



ROCKLINC

Worth. Investing.

ROCKLINC Investment Partners - WEBCAST

“Rising Yields”

March 11, 2021

Disclaimer

- ▶ This presentation has been prepared by RockLinc Investment Partners Inc.
- ▶ The information contained in this presentation is not investment or financial advice and is not intended to be used as the basis for making an investment decision. This presentation has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Past performance is no guarantee of future performance.
- ▶ No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. A number of statements in this presentation have been based on internal estimates by RockLinc Investment Partners Inc. and have not been independently verified. To the maximum extent permitted by law, none of RockLinc Investment Partners Inc. and their respective directors, employees or agents, nor any other person accepts any liability, including, without limitation, and liability arising out of fault or negligence, for any loss arising from the use of the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this presentation. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Actual future events may vary from these forecasts and you are cautioned not to place undue reliance on any forward looking statement.
- ▶ The statements in this presentation are made only as at the date of this presentation unless otherwise stated and remain subject to change without notice. None of RockLinc Investment Partners Inc. and their respective directors, employees or agents nor any other person accepts any obligation to correct or update information in this presentation

Outline of Presentation

- A. ROCKLINC Overview & Investment Philosophy
- B. Investment Challenges
- C. Market Developments
- D. Positioning
- E. Company Highlights -
 Infrastructure & OpenText
- F. Questions & Answers

A. ROCKLINC Overview

- ▶ Private investment firm - founded in 2010 - current AUM \$190 million - approx. 190 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

Investment Philosophy

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

B. Investment Challenges

1. Global Debt Levels
2. Unfunded Government Promises
3. Demographics - aging populations, lack of family formation (birth rates plummeted in 2020)
4. Monetary Policies - Printing money and low interest rates
5. **Lock Down Folly - Four challenges above have all been made worse!**

C. Market Developments

1. Stock Market Valuations are High!
2. Central Banks are Monetizing Debts. (US - \$120+ billion/month - Canada - \$20 billion/month)
3. Unprecedented Increase in Debt Levels continue.
4. **Rapidly rising yields! How far can they go? Debt levels will pre-empt a significant move in interest rates or economy will go into a recession/depression.**

Market Developments

- ▶ Downward price pressure on high flying technology stocks.
- ▶ Downward pressure on precious metals - until yields stabilize. Gold and silver are undervalued given debt levels.
- ▶ Downward pressure on stocks with high dividends (ie. infrastructure, utilities, real estate)
- ▶ More cyclical stocks are moving up based on belief that the world will go back to “normal”. Problem is new normal is burdened with massive debt!

Market Developments

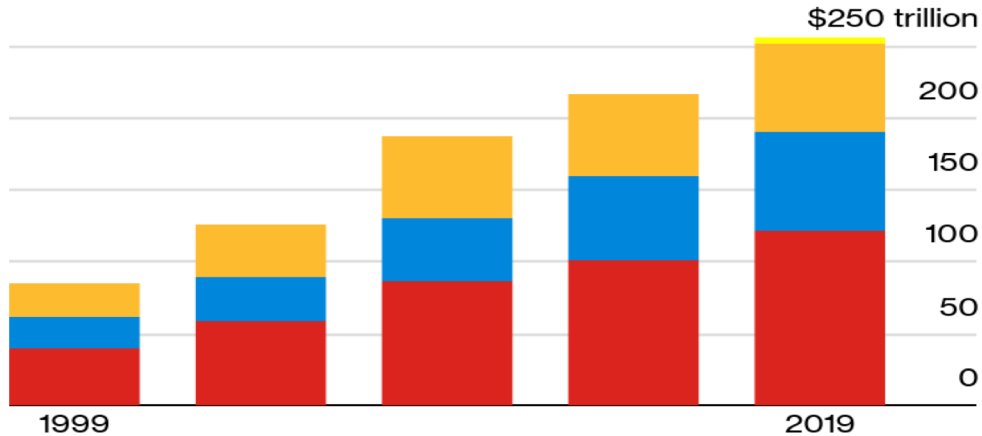
- ▶ Structural Deficits - Governments are addicted to deficits!
- ▶ Central Banks are addicted to money printing - their options are very limited.
- ▶ Citizens are oblivious to the precarious financial position the nations of the world are in.
- ▶ Economists keep dreaming up new theories to justify this madness - MMT (Modern Monetary Theory)
- ▶ We must go through an “upheaval” before we get back to “NORMAL”!

Debt 2021 - \$280 trillion (est.)

New Record

Global debt on track to surpass \$255 trillion in 2019

- Private non-financial sector*
- General government
- Financial sector
- Projected debt accumulation in 2H 2019



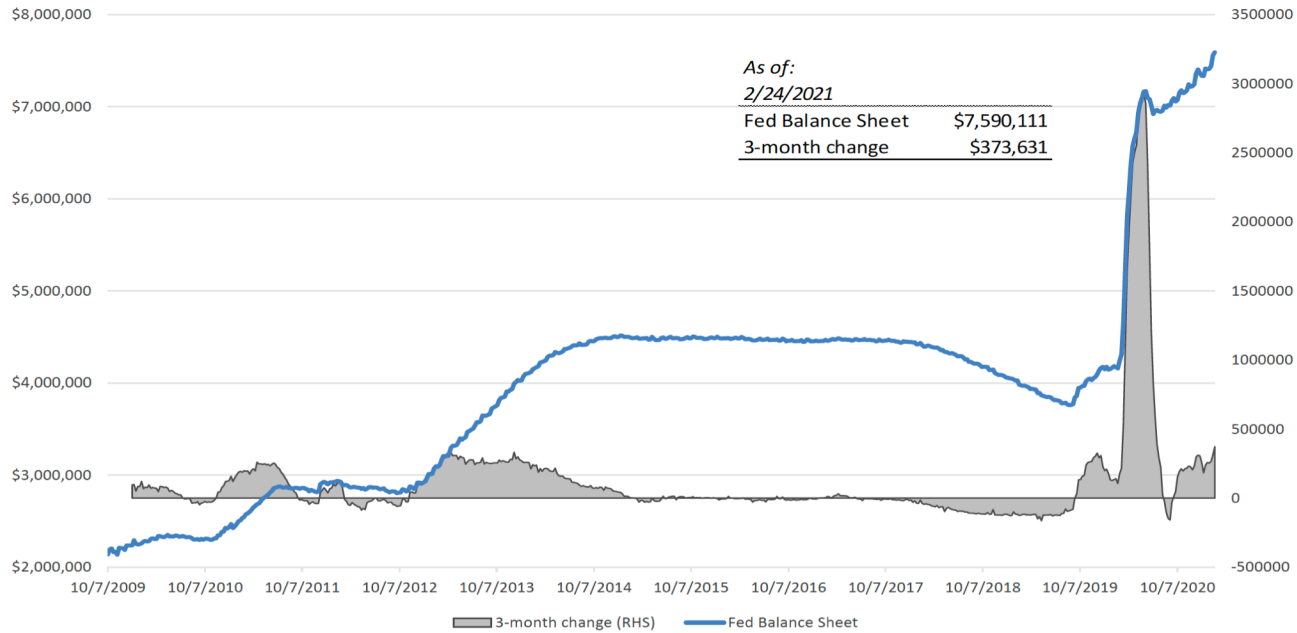
Source: IIF, BIS, IMF

Bloomberg

Fed Balance Sheet and 3-month Change



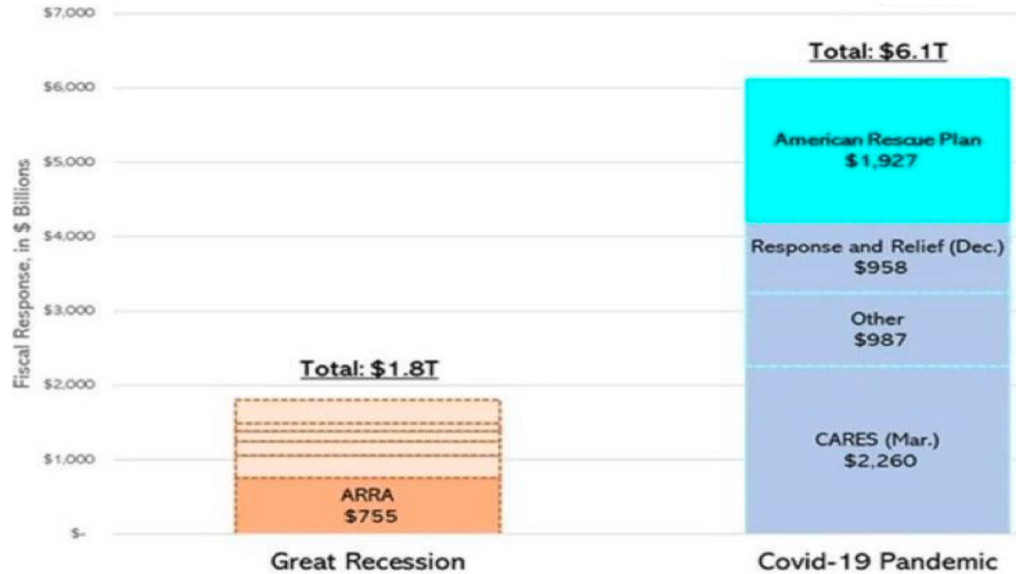
Fed Balance Sheet and 3-month Change (Millions)



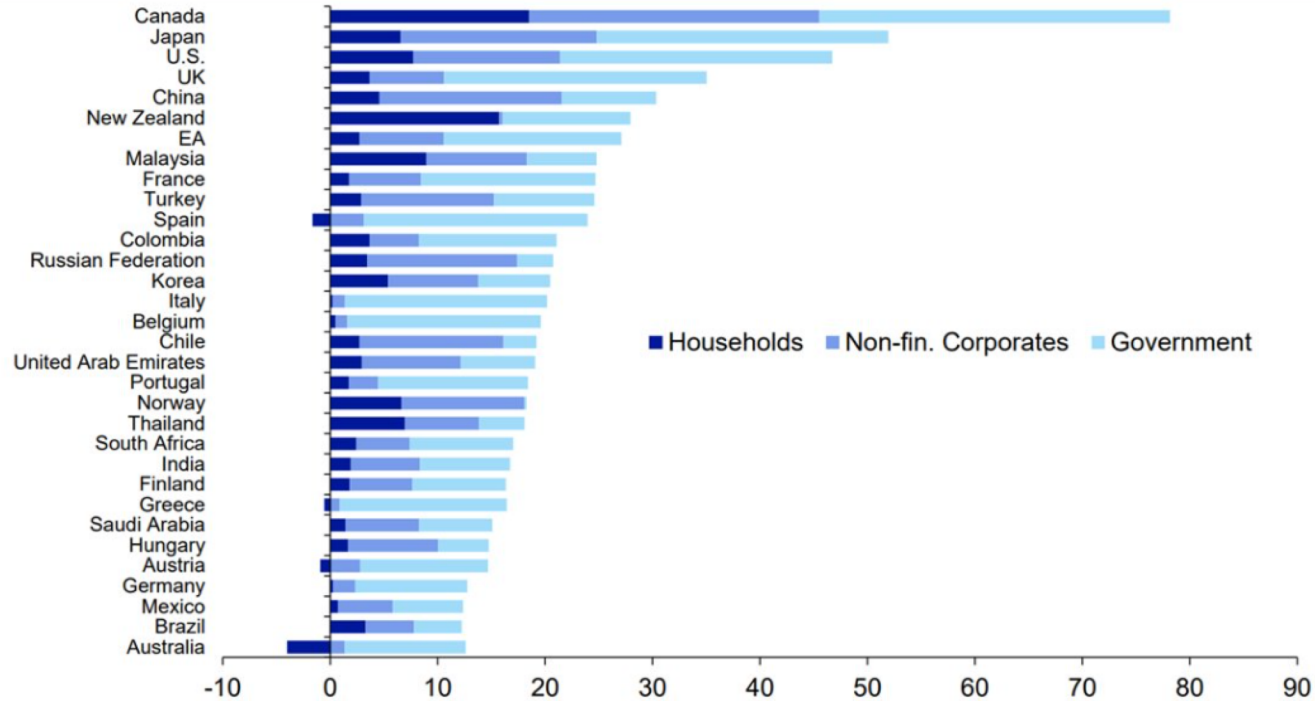
Stimulus After Global Financial Crisis vs. Pandemic



Much More Money This Time



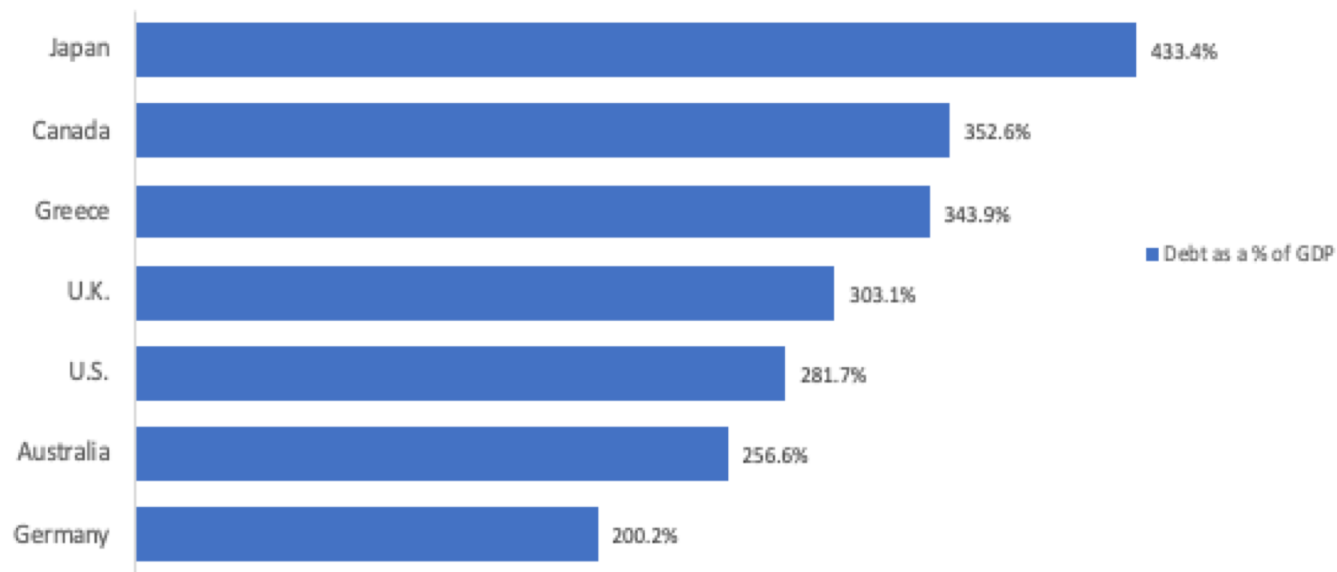
Change in debt-to-GDP, between Q4-2019 and Q3-2020



Source: IIF, Deutsche Bank

That's a Heavy Load

Canada has one of the largest debt burdens among developed nations



Source: IIF

Note: Figures include the debt of governments, households, and non-financial corporations at the end of 2020 Q3.

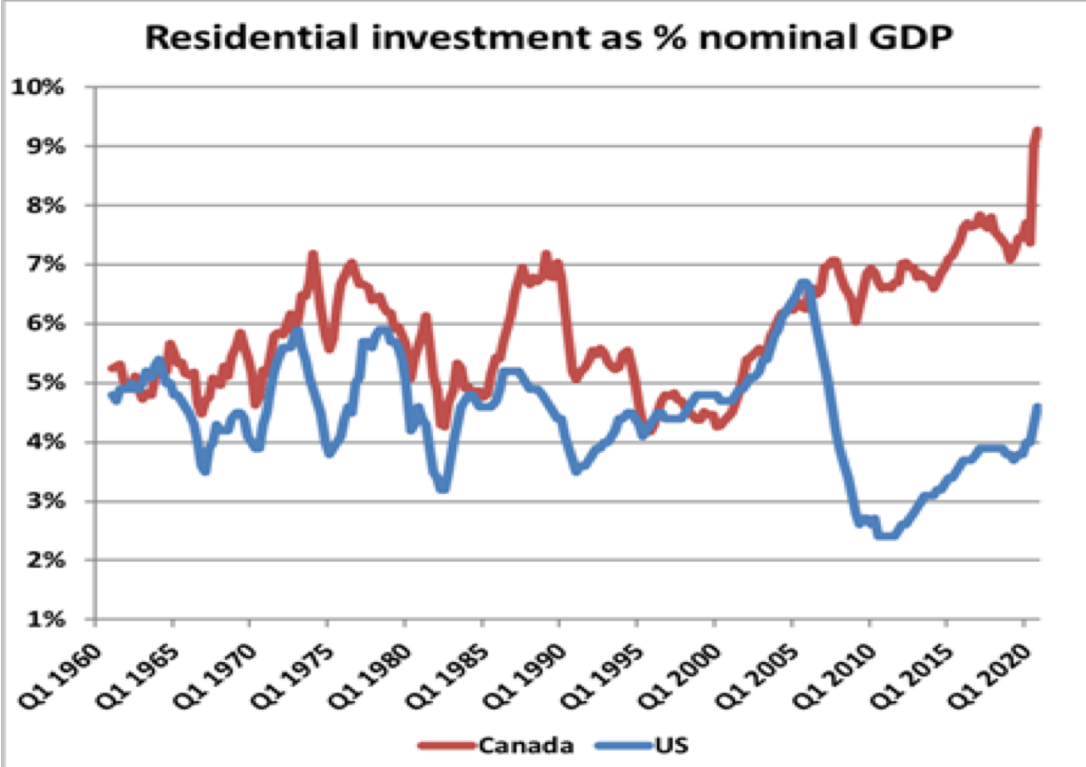


Table 1: Federal and Provincial Interest Costs, 2020-21

	Interest costs (in millions of \$)	Interest costs as a percent of revenue (%)
BC	2,724	4.7
AB	2,413	5.8
SK	725	5.1
MB	959	5.5
ON	12,456	8.2
QC	7,573	6.4
NB	655	6.4
NS	743	6.5
PE	123	5.4
NL	1,073	15.1
FED	20,200	7.3
Total	49,643	7.0

Note: Interest costs for 2020-21 are based on the latest government projections available at the time of writing.

Figure 6: Consolidated Government Interest Costs Compared to Other Expenditures, 2019-20

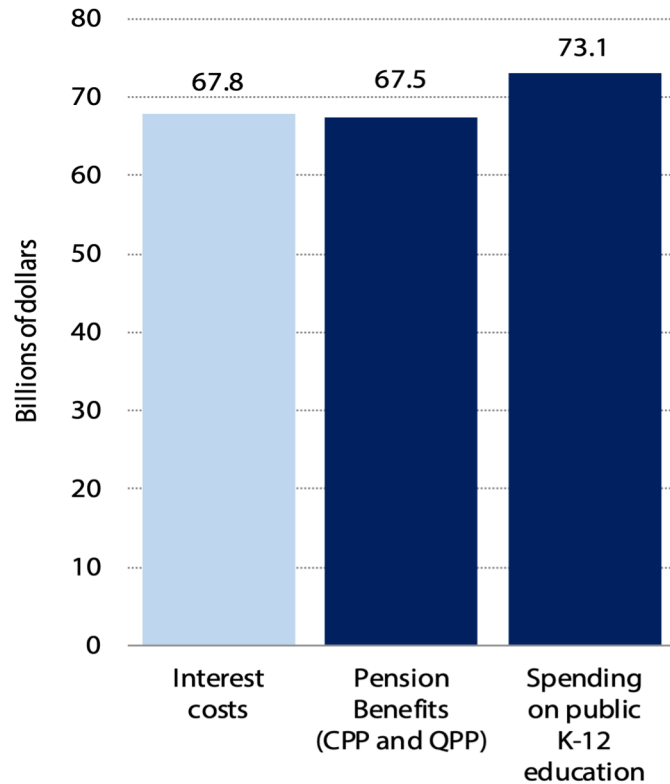
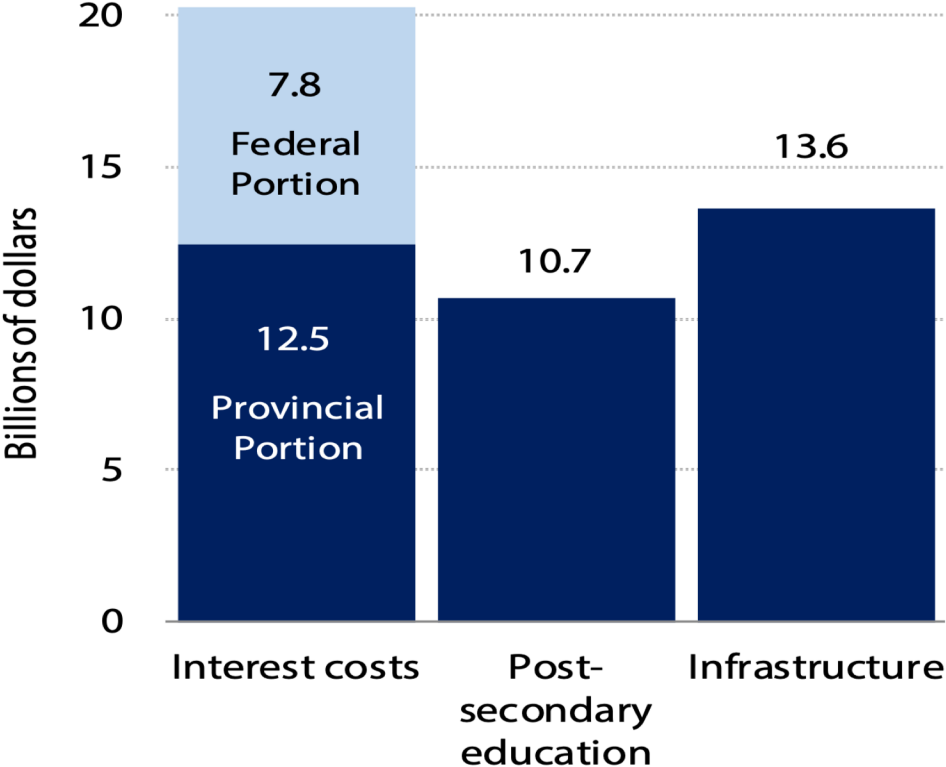
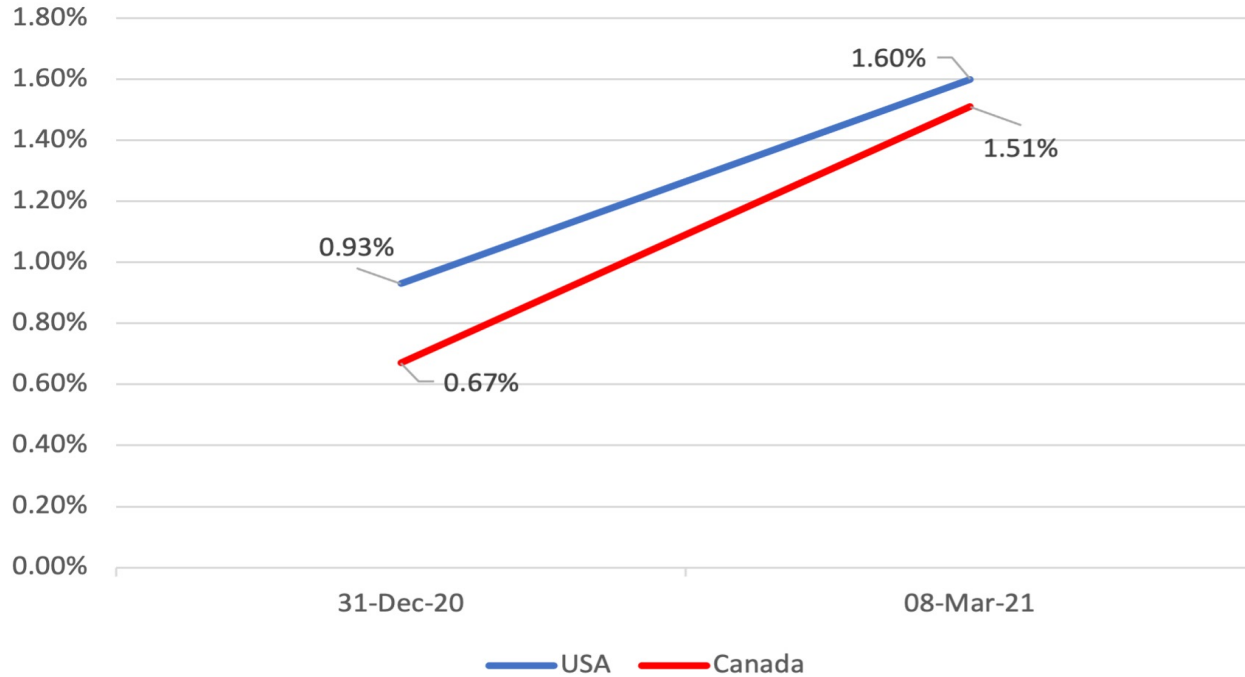


Figure 2: Ontario's Federal and Provincial Combined Interest Costs Compared to Other Budget Items, 2020-21



10-Year Bond Yields



D. Positioning

1. Low exposure to Financial Institutions. Too much leverage and exposure to eroding credit markets.
2. Focus on consumer staples. Consumer spending will continue to be under pressure.
3. Maintain exposure to precious metals (gold & silver) as partial hedges to the organized devaluation of paper/ fiat money. (Currently very attractive prices)

D. Positioning

4. Maintain significant global investments.
5. Invest in essential businesses in growth sectors with strong balance sheets and substantial moats.
6. Maintain a healthy cash balance (will vary by client)
7. Patience! We have no “FOMO”! We will not chase stocks. Valuations in some areas of the market are insane.

FOMO - Fear Of Missing Out
Otherwise known as greed!

Performance Summary

As at February 28, 2021 (after all fees)

Rocklinc Book of Business

(70% equity 30% bonds and short-term cash)*

3 Mos.	6 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
-2.4%	-1.7%	12.1%	11.1%	10.2%	7.1%

* ROCKLINC Book of Business



Performance Summary

As at February 28, 2021 (after all fees)

100% Equity Performance

	3 Mos.	6 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Rocklinc	-3.5%	-2.0%	20.9%	16.8%	15.5%	12.1%
TSX	5.6%	10.6%	13.8%	7.9%	9.5%	4.8%
S&P 500	5.6%	9.7%	31.3%	14.1%	16.8%	13.4%

* ROCKLINC Book of Business



E. Company Highlights

- ▶ **OpenText Corp**
- ▶ **Infrastructure Businesses**

OpenText Corp

(TSE:OTEX; NASDAQ:OTEX)

opentext™

Global Market Leader in Information Management

- Works with over 10,000 global customers to solve the most challenging problems associated with managing data and information
- Offers cloud-based solutions leveraging AI, machine learning, data analytics and cybersecurity to help drive digital transformation
- Strong partnerships with leading companies, such as Microsoft, Amazon Web Services, Oracle, Salesforce.com and SAP

OpenText Corp

(TSE:OTEX; NASDAQ:OTEX)



3-Prong Approach to Growth

- Retain
 - >100M end users that OpenText to manage their critical information
- Grow
 - Focused on organic growth by developing new solutions and cross-selling to channel partners
- Acquire
 - \$6.8B of capital deployed on acquisitions over the past 10 fiscal years

All the Right Ingredients for Growth

- Market leader in a growing Enterprise Information Management market
- Loyal customer base - 94% renewal rate for non-cloud customer support and a mid-90% renewal rate for enterprise cloud customers
- Predictable and stable business model - 78% annual recurring revenue
- Strong partnerships with leading technology companies and a large customer base available for cross-selling
- Strategic investments in disruptive high growth areas and accretive acquisitions

Strong Performance & Attractive Valuation

- Free cash flow CAGR (FY2011 to FY2020) of >18%
- Cloud services and subscription revenue CAGR of >20% (FY2014 to FY2020)
- Debt to equity ratio <1
- TTM free cash flow yield >8% (based on March 8, 2021 closing price)

Infrastructure

- High-quality businesses tend to share key common characteristics:
 - Economies of scale
 - High barriers to entry
 - Reoccurring revenue (often under-pinned by long-term contracts)
 - Strong pricing power and/or inflation hedged-cash flows
- Infrastructure ('real' or 'hard') assets are critical to the functioning of the global economy and embody these key characteristics

Brookfield
Infrastructure Partners

 **ENBRIDGE**[®]


AMERICAN TOWER[®]

R



2020 in Review

- **Brookfield Infrastructure Partners (BIP)**
 - Achieved 6% organic growth
 - Deployed over \$2.5 billion into new investments
- **American Tower (AMT)**
 - Double-digit property revenue growth
 - EBITDA increased by 12%
- **Enbridge & TC Energy (ENB & TRP)**
 - Enbridge's EBITDA increased 3% in 2020
 - TC Energy's EBITDA held flat YOY at \$9.2 billion

F. Questions & Answers

Next Webcast
Thursday June 10, 2021





ROCKLINC

Worth. Investing.

WWW.ROCKLINC.COM