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SPORTS AND STOCKS

*Amanda Baxter, BA*

A question frequently asked during client meetings is why a certain stock isn't performing well in that moment. We can address this question best with a sports analogy.

**Let's imagine athletes are companies going through the *Factor<sup>(M)</sup>*.** We apply filters to see which athletes are more likely to win their respective events, have the best overall performance and potentially even leave a legacy. If they pass through the *Factor<sup>(M)</sup>*, they will be added to our model portfolio.



*Photo: Amanda riding in the 2023 Vancouver Triathlon.*

Myself, I compete in triathlons. This past Labour Day, I raced the Vancouver triathlon, completing a 1500m swim, 38km bike ride and 10km run. Let's imagine I am in the *HillsideCo* athlete model portfolio. My swim went well, the water was cold and choppy, overall, I exited the water in a good position and with a good time. I started biking (it's a 4-loop bike ride of Stanley Park), and very quickly realized I do not have my bike batteries on my bike. I use electronic shifting and cannot change gears without the batteries. This is a bad situation. Ultimately, I lost about 7 minutes on the bike course (this would equate to a 10% decrease in stock value) and went from a likelihood of being on the



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overall women’s podium to aiming to be on my age group podium. With a decent run, I made the age group podium but far underperformed my expected outcome.

In the scheme of the *HillsideCo* athlete model portfolio, my stock was down. I did not perform well in that moment. **Would I still fit the *Factor* criteria with this one poor performance?** Would I still invest in me, based on this race? Yes, over and over and over again until I no longer fit the criteria. Long term, I am still a strong athlete who has had many good (even great) races and would be considered top in my age group if not also my category.

There are different factors that affect why a stock is moving up or down in any given period. In sticking with our athletes’ example, this could be a new nutrition plan, new equipment, training plan, new team, etc. The plan is for these factors to enhance performance, however that is not necessarily the case in the short term.

The same is true with the companies we own in *HillsideCo*. We want companies with long-term success. Think Michael Jordan, Serena Williams, Roger Federer and Lionel Messi to note a few. They did not win all their matches/games, however for most of their careers were favored to win and each can be said to have left a legacy in respect to their sport and performance. We feel the same about the stocks we own. We know that one race, one game, one match, one dip in price, isn’t the end of the day or the be all end all for that company and ideally will not affect any legacy they are building.

There can be a lot of reasons why a stock isn’t performing well in a short-term moment; the better question to ask is: what factors are going to contribute to this company’s long-term success?



L: Kit cheering Amanda on from the shore; R: Amanda in the running portion of the race.





## PORTFOLIO UPDATE

*Jason Del Vicario, CFA®*

Our theme this month is: **Protect the Future**. It also so happens that we just passed our 9-year anniversary since I ripped the band-aid off and began investing client money like I do my own: namely focused on owning a concentrated portfolio of high-quality businesses. Much has transpired since I (and many of you) took the leap of faith in 2014. First, I moved from Canaccord to Hollis (2015) such that Mike and I could start Hillside and execute our strategy to manage your wealth as a team where team members would focus exclusively on their strengths and passion; in my case, security research and portfolio management and in Mike's being client facing and financial planning work. We then hired a great team around us and I'm really proud of what we've built... namely a unique and differentiated offering in the Canadian financial services industry with a focus on what matters to you: performance and service. Thank you for allowing me to live my professional dream and I (and the Hillside team!) in turn are 100% committed to helping you realize your big meaningful dreams!

I thought I might share an experience I was able to enjoy with our boys this summer. For the past 4 summers, we have enjoyed a 'boat camping' trip. We load up our 19' aluminum boat and set off across and explore the Salish Sea. The first year we headed north, last two years we headed south to the Gulf Islands and this year we made it all the way to and from Seattle. This year was extra special because I had all 4 boys with me as Henry (5) finally made the 'cut'! We fish, camp, hike, eat and generally roam around like marine nomads with a loose schedule. I love this time with the kids and while it's certainly important to protect the future, we at Hillside also want to focus on living for the now and in the present as we never know what lies ahead. Please [Click Here](#) to see some photos from our trips over the years!





## YOUR HILLSIDE FAMILY IS GROWING!

*Please join us in welcoming the newest member of our team to the Hillside family!*



Lucas started with Hillside Wealth in 2022 as a summer intern, and quickly impressed our team with his acumen and positive energy. He stayed on part-time while he returned to UBC to finish his studies in international economics.

Once he graduated, Lucas embarked on a trip to Mexico to scuba dive and continued to Southeast Asia for an enriching backpacking trip. Upon his return, we were thrilled to invite him to join our team permanently.

Born and raised in Vancouver, Lucas has a passion for sports and enjoys activities such as snowboarding on local slopes, scuba diving through underwater seascapes, and engaging in various athletic pursuits. With his strong foundation in economics, he looks forward to making meaningful contributions to the Hillside Family. Reach out and say hello to Lucas at: [lucas@hillsidewealth.ca](mailto:lucas@hillsidewealth.ca)

### HILLSIDE IN THE NEWS!

Jason was recently invited as a guest on BNN's Morning Markets to share his "Hot Picks".

Watch what Jason had to say about [U.K. based stocks](#) [HERE](#).



And a few weeks later, Jason had things heating up in the Nordic region with another round of #HotPicks. [Watch that segment HERE](#).

With thanks to BNN Bloomberg and their great team! #BNNHotPicks

### THE HILLSIDE FACTOR<sup>(Y)</sup> FOCUS: SOURCES FOR CORPORATE LONGEVITY

“I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one. I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two”

*- Jeff Bezos*

Take a guess on the average life expectancy of the world's largest companies. Recent statistics from Fortune point to around 40 years for the top 500 companies and only 30 years for the top 100. Yes, you will probably live longer than most big corporates these days. Moreover, while our society is experiencing the aging population across many regions, the trend moves in a completely opposite direction for the business world - that is, longevity has decreased. For instance, data from CB Insights indicates an average lifespan of merely less than 20 years in the index for the S&P 500 constituent stocks (i.e., the 500 largest public companies based in the US) in 2015, compared to over 60 years back in 1955.

## UPCOMING EVENTS

Our Annual 'State of the Union' client reception will take place the evening of November 9th - [Click Here to save the date in your calendar.](#)

This client reception takes place in Vancouver and will also be available to stream online. Stay tuned for more details coming soon!



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

Therefore, for investors, a long-term mindset has become more important than ever. At Hillside, we make every attempt to move our focus away from trendy buzzwords (e.g., generative AI) and to limit our exposure to fast-moving industries (e.g., innovative technology). One key question constantly concerning us is: how relevant would the product/service be 10-20 years from now, or as Jeff Bezos puts it, “what’s not going to change?” For example, part of the investment thesis for Fever-tree is that consumers want better and better products including beverages to enjoy.

Competition is another major enemy to corporate longevity, and hence, the significance of a moat (namely, durable competitive advantage) to investors. Why can't a resourceful imitator come and eat our lunch? Text books may list factors like brand, scale, network effect, and intellectual property. On a more practical level, we look for hard evidence such as high switching cost, market dominance, consistent gains to market-share, niche focus, high customer retention rate, exclusive and/or long-term stakeholder relationship. For example,

[Tabelog](#) (owned by Kakaku.com Inc.) is the largest and probably the only meaningful restaurant-review site in Japan, a country with the highest density of restaurants/cafeterias in the world. The platform has gained considerable market-share of restaurants and widened the competitive gap against the no. 2 throughout the pandemic. Besides, it does not make a lot of sense to write/read reviews on a site with lower online traffic or fewer reviews. We regard Tabelog as the long-lasting, self-created, mass-market “Michelin Guide” for the ordinary Japanese diner.

Lastly, a healthy culture supports sustainability. It has been widely observed that the no. 1 risk for an already successful enterprise comes from within. Remember that Fortune’s estimate regarding average lifespan being even shorter for the top 100 than for the top 500? One explanation could be around the scale disadvantage - larger companies may experience more internal complexity and diversification, which likely dilutes the corporate culture. At Hillside, we tend to overweight an owner mindset, the common traits of which, include thinking long-term, conservatism, cost consciousness, customer centricity, and discipline. Bouvet is a good example. The Norwegian consulting firm has seen (human) resource capacity as the top bottleneck to its growth. Yet, instead of rushing out to hire, the management has prioritized its people-first corporate culture. We believe that the best days are still ahead for Bouvet, as the company gradually (and “carefully”) expand its employee base to fulfill additional demand for its services.





## ZUCCHINI CAKE

Summer has wrapped up and zucchinis are bountiful this season! Have you heard the term '**zucchini pusher**'? If not, you probably know of one - when the garden has produced so many beautiful summer squash that one enthusiastically (or aggressively!) tries to give them away to everyone they cross paths with.

This month, we're bringing you this delicious recipe for courgettes! It has been a favourite for many years - Heidi's mom would make this (and a big thanks to Heidi for sharing another one of her favourite dishes!).

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

*Serves 8*

- |                                    |                         |                                      |
|------------------------------------|-------------------------|--------------------------------------|
| - 1/2 cup butter, room temperature | - 1 tsp baking soda     | - 2 3/4 cups flour                   |
| - 1/2 cup vegetable oil            | - 1/2 tsp baking powder | - 3/4 cup cocoa powder               |
| - 1 3/4 cups granulated sugar      | - 1 tsp salt            | - 3 cups grated zucchini             |
| - 2 tsp vanilla                    | - 2 eggs                | - 3/4 cup semi sweet chocolate chips |
|                                    | - 1/2 cup sour cream    |                                      |

*Directions:*

1. Preheat oven to 325°
2. Spray a 9×13 baking dish with cooking spray and set aside.
3. Beat butter, vegetable oil and sugar together until smooth. Add in vanilla, baking soda, baking powder, salt and eggs and continue mixing until smooth and combined, scraping sides as needed.
4. Add in sour cream alternately with the flour, mixing after each addition until smooth.
5. Next mix in cocoa powder until evenly combined.
6. Finally fold in zucchini and chocolate chips
7. Pour batter into prepared pan and bake for 30-40 minutes or until a toothpick inserted in center comes out clean.

*For the Frosting*

- |                       |                      |
|-----------------------|----------------------|
| - 1/2 cup butter      | - 1/4 cup milk       |
| - 1/2 cup brown sugar | - 2 cups icing sugar |
1. Melt butter and brown sugar, cook 2 minutes stirring the entire time.
  2. Add milk and stir until it boils.
  3. Cool and add icing sugar and beat until spreadable.



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



## AUGUST 2023 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to August 31, 2023	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception**
Hillside Conservative Growth*	<b>11.43%</b>	<b>-1.60%</b>	<b>5.63%</b>	<b>12.25%</b>	<b>4.45%</b>	<b>5.59%</b>	<b>6.91%</b>
HCG Benchmark <sup>1</sup>	5.05%	-0.31%	2.73%	4.61%	0.84%	3.07%	3.57%
Hillside Balanced Growth*	<b>15.37%</b>	<b>-2.27%</b>	<b>7.61%</b>	<b>16.75%</b>	<b>7.40%</b>	<b>6.95%</b>	<b>9.21%</b>
HBG Benchmark <sup>2</sup>	7.66%	-0.49%	4.16%	8.46%	3.57%	4.72%	4.84%
Hillside Focused Growth*	<b>21.95%</b>	<b>-2.79%</b>	<b>10.29%</b>	<b>26.13%</b>	<b>11.85%</b>	<b>7.62%</b>	<b>9.74%</b>
HFG Benchmark <sup>3</sup>	11.90%	-0.72%	6.65%	14.38%	9.03%	7.37%	7.40%

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.

<sup>1</sup> Hillside Conservative Growth Benchmark: 100% Vanguard Conservative ETF

<sup>2</sup> Hillside Balanced Growth Benchmark: 100% Vanguard Balanced ETF

<sup>3</sup> 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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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.