ODLUM BROWN REPORT

Q1 2015

ODLUM BROWN
Investing for Generations

INSIDE THIS ISSUE

Page 1
Odlum Brown Model Portfolio Celebrates 20 Years

Page 4
Odlum Brown's 21st Annual Address

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Odlum Brown Model Portfolio Celebrates 20 Years

COMPOUND ANNUAL RETURNS[1] (Including reinvested dividends, as of December 15, 2014)

	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR[2]
Odlum Brown Model Portfolio	14.3%	19.0%	22.3%	15.5%	11.1%	14.0%	15.7%
S&P/TSX Total Return Index	3.4%	7.5%	9.2%	6.5%	7.1%	6.1%	8.6%
S&P 500 Total Return Index ($CDN)	20.3%	25.6%	25.2%	16.9%	6.8%	2.6%	8.7%

[1] Except for YTD period. [2] Also since inception.

Time flies! Twenty years have passed since we started the Odlum Brown Model Portfolio.

We officially launched our hypothetical portfolio on December 15, 1994, at the end of a tough year for stocks and bonds, and just days before the Mexican Peso crisis. Happily, that did not stop the Model from having a good start and flourishing over the years.

With an initial investment of $250,000, our Model has grown to $4.6 million, a more than 18-fold increase and a compound annual return of 15.7%. The same amount invested in either the U.S. or Canadian equity benchmark would have grown to roughly $1.3 million.

There has been no shortage of nerve-rattling events over the last 20 years. Out of the gate, Canada had record debts and deficits, which caused Canadians and foreigners alike to fear the worst. Quebec was threatening to separate and narrowly lost a sovereignty vote in October 1995. The Asian financial crisis gripped much of East Asia in 1997. In 1998, the Russian financial crisis caused the collapse of Long-Term Capital Management and required financial intervention by the U.S. Federal Reserve, due to fear that the demise of the world's biggest hedge fund would undermine the financial system. That proved to be small potatoes compared to the collapse of investment bank Lehman Brothers in the fall of 2008, which threatened the entire financial system and caused the biggest global recession since the Great Depression.

Fortunately, governments and central banks pulled out all the stops and got the world economy back on its feet with unprecedented fiscal and monetary stimulus. Nonetheless, worries and uncertainties have lingered. Political dysfunction in Washington caused a major market correction in 2013, as investors feared a U.S. debt default because lawmakers couldn't agree to raise the debt ceiling.

The European economies remain fragile and periodically they veer toward recession. Economic growth is slowing in China and other emerging markets, and Japan is struggling to revitalize its economy, creating new worries for investors. The price of oil has plummeted, in turn generating concerns about the health of oil exporting countries.

Terrorism haunts investors, especially since the shocking attacks on the World Trade Center in New York on September 11, 2001. Major wars followed, including the ones in Afghanistan and Iraq.

There have been two major stock market booms and busts over the last two decades – the technology mania that peaked in 2000, and the commodity craze that climaxed with the price of oil at US$140 per barrel in the summer of 2008. High quality, blue-chip stocks have been on a rollercoaster ride as well, with valuations rising to silly levels in the late 1990s, contracting significantly before and during the 2008/09 financial crisis and recovering since.

Over the years, there have been major corporate scandals, including Bre-X, Enron and WorldCom. There have been health scares too – SARS, H1N1 and Ebola – and devastating natural disasters, including the ice storms in 1998, Hurricane Katrina in 2005, and the Alberta floods in 2013.

Despite all of the bad things that have happened in the world, there have been many good developments as well. Our standard of living continues to improve, with Canada's inflation-adjusted per capita economic output rising more than 70% since we launched our Model. Life expectancy has increased by five years, thanks to breakthroughs in medicine and health care. The advancements in technology have been nothing short of remarkable. Throughout, businesses have endured and ultimately thrived, with U.S. corporate profit margins near multi-decade highs

Continued on next page

Looking Back at Calendar Year Returns[1]

2014[2]	14%	3%	20%
2013	33%	13%	41%
2012	17%	7%	14%
2011	3%	-9%	4%
2010	12%	18%	9%
2009	20%	35%	9%
2008	-20%	-33%	-23%
2007	-3%	10%	-10%
2006	19%	17%	16%
2005	23%	24%	1%
2004	22%	14%	3%
2003	32%	27%	6%
2002	-8%	-12%	-23%
2001	18%	-13%	-7%
2000	44%	7%	-6%
1999	19%	32%	14%
1998	11%	-2%	38%
1997	33%	15%	39%
1996	24%	28%	23%
1995	19%	15%	34%

1 Canadian and U.S. equity benchmarks are the S&P/TSX Total Return Index and the S&P 500 Total Return Index ($CDN), respectively.

2 YTD as of December 15, 2014.

and S&P 500 company profits more than triple what they were in 1994.

Stock markets, while always volatile, have consistently found higher ground.

The Odlum Brown Model Portfolio has managed to outpace our benchmarks by a considerable margin over the last 20 years because we have a passionate and motivated team of equity analysts and a time-tested, disciplined investment approach.

In 20 years, our equity research team has grown from two – yours truly and a resource analyst – to a well-rounded group of six seasoned professionals today. Our analysts are unique in that they are investors first and analysts second. They follow their passions and find businesses that they would like to own themselves. Indeed, we eat our own cooking and encourage our analysts to invest alongside clients.

Insisting on a margin of safety, being long-term oriented, and having a willingness to be different are three cornerstones of our philosophy that we believe have contributed to pleasant results.

The formula for doing well in the stock market is simple – buy good companies at good prices and hold them for the long-term. Unfortunately, the human race is emotionally wired to buy high and sell low. The average investor often buys with excitement when stocks rise and sells in a panic when they fall. When we buy a stock, we want a margin of safety. A big part of that safety comes from buying when others are selling and not paying too much. However, we don't try to time the market by raising and lowering cash levels. Instead, we believe in being fully invested in the stocks and sectors that offer the best value.

We avoid emotional mistakes by having a long-term focus. The market is very efficient, with a lot of smart people trying to figure out what is going to happen next month or next quarter – it's a mug's game and nobody is consistently good at it. We spend our energy trying to figure out where businesses will be in three to five years and whether today's price is too high or too low.

We are the tortoise in the *Tortoise and the Hare* fable. We fear losing money in the long-run much more than we care about missing the excitement in the short-term. We would rather own attractively valued businesses that might temporarily become cheaper, than risk overpaying for popular businesses that could permanently destroy capital in the long-term. By losing less than others in tough times, we have more capital to grow and compound during the good times.

While our approach sounds logical, it can be difficult to execute at times. Sometimes our strategy and portfolio positioning are very different than what everyone else is doing, and sometimes the short-term results don't look very good.

What happened in 2007 is a great example. The Canadian stock market was up 10% that year, but our portfolio was down 3%. We had shifted a lot of money into big, stable American blue-chip stocks like Coca-Cola and Johnson & Johnson that were out of favour and very attractively priced. We were also significantly underweight Canadian resource stocks.

At the time, we thought the combination of high oil prices, tighter monetary policy, and a collapsing U.S. real estate market would slow global growth and undermine the performance of cyclical stocks. While we were ultimately right, investors were slow to realize what was on the horizon and bid resource stocks higher and higher. The Canadian dollar also went to an overvalued extreme of US$1.10, which added insult to injury on the translation of our large U.S. holdings.

Fortunately, the decisions made prior to the financial crisis ultimately yielded large rewards. Over the last five years, the Model has appreciated by 105%, more than three times the 34% gain in the Canadian benchmark stock index. A large commitment to foreign stocks, principally U.S. listed multinational corporations, and an underweight in cyclical resource stocks, are the two major factors that explain the good results.

As always, there will be plenty to worry about in the years to come, and the stock market will remain volatile, yet we have little doubt that quality businesses will survive and thrive and that our Model Portfolio will do well.

We wish you a healthy and prosperous new year.

MURRAY LEITH, CFA
Vice President and Director, Investment Research

ODLUM BROWN MODEL PORTFOLIO

	S&P/TSX Weight	Dec 15/14 Price	Shares	Cost	Market Value	Portfolio Weight	Dividend Yield	Price Target	Total Return Potential
FINANCIALS	**36.7%**					**30.8%**			
JPMorgan Chase & Co. (JPM)*		$59.16	3,000	$112,931	$206,276	4.5%	2.7%	$70.00	21%
Brookfield Asset Management Inc. (BAM.A)[1]		$55.62	3,700	$85,129	$205,794	4.5%	1.3%	$62.00	13%
Markel Corporation (MKL)*		$673.65	220	$139,663	$172,249	3.7%	0.0%	$800.00	19%
Toronto-Dominion Bank (TD)		$52.10	3,200	$71,826	$166,720	3.6%	3.6%	$60.00	19%
Onex Corp. (OCX)		$64.71	2,000	$36,513	$129,420	2.8%	0.3%	$70.00	8%
Manulife Financial Corp. (MFC)		$21.06	5,500	$104,447	$115,830	2.5%	2.9%	$26.00	26%
Bank of Montreal (BMO)		$79.37	1,400	$98,772	$111,118	2.4%	4.0%	$87.00	14%
Bank of New York Mellon (BK)*		$39.72	2,400	$59,099	$110,795	2.4%	1.7%	$42.00	7%
The Howard Hughes Corp. (HHC)*		$125.09	750	$36,753	$109,039	2.4%	0.0%	$180.00	44%
Intact Financial Corp. (IFC)		$80.67	1,200	$43,380	$96,804	2.1%	2.4%	$88.00	11%
MATERIALS	**10.6%**					**6.2%**			
Air Products & Chemicals (APD)*		$137.32	650	$71,775	$103,740	2.2%	2.2%	$160.00	19%
Weyerhaeuser Company (WY)*		$35.59	2,300	$69,601	$95,138	2.1%	3.3%	$36.00	4%
PotashCorp (POT)		$40.19	2,200	$90,544	$88,418	1.9%	4.0%	$45.00	16%
ENERGY	**20.3%**					**11.8%**			
Peyto Exploration & Development Corp. (PEY)		$33.09	3,300	$57,090	$109,197	2.4%	4.0%	$45.00	40%
Chevron (CVX)*		$100.86	800	$109,941	$93,780	2.0%	4.2%	$145.00	48%
Canadian Natural Resources (CNQ)		$31.85	2,500	$79,500	$79,625	1.7%	2.8%	$52.00	66%
National Oilwell Varco (NOV)*		$61.93	1,000	$70,474	$71,978	1.6%	3.0%	$93.00	53%
Cameco (CCO)		$17.57	4,000	$85,320	$70,280	1.5%	2.3%	$25.00	45%
Cenovus Energy Inc. (CVE)		$19.29	3,500	$119,029	$67,515	1.5%	5.5%	$28.00	51%
Encana Corp. (ECA)		$13.53	4,000	$103,258	$54,120	1.2%	2.4%	$28.00	109%
INDUSTRIALS	**8.8%**					**10.7%**			
Canadian National Railway Co. (CNR)		$74.55	1,600	$42,264	$119,280	2.6%	1.3%	MP	N/A
3M Co. (MMM)*		$156.85	650	$56,003	$118,494	2.6%	2.2%	$172.00	12%
TransDigm Group (TDG)*		$192.93	450	$65,102	$100,905	2.2%	0.0%	$220.00	14%
United Parcel Service Inc. (UPS)*		$110.75	650	$50,735	$83,667	1.8%	2.4%	$108.00	0%
General Electric Co. (GE)*		$24.59	2,600	$50,404	$74,307	1.6%	3.7%	$31.00	30%
CONSUMER DISCRETIONARY	**6.5%**					**8.8%**			
CarMax Inc. (KMX)*		$58.84	1,800	$89,362	$123,096	2.7%	0.0%	$60.50	3%
Starbucks Corp. (SBUX)*		$80.89	1,100	$33,941	$103,416	2.2%	1.6%	$85.00	7%
TRI Pointe Homes (TPH)*		$13.84	5,700	$90,539	$91,688	2.0%	0.0%	$20.00	45%
General Motors (GM)*		$31.00	2,400	$60,237	$86,471	1.9%	3.9%	$40.00	33%
INFO TECH	**2.2%**					**10.3%**			
Syntel Inc. (SYNT)*		$43.48	3,700	$45,902	$186,978	4.0%	0.0%	$50.00	15%
Visa Inc. (V)*		$256.70	400	$94,220	$119,340	2.6%	0.7%	$290.00	14%
Google (GOOG)*		$513.80	150	$38,148	$89,575	1.9%	0.0%	$680.00	32%
Qualcomm Inc. (QCOM)*		$70.37	1,000	$84,020	$81,788	1.8%	2.4%	$90.00	30%
CONSUMER STAPLES	**3.7%**					**6.1%**			
Procter & Gamble (PG)*		$89.20	1,100	$90,923	$114,040	2.5%	2.9%	$105.00	21%
Colgate-Palmolive Co. (CL)*		$67.95	1,100	$45,094	$86,872	1.9%	2.1%	$74.00	11%
Nestle SA ADR (NSRGY)*		$71.37	1,000	$85,677	$82,950	1.8%	3.4%	$87.00	25%
TELECOM SERVICES	**5.1%**					**3.8%**			
BCE Inc. (BCE)		$51.76	2,000	$69,350	$103,520	2.2%	4.8%	$55.00	11%
Rogers Communications (RCI.B)		$44.23	1,600	$72,016	$70,768	1.5%	4.1%	$53.00	24%
UTILITIES	**2.2%**					**2.1%**			
Fortis Inc. (FTS)		$38.30	2,500	$58,375	$95,750	2.1%	3.3%	$40.00	8%
HEALTH CARE	**3.7%**					**8.2%**			
Stryker Corp. (SYK)*		$91.40	1,400	$75,744	$148,722	3.2%	1.5%	$98.00	9%
Johnson & Johnson (JNJ)*		$103.96	1,000	$73,335	$120,828	2.6%	2.7%	$117.00	15%
DaVita HealthCare Partners (DVA)*		$72.86	1,300	$76,797	$110,086	2.4%	0.0%	$80.00	10%
SUB TOTAL				**$3,093,232**	**$4,570,377**	**98.9%**			
SHORT-TERM INVESTMENTS					**$50,984**	**1.1%**			
PORTFOLIO TOTAL					**$4,621,361**	**100%**			

* = Prices in U.S. dollars   U.S. Exchange ($US/$CDN) $0.86040   Foreign Weight 61.7%   MP = Market Performer

[1] Class A shares elect one-half of the company's Board of Directors.

The Odlum Brown Model Portfolio was established on December 15, 1994 with a hypothetical investment of $250,000. Trades are made using the closing price on the day a change is announced. Performance figures do not include any allowance for fees. Past performance is not indicative of future performance.

Odlum Brown's 21st Annual Address

We are pleased to invite you and your guests to the 21st Annual Address, Odlum Brown's signature speaker series, which features presentations from:

DEBRA HEWSON
President and Chief Executive Officer

MURRAY LEITH
Vice President and Director, Investment Research

Ms. Hewson will provide an overview of Odlum Brown's successful approach to investing. Mr. Leith and his team will explain how to be a better investor, identify great companies and compound wealth in a slow-growth world.

KELOWNA
Tuesday, February 24, 2 PM
Coast Capri Hotel
Ballroom
1171 Harvey Avenue
RSVP to Chantal at 250-861-5700 by February 17.

WEST VANCOUVER
Wednesday, February 25, 7 PM
Kay Meek Centre
Main Stage Theatre
1700 Mathers Avenue
RSVP to Caitlin at 604-844-5336 by February 18.

COURTENAY
Thursday, February 26, 2 PM
Crown Isle Resort
Ballroom
399 Clubhouse Drive
RSVP to Terina at 250-703-0637 by February 19.

VANCOUVER
Monday, March 2, 2 PM
The Fairmont Waterfront
Waterfront Ballroom
900 Canada Place Way
RSVP to Caitlin at 604-844-5336 by February 23.

SOUTH SURREY
Tuesday, March 3, 7 PM
Morgan Creek Golf Course
3500 Morgan Creek Way
RSVP to Caitlin at 604-844-5336 by February 24.

CHILLIWACK
Wednesday, March 4, 2 PM
Coast Chilliwack Hotel
Rosedale Room
45920 First Avenue
RSVP to Taylor at 604-824-3376 by February 25.

VICTORIA
Thursday, March 5, 2 PM
Delta Victoria Ocean Pointe
Ballroom
New entrance! 100 Harbour Road
RSVP to Monica at 250-952-7775 by February 26.

RSVP electronically! Visit odlumbrown.com/rsvp to register online.

Reserve seating early as space is limited.

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