



INTEGRA

Market Insights



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Over the last 2 years, our target investment allocation has been moving towards large multi-national companies often based in the US that have solid business models capable of producing profits in all markets. More importantly, these companies then share their profits with stockholders through growing dividends.

This has been the central thesis to our portfolio since the economic collapse of 2008. We have aligned our positions with mutual fund managers who seek companies who have earned profits in difficult economic conditions and that continue to share those profits with us, the investors, in the form of dividends. This provides us with regular cash flow that we continue to reinvest into new shares, thus increasing the numbers of shares we hold.

A few such examples of the types of companies that our managers are investing in are PepsiCo and Procter & Gamble. Although they report their income in the US, they are truly global companies with strong brands and well-developed product distribution networks around the world. As such, it is important to look past the headline name to determine the actual investment you are making.

Investing in PepsiCo is not an investment in sugary drinks, but rather an investment in a company that can place high margin products on every major street corner on the planet. This is a company that gets \$2+ for bottled water while carrying a diversified and innovative product line-up including GatorAde, Dole, Aquafina, East Side Marios, A&W, Lays, Tostitos, and many more. Despite having strong brand recognition, its products are constantly changing while the distribution network remains the profit generating engine.

Along these same lines, P&G is probably my favourite US holding at the moment. Its diversified brands include Crest, Gillette, Head & Shoulders, Hugo Boss, Covergirl, Tide, and countless others. What I find particularly compelling in this investment is that it is well protected against a drop in the US economy as people do not stop shaving, brushing their teeth or using shampoo because the economy has weakened.

Further, it is positioned to profit enormously from the emerging middle class in the BRIC (Brazil, Russia, India & China) countries.

Over the last twenty years, over 350 million Chinese have moved from rural areas to the cities in search of better paying jobs. Something as simple as using shampoo and conditioner or brushing your teeth twice per day WITH toothpaste is now an everyday fact of life for the emerging middle class of this enormous country. By 2030, it is estimated that a further 400 million people will make the move from rural to urban areas in China alone. This potential market is twice the size of the US.

Given the Chinese propensity to associate with Western brands, we feel that PepsiCo and P&G are two examples of the types of investments to which we want to maintain long-term exposure. These holdings serve as an example to the investment philosophy we try to find in our mutual fund managers. We expect them to provide us down-side protection in the event that the world economic engine runs low on gas while providing the potential for long-term appreciation.

This philosophy is akin to that of the Oracle of Omaha, Warren Buffett. In his words, here are the types of companies we seek to invest in. ([Video Link](#))

For more information, or to know how this applies to your personal portfolio, please do not hesitate to call or email. ☺