Equity strategy

The Cordiak Group

Wealth Management

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We are pleased to provide a better understanding of our beliefs and approach to investing your capital in the equities markets (stock market). Our goal is to compound capital at an above-average rate, while incurring a below-average level of risk of losing permanent capital. Our approach is based on these core beliefs:

- We believe the worst investment enemy is the investor themselves, being fearful or emotional at the wrong time. Investor behavior creates bargains and mispriced assets; we bring considerable discipline to buy when some are fearful and sell when others are overenthusiastic.
- We believe many investors are too active, having heard that "no one ever went broke taking a profit." We also don't believe you will get rich with this philosophy.
- We believe most investors over-diversify. How much do you know about your 50th holding?
- We believe the terms "growth" and "value" are not mutually exclusive investing styles. The most important component in determining the value of a company or security is the future growth opportunity.
- We do not get involved with the hot fads of the day.

How we invest

Our process is to build a portfolio of high-quality, carefully selected companies with superior attributes, including competitive advantages, superior business models, healthy balance sheets and reinvestment opportunities. We seek highly skilled management that treats their shareholders as partners.

Competitively advantaged businesses

- We look for companies that are resilient, predictable, dominant and monopolistic.
- We seek high-quality products or services, esteemed brands and reputations, distribution superiority, proprietary technology or a corporate culture that attracts and retains top people.
- A high-quality business is one that can sustain a high return on capital employed. This philosophy favors companies that sell or provide recurring product or services, without having to continuously win new customers to replace departing ones. We avoid companies that produce products or services that can be deferred, and we are acutely aware that quality is forward looking.

- Businesses whose assets are intangible and difficult to copy. We prefer non-capital intensive businesses operating in industry sectors with a high barrier to entry and pricing power. Brand names, dominant market share, logistic networks, large client bases and patents are the intangible assets we seek. Examples include: credit ratings, payment networks, software, chocolate, cookies, liquor and internet search.
- We want our companies to deliver value to their customers. We constantly ask ourselves whether the product or service is a good deal from the customer's perspective.

Businesses with reinvestment opportunities

- We seek companies that generate substantial free cash flow. The businesses we seek must also have long-term growth potential. We favor companies that can deploy excess cash flow back into the business and earn high returns on capital employed.

Experienced management

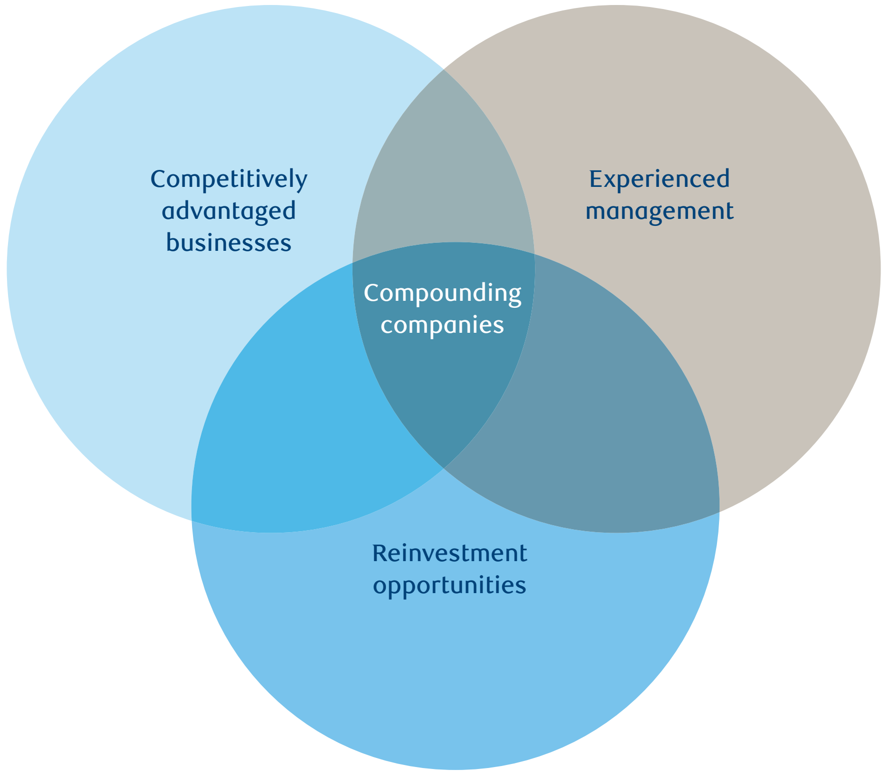
- We desire management teams that understand the cost of capital and capital allocation. Management that is custodian of the company's culture of purpose and meaning, and focuses on long-term health of the business.

In summary

We want to generate long-term, quality returns based on a repeatable, conservative investment process and invest in the most financially sound, competitively advantaged businesses we can find. Important considerations are strong balance sheets, abundant free cash flow, sustainable high returns on capital employed, stable or increasing profit margins and real organic revenue growth.

We invest when we believe the valuation is attractive, and aim to invest when free cash flow per share as a percentage of a company's share price (free cash flow yield) is high, relative to long-term interest rates. We prefer to take advantage of opportunities when other investors are emotional.

Quality businesses that do the work for you



Seek out superior businesses with defensive moats:

- Durable, predictable, high return on invested capital and free cash flow
- Identifiable, sustainable competitive advantages
- Easy to understand
- Have strong sustainable pricing power
- Strong balance sheets
- How likely will the moat be intact in 10 years?
- Is the product or service a good deal from the customer's point of view?

Extensive opportunities to reinvest free cash flow organically or through acquisitions:

- Pattern of discipline reinvestment that generates compelling compounded growth

Highly skilled managers who treat their shareholders as partners:

- Pursue highest return on incremental dollar invested
- Exceptional skill, integrity and passion
- Indifferent to Wall Street's short-term focus
- Lean corporate culture fosters independence accountability
- Capital allocation: Does management thoughtfully weigh dividends, buybacks, mergers and acquisitions, and debt repayment?

While our investor approach does not change, we always try to apply these principles more effectively. This requires a continuous application of humility, feedback and accountability.

Contact me to learn more.

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RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in consultation with your independent tax or legal advisor.