

Our Process

- Balancing Flexibility and Discipline



Defining our Process

When it comes to investment styles, there are two popular schools of thought: Growth and Value. Whether you prefer to invest in companies with a high growth rate, or in companies undervalued by the market, the end goal is the same – to preserve and grow your wealth. But history has shown us that there are times when one or both styles suffer. So which is best for you?

We believe that a successful strategy must meet your investment needs in any market, without creating unnecessary risk to your investment portfolio.

As a result, we've developed our own strategy: **Value Plus**. It is a multi-strategy investment process that allows us to remain flexible and disciplined in even the most volatile market conditions.



Understanding Value Plus

The Value Plus strategy allows for strategic and tactical shifts in an ever-changing market, and integrates four key pillars: 1) Value investing, 2) Momentum & Growth Strategies, 3) Event Driven & Special Situation Opportunities and 4) Tactical Asset Allocation.



Value investing

Finding undervalued securities that are mispriced by other market participants is our preferred style of investing. We look for quality investments that trade at prices below their intrinsic value. As a result of our value process, we tend to favor dividend paying companies which enhance our absolute-return approach.

Momentum & Growth Strategies

This involves the purchase of securities that have already exhibited signs of success. Through careful analysis and comprehensive research, we confirm whether the future success of a security can be related to its positive past performance.

Event Driven & Special Situation Opportunities

Mergers, acquisitions, spin-offs, market volatility and company restructurings, – these are all realities of the financial markets. These situations provide us with opportunities to take advantage of the mispricing of securities on behalf of our clients.

Tactical Asset Allocation

Investor psychology and market forces can sometimes lead to periods of irrationality where investors tend to overreact. Our objective is to move among various asset classes to reduce your exposure to market risk.

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How we Select Securities

Our disciplined approach to security selection is a key part of the Value Plus strategy. We select securities through a three stage model in which we **identify**, **verify**, and **target** potential investment options. Each stage in our model acts as a filter to ensure the investment options that we select are, what we believe, the best available to you.

Identify: We screen our investment universe to identify investment possibilities.

Verify: Each investment possibility is unique and cannot be fully evaluated simply on historical patterns. By using fundamental and technical assessment techniques, we separate the real opportunities from the simple possibilities.

Target: Each investment opportunity is only an opportunity if it is realized within a certain price range. We assess market sentiment and short term trends to predict the point of optimal entry.

Measuring Success

- Absolute vs. Relative Returns

Most investment professionals measure their performance by comparing their returns to those of the market index or benchmark. This is called *relative returns*. Whether the market is rising or falling, the manager is required to keep up with it (track the benchmark).

But what if the markets suffer losses? If the market is down 40%, and your portfolio is down 30%, it's little comfort to you if your portfolio has beaten the benchmark by 10%. During an extended down market, it could take years to recover your losses.



At Pacifica Partners, we measure our success based on *absolute returns*. In other words, regardless of how poorly the market is doing, our goal is to generate a positive return year after year.

Managing Risk

Our risk management process revolves around **optimal diversification** across countries, currencies, industries, market capitalization, and asset classes, including cash.

Optimal diversification doesn't mean watering down your portfolio with bad investment ideas in order to avoid regret. Nor should it mean fearing to deviate from a benchmark index.

Optimal diversification is about investing in the best ideas across as many investment groups needed to minimize your risk.

We believe at times it is most prudent to maintain a larger holding of cash during periods of heightened market valuations and volatility. These temporary departures from the long-term investment strategy are to protect capital while waiting to enter the market again. This is what makes our approach unique.

“Sometimes waiting on the sidelines is the wisest course of action”

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