



Transcript of Yellowtail Folio Video Update: February 2018

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Hello and Good Day. My name is Laretta aka "Retz" Reeves and I am going to introduce you to - or update you on – Yellowtail, IIM's international Small/Mid Cap portfolio.

Before we get started, a word (several actually) from Compliance. I would like to highlight that this is not a solicitation to buy or sell any security; you should seek qualified, personal assistance before making any investments and that past performance is no indication of future performance, especially with a Folio like Yellowtail.

Another note: There is a glossary at the end of this presentation but I will try to cover some of the terms as we go.

For starters. What indeed is a Retz? Well it's my nickname – it's short for Laretta – just trust me. I have an interesting past – at least according to this slide – and presently I am IIM's international equity portfolio manager, and I also work with clients in developing and implementing financial plans.

Now that you know who I am, what is a Yellowtail? Well there are several species of YT for short – but I am referring at first to the small, but fast growing fish found around where we live that has a Yellow stripe on its side. They are fun to catch and eat!

We could have named our small/mid cap international folio after other small sea creatures, but Yellowtail sounded better than Shrimp or Grunt.

So, explanation of a couple of terms here:

A stock's US market capitalization is the number of shares outstanding times its current price times the appropriate FX rate. The size of the market cap is an indication of the size of the company and the liquidity of the stock. For our purposes we are targeting stocks at purchase with a market cap. of less than 10 billion USD that are domiciled outside of the US.

The Yellowtail Folio is a model I created and self-funded in 2014. It is a Spoke Fund in that I can link other clients to this model and then when changes are made, they permeate across the linked accounts. I will introduce you to some of our other Folio's later.

You might wonder why bother investing in stocks outside of the US? The classic reasons are opportunity (a bigger pool to choose from) and diversification. Currently international stocks are attractive from a valuation standpoint as shows on this slide.



Smaller companies offer additional advantages. Typically they have an opportunity to grow faster as many international economies are recovering, and these companies are growing off of a smaller base = i.e. it's easier to move the needle. Smaller companies typically are more focused on their country and region and have a lower correlation with US equities than international large companies that might have a bigger US exposure. Strengthening international currencies (more USD per unit of foreign currency) helps the US investors when translating the foreign share price to US dollars, but the earnings and local share prices of large companies that export may be negatively impacted by this dynamic. Smaller companies that concentrate on their home market may keep more of the benefit, therefore, of a weaker dollar.

SMID cap companies have market or systemic risk like all other equities, and indeed they maybe more volatile. Currency can also be a risk as small caps may have more concentrated exposure to particular currencies and less able to hedge at a good rate. With exposure to fewer countries, investments in smaller companies are more vulnerable to home market ills – think Greece. Less geographically smaller companies can be very vulnerable to changes in legislation in home or target markets. For instance changes in steel tariffs for companies without US operations could have an outsized negative effect on a foreign small company. Smaller companies could also find it more difficulty to overcome individual challenges, such as product failure, loss of key personnel, legal action or cash flow shortages.

Despite these risks, some of which can be mitigated by diversifying within the small cap space across different countries and industries, investing in small- and mid- cap companies can be additive to performance as shown the by the recent performance of Yellowtail. Yellowtail has also done well versus its benchmark: VSS – the Vanguard All-World ex-US Sm Exchange Traded Fund. I will repeat that past performance is not an assurance of future returns.

I did mention the importance of diversification within this space. You can see by the Country Allocation page that there is a big exposure to Europe but even with this region there is exposure to a mix of currencies such as euros, pounds and Swiss francs. But in addition there is exposure to Asia, Africa and New Zealand.

YT is also diversified across sector. The Industrial sector is significant, but this includes several industries – such as autopart manufacturers and business services.

I wanted to highlight some of the largest positions in the Yellowtail Folio. Some of these positions have risen to this level through performance, and some due to the nature of the minimum lot sizes that have to be purchased. I have visited both the Paris home office and one of the premier facilities of long-term care provider, Orpea – I wish I could find comparable facilities here. Georg Fischer, a quick train-ride from Zurich, with three main divisions: GF Piping Systems, GF Automotive and GF Machining Solutions has grown both organically and through acquisition. Tokyo-based Nichirei is a major producer of frozen foods and a provider of cold storage warehousing; if you didn't know, food is a big focus in Japanese culture. Our latest



addition to the Folio is Japanese MinebeaMitsumi which provides ultra- precision machining and electronics technologies.

On the next slide, three of the positive contributors to performance as measured by change in local price of the stock happen to be based in Switzerland, including: chocolate manufacturer Barry Callebaut, machinery and equipment manufacturer Bucher and pharma, consumer, healthcare and nutrition integrated solutions provider, Lonza. French consortium Groupe SEB produces small appliances such as Krups and Moulinex.

On the next slide we have our lagging contributors. They are all under review at this time.

There are actually two versions of Yellowtail because smaller accounts can't always take positions in stocks with large prices per share or that have minimum lot sizes of 100 or 1000 shares. The fee scale shown here is for individual investors, there would be significant breakpoints for larger institutional accounts. Since this Folio invests in international securities which requires Foreign Exchange trading, there are commissions charged by our trading platform – Interactive Brokers (IB). We find IB to be a competitive platform for individual investors, but we can adapt this model for other brokers if preferred for institutional investors.

In addition to Yellowtail we have two other international equity offerings that invest in ADRs (American Depository Receipts) mainly of stocks with larger capitalizations. Frigate invests in stocks with attractive relative valuations with the goal of capital appreciation. Treasure Harbor invests in stocks with good dividend yields with the objective of current income.

Our US proprietary Folios are Tarpon which targets stocks with attractive absolute valuations with the focus on capital appreciation. Gecko focuses on generating current income.

IIM also offers comprehensive financial plans for individuals, and retirement plans for individuals, small businesses and independent contractors. A link to our other services is in this slide.

As I mentioned, I have included a glossary. And here is a photo of our team...and finally the ways you can contact us. Please do so with any questions or comments. Thank you for your time.