

## Trimark Fund: following up earlier advice

*Trimark Fund certainly didn't perform as well as we thought it might in 2009. But the fund's philosophy should serve it well in 2010, a year in which many companies will find themselves without the advantages they had last year.*

In our Jan. 6, 2009, issue, we said **TRIMARK FUND** should do well in a market recovery. But though it gained 10.4 per cent in 2009, matching its benchmark index, the fund still lagged its peers. Last year, the MSCI World Index returned 10.4 per cent, while the average global equity fund rose 17.9 per cent.

Nonetheless, we still feel Trimark is poised to do relatively well in the continuing global economic recovery. That's because, in 2010, we think investors will be more likely to reward "quality" stocks than they did in the early part of 2009, when low-quality stocks gained the most.

In the immediate months following the market bottom in early March 2009, stocks that had been punished the most during the earlier sell-off were generally the ones that saw the greatest gains in value. But many of these stocks belonged to companies with poor business fundamentals. And many of these companies were heavily dependent on the various rescue packages governments had concocted to reinvigorate economies.

### The rotation to higher quality

But at some point fundamentals *do* matter. This certainly has been the case in recent months, as higher-quality stocks have generally performed better than lower-quality issues.

It's a trend that has played to the strengths of Trimark Fund, which outperformed its benchmark and led most of its peers in the final quarter of 2009. Over this time, Trimark gained 3.3 per cent, compared with the 2.3 per cent increase in the MSCI World Index and the 2.9 per cent gain of the average global equity fund.

Our guess is that this trend will continue in 2010. After all, sooner or later, governments will begin to wind down the stimulus programs that have lent support to so many businesses. Then too, record low interest rates will eventually start to head higher.

Under these circumstances, poorer-quality businesses that have been dependent on both these factors will likely become a lot less attrac-

tive to investors. Companies that are less dependent on a helping hand and low interest rates, however, will be more likely to thrive under circumstances that demand greater self-reliance.

These are the types of businesses in which Trimark invests. Over the course of the recession, the fund shunned many of the lower-quality investment opportunities that came to fruition in the early part of the market recovery. Instead, its managers remained true to the Trimark investment philosophy of focusing on businesses with strong, sustainable long-term fundamentals.

This is an investment approach that has served the fund well over the longer term, if not the short term. And that's why we continue to regard it as a suitable holding for conservative investors seeking long-term growth.

### Recommendation:

✓ We continue to rate Trimark Fund a buy for conservative investors seeking a core global equity fund for long-term growth.

### *Fund remains on our Top 40*

**Trimark Fund** has undergone some changes over the past decade or so. In the mid-1990s, it was considered essentially a U.S. stock fund, as it included few non-North American stocks. Today, however, the fund has about two-thirds of its portfolio invested in Europe, and less than a quarter in the U.S. This, in conjunction with the many management changes that have taken place at Trimark since the 1990s, has led a friend of ours to wonder whether the fund should still be on our Top-40 list.

We're certainly not concerned about the change in the fund's geographical orientation over the past decade. Country and sector allocations, after all, are by-products of the Trimark stock selection process, not its focus. And though the fund has lost managers over the years, Trimark has always replaced them with an experienced member of its management team. This has provided continuity over time.