOKS - CELEBRATING A 6-YEAR ANNIVERSARY

Jason Del Vicario, CFA

It feels good to be back writing our regular monthly newsletter after our summer break. I write this from our cabin in Howe Sound where we have been since the pandemic started in March. This has been a challenging time both personally and professionally as Sabrina and I were forced to combine the roles of parents and business operators often flip flopping between filling bottles and running stock screens. We feel fortunate to have had the option to retreat to our cabin and have been impressed with folks all around us making the best of a difficult situation. As we celebrate our 6-year performance anniversary we continue to run concentrated portfolios in companies that possess a track record of achieving superior returns on invested capital. We feel strongly that this is the best way for us honour **performance** and **freedom**; two essences of Hillside.

I would like to spend some time reviewing our performance as well as highlighting some of the tweaks and progress we made this year as managers of your wealth.

2019 saw all three of our model portfolios up nicely. We have also continued the positive annual return streak for both the **Conservative Growth** and **Balanced Growth** models which now sits at 6 years.

WELCOMING AMANDA TO OUR HILLSIDE FAMILY!

We are very happy to welcome Amanda Baxter to our Hillside Wealth family!

Born in Montreal and now located in Vancouver, Amanda is an avid athlete who is a competitive triathlete and teaches spin. When not training for a race or cycling all over town, Amanda loves to travel and enjoys a discovering new wine pairing for her favorite foods.

We look forward to introducing Amanda to our clients soon. She can be reached at:
amanda@hillsidewealth.ca

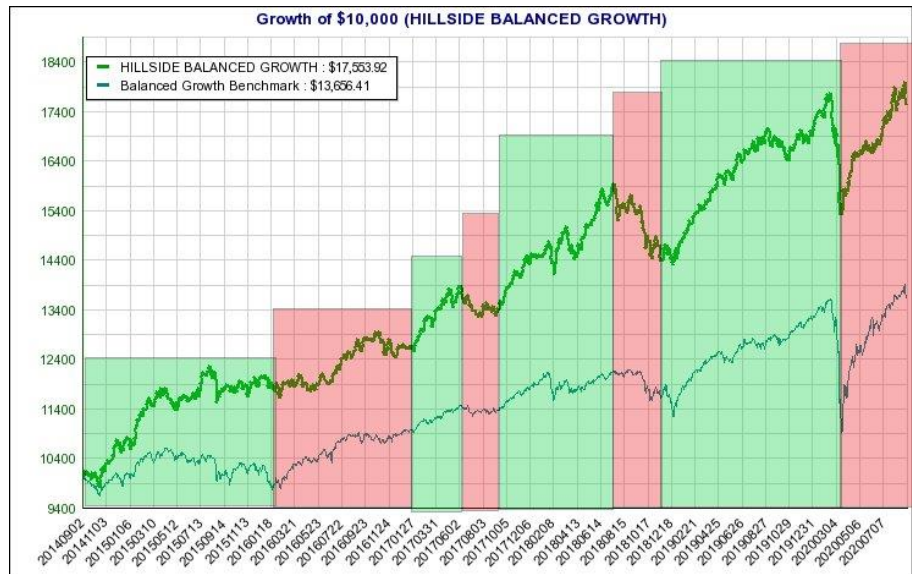
Below is a performance table of our flagship **Hillside Balanced Growth** portfolio:

MONTHLY PERFORMANCE: Sep 02, 2014 to Aug 31, 2020													REPORT PROVIDED BY: Jason Del Vicario	
Model Currency: CAD														
	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Year	
2020	2.22%	-3.03%	-5.97%	4.60%	1.60%	0.44%	4.95%	0.67%						5.15%
2019	2.51%	2.05%	1.83%	3.09%	0.11%	1.90%	0.96%	2.54%	-1.54%	-0.65%	2.30%	-0.76%		15.24%
2018	1.38%	0.66%	-0.49%	0.81%	2.92%	1.65%	-1.79%	2.90%	-1.85%	-4.95%	0.34%	-0.10%		1.26%
2017	-0.44%	3.31%	2.94%	1.73%	1.45%	-2.05%	-2.00%	1.39%	1.86%	3.72%	2.01%	0.01%		14.68%
2016	-0.73%	0.10%	0.77%	-2.16%	2.43%	0.12%	3.05%	2.05%	0.79%	1.05%	-2.35%	-0.16%		4.97%
2015	4.70%	2.22%	2.00%	-2.68%	1.54%	-0.11%	4.67%	-4.13%	1.21%	0.18%	1.14%	0.60%		11.62%
2014									1.11%	1.78%	4.76%	-0.11%		7.70%

Disclaimer: Performance numbers above could represent partial month or year calculations based on the time frame selected.

Source: SIACharts.com

Below is an updated version of the outperformance (green)/underperformance (red) chart I've presented in the past. We see alternating periods where our strategy outperforms and underperforms. We don't know when these periods will happen nor how long they will last but note that we've had more 'green' than 'red' periods which is the intent.



Source: SIACharts.com & HillsideWealth

Put differently, the chart on the following page features the Hillside Balanced Growth versus its benchmark. In the graph below a rising line means we are outperforming while a falling line means underperformance. We see two distinct periods: the first saw dramatic outperformance as we were fully invested, and oil prices collapsed dragging down the Canadian indices from 2014-2016. We then see a period from 2016 to present where the outperformance has been at a slower yet steady pace. Areas noted in red were periods of tremendous market turmoil (late 2018 and most recently March 2020) and we experienced spikes in outperformance during these periods.



Source: SIACharts.com

We are producing outperformance against our benchmarks and especially during periods of market upheaval. Behind the scenes it's worth noting this outperformance is a result of the collective efforts of the people who work for the exceptional businesses we own. Our job is to find those businesses, own them in concentration and balance the downside risks.

Speaking of downside risks, we have effectively been playing defense first, offense second for the last few years. We've outlined our concerns during this time. Our biggest concern is the tremendous amount of debt in the world. Individuals, corporations and governments have piled on debt and this debt is increasingly non-productive; the worst kind. This stunts growth and we find ourselves in an environment where artificially low interest rates and money printing are normal and accepted. Central bank policy is pushing investors along the risk curve in the name of producing a wealth effect and encourage spending. Frankly, we don't see this producing the desired effect.

In spite of the challenging macro backdrop we continue to see opportunity in companies near and far. We strongly feel that this environment favours stock pickers over indexers and remain committed to owning pieces of businesses that demonstrate superior shareholder wealth creation.

In 2019 we further cemented the markers of these exceptional businesses. In no particular order the companies we own generally possess the following attributes:

1. History of producing above average returns on invested capital.
2. Strong competitive positioning and advantages.
3. Little to no debt.

COVID-19 OFFICE UPDATE

Our Hillside Wealth team continues to maintain a safe social distance by working from home during the COVID-19 pandemic.

Please know members of our team continue to be available at our usual phone extensions and email addresses (listed on the last page of this newsletter) during regular business hours.

4. Asset light – they don't require gobs of capital to grow. By extension they rarely issue shares.
5. Shareholder friendly – return capital to shareholders via dividends or share buybacks or both.
6. Above average margins; gross, net and FCF margins.
7. Founder run and/or management has skin in the game.
8. High cash generation/conversion – they convert much of their accounting profits into cold hard cash: free cash flow.
9. Resilient business model that did well during the crises of 2008 and 2020.

We also spread our wings internationally in 2019. We have leveraged the accessibility of public company data through a subscription to GuruFocus. This service provides up to 30 years of financial data for over 130,000 publicly traded companies across the globe. To date we have focused our efforts on 'developed' economies and have uncovered some excellent businesses that fit the criteria described above. Of the 107 companies we follow, 50% are outside of North America. We continue to tweak our proprietary software application that helps us update and track information on these companies. In short, I'm really pleased with how we are positioned in terms of access to data, technology tools to filter the data and ability to develop and maintain our database of exceptional businesses. We are very excited to continue our work and look forward to reporting on our progress.

Appendix: portfolio composition and statistics

Below is a table comparing our equity holdings in the Balanced Growth Portfolio to that of the weights of the TSX.

	TSX	Hillside
Financials	29.0%	2.6%
Materials	15.4%	14.8%
Energy	12.0%	0.0%
Industrials	11.9%	16.6%
IT	10.3%	38.3%
Communication Services	5.2%	3.1%
Utilities	4.9%	0.0%
Consumer Staples	4.1%	14.9%
Consumer Discretionary	3.4%	0.0%
Real Estate	3.0%	0.0%
Healthcare	0.9%	9.7%

Source: HillsideWealth & S&P Dow Jones Indices

We see that we are strongly overweight IT, Consumer Staples and Healthcare while very underweight financials compared with the TSX. Nearly all our Materials weight is allocated to precious metals exposure while we have no exposure to Utilities, Consumer Discretionary or Real Estate at this time.

WATCH JASON ON BNN MARKET CALL

Don't miss Jason's next guest appearance on BNN Bloomberg's #Marketcall on October 6 at 9:00 am PT (noon ET).

Jason will discuss North American Growth Stocks. The full episode will be [available online](#) shortly after airing.

Please check with your local tv service provider for your local channel or access to the [live stream online](#).

Below is some performance statistics we've shared in the past. We see that we are ~72% correlated to our benchmark. A reading of 1.00 would mean perfect correlation to the benchmark. Given we do not seek to mimic the benchmark we would expect this correlation to remain relatively low. We see that our performance has exceeded that of the benchmark but that we are slightly more volatile (7.64% v 6.88% annualized Std. Deviation). We are being compensated for this increased volatility as evidenced by our healthy Sharpe Ratio compared to the benchmark. We continue to monitor these statistics and are happy with our metrics.

	YTD	2019	2018
Hillside Balanced Growth	5.15%	15.24%	1.26%
Balanced Growth Benchmark	4.09%	14.86%	-3.44%

10.05%	2.20%	0.7213
Compound Annual Growth Rate	Monthly Standard Deviation	Correlation to Balanced Growth Benc

Risk/Reward Analysis

	Hillside Balanced Growth	Balanced Growth Benc
Annualized Compound ROR	10.05%	5.44%
Annualized Std. Deviation	7.64%	6.88%
12 Month Return	4.45%	7.52%
Winning Months	70.83%	70.83%
Average Monthly Gain	1.9%	1.33%
Average Monthly Loss	-1.81%	-1.66%
Monthly Std. Deviation	2.20%	1.98%
Sharpe Ratio	1.167	0.720
Alpha	1.433	
Beta	0.798	
R-Squared	51.58	
Trailing Twelve Month Yield	1.02%	

Source: SIACHarts.com

We see below the top 5 draw down periods:

Drawdown Analysis

Depth	Length	Recovery	Peak	Valley
-13.70%	1	6	Feb-20	Mar-20
-10.32%	5	9	Jul-18	Dec-18
-5.86%	0	11	Aug-15	Aug-15
-4.72%	1	4	Jun-17	Jul-17
-4.48%	1	2	Mar-18	Apr-18

Source: SIACHarts.com

LET'S STAY CONNECTED

Follow **Hillside Wealth Management** on LinkedIn for more updates and news!

Follow us on **LinkedIn**

We have just experienced the greatest drawdown since inception. Much like periods of out/under performance we do not know when these periods will happen in the future nor their magnitude. Our history would indicate that annual drops of 5-10% are more likely than not with 2016 the notable exception.

Lastly, please find a summary of our holdings below as of August 31, 2020:

Alloc	Equity Name	Sym
3.53%	CASH	
4%	Alimentation Couche-Tard Inc. CL B	ATD.B.TO
5.07%	AMAZON.COM INC	AMZN
1.44%	BERKSHIRE HATHAWAY CL B	BRK.B
1.9%	BIOGEN IDEC INC	BIIB
1.3%	BIOSYENT INC	RX.V
2.87%	BMO LONG FEDERAL BOND ETF	ZFL.TO
3.04%	BOYD GROUP INC TR UTS	BYD.TO
3.04%	CANADIAN PACIFIC RAILWAY LTD	CP.TO
1.85%	CHECK POINT SOFTWARE TECH LTD	CHKP
5.99%	CONSTELLATION SOFTWARE INC	CSU.DB.TO
4.25%	CONSTELLATION SOFTWR	CSU.TO
0.17%	DATA GROUP LTD	DCM.TO
3.27%	DOLLARAMA INC	DOL.TO
2.37%	FACEBOOK CL A	FB
0.9%	HEADHUNTER GROUP PLC	HHR
1.71%	HEICO CORP CL A	HEIA
5.75%	High Interest Investment Account Ser F	BTB101
3.93%	ISHARES 20+ YEAR TREASURY BOND ETF	TLT
5.44%	ISHARES 7-10 YEAR TREASURY BOND ETF	IEF
6.8%	ISHARES GOLD TRUST ETF	IAU
2.01%	Kakaku.com	MA28
6.81%	KIRKLAND LAKE GOLD INC	KL.TO
1.71%	LIGHTSPEED POS INC	LSPD.TO
2.1%	MASTERCARD	MA
3.81%	MICROSOFT CORP	MSFT
2.38%	NOVO NORDISK A/S	NVO
1%	OPEN TEXT CP	OTEX.TO
1.8%	PAN AMERICAN SILVER	PAAS.TO
1.61%	RationalAG	MA38
2.34%	RightmovePLC	MA22
1.2%	ROSS STORES INC	ROST
2.99%	SPROTT PHYSICAL GOLD TRUST	PHYS
1.62%	TUCOWS CL A	TCX

Source: SIACharts.com

AUGUST 2020 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to August 31, 2020	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception**	Added Value vs. Benchmark**
Hillside Conservative Growth*	6.12%	0.23%	5.44%	4.89%	8.95%	7.6%	8.13%	3.1%
HCG Benchmark ¹	4.35%	1.1%	5.14%	6.76%	5.91%	5.63%	5.03%	
Hillside Balanced Growth*	5.15%	0.68%	6.08%	4.45%	9.78%	8.8%	10.05%	4.61%
HBG Benchmark ²	4.1%	1.8%	6.01%	7.52%	6.39%	6.33%	5.44%	
Hillside Focused Growth*	4.43%	3.54%	13.29%	3.37%	8.72%	6.76%	8.69%	2.08%
HFG Benchmark ³	1.41%	4.16%	8.75%	9.86%	7.32%	8.23%	6.61%	

Past performance is not an indication of future returns.

* Performance is presented gross of fees. **Inception: Sept 2, 2014. Results beyond 1 year are annualized.

¹ Hillside Conservative Growth Benchmark: 100% Vanguard Conservative ETF

² Hillside Balanced Growth Benchmark: 100% Vanguard Balanced ETF

³ Hillside Focused Growth Benchmark: 100% Vanguard All-Equity ETF

Source: SIACharts.com

The performance presented in this portfolio report is hypothetical and does not represent a specific client account. Details regarding actual returns of an investment account are available from the client's advisor.

This information has been prepared by Michael Preto and Jason Del Vicario who are Portfolio Managers for HollisWealth® and does not necessarily reflect the opinion of HollisWealth. HollisWealth® is a division of Industrial Alliance Securities Inc., a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. The information contained in this newsletter comes from sources we believe reliable, but we cannot guarantee its accuracy or reliability. The opinions expressed are based on an analysis and interpretation dating from the date of publication and are subject to change without notice. Furthermore, they do not constitute an offer or solicitation to buy or sell any of the securities mentioned. The information contained herein may not apply to all types of investors. The Portfolio Manager can open accounts only in the provinces in which they are registered. Hillside Wealth Management is a personal trade name of Michael Preto and Jason Del Vicario. For more information about HollisWealth, please consult the official website at www.holliswealth.com.

Insurance products provided through Hollis Insurance Agency.

Performance is calculated using month-end market values of the model portfolio. Since we use a model portfolio to calculate performance there are no client-initiated cash flows (deposits/withdrawals) to account for. Performance is calculated by dividing the change in the model portfolio's market value by the model portfolio's market value at the beginning of the performance period. Also, all income generated by the portfolio's holdings are held within the model portfolio in cash and is accounted for in the portfolio's month-end market value - this results in a total return measure of the model's performance.

Returns for periods less than 1 year are shown as periodic returns while returns for periods greater than 1 year are annualized. Returns do not include fees and actual returns experienced by an investor may differ from those shown. Past performance is not a guarantee of future results.



Michael Preto, B.Comm., CFP®, CIM Portfolio Manager
HollisWealth, a division of Industrial Alliance Securities Inc.
Insurance Advisor
Hollis Insurance Agency
Direct: 604-895-3329
Mike@holliswealth.ca



Jason Del Vicario, B.Sc., CFA Portfolio Manager
HollisWealth, a division of Industrial Alliance Securities Inc.
Insurance Advisor
Hollis Insurance Agency
Direct: 604-895-3367
Jason@holliswealth.ca



Amanda Baxter
HollisWealth, a division of Industrial Alliance Securities Inc.
Direct: 604-895-3324
Amanda@holliswealth.ca



Sabrina Del Vicario, B.Comm.
Business Development Manager
Direct: 604-895-3324
Sabrina@holliswealth.ca



Heidi Marsall
Associate Investment Advisor
Direct: 778-484-5455 (Kelowna)
Heidi@holliswealth.ca



Rozita Tehrani
Executive Assistant (to Mike & Jason)
Direct: 604-895-3349
Rozita@holliswealth.ca