



ROCKLINC

Worth. Investing.

ROCKLINC Investment Partners - WEBCAST

“Focus on Valuations”

September 17, 2020

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Outline of Presentation

- A. ROCKLINC Overview & Investment Philosophy
- B. Investment Challenges
- C. Key Issues - 2020 & Beyond
- D. Excessive Valuations
- E. Strategy & Positioning
- F. Company Highlights - WPM & GIB.A
- G. Questions & Answers

A. ROCKLINC Overview

- ▶ Private investment firm - founded in 2010 - current AUM \$175 million - approx. 145 households
- ▶ Focus - Customized portfolios
- ▶ Investing based upon:
 - ▶ Independent thinking & Deep Understanding
 - ▶ Focus on current realities rooted in understanding of past
 - ▶ Interdisciplinary approach - build a worldview
 - ▶ **New Hire - Braden VanDyk (Client Relations)**

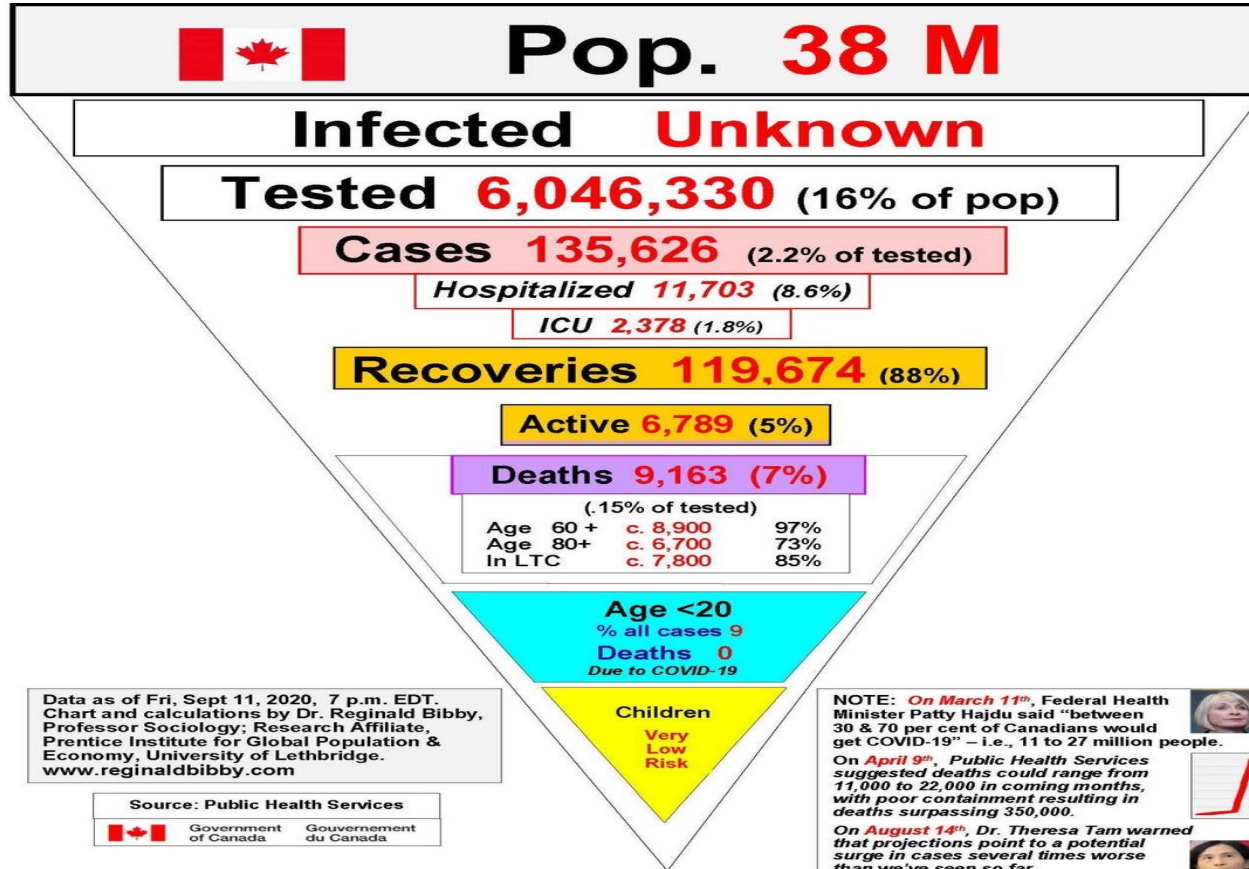
Investment Philosophy

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 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 (September 11th)



C. Key Issues - 2020 & Beyond

1. Stock Market Valuations - High!
2. Failure of Monetary Normalization
3. Unprecedented Increase in Debt Levels - Exacerbated by Lock Downs. (CDN +\$400 billion)
4. Debt Bearing Capacity of Governments are Maxed Out!
5. Central Banks are Monetizing Debts. (US - \$120 billion/month - Canada - \$20 billion/month)

D. Focus on Valuations

Are We in a Stock Market Bubble?

Wilshire 5000 to nominal GDP*

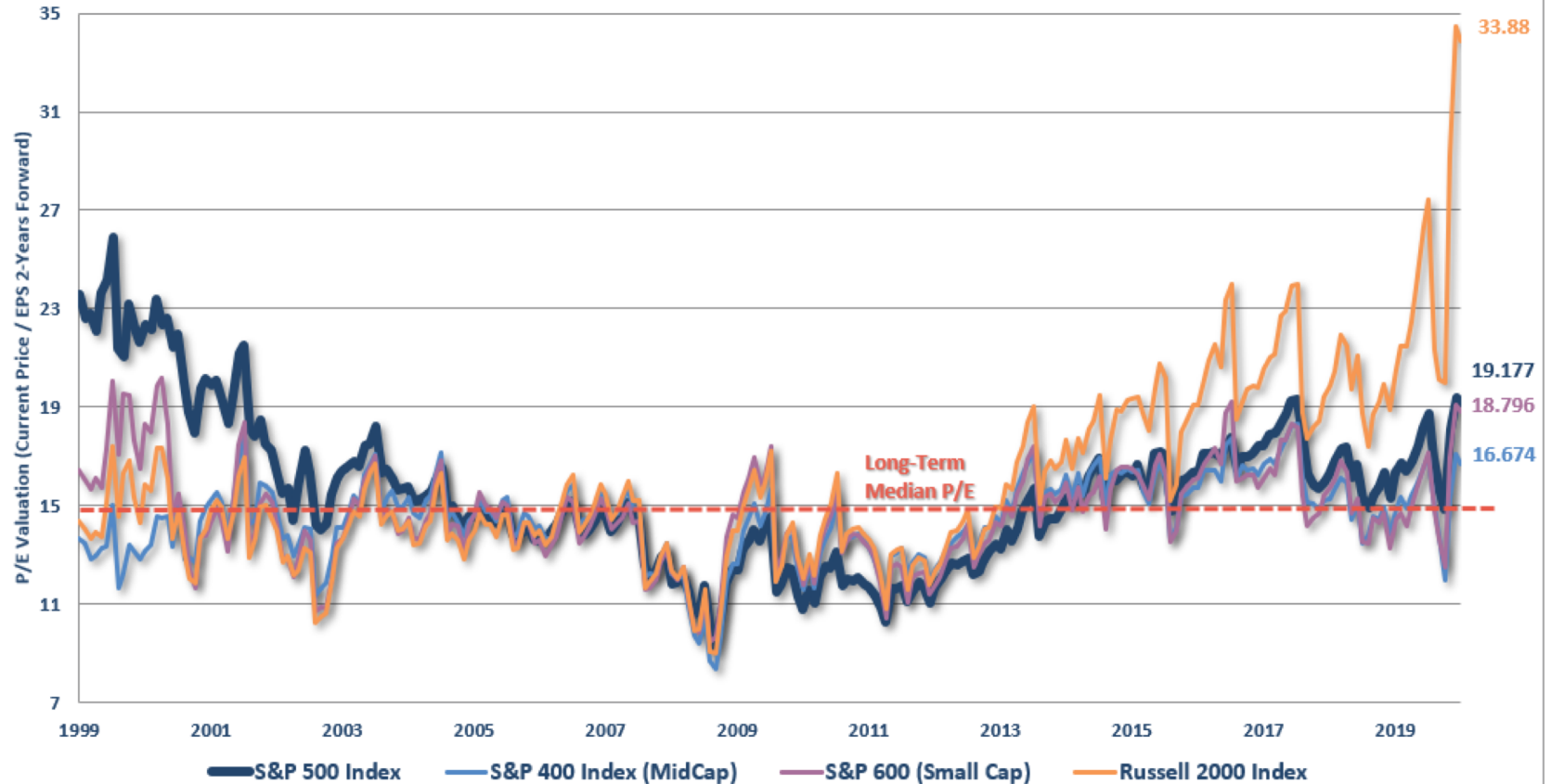


* The Wilshire 5000 is a broad-based market-capitalization-weighted index of the market value of all U.S. stocks actively traded in the United States. Quarterly averages used to match with the quarterly intervals of GDP.

Sources: U.S. Bureau of Economic Analysis, Wilshire Associates



Current P/E Based On 2-Year Forward Estimates

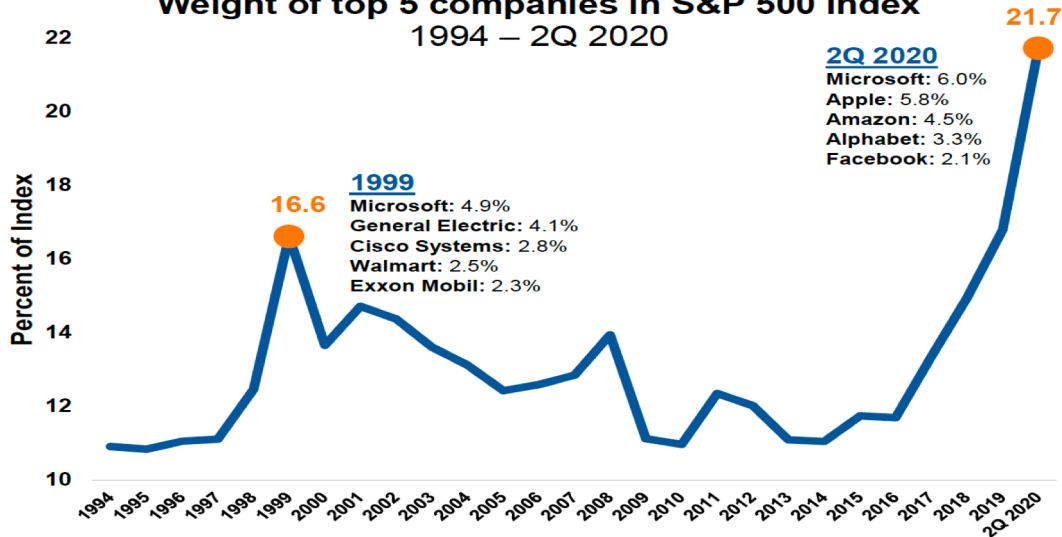


Concentration of S&P 500 exceeds late 90s

Tech, large stocks outperform and become bigger portions of index

Weight of top 5 companies in S&P 500 Index

1994 – 2Q 2020



| | YTD return |
|------------------------------|------------|
| Top 3 sectors | |
| Information Technology | 15.0% |
| Consumer Discretionary | 7.2% |
| Communication Services | -0.3% |
| Bottom 3 sectors | |
| Industrials | -14.6% |
| Financials | -23.6% |
| Energy | -35.3% |
| Market cap comparison | |
| S&P 500 Top 50 Index | 2.9% |
| S&P 500 Index | -3.1% |
| S&P 500 Equal Weighted Index | -10.8% |

- > The S&P 500 index is down just -3.1% for the year, but a wide range between best and worst performers
- > Information technology and large growth companies are positive for the year / Energy and smaller companies have not kept pace

Source: Factset and S&P. As of June 30, 2020. Weights based on year end values. Alphabet represents both A&C share classes. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Any stock commentary is for illustrative purposes only and is not a recommendation to purchase or sell any security.

Valuation Comparison

Infrastructure

| Ticker | <u>FCF Yield</u> | <u>EV/EBITDA</u> |
|------------|------------------|------------------|
| BIP | 5.6% | 17.3x |
| BEP | 4.3% | 18.8x |
| NPI | 5.5% | 12.0x |
| AQN | 4.2% | 14.9x |
| RNW | 8.7% | 10.7x |

Technology

| Ticker | <u>FCF Yield</u> | <u>EV/EBITDA</u> |
|-------------|------------------|------------------|
| AAPL | 3.5% | 23.3x |
| TSLA | 0.2% | 101.9x |
| NFLX | N/A | 16.1x |
| ADBE | 1.9% | 49.4x |
| NVDA | 1.6% | 67.8x |

Source: Morningstar, Gurufocus

*Prices as of market close September 11th

**Infrastructure FCF yields based on 2020E Scotia GBM estimates

***Technology FCF yields based on TTM basis

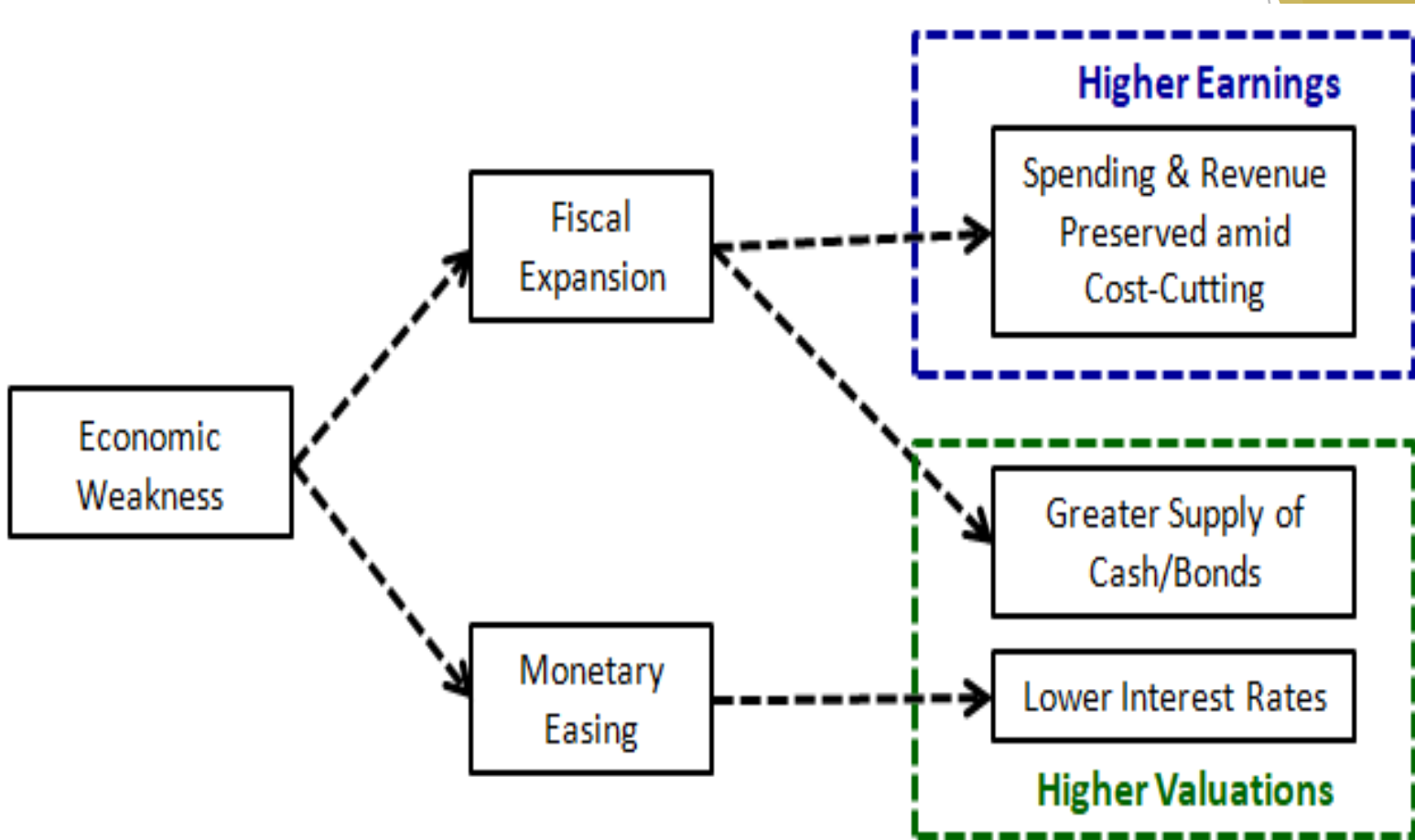


MARKETS YTD PERFORMANCE

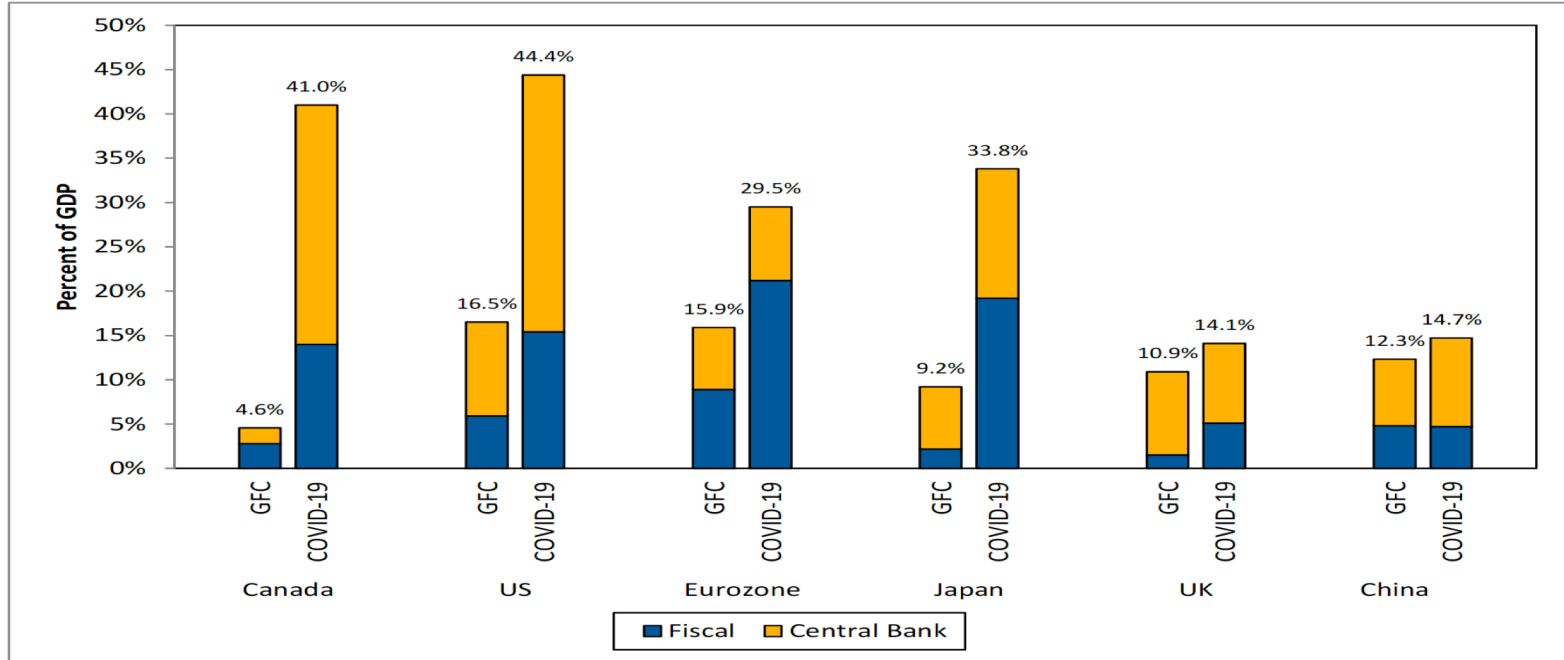
| | | |
|----------------|------------------|---------------------|
| NASDAQ | 10,853.55 | + 20.96% |
| S&P | 3,340.97 | + 3.41% |
| DJIA | 27,665.64 | - 3.06% |
| GOLD | 1,948.10 | + 28.16% |
| 10-YR | 0.671% | - 124.90 bps |
| OIL | 37.39 | - 38.92% |

As at September 11, 2020





Record Global Stimulus



- The amount of global stimulus during the pandemic to date significantly exceeds the amount of stimulus spent during the entire Great Financial Crisis.
- Governments and Central Banks are attempting to provide liquidity to markets and incentives to the economy to prevent a depression.

E. 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.

E. 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 August 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> |
|---------------|---------------|-------------|--------------|--------------|--------------|
| 6.3% | 14.1% | 16.9% | 15.5% | 12.3% | 11.0% |

* ROCKLINC Book of Business



Performance Summary

As at August 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 | 10.3% | 23.4% | 27.3% | 23.6% | 18.4% | 17.6% |
| TSX | 9.4% | 2.9% | 3.3% | 2.9% | 5.2% | 6.0% |
| S&P 500 | 15.5% | 19.6% | 21.9% | 12.0% | 14.5% | 14.5% |

* ROCKLINC Book of Business



F. Company Highlights

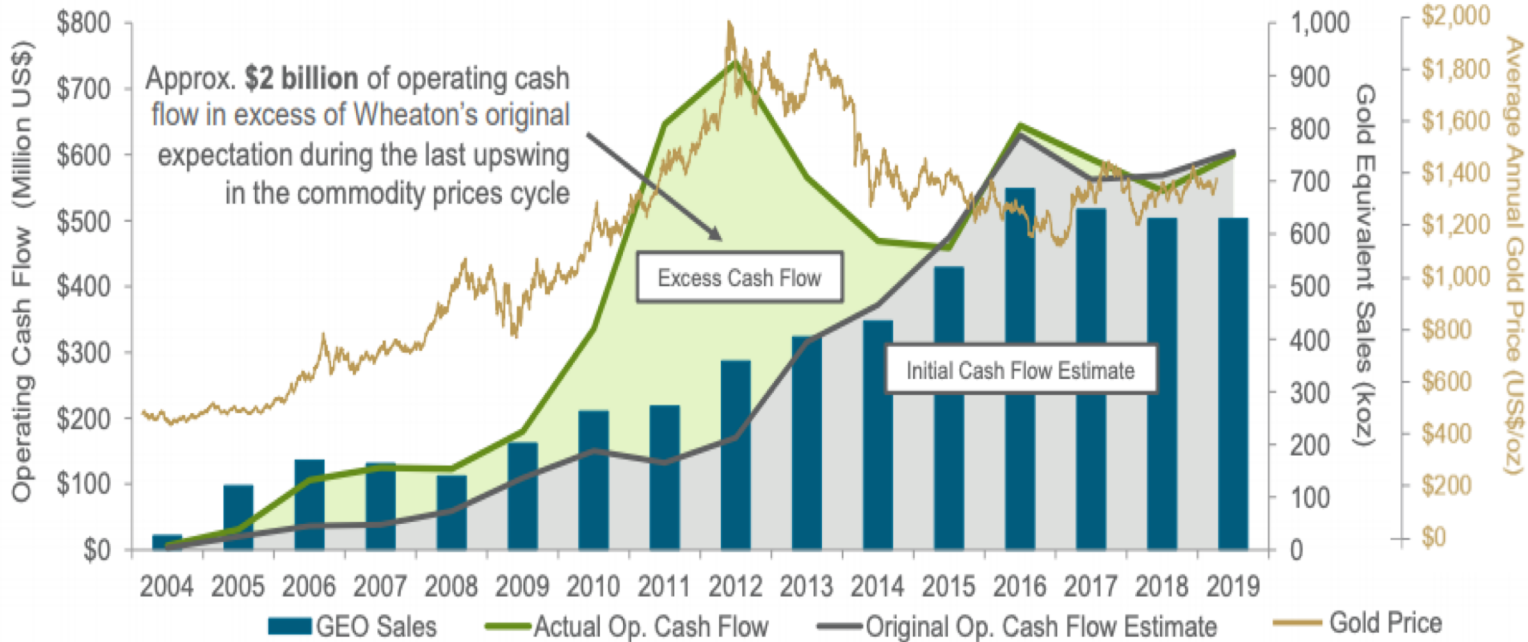
- ▶ **Wheaton Precious Metals**
- ▶ **CGI Inc.**

Wheaton Precious Metals

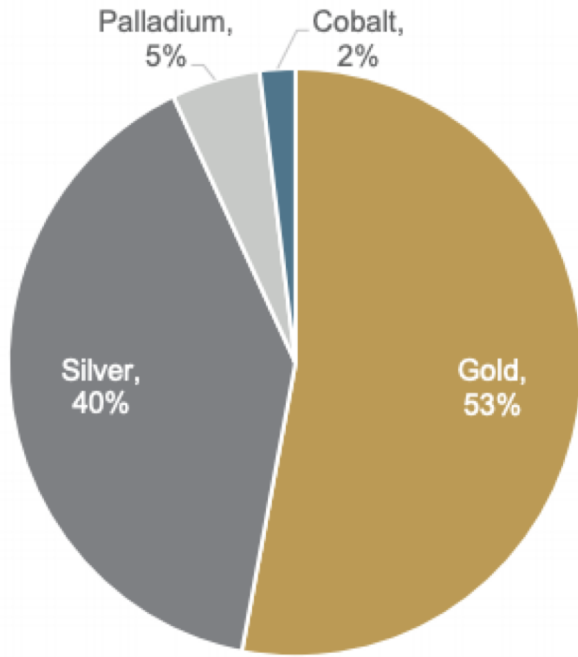
(TSX:WPM)

- ▶ Rocklinc's largest holding
- ▶ Fifteen years ago, Wheaton Precious Metals saw an opportunity to create a new business model and pioneered the precious metals streaming business
 - ▶ Wheaton's expenses equate to 0.38% of the Company's Enterprise Value (equity + debt)
- ▶ Today, Wheaton maintains a portfolio of 23 streaming agreements with 17 operating partners
- ▶ Since inception:
 - ▶ Invested \$9 billion into deals
 - ▶ Generated \$7 billion in cash flows
 - ▶ 40 years of reserve and resource mine life remaining across its book
 - ▶ Returned a 17.5% compound annual growth rate

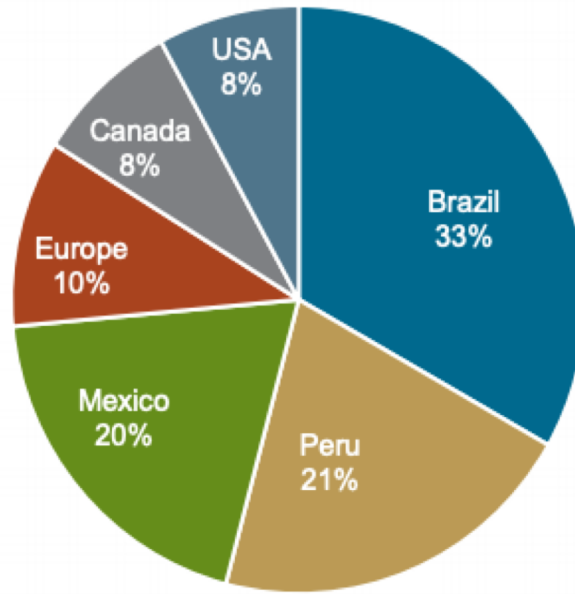
OPTIONALITY TO HIGHER COMMODITY PRICES



2020–2024E Avg. Production^{1,4}



2020–2024E Avg. Production^{1,4}

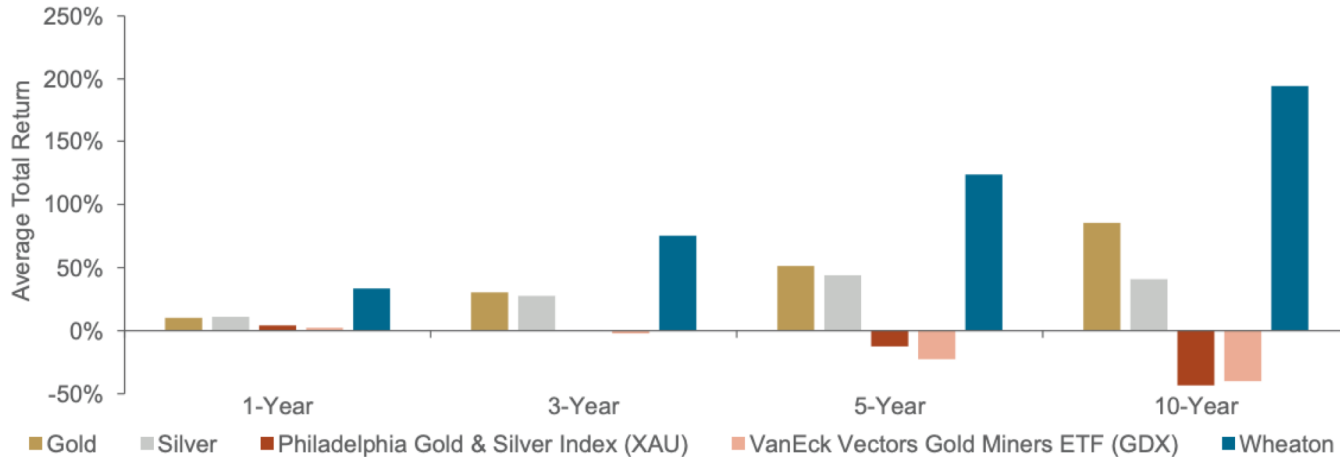


Recent Catalysts

► Price of Gold

- The price of gold has advanced 28% so far this year as of this past Friday's (11th of September) market close

Total Average Rolling Multi-Year Return Comparison as of August 12, 2020¹⁷



Wheaton has substantially outperformed gold and silver on average over multiple investment horizons since 2005

▶ Tax Ruling

- ▶ In 2015, the CRA reassessed Wheaton's 2005-2010 tax years, alleging that income earned by Wheaton's foreign subsidiaries should be taxable on the basis of transfer pricing
- ▶ Wheaton claimed it was following established tax laws and a recent settlement found Wheaton's practices were legal and acceptable

▶ Salobo Mine (Brazil)

- ▶ Vale's Salobo mine is the largest copper deposit ever discovered in Brazil, who began mining operations in 2012
 - ▶ The deposit is considered to be an example of an iron oxide copper-gold deposit (IOCG)
- ▶ Salobo is Wheaton's largest streaming asset, entitled to 75% of gold production for the life of the mine (currently >40 years) under the stream agreement
- ▶ Salobo is currently undergoing a third major expansion due to the high quality mineralization at the site, which is expected to increase throughput by appx. 50%

One of the leading information technology and business consulting service firms in the world

- Clients trust CGI for their in-depth industry knowledge and expertise to develop industry-specific solutions, implement new technologies and manage IT and business processes
- Over 175 intellectual property (IP) software and business solutions developed to digitally transform, reduce costs and modernize IT systems
- Strategic investments in merging technology such as blockchain, cybersecurity, internet of things, artificial intelligence and automation

Global delivery network of 77,500 professionals and consultants across 400 locations globally with expertise in 10 industries

- >500 financial institutions across the world depend on CGI to empower their payments, global trade, wealth management platforms
- >2,000 government clients across 28 countries rely on CGI to protect and manage their systems
- >700 manufacturing clients choose CGI to power their smart factories and automate operations
- >250 water, electricity and downstream gas clients trust CGI to provide real-time monitoring, control and analytics of their operations
- >800 retail and consumer clients accelerate their digital transformation and IT modernization by partnering with CGI

Investment Rationale

At the forefront of important long-term technology growth trends

- ▶ Clients depend on CGI to stay at the forefront of emerging technologies and keep pace in a rapidly evolving competitive environment
- ▶ Digital transformation, IT modernization and cybersecurity are top priorities for industry executives

Global scale and depth of industry expertise that covers across customer's operational footprint

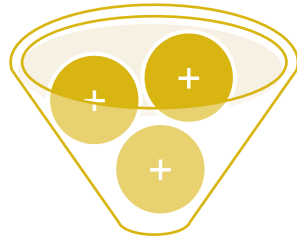
- ▶ CGI has established long-term customer partnerships by effectively delivering a wide-range of solutions to address customer's most pressing problems
- ▶ CGI's expertise across many different industries offers diversification and insulation against industry downturns

Successful 'Build and Buy' Growth Model

- ▶ Management team has prudently deployed capital to grow from tuck-in and large transformational acquisitions, while winning and extending large contracts with new and existing clients
- ▶ This has resulted in a healthy ROIC of >14% and free cash flow CAGR (10-year) of 9%

Valuation: 10 Year DCF Model

| Assumptions | |
|-----------------------|--------|
| TTM FCF/share | \$6.55 |
| Low growth percent | 3.5% |
| Medium growth percent | 5% |
| High growth percent | 8% |
| Required return | 9% |
| Terminal growth | 1.5% |



| | Price | Discount * |
|-------------------|--------------|------------|
| 3.5 % Growth Rate | \$102 | 11% |
| 5% Growth Rate | \$114 | 21% |
| 8% Growth Rate | \$143 | 37% |

*Based on September 11, 2020 closing price

G. Questions & Answers

**Next Webcast
Thursday December 20, 2020**

Thank you!



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