

MEET THE MANAGER

DAVID L. FINGOLD, BSc. MANAGEMENT



We sat down with respected global investor and Senior Portfolio Manager **David Fingold** who has managed through a variety of market cycles – booms and busts – during his long career. We asked him how he decides what to hold and what to trade and whether the contrarian label fits his style.

Q: Will you alter or adjust your investment approach to take advantage of this unfolding new order?

David: My approach to investing never changes. We invest in high-quality companies with good prospects that have the potential to perform throughout the market cycle in a range of conditions. More specifically, we're investing in companies that, relative to their peers, have better balance sheets, have superior profitability and more consistent profitability. Every time I pick a

company, I'm thinking about their prospects three to five years from now and if we can make an attractive enough return to commit our capital with a level of risk that's tolerable. When we do experience periods of short-term underperformance, we do not react by changing strategy. We intentionally avoid building portfolios that only do well when tides are rising. Rather, we focus on constructing rigorously researched, concentrated portfolios that give us a chance to deliver strong returns in a variety of market environments.

Q: How do you determine what's a trade and what's a buy and hold?

David: One of our previously owned largest holdings, Frutarom, was a company that produced natural food flavours. We acquired the stock in 2006, and it performed well. There is some cyclical to the consumption of natural food flavours; the company

traded down when there was a recession, but it was a business that could be a buy and hold because it could weather just about any market condition. Then there are trades. A trade can be something you're buying for two to seven years.

Q: Does the macro view ever come into play?

David: I pick stocks bottom-up but I worry top-down. So, if I invest in a company, I want to think about the risks to it. Here's an example. I might be constructive on a U.S.-based bank. However, if U.S. interest rates went negative in the States, that bank would have a big problem. And if that did happen, I wouldn't say, "Look at the valuation, it's great." I wouldn't say, "Look at how good management is." I'd say, "That's a material adverse change." So I use macro for risk management purposes only.



Q: How do you describe your investing style?

David: I am a value investor. I invest in companies that generate strong free cash flows, have good margins and are valued at a discount to my assessment of their intrinsic value. I also have to have a catalyst. The catalyst is usually that they have a cycle in their favour that people have not recognized. Defence is an industry that is only just into the first or second year of its up cycle. The up cycle is the catalyst.

Q: You've been called a contrarian. Does the label fit?

David: I love the label, but I don't think most people understand it. Most people think the contrarian thinks black is white and day is night. They think a contrarian catches falling knives and runs into burning buildings. The way you define a

contrarian is not what they do but how they do it. In other words, lots of people can do things that are out of favour, but if they lose money, they're fools. You're a contrarian if you make a profit. The difference between a contrarian and a fool is that a contrarian makes a profit.

Q: When assessing one company's prospects versus another, what do you focus on?

David: Among the many things we look at, I'd say balance sheet strength and profitability are the top two. If you buy a company that has a solid balance sheet and it's profitable, you can potentially make an unlimited amount of money. The only thing between you and that unlimited profit is the quality of your research and your patience. So, it makes more sense than in any other space to look for clean balance sheets in equities. If

an equity is a call on the surplus cash flows of a company and it has a very clean balance sheet, you'll have a call option on surplus cash flows that's perpetual.

Q: How do you assess balance sheet quality?

David: We do credit work on all of our equity investments. That's unique in our business. I've never understood why we're among the very few (if any) people doing this, but as an equity investor, I stand to lose 100% of my investment in a company before bondholders can lose anything. When I say "balance sheet quality" I mean rigorous credit work. We have a strong bench of credit experience on our team because the credit requirements of an equity investor are radically different than those of a fixed-income investor.

Q: How so?

David: If a fixed-income manager is picking a credit, there are levels that if they're getting the right part of the capital structure, they don't care if the issuer goes bankrupt. In fact, with the right part of the capital structure, they might want an issuer to go bankrupt because then they can get all the equity on a recapitalization. Further, a fixed-income investor who is incredibly senior may not care if the equity has any value. In fact, they may see it as a positive that

the company is in a position to issue stock and dilute shareholders. So, as a shareholder, my interests are diametrically opposed to those of the creditors. I think equity investors need to have a credit procedure. But it is not the credit procedure of a fixed-income investor because the equity guys are the most junior tranche of the capital structure.

Q: Do you invest in your funds?

David: It's important to understand that I do. I have no equity investments

except for those in my funds. Seventy-five percent of my deferred compensation goes into my funds. There's no such thing as other people's money in the funds because my money's right there with you. So when I say I don't like corporate bonds, I'm saying it because I don't want to lose money. When I say I don't like utilities, I'm saying it because I don't want to lose money. There's no such thing as other people's money. Skin in the game matters.

EXPERIENCE MATTERS

David Fingold has been managing Dynamic Funds mandates for more than 15 years, in which time he's navigated the Iraq War, the U.S. sub-prime housing bubble and the Great Recession. Through it all, he has managed to outperform the respective category averages on a cumulative basis during his portfolio management tenure.

| PERFORMANCE (as of May 31, 2019) | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception (Inception Date) |
|--|--------|--------|--------|---------|----------------------------------|
| Dynamic American Fund (Series A) | 16.0% | 16.8% | 14.0% | 12.8% | 10.3% (Aug-79) |
| Average US Equity Mutual Fund* | 4.8% | 10.2% | 10.9% | 13.3% | - |
| Dynamic Global Asset Allocation Fund (Series A) | 8.1% | 9.2% | 10.0% | 10.3% | 5.8% (May-07) |
| Average Global Equity Balanced Mutual Fund* | 1.6% | 5.5% | 5.4% | 7.7% | - |
| Dynamic Global Dividend Fund (Series A) | 12.8% | 15.3% | 14.0% | 12.4% | 7.9% (Mar-06) |
| Average Global Equity Mutual Fund* | 1.6% | 7.7% | 7.6% | 9.9% | - |
| Dynamic Global Discovery Fund (Series A) | 7.2% | 12.6% | 12.6% | 11.4% | 7.7% (Nov-00) |
| Average Global Equity Mutual Fund* | 1.6% | 7.7% | 7.6% | 9.9% | - |

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* The category averages include all mutual funds in the respective Morningstar category; it excludes segregated funds from its calculation.



David L. Fingold, BSc. Management

Vice President and Senior Portfolio Manager

David has been a key member of Dynamic's investment team since his arrival in 2002. He is lead portfolio manager for a number of U.S. and global value funds overseeing more than \$5 billion in assets. He has over 30 years of business, operational and investment experience including senior positions in corporate finance, sales, purchasing and marketing in the manufacturing, transportation and distribution industries. Prior to joining Dynamic, he spent seven years as part of a team actively managing equity portfolios for a privately owned merchant bank. Graduating in the top decile of his class, David earned a Bachelor of Science with High Distinction in management from Babson College in Wellesley, Massachusetts, in 1988.

Mutual Funds

Dynamic American Fund (Class)
Dynamic Global Asset Allocation
Fund (Class)
Dynamic Global Discovery Fund (Class)
Dynamic Global Dividend Fund (Class)

Private Investment Pools

Dynamic Global Equity Private Pool Class
Dynamic Global Yield Private Pool (Class)

To find out more about David and the Funds he manages, contact your Financial Advisor.

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