



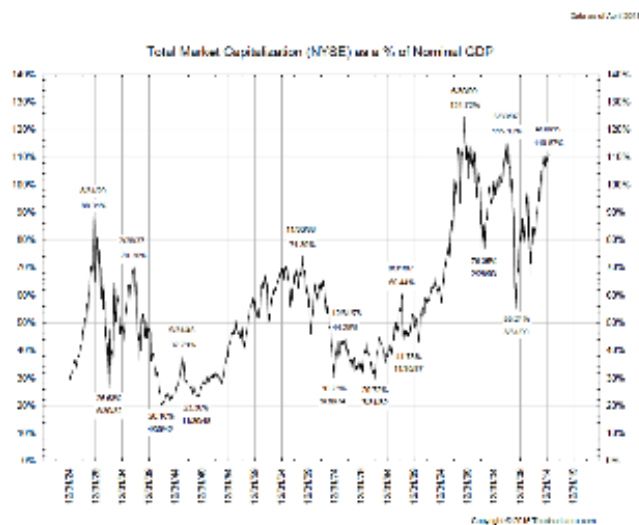
Spring 2015

“The more things change the more they stay the same.”

This newsletter marks our fifteenth year of operation! Time flies when you serve and work with people that you respect and admire!

We are astounded by the similarity in market conditions today and fifteen years ago. Today, as was the case fifteen years ago we believe that both the U.S. and Canadian equity markets are extremely overvalued and pose a significant amount of risk.

As the Total Market Capitalization to GDP graph below indicates, equity valuations are in dangerous territory. Today's levels have only been surpassed in 2000 and are twice the historical median. While the reasons and details may be different, the high risk and potentially low return environment is virtually the same. Once again a “margin of safety” is non-existent.



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As has been well documented, 2000's excessive valuations and risk were driven by an enthusiasm for shares in technology companies that spilled into the broader equity markets. Today's excessive valuations and risk are largely driven by global central banks flooding world economies with unprecedented liquidity and driving interest rates to essentially zero across virtually every developed market. The search for yield and return in this environment has led “a stampede” into equity markets as a better relative option.

Consequently, we are now having a great deal of difficulty finding new investment opportunities just as we did fifteen years ago. In March of 2000, we held approximately ninety per cent cash and today new accounts are at approximately eighty per cent cash. We are not pleased at the prospect of earning low returns for a period of time; however, our objective is to preserve your capital first and foremost and we will always forgo speculative returns in order to meet that goal.

From PCM's inception, our very fundamental and unshakeable belief is that the purchase of shares is a fractional investment in a business and the "mindset" of the investor should be that of a private business owner. As such, an uncompromised practice of this philosophy leads to several important principles:

- ✓ The value of a business can be calculated within a reasonable range
- ✓ The value of the business is independent of the market's valuation
- ✓ Attractive businesses can be purchased at discounts to their true value
- ✓ The time horizon is necessarily long term
- ✓ Risk is defined as the permanent loss of capital rather than the volatility of share prices

In turn, these principals lead to an extremely disciplined process that should provide adequate returns over time with far less risk:

- ✓ Buy and sell decisions are made on a very objective criteria; share price relative to business value
- ✓ The fundamentals of the business are constantly analyzed and monitored to ensure that the value remains intact
- ✓ The decisions are by definition contrarian and unemotional
- ✓ Trading is limited and costs are reduced
- ✓ The process is predictable and repeatable

It is this investment philosophy and process that leads to our portfolio composition. And it is why we are always comfortable with our portfolios; irrespective of what we own at any particular point in time. That is why we can sleep at night and so can you.

Fifteen years ago we made the following promises to you:

- ✓ PCM will Always Act as a Fiduciary
- ✓ PCM will be Uncompromising in Applying its Investment Philosophy
- ✓ PCM Partners will Invest Their Capital Along with Yours
- ✓ PCM will Always Tell You What We Believe

While we cannot predict or guarantee what the future will hold; we are hopeful that we will find opportunities over the next fifteen years that will allow us to potentially earn returns similar to, or better, than our returns of the past fifteen years. We can, however, guarantee that we will continue to keep our promises to you. For us, it is certainly true that “the more things change the more they stay the same.”

We were very happy to see many of you at our fifteenth year anniversary celebration at the Art Gallery of Ontario on May 1st. We were proud to share this special milestone with our clients, friends and families. It was a special night.

Because of your trust and confidence Patient Capital Management has grown from a start up with virtually no assets under management in March of 2000 to a business managing almost one billion dollars. To say that we are deeply grateful and humbled is an understatement.

Vito Maida
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