

**The greatest sign of appreciation you can show us is when you refer the V/C Fund to one of your friends or family members.**

Kindly note, the Value Contrarian Fund may only be purchased once monthly.

**Last Day for May Purchase\***

**May 25<sup>th</sup> 2016**

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\* Cheques must be received by Wednesday, May 25<sup>th</sup>, 2016

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**2016 First Quarter  
Value Contrarian Equity Fund**

**Dear Partners,**

**If I had eaten broccoli and brussel sprouts, I don't think I would have lived so long.**

**Warren Buffet  
CEO Berkshire Hathaway  
April, 2016**

**There's only one intelligent form of investing: figure out what somethings worth and see if you can buy it at or below that price.**

**Howard Marks  
Oaktree Capital Management  
January 19,2016**

## First Quarter Performance

Your Fund ended the first quarter with a net asset value of \$3,189.30 per unit, an increase of \$31.69 from the December 31, 2015 net asset value of \$3,157.61 (after distributions).

Many years back, the famous value investor Ben Graham made the following astute observation by stating, in the long run the stock market was a "weighing machine", but in the short run it's a "voting machine". Simply stated, the day-to-day market isn't a fundamental analyst, rather it's a chaotic barometer of investor psychological sentiment (fear & greed) – it's a voting machine/popularity contest.

Over the long term, the consensus of investors calculate what stocks are really worth. This consensus moves stock prices to approximate intrinsic values. The hard part for investors is that they must avoid being derailed by all the short-term noise and crises the markets can periodically throw at them. In the long run it's the business fundamentals which truly matter (the weighing machine).

In January and February of this year the stock markets had become a chaotic "voting machine". Fear and panic were wide spread. Was China about to suffer a meltdown? Was the U.S. on the verge of a recession? Would oil collapse to \$20 dollars a barrel?

The classic sign that a market bottom was imminent occurred in January of this year. We received a client call inquiring whether it might not be a prudent course of action to sell their entire portfolio. Seventeen months of a commodity induced bear market in Canada (September 2014 to January 2016) had finally driven investor "fears" to unbearable levels.

Shortly thereafter, oil prices and the stock markets bottomed right on cue when the front cover of Barrons, a respected business publication predicted, "Here Comes Twenty Dollar Oil". Thank-You Barrons for the heads up!

Fast forward to April, and fear has now given way to "nervous giggling" as the price of oil has risen 70% from its January bottom, and global mining shares have rebounded 75%. Question: Has economic growth or the prospects of global economic growth surged 70% since January? I think not! The rationality of the "weighing machine" has returned some sanity to commodity share prices.

Today, the economic data remains mediocre to ok, rather than the mess many were anticipating. Investors thought commodities were headed for an abyss. Instead, when they

decided it wasn't, the storm clouds began to part and small patches of blue sky reappeared. What has changed is the wild swings in investor emotions, (the voting machine) are now more positive than they were earlier in the year.

## OUTLOOK

**In fact, contrarianism is built on the premise that we generally should do the opposite of what the crowd is doing, especially at the extremes...**

Howard Marks  
Oaktree Capital Management  
January 19, 2016

Nothing could be further from the truth than the notion of the stock market as a short-term efficient pricing machine. "The idea that most assets are priced "right" – are based on the belief in investor rationality and objectivity. But certainly those traits are little seen in real life". One need look no further than the recent saga of Valeant, the Canadian pharma company.

Since its August 2015 peak, Valeant has lost more than 85% of its stock market value. At times, the investor "voting machine" can be rife with irrational Valeant exuberance. Conversely, do you wish you had taken the markets instruction in December 2015 and January 2016 and sold all your energy stocks? Or do you wish you had rejected its advice and bought instead when oil was priced under \$30 dollars a barrel.

Despite enemic economic growth, and the usually list of global uncertainties, we would not be surprised to see the Toronto Stock Market produce double digit returns in 2016 (making up for its poor performance over the past three years.) In our opinion, the glass is now half full, it's time to come out and invest for the long term.

Respectfully yours, \*\*

Benjamin D. Horwood  
Portfolio Manager  
May 1<sup>st</sup>, 2016

P.S. Do visit us at our web site: [www.valuecontrarian.com](http://www.valuecontrarian.com)

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\*\*We're often asked: "When is the best time to invest in the Value Contrarian Fund?" Although there is no best time, since it is impossible to time the market, a preferable entry point is when the Fund has produced a month of negative returns or a year of underperformance. Unfortunately, human nature prefers the exact opposite.

Overall, long-term shareholders in the V/C Fund benefit from a sinking stock market, the same as a regular grocery shopper benefits from declining food prices. So when stock markets plummet – as they will from time to time – “neither panic nor mourn”. It's good news for your Fund.

This letter is not to be construed as an offer, solicitation or recommendation to buy or sell any of the securities herein named. At the time of reading the investments mentioned may no longer be held by the V/C Fund. This information is intended only for existing investors in the Fund, as of the date indicated, is not complete and is subject to change. Performance information is net of applicable fees unless otherwise specifically noted. Past performance is no guarantee of future results. The information contained herein is unaudited. It has been supplied by Value Contrarian Asset Management (VCAM), the Fund's Investment Manager and not the Fund's Administrator who is responsible for the final calculation for the actual performance and final month-end Net Asset Values. Every effort has been made to ensure that the material contained herein is accurate as of publication. VCAM makes no representations or warranties as to the accuracy or completeness of such information and accepts no responsibility for any loss arising from any use of or reliance on the information contained herein. VCAM has no obligation to update the information at any point in the future.

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