

ODLUM BROWN REPORT

07 2024



Change is in the Air



ODLUM BROWN
Investing for Generations®

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Odlum Brown Limited



Odlum Brown Community



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OdlumBrown

A Message from our Executive Chair, Debra Doucette

The month of July isn't typically associated with change, but this July ushers in some exciting changes at Odlum Brown. At our AGM last month, I transitioned from the role of President to the role of Executive Chair. This change has been in the works for some time and has been carefully planned to ensure that the stewardship of the firm was passed to the best possible hands.

It is my great pleasure to introduce my successor and Odlum Brown's new President, Trevor Short.

Trevor has been a part of Odlum Brown for over 25 years. After joining our firm in a variety of client services roles, he spent time on our fixed income desk before he moved to the retail advisory side of our business. Trevor has built an exceptional advisory team and has served our clients with care and dedication. In addition, Trevor has served as a Vice President and Director of our firm and a member of the Executive Committee.

Trevor consistently models Odlum Brown's core value of putting clients first. He truly understands the soul of our firm and our commitment to our clients, team members and the communities we work in. I know these values will guide his leadership, and I can't wait to see what he will accomplish, together with our wonderful team, in the years to come.

I also want to say a heartfelt thank you to our immediate past board Chair, Andy Eisenbock. Andy has been such an important partner to me in my last three years as President. His counsel has been truly invaluable. Andy will remain on our board and Executive Committee and continue to work with his clients helping them to achieve their financial goals.

It has been an honour and a privilege to have served as the firm's President over the past 17 years. I am proud of everything we have accomplished together – through trying times like the 2008/09 financial crisis and the COVID-19 pandemic, to triumphs like last year's 100th anniversary celebrations. I am thankful for all the support, partnership and friendship of my work colleagues. And I am grateful for the opportunities I have had to connect with you, our valued clients. Whether it's been at our Annual Address or another client or community event, I have so enjoyed getting to know many of you and hearing your stories about our firm. Those conversations often taught me important lessons on how to make our firm better, and they always inspired me to find new ways to take the best care of our most valuable asset – the relationships we've built with our clients.

Through it all, please know that you have always come first. Thank you for your trust in me and in our firm.

Together with Trevor, your advisor and the whole Odlum Brown team, you are in excellent hands.



DEBRA DOUCETTE
Executive Chair



Going forward, if we grow the Model at a 7% annual rate, less than half the compound annual growth rate since inception, we will reach the 100-fold milestone in a little more than 10 years and before the Model's 40th anniversary.

Now that would be truly magical!



The Magic of Compounding Yields a 50-Fold Gain

COMPOUND ANNUAL RETURNS ¹ (For the period ended June 15, 2024)							
	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	20 YEAR	INCEPTION ²
Odlum Brown Model Portfolio	13.6%	20.4%	10.6%	12.1%	10.8%	11.2%	14.1%
S&P/TSX Total Return Index	4.7%	11.6%	5.5%	9.1%	6.9%	7.9%	8.5%
S&P 500 Total Return Index (\$CDN)	19.2%	29.3%	14.7%	15.9%	15.6%	10.3%	10.8%

¹ Except for YTD period. ² December 15, 1994.

In May 2024, the Odlum Brown Model Portfolio* achieved a significant milestone, a 50-fold gain from its value at inception in December 1994. What's even more remarkable is the fact that the milestone was reached merely two-and-a-half years after the 40-fold marker was breached in November 2021.

While we would love to take all the credit for the short timeframe between these milestones, we can't. The impressive growth in the Model has more to do with the magic of compounding, and basic math, than our skill. In fact, the rate of growth since November 2021 in the Model was 9.3%, considerably less than the 14.3% compound annual growth rate from inception through to reaching the 40-fold gain. Despite the lower growth rate, it took less time to achieve this latest milestone due to the greater size of the portfolio.

Warren Buffett likens compounding to rolling a small snowball down a hill. As the snowball rolls, it picks up more snow and grows larger. The bigger it gets, the more snow it accumulates, leading to exponential growth.

Just as stickier snow makes it easier to make a snowman, higher rates of return help investors build wealth faster. Still, starting early and a long time horizon are the factors that matter more.

Going forward, if we grow the Model at a 7% annual rate, less than half the compound annual growth rate since inception, we will reach the 100-fold milestone in a little more than 10 years and before the Model's 40th anniversary. Now that would be truly magical!

In our view, the four key components to unleashing the magic of compounding are:

- 1) Starting early,**
- 2) Owning great businesses,**
- 3) Being patient and**
- 4) Letting time work in your favour.**

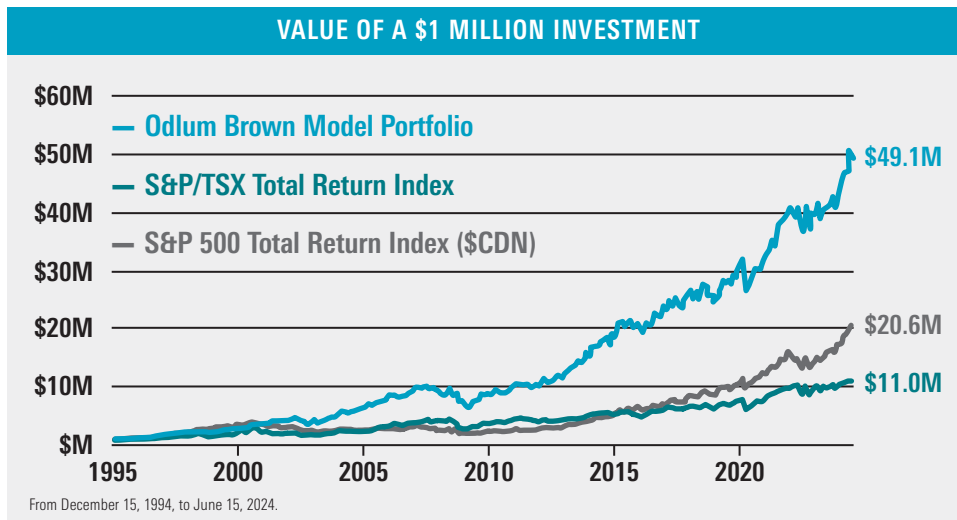
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While investing early in life is perhaps the easiest of the four, it may be the least practical. Most people have families and mortgages to pay for when they are young and tend not to build savings until later in life. What's important to remember is that it takes greater and greater amounts of savings to build a retirement nest egg as you age. Small amounts of savings early in life, like a handful of snow at the top of that hill, go a long way to building something grand.

Identifying great, profitable businesses with sustainable competitive advantages is not terribly difficult. After all, the media highlights great businesses every day. On the other hand, holding these businesses through good times and bad is much more challenging. That's because humans are not emotionally wired to be good investors. We tend to get overly enthusiastic when stocks are popular and pricey and pessimistic and fearful when the outlook is uncertain and stock prices are depressed. We tend to think we can trade our way to riches, yet most fail miserably in this endeavour.

Patience and a long-term perspective are virtues in investing. As the late Charlie Munger often said, "The big money is not in the buying and selling, but in the waiting." Moreover, he said, "The first rule of compounding is to never interrupt it unnecessarily."

Indeed, we have long argued that it is time in the market, not market timing that matters. While we spend a lot of time thinking and talking about the outlook for the economy, interest rates and politics, such matters don't undermine our commitment to being long-term investors. The Model has been nearly fully invested throughout most of its history. The only brief exception was in late 2019 and early 2020, when we had an elevated amount of cash and owned a little gold. While that posture added value at first, it ultimately proved too conservative and cost us some relative performance.



There have been a number of negative developments and frightening headlines in the last few years, and yet it has paid to stay invested. Most thought COVID-19 and the associated shutdowns would cause a long and nasty recession, but the 2020 recession ended up being the shortest on record. More recently, as central banks slammed on the proverbial economic brakes and aggressively raised interest rates to tame inflation, we and most others expected another recession. Thus far, one hasn't materialized.

That's not to say that worries about economic setbacks, inflation, interest rates, politics and global conflicts haven't caused gyrations in the price of stocks. They have, and they always will. There will be setbacks, but they will be followed by recoveries. Timing them is extremely difficult.

Based on our experience and our study of great investors and business leaders, those who accept uncertainty and short-term volatility and who remain committed to the long-term ownership of great businesses will experience the most magic.



MURRAY LEITH, CFA
 Executive Vice President and Director, Investment Research
 @murrayleith



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* The Odium Brown Model Portfolio was established on December 15, 1994, with a hypothetical investment of \$250,000. The Model provides a basis with which to measure the quality of our advice. It also facilitates an understanding of how we believe individual security recommendations could be used within the context of a client portfolio. 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 in the Community

We love the communities where we live and work! For over 100 years, Odlum Brown has been committed to supporting local initiatives and making a difference in our communities. We are proud to showcase the following summer events:

Thunderbird Show Park Langley, BC Summer 2024



Odlum Brown is returning for another memorable season as a Premier Partner and the official Investment Management Firm of Thunderbird Show Park! Last month, we were the Title Sponsor of the Odlum Brown BC Open, featuring the Odlum Brown Grand Prix 1.50m.

We are thrilled also to be the Title Sponsor of the Odlum Brown Grand Prix 1.40m, taking place on July 7.

For more information, visit tbird.ca.

Harmony Arts Festival West Vancouver, BC August 2 - 11, 2024



We are proud to return as the Presenting Sponsor of the legendary North Shore summer event, the Harmony Arts Festival.

Held along West Vancouver's breathtaking waterfront, the Harmony Arts Festival is a community-oriented celebration of music, performance, cinema, and visual and culinary arts. There's something for everyone, including many free concerts featuring some of the country's most memorable performers!

For more information, visit harmonyarts.ca.

Odlum Brown Vancouver Open and Fundraising Pro-Am Vancouver, BC August 21 - 25, 2024



We are excited to be the Title Sponsor of the 2024 Vancouver Open and Fundraising Pro-Am and a Major Partner of the Vancouver Golf Tour for the 2024 season. The Odlum Brown Vancouver Open and Fundraising Pro-Am, taking place from August 21 to August 25 at three Vancouver golf courses, is a 54-hole Stroke-play Championship that allows Canada's rising golf stars to springboard their careers onto major golf tour success.

For more information, visit vancouveropen.ca.

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