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DISCIPLINE CONSISTENTLY GENERATES EXCEPTIONAL RESULTS

Michael Preto, CFP®, CIM®

Applying discipline to an aspect of your life will consistently generate favourable, if not EXCEPTIONAL, results. Consider mental health, physical health, academics, athletics, professional achievements, personal relationships, gardening, cooking, boat maintenance, house maintenance, anchoring, surgical procedures, (the list can go on, and on); choose **any** activity and see if you can prove this statement wrong!

Jason describes how the **Factor^(V)** is all about discipline in the following Portfolio Update. Having a disciplined, repeatable and process-driven investment strategy is key. The role discipline plays in the **Navigator**, our retirement planning process, is a little less obvious, but equally as important. The interesting thing about the Navigator is you also have an important role to play; your discipline is key in your success.

As a reminder, the **Navigator** process begins by **setting 3 required targets**:

1. Retirement Date
2. Retirement Lifestyle
3. Retirement Savings/Draws

Once set, we collect (or update) data required to build your plan (i.e.: investment accounts, pension incomes, employment incomes, savings accounts, mortgages, etc.). Your retirement plan is built specifically for you based on this information

Next, we maintain your plan, and this is where discipline, on both Hillside's end **AND YOURS**, makes an important impact.

Your plan is updated annually and every year, your team at Hillside will need to:

1. Gather up-to-date information.
2. Input the updated data and run your new projections.
3. Show you the new projections, confirm the existing targets and summarize the findings in your **Vista**.

Discipline on your end comes in the following actions:

A. STICK TO THE SAVINGS/DRAWS TARGETS: If you are working, you will have a savings target. By sticking to the savings target you are accomplishing the following two things:



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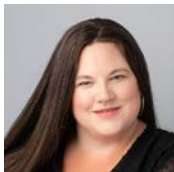
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1. You are adding money to your portfolio which we manage with care. This money will grow and will one day make up part of your retirement lifestyle.
2. You are controlling your spending; any money you save is not spent. The discipline applied here helps you manage your retirement lifestyle target.

B. SHOW UP: As your financial situation/goals change, so do the 'guts' of your plan and we need you to be a willing participant to plan with you.

C. DREAMSCAPE: Your plan will change as the actual performance varies from the assumed performance.

This can lead to the following:

- If your portfolio values increase more than assumed, your Dreampool inflates. You need to tell us how you want to use your Dreampool- there are 3 options:
 1. Retire sooner than your target retirement date.
 2. Tap into it now.
 3. Increase your spending in retirement.
- And if your portfolio drops in value, you exercise discipline by sticking to the program.

Your role in the Navigator is key. And when everyone does their part, success will come. In this case, success looks like an inflated Dreampool. Once you're there, you now need to put yourself in a position to use it. And guess what will help you here... a little more discipline.

Here is a personal example which is a result of my own Dreamscaping:

- Take my family skiing in Japan.
- Boat down the West Coast of Haida Gwaii.
- Fish for massive sea run rainbow trout in Argentina

It's hard to scamper up and down river banks and ski legendary Hokkaido powder with crappy knees or a bummed back. It's hard to get up and explore the mystical West Coast of Haida Gwaii without having time. So, a sustainable fitness regime and quality time management skills will go a long way to putting us all in a position to enjoy the fruits of our wealth.

While you may not associate discipline to dreams and vice versa- applying discipline to the necessary areas of your life increases the odds of you being in a position to realize your dreams, drastically.



PORTFOLIO UPDATE

Jason Del Vicario, CFA®

“It is not necessary to do extraordinary things to get extraordinary results.” - Warren Buffett

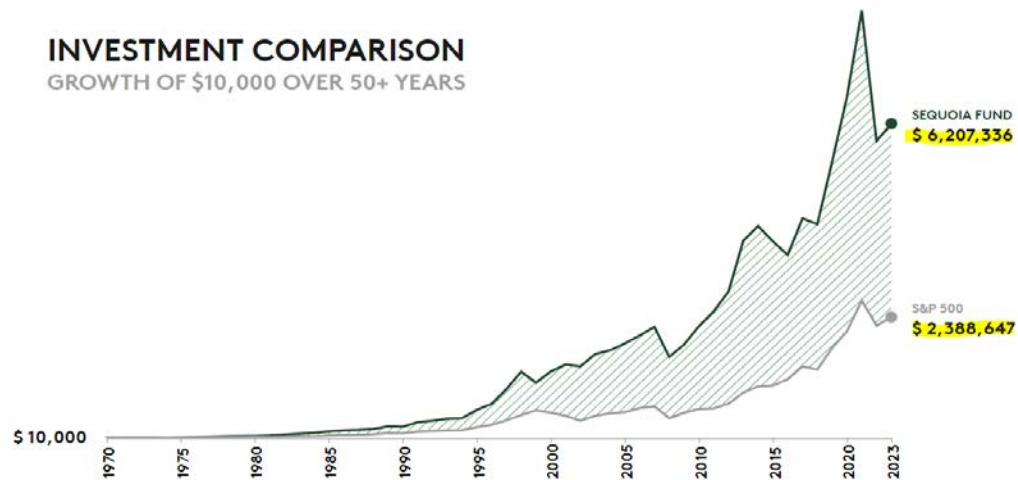
Of our philosophies and commitments at Hillside “**discipline consistently generates exceptional results**” is one of my favourites. The impact of this philosophy is perhaps no better exemplified than in the world of investing. Our goal at the Hillside **Factor^(v)** is to implement our process, continuously improve and be consistent in our approach. We don’t need to have rocket scientist smarts. We don’t need to be exceptional every day. In fact, if we can be slightly above average and consistently so, we will put ourselves in the position to generate exceptional results on your behalf. Success on this front will ultimately drive our ability to help you realize your big meaningful dreams! It all fits together and this is by design.

“Spend each day trying to be a little wiser than you were when you woke up. Day by day, and at the end of the day - if you live long enough - like most people, you will get out of life what you deserve.” - Charlie Munger

Below is a chart of the Sequoia Fund exemplifying the results of such an approach. The fund has been around since 1970 and has outperformed the market, on average, by 2%/year. 2%... not 5% or 10%, a ‘measly’ 2%. The result? \$10k invested in 1970 is worth \$6.2m in the fund versus \$2.3m in the S&P500, nearly 3x. 2% a year sounds small but over time these small differences compound to create exceptional results!

“Consistency beats talent and brains every time because consistency exposes you to the mother of all upside: Luck.” - Thomas Waschenfelder

INVESTMENT COMPARISON GROWTH OF \$10,000 OVER 50+ YEARS



	YEAR TO DATE	1 YEAR	3 YEARS*	5 YEARS*	10 YEARS*	SINCE INCEPTION*
Sequoia Fund	5.93%	-15.81%	13.53%	7.18%	6.85%	12.98%
Standard & Poor's 500	7.50%	-7.73%	18.60%	11.19%	12.24%	10.95%

*Average Annual Total Return through March 31, 2023

HILLSIDE IN THE NEWS!

The Globe and Mail published [this article](#) on April 21st which describes some of Hillside's PM strategies which have proven to outperform benchmarks.

On April 27th, Jason joined BNN Bloomberg's [Morning Markets show](#) and shared his thoughts on \$META's latest earnings report.

Save the date (May 26th) for Jason's next full-episode appearance on [BNN's Market Call](#). Check your local tv provider to watch live, listen live on [iheartradio](#) or stream the show afterwards [here](#).

THE HILLSIDE FACTOR^(Y) FOCUS: PRINCIPLES TO REJECT A STOCK

We try to keep our portfolio concentrated on our highest-conviction ideas, with around 30 stocks in total. But that does not mean we look at those 30 or so companies exclusively. We find no shortage of additional companies on our radar. Given the fact that good businesses sold at good prices is ultra-rare to come by, our primary job here is to find a way of rejecting new stocks – preferably, as soon as possible.

We have developed some concrete principles to help us make “ruthless” decisions. Here are some snippets. We generally say no to **categories outside of our circle of knowledge**: e.g., drug discovery, cybersecurity, and many other high-techs. Some companies we've rejected due to a lack of understandability include InMode, a leading **radio-frequency technology innovator** from Israel, and Fortinet, the largest **unified-threat-management solution** provider in the world (keywords highlighted on purpose). Of course, we are eager to expand our circle of knowledge over the long run and our convictions may vary accordingly from time to time. However, it should remain fair to assume it is those old-fashioned businesses (think beverage, auto loan, convenience store, classifieds) that excite us the most.

Market leadership is another concerning factor. We require some proof from the companies we hold to be able to win not only economically but also competitively. The rationale is simple (although exception does apply to some industries like insurance, banking/loan) – if the competitive advantage is truly durable, sooner or later the business would become no. 1 in its industry by capturing/defending market shares from peers or, even better, become one of its kind in an emerging/niche domain by discouraging new entrants. SEI Investments is a company we took an in-depth look at. It provides **investment processing, investment management, and investment operations solutions** for financial institutions both in the US and overseas (keywords highlighted on purpose, again). While operating 3~4 business lines in different areas, the company has no clear leadership in any of those. Furthermore, our analysis led us to believe in the fierce competitive pressure facing each of those 3~4 businesses. After months of research (including conference calls and email exchanges with management of SEI and its competitors), we



UPCOMING EVENTS

May 17th: Mind Your Business Webinar on **Health Spending Accounts** [learn more here](#).

June 8th: **Hillside Portfolio Management Update** for clients. More information will be emailed shortly.

If you have any questions, please feel free to [get in touch](#).

had to pass on SEI, despite the decent financial track record (e.g., high return on capital, strong cash-flow, healthy balance sheet) and an attractive valuation back then.

It is worth mentioning stocks we rejected may turn out to be winners (sometime, big ones) for shareholders, and this is fine with us! Our goal is to achieve good **long-term, risk-adjusted returns** by accumulating shares in high-quality companies at reasonable prices.

HILLSIDE CO. OWNERS' GUIDE

Since last October, we have dedicated this section of the newsletter to provide a month by month (step by step) guide to being a Hillside Co. owner.

Each month featured different rules/engagements of note meant to help frame your thinking when it comes to being invested with Hillside Co.

We have taken these monthly articles and produced ***The Hillside Wealth Owner's Manual – Your Roadmap to Success***, which we will present to clients at our June 8th Portfolio Management client webinar.

Most financial companies will feature a glossy brochure.

At Hillside we want you to have an Owner's Manual.

Why?

Because your understanding of our approach is critical to your success!

Book June 8th at 6:30pm in your calendar today! More information and registration links will be emailed in a couple of weeks.





BLUEBERRY BREAKFAST CAKE

Big thanks to Heidi for sharing another one of her favourite dishes! A blueberry-studded buttermilk cake serves as the base for this creation, with a sprinkle of cinnamon for a touch of warmth. Fresh or frozen blueberries will work, but keep them frozen to prevent bleeding in your cake batter. I was inspired by the luscious pats of butter and ooey syrup found atop stacks of pancakes for the filling. The browned-butter is slightly nutty and pairs wonderfully with the addition of pure maple syrup. Since the buttermilk cake is on the heavier side and browned-butter filling is fairly rich, the final cake is iced with a light, cinnamon whipped cream frosting.

[Send us a photo](#) when you get a chance to make this dish!

Serves 4-6

- 3 cups all purpose flour
- 2 1/4 teaspoons baking powder
- 1/4 teaspoon baking soda
- 1/4 teaspoon salt
- 1 teaspoon cinnamon
- 1 cup unsalted butter, softened
- 1 3/4 cup sugar
- 1 tablespoon vanilla
- 4 eggs, room temperature
- 3/4 cup buttermilk
- 2 cups blueberries, frozen

Directions:

1. Preheat oven to 350 degrees. Prepare 3 X 8" baking pans.
2. Sift dry ingredients and set aside. Toss frozen blueberries in a separate bowl with just enough flour to lightly coat and set aside.
3. In the bowl of an electric mixer, beat butter on medium-high speed with a paddle attachment.
4. Add sugar. Mix again until light and fluffy (about 3-5 minutes)
5. With the mixer on medium-low, add the vanilla and eggs, one at a time. Turn mixer off and scrape the bottom of the bowl with a rubber spatula.
6. With the mixer on low, carefully add about half of your dry ingredients until just combined.
7. While the mixer is still running, stream in the buttermilk.
8. Add in the remaining dry ingredients and mix until combined.
9. Removed the bowl from the mixer and gently fold in the blueberries.
10. Divide batter evenly between the three cake pans and place in the oven. Bake until a wooden skewer comes out clean or with little crumbs from the center of the cake, about 20 minutes. Rotate pans halfway through baking.
11. Remove from oven and cool on a wire rack before inverting.

for the Maple Browned-Butter Filling

- 3 cups confectioner's sugar
- 1/2 cup unsalted butter
- 2-4 tablespoons milk
- 2 tablespoons pure maple syrup
- 1 teaspoon pure vanilla extract

Melt butter in a saucepan over medium-high heat. Continue to cook until the butter becomes an amber brown, about 10 minutes. Stir frequently to avoid burning the butter. Once browned, remove from heat and cool. After the butter has cooled, stir in the remaining ingredients. Gradually add in the milk and adjust amount according to desired consistency. Use immediately or refrigerate in an airtight container.

for the Cinnamon Whipped Cream

- 2 cups cold whipping cream
- 3/4 cup confectioner's sugar
- 1/2 teaspoon pure vanilla extract
- 1/2 teaspoon ground cinnamon

Combine all of the ingredients in the bowl of an electric mixer. Using the whisk attachment, beat the cream mixture on high until stiff peaks form. Be careful not to over-mix. Use immediately.

[Download a print-friendly version of this recipe here](#)

APRIL 2023 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to April 28, 2023	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception**
Hillside Conservative Growth*	10.77%	2.05%	16.70%	9.11%	6.18%	6.41%	7.12%
HCG Benchmark ¹	6.47%	1.48%	8.31%	4.03%	5.98%	5.00%	4.64%
Hillside Balanced Growth*	13.74%	2.47%	21.72%	11.59%	9.54%	7.82%	9.41%
HBG Benchmark ²	6.47%	1.48%	8.31%	4.03%	5.98%	5.00%	4.90%
Hillside Focused Growth*	17.88%	3.11%	28.66%	16.43%	15.86%	7.90%	9.70%
HFG Benchmark ³	8.16%	2.12%	10.42%	6.18%	12.26%	7.55%	7.28%

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.

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Insurance products provided through iA Private Wealth Insurance.

Hillside Wealth Management is a personal trade name of Michael Preto and Jason Del Vicario.

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.