

# THE PERFORMERS

× CANADA'S INFLUENTIAL THOUGHT LEADERS ×

“OUR APPROACH INVOLVES TAKING THE INVESTABLE UNIVERSE AND IDENTIFYING THE HIGH-QUALITY, GROWTH-ORIENTED BUSINESSES WITH THE BEST VALUATIONS. UNDERSTANDING THE INTERPLAY BETWEEN PRICE AND VALUE IS CRITICAL TO OUR APPROACH BECAUSE PRICE DOESN'T ALWAYS ALIGN WITH VALUE, AND THEREIN LIES THE OPPORTUNITY.”

×

**GAREY J. AITKEN, CFA, MBA**  
*Chief Investment Officer,  
Franklin Bissett  
Investment Management*



## **What is your investment philosophy?**

At a fundamental level, we take a “growth at a reasonable price” approach which has been consistently practiced here at Franklin Bissett throughout our 30-year history. The growth element is based on a sustainable high level of profitability through economic cycles and how a business is positioned to evolve and grow. The second component relates to valuations; we estimate the present value of a company’s future free cash flows in valuing the equity. It’s that interplay between price and value that is so important. We strongly believe that price doesn’t always align with value, and therein lies the opportunity.

## **How does that philosophy help you navigate market conditions?**

The inevitable ebb and flow of the market over time creates the inefficiencies we try to capitalize on. Our bottom-up style might occasionally go out of favour, but we’re not going to change our stripes based on short-term thinking nor will we chase market performance. Our disciplined approach to identifying opportunities has served our clients well over the past 30 years, and we expect it will continue doing so going forward.

## **What do you look for in the companies in which you invest?**

We want to find businesses with a durable business model and a sustainable competitive advantage that will allow them to generate attractive profitability over the long term. This is why we put so much effort into our bottom-up research to identify businesses where we’re confident that both strong profitability can be sustained and the underlying industry can withstand the test of time. There are a lot of elements that go into

this, and some are more subjective. For example, we look for management teams with proven track records that have delivered what they set out to do. Having an appropriate balance sheet is critical, and how capital is allocated is vital. Capital can either be reinvested back in the business, which we’re happy to see if it’s done on an attractive basis, or returned to shareholders either through dividends or buybacks. So measuring how effectively or ineffectively management allocates capital is a critical step in our analysis.

## **What world or market event has taught you the most?**

The most significant event of my career was the 2008 financial crisis, which taught us valuable lessons and continues to affect capital markets today. Although there was a lot of pain in the equity markets and few places for anyone to hide, our long-term approach and valuation work served us well. The negative shock to the global economy and the investment industry was huge, but we maintained a constructive view on the long term prospects for the economy and the positioning of the high quality business in which we invest. The sell-off was so extreme that it created rare opportunities.

## **What are the big trends you see unfolding right now?**

I think to some degree that we’re still convalescing from the great financial crisis, and while there was the immediate rebound that one would expect, where global economic growth goes from here remains far from certain. Emerging economies are still influential, and developed economies like the U.S., Europe and Japan remain a big area of focus because of the significance of their

growth for equity markets. Another interrelated theme is the monetary policy actions that have been implemented during the financial crisis. We are at a critical juncture regarding the direction of the U.S. central bank’s quantitative easing that aimed to stimulate economic growth. The ending or slowing down of these policies will likely have important implications for interest rates, economic growth and market sentiment for both fixed income and equity markets. So clearly that’s another macro trend no equity investor can ignore.

## **What excites you most when you look ahead?**

Despite these issues we believe free-market economies will continue to grow as they have historically, and this ultimately is the driver of corporate earnings and provides opportunity for equity investors. As an active manager with a distinct style playing in a pretty small sandbox – the Canadian marketplace – our objective remains to do better than the overall market. That’s an opportunity and sometimes a challenge. However, I’m confident that there will be opportunities to continue to apply our distinct style, differentiate our portfolios and deliver on the long term performance objectives we have in place. So I’m excited about what we can do in the next 30 years.



## **WHAT ARE YOU READING?**

*I’m re-reading two books from years ago: Atlas Shrugged by Ayn Rand and The Great Gatsby by F. Scott Fitzgerald.*



## **WHAT TRAIT DO YOU VALUE MOST IN A COLLEAGUE?**

*Passion—for the business and for the industry.*



## **WHAT’S THE BEST BUSINESS ADVICE YOU’VE RECEIVED?**

*Something often said by Warren Buffet: “To finish first, you must first finish.” That’s good advice in our business, where you’re really only as good as your entire track record.*



**FRANKLIN TEMPLETON  
INSTITUTIONAL**