



ROCKLINC

Worth. Investing.

ROCKLINC Investment Partners - WEBCAST

“Printing to the Finale”

June 11, 2020

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Outline of Presentation

- A. ROCKLINC Overview & Investment Philosophy
- B. Investment Challenges
- C. Key Issues - 2020 & Beyond
- D. Strategy & Positioning
- E. Company Highlights - AQN & AMZN
- F. Questions & Answers
- G. Next Webcast - September 17, 2020

A. ROCKLINC Overview

- ▶ Private investment firm - founded in 2010 - current AUM \$165 million - approx. 140 households
- ▶ Focus - Customized portfolios
- ▶ Investing based upon:
 - ▶ Independent thinking
 - ▶ Deep understanding of investments
 - ▶ Focus on current realities rooted in understanding of past
 - ▶ Interdisciplinary approach - build a worldview

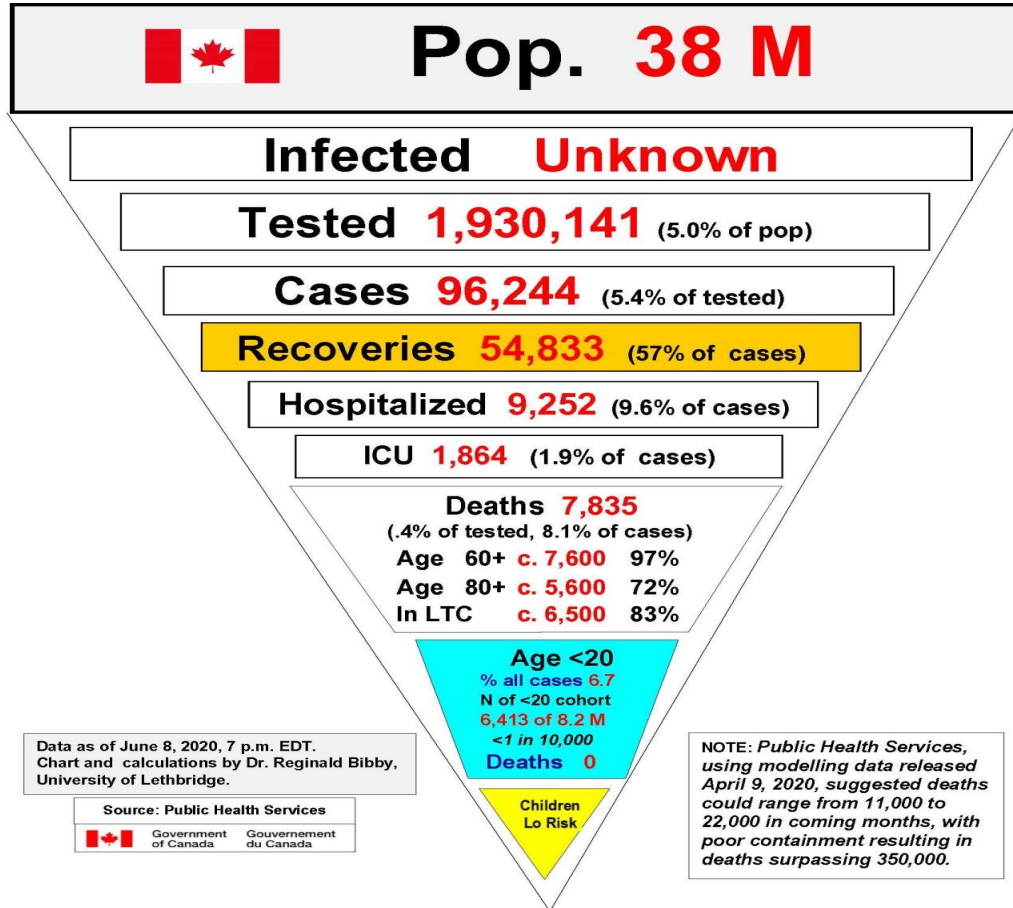
Investment Philosophy

1. Excellent Businesses - high ROE's, strong balance sheet, free cash flow, reoccurring revenue
2. Focused Portfolios - 20-30 stocks - opposite of passive investing!
3. Long-Term Holding Period - tax deferred compounding
4. Purchase with a Margin of Safety
5. Understand Economic Backdrop

B. Investment Challenges

1. Excessive Global Debt
2. Unfunded Government Promises
3. Demographics - aging of populations lack of family formation
4. Monetary Policies - Printing money and near record low interest rates
5. **Lock Down Folly - most devastating and costly *mistake* in the history of the world. Estimates of \$30 trillion in total global losses and capital formation destruction. (IceCap Asset Management)**

Lock Down Folly - 2020 (June 8th)



C. Key Issues - 2020 & Beyond

1. Stock Market Valuations - High!
2. The Failure of Monetary Normalization
3. Unprecedented Increase in Debt Levels - Exacerbated by Lock Downs. (CDN +\$350 billion)
4. Debt Bearing Capacity of Governments are Maxed Out! Looking to Central Banks to Monetize Debts.
5. Central Banks are Addicted to Money Printing
6. Historical Amnesia - story does not end well

Historical Amnesia

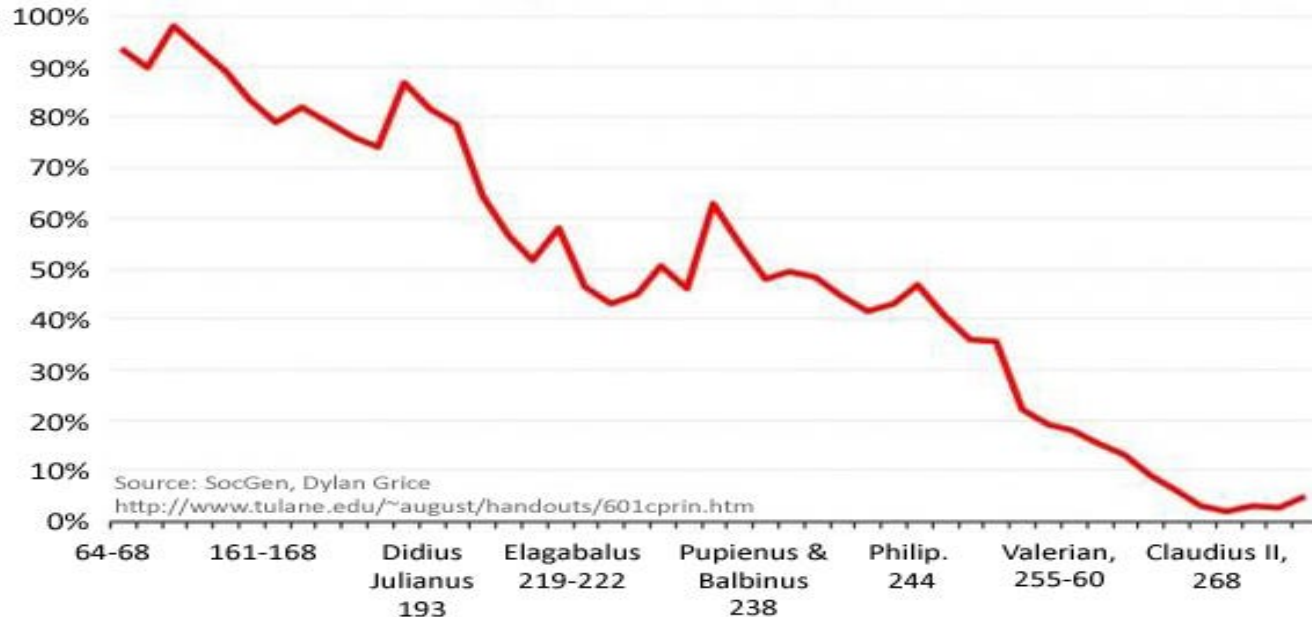
“If men could learn from history, what lessons it might teach us. But passion and party blind our eyes, and the light which experience gives us is a lantern on the stern, which shines only on the waves behind is.”

Samuel Taylor Coleridge

Printing Money “Roman Style”

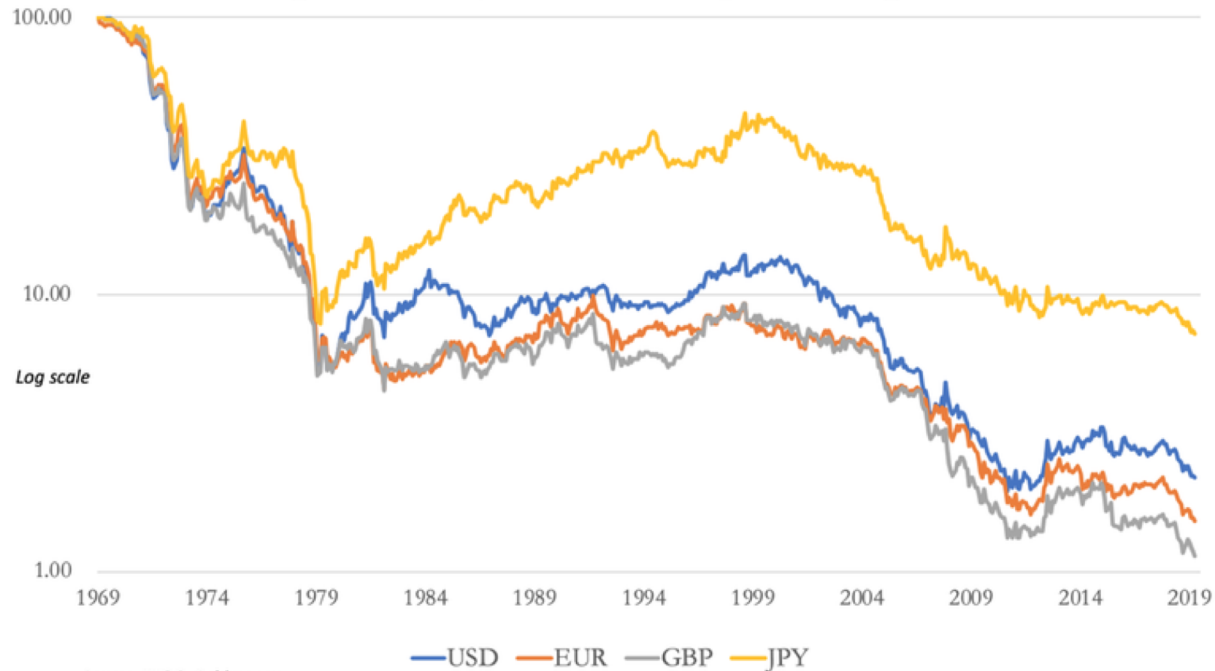
Clusterstock  Chart of the Day

Share Of Silver In Roman Coins



Modern Fiat Currencies vs. Gold

Figure 1. Major currencies priced in gold

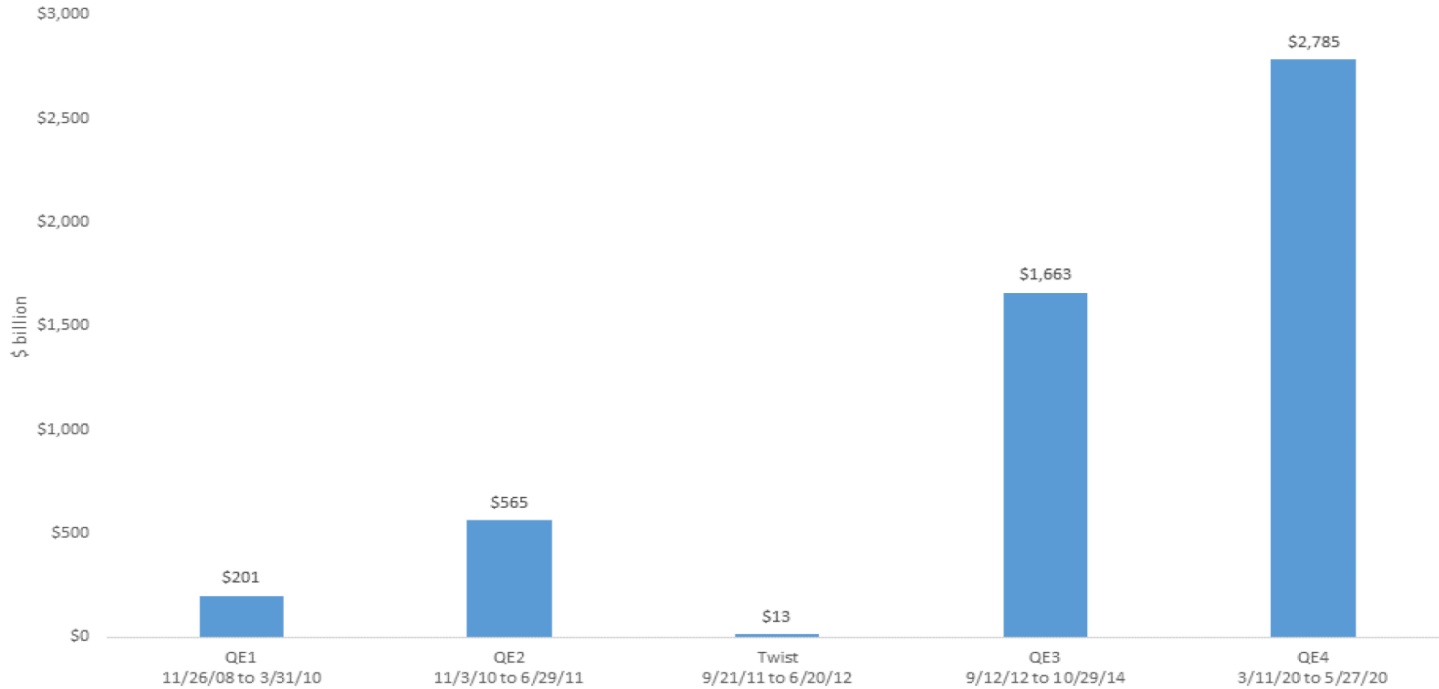


Source: WGC, Goldmoney

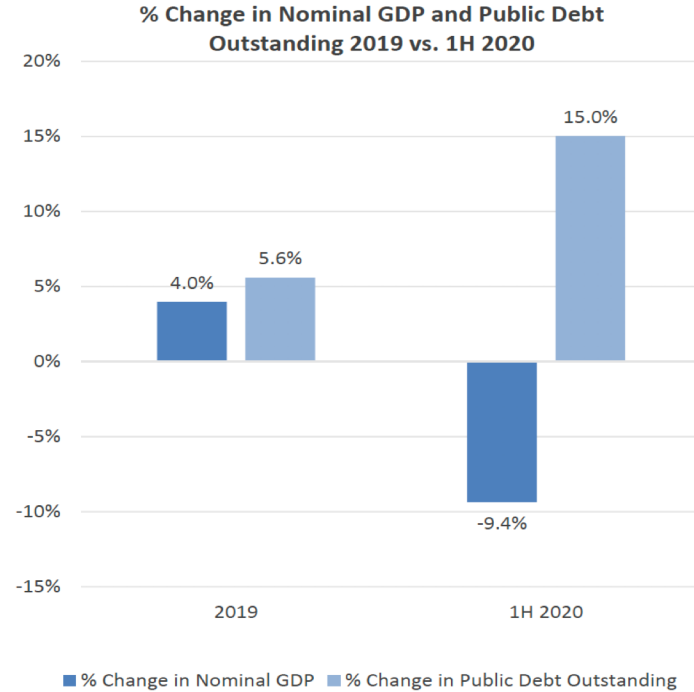
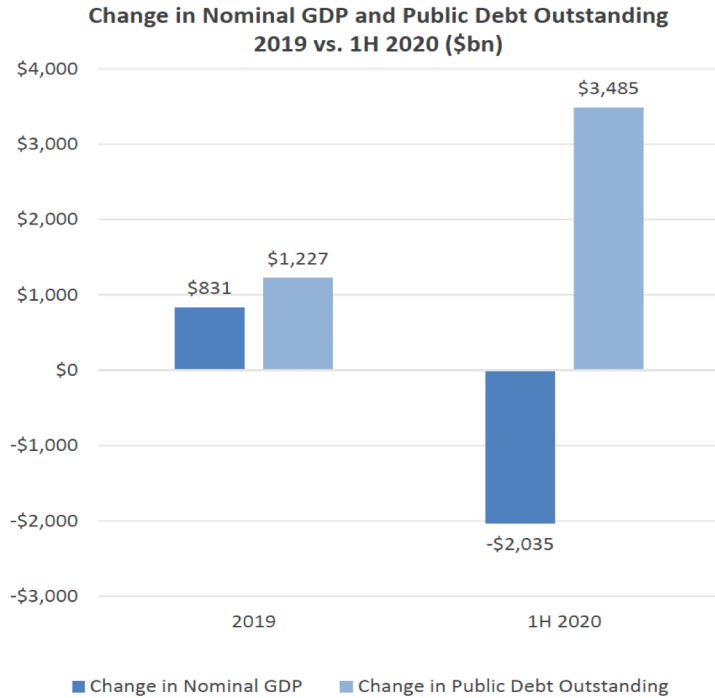
Federal Reserve Balance Sheet



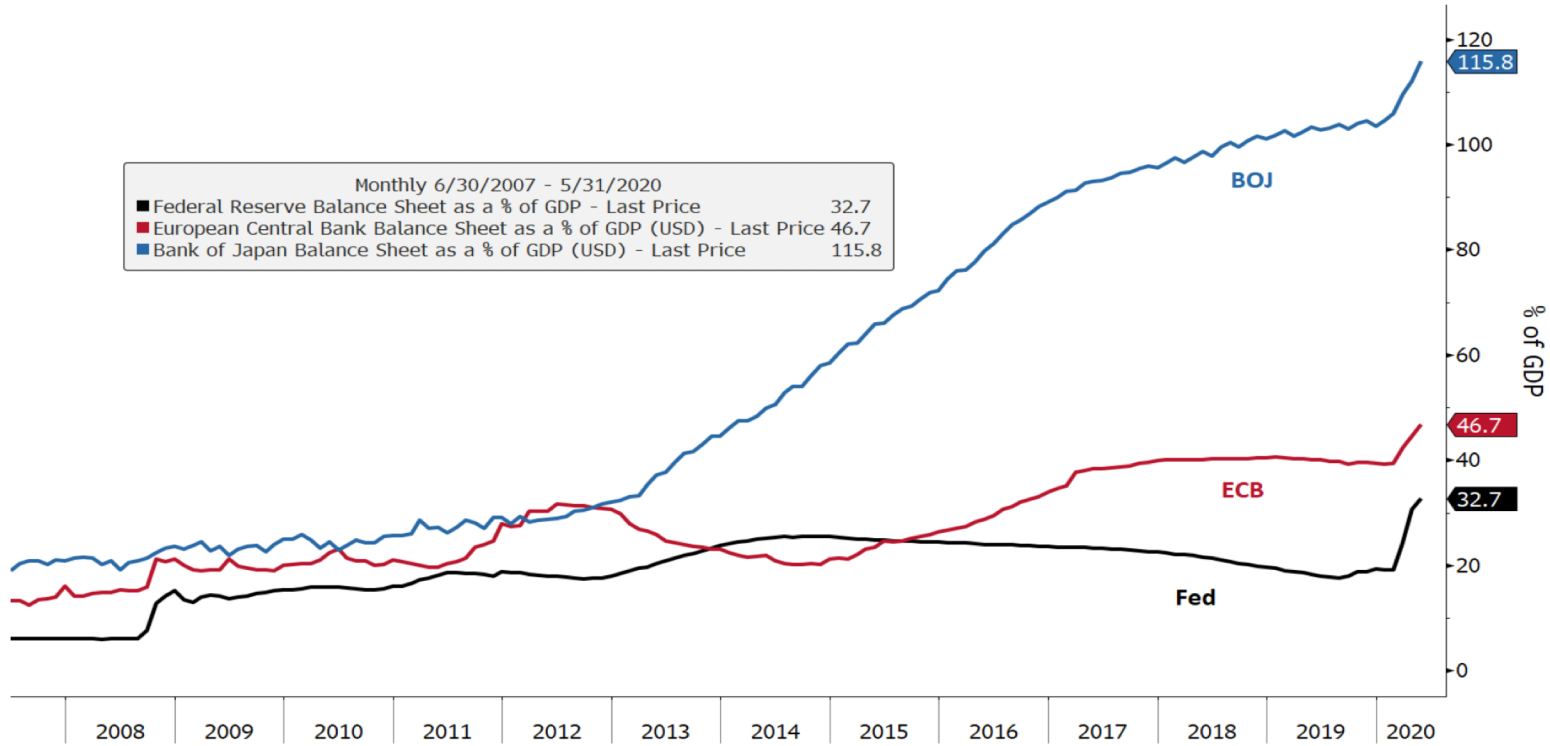
Fed Balance Sheet Change During QE



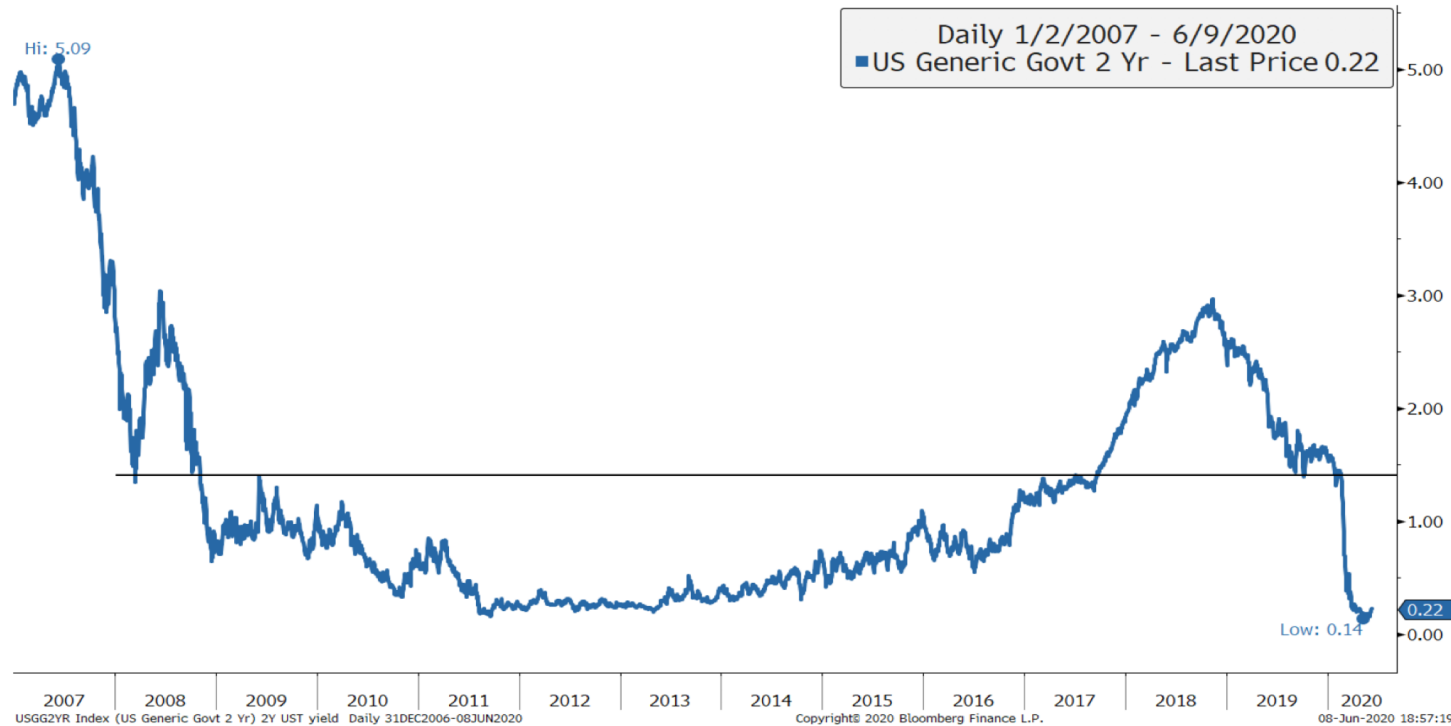
Change in Nominal GDP and Public Debt Outstanding



Fed, ECB, BOJ Balance Sheets as % GDP



U.S. 2-Year Treasury



U.S. 10-Year Yields



U.S. 30-Year Yields



D. Strategy & Positioning

1. Minimize exposure to Financial Institutions. They have too much leverage, exposure to eroding credit markets and pressure on interest spread margins.
2. Minimize exposure to economically sensitive commodities.
3. Minimize exposure to consumer discretionary businesses.
4. Maintain healthy exposure to precious metals (gold & silver) as a partial hedge to low interest rates, money printing and excessive debt levels.

D. Strategy & Positioning

5. Maintain significant investments outside of Canada to access higher growth opportunities.
6. Maintain equity weightings in core businesses, with strong balance sheets that are essential to the economy with substantial moats.
7. Maintain liquidity including a healthy cash balance. This varies by client based on their unique circumstances.
8. Be patient! We will not chase stocks.

Performance Summary

As at May 31, 2020 (after all fees)

Rocklinc Book of Business (70% equity 30% bonds and short-term cash)*

<u>3 mos.</u>	<u>6 mos.</u>	<u>1 yr</u>	<u>2 yrs</u>	<u>3 yrs</u>	<u>5 yrs</u>
7.3%	7.0%	17.5%	13.9%	9.6%	9.0%

* ROCKLINC Book of Business



Performance Summary

As at May 31, 2020 (after all fees)

100% Equity Performance

	<u>3 mos.</u>	<u>6 mos.</u>	<u>1 yr</u>	<u>2 yrs</u>	<u>3 yrs</u>	<u>5 yrs</u>
Rocklinc	11.8%	11.3%	26.2%	20.0%	13.9%	14.0%
TSX	-5.9%	-9.7%	-3.2%	-.7%	1.7%	2.2%
S&P 500	3.6%	-2.1%	12.8%	8.2%	10.2%	9.9%

* ROCKLINC Book of Business



E. Company Highlights

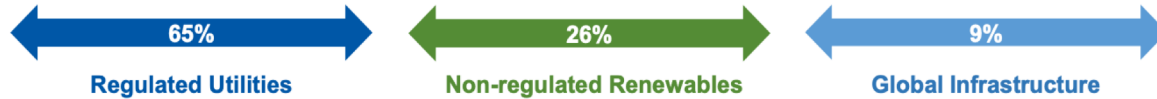
- ▶ **Algonquin Power & Utilities**
- ▶ **Amazon**

Algonquin Power & Utilities

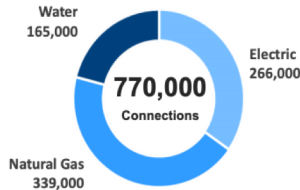
(TSX:AQN)



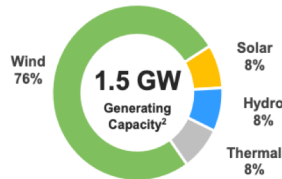
- ▶ Algonquin Power & Utilities is a Canadian company that operates power and utility assets that are located primarily in the U.S
 - ▶ \$6 billion in utility assets with over 770,000 utility connections across 13 states and 1 province
 - ▶ 36 renewable and clean energy facilities, with the vast majority of the power produced from wind



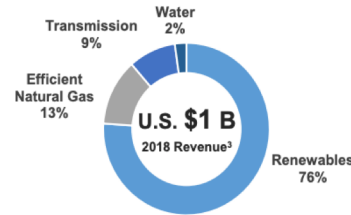
- Regulated Utilities**
- ▶ North American regulated water, natural gas and electric utility services
 - ▶ Emphasis on local approach to our key stakeholders:
 - Customers
 - Communities
 - Employees
 - Regulators



- Non-regulated Renewables**
- ▶ North American renewable and clean power development and operations
 - ▶ Diverse, stable portfolio with long-term contracts
 - ▶ Investment in sustainable sources of renewable energy



- Global Infrastructure**
- ▶ 44.5% investment in portfolio of high-quality, long-term contracted assets
 - ▶ Global opportunities for regulated utilities, renewables, electric transmission, and water infrastructure

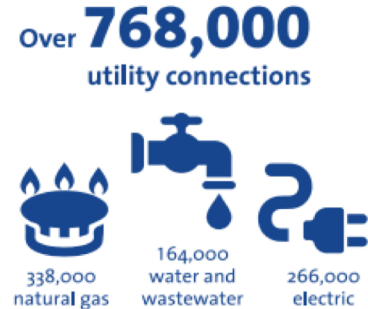
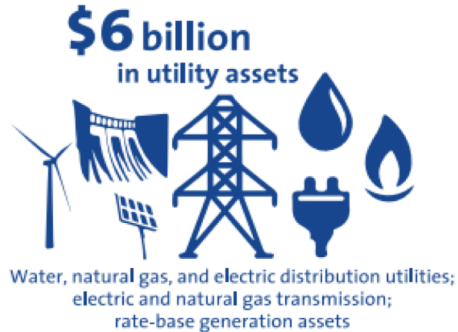


Multiple avenues for growth within 5-year, U.S. \$7.5 B capital program



1) Regulated Utilities

- ▶ Algonquin owns and operates a diversified portfolio of 40 regulated electric, natural gas, water distribution systems

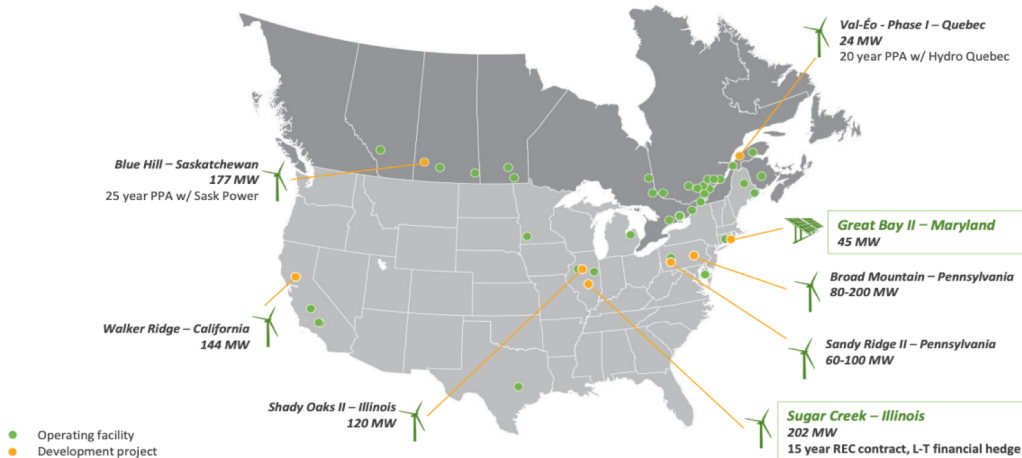


- ▶ Algonquin anticipates a \$7.5 billion 5-year investment program
 - ▶ The majority of the growth will derive from its regulated utilities segment, with a combination of both organic and inorganic growth levers

2) Non-regulated Renewables

- ▶ Generates and sells electricity produced by a portfolio of non-regulated renewable power generation facilities across Canada and the U.S
- ▶ Appx. 86% of the energy is sold through long-term contractual arrangements which has a weighted average remaining contract life of 14 years

Significant Pipeline of Renewable Energy Projects



Anticipated U.S. \$1.7 B in North American development initiatives within next five years

Investment Thesis

- ▶ Contracted cash flows
 - ▶ Stable cash flows largely hedged against inflation
 - ▶ Lower interest rates increase the value of AQN's future cash flows
 - ▶ Less than 5% of the business is exposed to merchant pricing
- ▶ Exposure to the U.S
 - ▶ Lower penetration of renewables
- ▶ Excellent acquirer of utility systems
 - ▶ Strong track record of successfully integrating and improving operations of acquired utilities
- ▶ Experienced developer
 - ▶ 5-year growth plan
 - ▶ Global ambitions (41.5% stake in Atlantica Yield through AQN's Global Infrastructure segment)



Amazon.com, Inc

(NASDAQ: AMZN)

Amazon Marketplace Ecosystem - A virtuous cycle of customer experience, eager sellers and lower prices

- E-commerce behemoth that boasts the largest e-commerce platform in North America by Gross Merchandise Value
 - Captures >35% of all U.S. retail e-commerce sales
- Enriching the customer experience with diversified product selection, low prices and superior delivery
 - >150M members enrolled in the Amazon Prime subscription service
- Empowering >2.5M third party sellers with the tools, support and network to build a successful business
 - Built a network of >175 operating fulfillment centers, >80 aircrafts and >800 delivery service partners

Amazon Web Services (AWS) - A pioneer of cloud computing services

- Dominant player in the cloud market with revenue of over \$35B and over 35% growth in 2019
- First mover and trusted partner to over a million customers in providing scalable and lower-cost IT infrastructure
- Wide breadth of innovative solutions in machine learning and artificial intelligence that help customers advance their capabilities in automation, quantum computing, Internet of Things (IoT) and data analytics

Source: Statista 2019, company financial presentations and reports



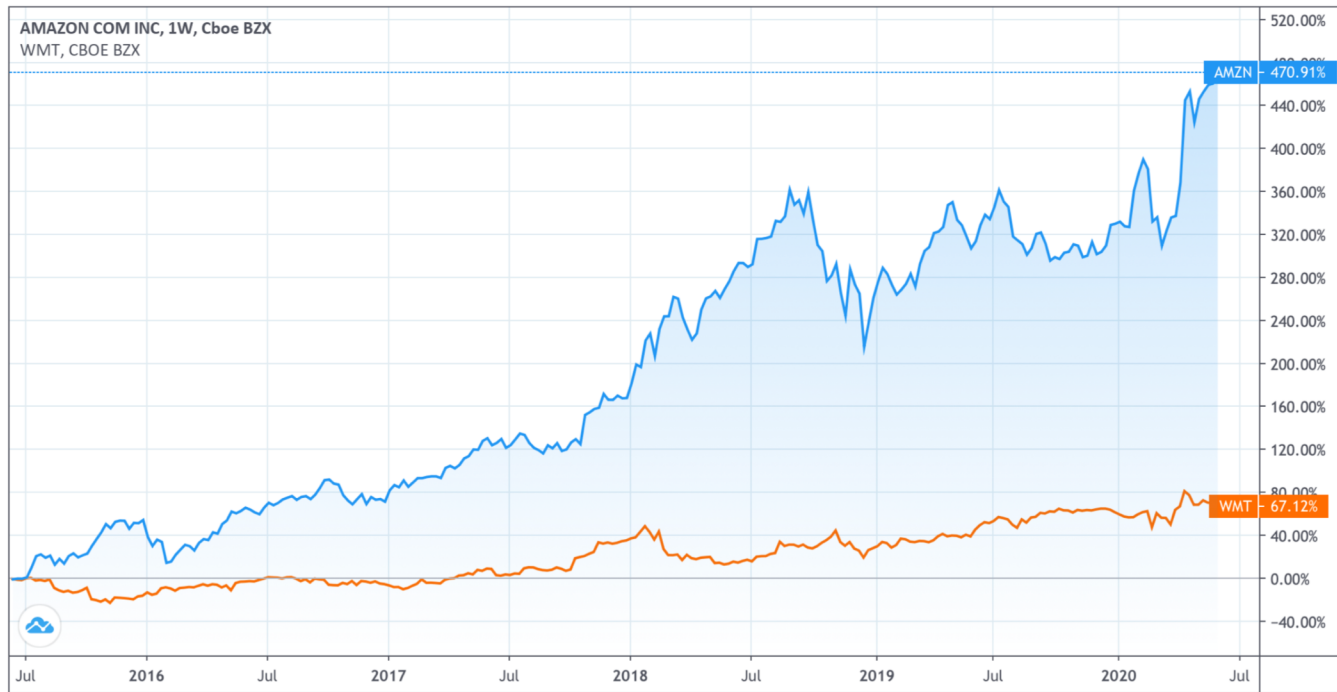
Investment Rationale - a breakdown of the virtuous cycle

- ▶ **Dominant leader in the consumer retail and cloud market - intensely focused on producing the best customer experience**
 - ▶ Amazon Marketplace's one-stop shop platform offers a diversified category of low-priced products and fast delivery, which enables the company to capture greater customer loyalty and market share
 - ▶ First mover advantage in the cloud market enabled AWS to move up the learning curve faster and develop a broad range of products and services to address customer needs and challenges
- ▶ **Significant economies of scale driven by its vast marketplace, logistics and distribution network**
 - ▶ Amazon's significant scale and large pool of sellers enables the company to benefit from a lower cost structure, which in-turn allows the company to pass on cost savings to customers in the form of lower prices
 - ▶ Since launching AWS, Amazon has reduced prices >65 times
- ▶ **Strategic allocator of capital with a focus on long-run growth**
 - ▶ Forward-thinking management team that prioritizes the reinvestment of capital for long-term growth rather than short-term gain
 - ▶ Low cost structure and high operating cash flow (\$38.5B in 2019) enables the company to enter into new ventures with high growth and high return on investment

Source: Company news release



Stock Performance (Jun 5, 2016 to June 5, 2020)



Source: Trading View

Over the past 5 years, Amazon's stock has outperformed Walmart's by >400%!



F. Questions

G. Next Webcast

Thursday September 17, 2020

Thank you!



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