



WELCOME TO Laurus!

INVESTING AS IT SHOULD BE.

“Bear in mind, Sancho, that one man is no more than another, unless he does more than another.”

- Don Quixote de la Mancha

About Laurus

Laurus Investment Counsel was formed in May 2014 and integrated with Bluewater Investment Management on September 30, 2016. Our conviction has always been that owning a small number of growth companies for the long term and knowing them well is the best way for equity investors to build wealth.

This approach has served the clients of each business very well.

All of our portfolios are built the same way. They are concentrated collections of solid, well-managed companies bought at a discount to their intrinsic value. Our valuation discipline adds a strong element of capital preservation.

Our specialty is the management of equity portfolios, for both institutional clients and private clients

Our Investment Philosophy

Our approach to investing starts off with the view that we consider ourselves owners of businesses and not just people trading pieces of paper. We invest in a small number of companies, so we get to know each one well.

We want to own companies that have a unique competitive edge that will allow them to grow organically and at a rate faster than the economy. Gaining an edge and creating new ideas and new products requires intellectual capital, the lifeblood of truly successful companies. Intellectual capital in turn drives revenue growth. It also drives profitability. The businesses we are attracted to tend to have low financial capital requirements, which provides high free cash flow. In other words, they generate a lot more cash than they need to maintain their operation.

We believe that the ability to generate free cash flow is what makes a company valuable. But what fosters the culture and the intellectual capital that creates a valuable stream of free cash flow? Management.



It is not enough to find high-quality companies. The price paid for an investment is extremely important. We will only buy a business when it is trading at a discount to our assessment of fair value.

We are disciplined buyers and sellers of businesses. Opportunities, or the lack thereof, will dictate our cash levels.

Our Research Process

Our approach is all about investing in well-managed companies that can grow for a long time. Our process is all about how we, as a team, tackle the challenge of finding the right companies.

Process begins with a thesis as to why a particular company may grow profitably for the long term. Note that we aren't just seeking growth for growth's sake. We are looking for companies which can grow and enjoy great financial success in their business. This can only occur over the long term as a result of unique competitive advantages. These companies are able to sustain high margins, generate lots of free cash flow, while maintaining strong balance sheets and high returns on capital.

In order to validate our thesis for a company, we study the business model, the financial history, competitive advantages, market position, and the skills and focus of its management. We also study the competitors and the prospects for the industry. We prefer to rely on our own research and invest only in situations where we have done the legwork ourselves.

Our studies take us worldwide in order to compare and learn. Our due diligence covers speaking to customers, suppliers, and competitors to learn as much as we can about each business. Our work also involves a large amount of reading, from company annual reports and regulatory filings, to newspapers and trade magazines. We try to visit companies and meet with management, either directly or via conferences. We try to find and learn from industry experts, who are in the position to know the details and nuances of particular companies and their management teams. These experts may be industry consultants, customers, competitors, suppliers, or ex-employees.

An important aspect of our research process is its company-specific nature without regard to the big picture, which we consider to be unpredictable. Our decisions are based on long-term considerations, not on the short-term issues of market cycles or economic cycles.

A solid thesis becomes a useful investment idea if our views of the company are not widely held by others. It is difficult to find a good company at a good price when the whole world is enthusiastic about the prospects. Much of our work centres around reasons why the market consensus may change. Is a company's new management having an as-yet unseen impact? Is a new product going to change the growth trajectory? Is demand turning around for a service that had been out of favour? Are competitors changing their behaviour? Finding answers to these sorts of questions can be very valuable.

If we can build a unique thesis on a high-quality company, and we can buy the company at a good price, we will become owners. We then constantly monitor the situation to challenge and confirm our thesis.



We will sell an investment if we have lost our confidence in the management team, can no longer support our thesis, if there is a significant long-term negative change in the business, or if the price has increased to a point where the business is overvalued by a large premium to our assessment of fair value.

Our Valuation Process

The word ‘value’ has different meanings to different people, and is a label that is sometimes used to categorize a type of investor. In our view, you cannot separate the two characteristics of growth and value. We want to own growing, highly profitable businesses, but we believe that it would be a mistake to overpay to own them. Our price discipline is strong. We believe in pursuing an exhaustive valuation process for each company. The key, and the art, is in finding those situations where the judgments we have made are not widely held by others.

To us, the stock market is simply the pricing mechanism for a variety of businesses. At times, the owners of those businesses are wildly optimistic about the future and this shows up in higher bids for their stock. At other times, pessimism is rampant and others will offer absurdly low asking prices for their businesses. The reality is that the true economic values of these businesses do not fluctuate as wildly as their stock prices do. Our job is to try to determine the value of businesses and exploit the opportunities created by the market.

We build detailed discounted cash flow models to help assess the value of a business. This modeling process requires an exhaustive review of historical financials, which teaches us about the economics of the business (as well as its successes and failures). Having our own model of a business allows us to make independent, proprietary judgements and it provides a tool for testing different scenarios. In our future assumptions, we try to be conservative. We would rather adjust our numbers upwards as a business evolves than have to depend on a company meeting unrealistic expectations. We attempt to get input from management after building these models to help improve their accuracy.

We believe that investing as a team adds value to our clients’ portfolios. Each idea we investigate is subjected to a thorough and open debate. No idea is ever simply “rubber-stamped”. Our individual skills and knowledge are complementary, and we believe that bringing each team member’s abilities to bear on each idea improves our process. Open debate and discussion goes on all day at Laurus. It is a key part of our success.