Weaponization of Financial Institutions

A. Emergencies Act

How ironic, on Valentine's Day, Justin Trudeau invoked The Emergencies Act (EA) in order to crush a large and peaceful truckers' protest in Ottawa. Up until now, the EA had never been used despite becoming law back in 1988 since the country has not faced a national emergency requiring the use of such extreme powers. The act contains a specific definition of "national emergency" that makes clear how serious a situation needs to be before the Act can be invoked.

> "A national emergency is an urgent, and critical situation of a temporary nature that (a) seriously endangers the lives, health or safety of Canadians and is of such proportions or nature as to exceed the capacity or authority of a province to deal with it, or (b) seriously threatens the ability of the Government of Canada to preserve the sovereignty, security and territorial integrity of Canada."[1]

Unfortunately, the EA endows the government with powers to do almost anything it desires. In the hands of a tyrannical government, this opens up citizens to abuse and overreach. For example, tow-truck companies refused to tow trucks away at the request of the City of Ottawa. Once the EA was invoked tow-truck companies were forced to tow the trucks away or face large penalties, including the seizing of private property for disobeying the order. In other words, the government can literally confiscate and use private resources to do their unscrupulous work. What makes this more concerning is that the Trudeau government invoked the EA against its own citizens based on unsubstantiated claims. None of the protests in Ottawa justified the invoking of the EA despite the government knowing this beforehand. This is why the government actually deactivated the CCTV cameras in downtown Ottawa because they knew that the video footage would not show to the watching world what the government claimed.

The Justice Centre for Constitutional Freedoms (JCCF) responded to Trudeau's declaration of a national emergency: "Peaceful protesters who feed the homeless, shovel snow, pick up garbage, dance in the streets, play street hockey, wave Canadian flags, sing the national anthem and set up bouncy castles for children do not 'seriously endanger the lives, health or safety of Canadians,' nor are these peaceful activities 'of such proportions or nature as to exceed the capacity or authority of a province to deal with it'," states lawyer Jay Cameron, litigation director at the Justice Centre. Sworn affidavits about the situation in Ottawa, filed with the courts, indicate that the truckers are 'friendly, courteous, humble, considerate and peaceful.'

The peaceful nature of the truckers' protest was confirmed by numerous media sources and by thousands of videos taken by people in Ottawa. Many Rocklinc clients and friends made the trek to Ottawa and confirmed that the protests were peaceful, safe, patriotic and a lot of fun! "Truckers in Ottawa sitting in hot tubs by their trucks do not 'seriously threaten the ability of the Government of Canada to preserve the sovereignty, security and territorial integrity of Canada.' The only reason the truckers are still in Ottawa is because the arrogant political elite refuse to discuss the truckers' concerns over the loss of their civil liberties, and authoritarian vaccination mandates", stated Cameron. The truckers want their civil liberties restored. "End the mandates." That's all they are asking. They simply want their freedom back. Andrei Mincov, a Canadian lawyer, wrote, "If the

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[1] Emergencies Act – www.laws-lois.justice.gc.ca/eng/acts

word 'free' is to have any real meaning, it has to involve not being subject to the control or domination of another, whether it is an outside force, the force of the national government or the force of other people or organizations … if the word 'free' is to have any meaning, it should mean something more than whatever freedom remains after the government has finished restricting it." Nor is it acceptable for the government to restrict freedom in the name of public health, and there is a good reason for this. Overwhelming evidence shows that the government's Covid mandates have been ill informed and counterproductive. The cure has been far worse than the disease! But where is the accountability, after 15 days to flatten the curve has turned into more than two years of government overreach causing inestimable social and economic harm.[2]

Several days after the EA was invoked the protest was crushed with a massive militarized police operation. Government authorities systematically cleared out sections of downtown Ottawa, using officers that were shipped in from outside the Ottawa area. Perhaps because of the shame at what they were doing to their fellow citizens, the police hid their identities. Some protesters were beaten with rifles, some were kneed and others were kicked in a disgraceful and unnecessary display of force. At one-point, mounted police rode into a crowd, and horses ran over an indigenous woman in a mobility device. Some trucks were towed away, others were driven away by their owners on threats of massive fines and expropriation. In some instances, trucks were vandalized by paid government hooligans who smashed windows and dragged drivers out of their beds despite truckers peacefully following the arresting officers. After the clear out, Ottawa looked more like a scene out of the old Soviet Union, than the beautiful capital city of Canada.

While the needless use of brutality in ending the protest was despicable, the abuse of the Emergencies Act in applying draconian financial measures on Convoy donors (whose donations were retroactively made illegal) is even more shocking. In a brazen display of unchecked power and distain for Canadians, the government froze hundreds of bank accounts. They targeted not only the organizers (which is inexcusable), but also ordinary people who had supported the trucker convoy with financial donations through the platform GiveSendGo. The government obtained the names of all the donors from that platform because GiveSendGo's website had been illegally hacked and the names of donors had been published. The fact that these names were illegally obtained did not concern our unjust government in the least. Nor did it bother social media giant Twitter, which allowed the names to be shared despite its policy against sharing hacked material.

The Trudeau government gave itself expanded financial powers crafted under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act to deploy its financial measures. However, the government did not get any support from the facts in linking the protest to terrorism. On February 10th, Barry MacKillop, FINTRAC's deputy director of intelligence, told a parliamentary public safety committee meeting that "What's been happening in Ottawa has not been, to my knowledge, identified as ideologically motivated violent extremism." "We have not seen a spike in suspicious transaction reporting related to this," he said. MacKillop also pointed out that FINTRAC's US counterpart, FinCEN, had not seen any financial activity of concern.

Nevertheless, using the "occupation" of Ottawa and the blockades that had occurred at four border crossings as justification, Deputy PM and Finance Minister Chrystia Freeland announced on February 14, the day the Emergencies Act was invoked, that crowdfunding platforms and payment service providers must register with FINTRAC, and comply "anti-money-laundering and terrorist financing rules." The changes would cover all forms of transactions. Under the Emergencies Act, Canadian

[2] Friday, Lee. "The Real 'National Emergency' in Canada is Trudeau. Feb. 17, 2022. www.libertarianinstitute.org

financial institutions would also be able to temporarily cease providing financial services to any account that they suspected might be being used to "further illegal blockades and occupations" and share their information with the RCMP or CSIS (Canadian Security Intelligence Service). In addition, financial institutions could immediately freeze or suspend an account affiliated with "these illegal blockades" without a court order.

It's disconcerting how readily banks agreed to do the government's dirty work. According to the Canadian Bankers' Association, financial institutions were given no written guidelines by the Finance department on how to apply the Emergencies Act. They worked solely and willingly from the "verbal briefings" given to them by bureaucrats. They even froze joint accounts where one of the signatories was not involved in the convoy.

B. Rocklinc Kokomo Fund

The unjustified invoking of the Emergencies Act demonstrated to all Canadians, and indeed to the watching world, that our governments on all levels, coupled with our financial institutions, cannot be trusted. It was a very sad day in Canadian history when our once prestigious financial institutions were literally weaponized against "political opponents" of the government with no due process. The government's abusive use of the EA was a real opening of the kimono and the ease at which bank accounts were frozen was terrifying. It is now patently obvious to all that in Canada governments have no issue with targeting those with whom they disagree politically. It also appears that our Charter of Rights and Freedoms is not worth the paper it is written on. If our rights and freedoms come from the government, and not God, they are not absolute rights and freedoms but simply government privileges that can be granted and revoked arbitrarily based on the whims of the leaders. The only word for this is tyranny.

In light of these dramatic changes, we have communicated to our clients that they should take some steps to mitigate the risks of further government overreach. First, keep some extra cash around your home in a safe place. We quickly found out back in February that our Canadian financial institutions are not in the business of giving you back your deposits in the form of cash. Second, consider owning some physical gold and silver as monetary substitutes and as a means of exchange in the event you need to do some bartering. Third, open a bank account in a foreign jurisdiction not under the regulatory control of a Canadian government. Fourth, own hard assets outside of Canada. This could include private businesses, real estate or investment accounts. It is clear that you do not want all your net worth in one country and in a country with a Prime Minister and Finance Minister who have no problem demonizing those who legally disagree with him and are prepared, without due process, to target their assets. Lastly, maintain or obtain a second passport or permanent residency status in another country that is safe and more respectful of personal freedoms and liberties.

As some of our clients know we are in the process of launching an investment fund based in the Cayman Islands. We expect this fund to be available early in June. The Cayman Islands are the world's premier location to hold financial assets. They are a British Overseas Territory and the world's number one offshore market for investment funds. The Rocklinc Kokomo Fund will have a non-Canadian custodian, Cayman legal counsel, Cayman fund administrator and a Cayman auditor. The minimum investment will be $100,000 USD and the fund will be open to both Canadian and non-Canadian investors. We will manage the portfolio in a similar manner to how we manage all our discretionary accounts. This will include 25-30 stocks, low turnover, a competitive management fee, no performance fees and monthly pricing and liquidity. More details will be forthcoming in our offering documents. We have a large list of interested clients and encourage you to call or email if you want more details. The new Rocklinc Kokomo Fund will be an easy way you can invest outside of Canada, into a high quality investment fund, with a proven investment team and outside of the immediate reach of our government. As more details come available, we will pass them along.

C. First Quarter Review

US Market

US stocks declined during the first quarter. Russia’s invasion of Ukraine drew widespread condemnation and lead to the imposition of strict sanctions from much of the global community. President Biden targeted "the main artery of Russia's economy" by banning Russian oil imports. Unfortunately the impact of this ban had a significant impact on the price of oil globally, which moved up strongly during the quarter. Sanctions were also aimed at the Russian financial system. Assets of the Russian central bank were frozen and numerous allies limited Russia’s access to the global financial system. Some of Russia’s wealthiest citizens were hit with asset freezes and seizures, while a large number of major international corporations have withdrawn from the country.

The invasion amplified existing concerns over inflation pressures, particularly through food and energy, although US economic data otherwise remained stable. The US unemployment rate dropped from 3.8% in February to 3.6% in March. Wages continue to rise, but have not yet matched the rate of headline inflation. The annual US inflation rate, as measured by the consumer price index, hit 7.9% in February. The Federal Reserve (Fed) raised interest rates by 0.25%, with calls from within for more aggressive tightening. Further hikes are expected through the rest of 2022. Energy and utility companies were amongst the strongest performers, outperforming a falling market with modest gains. Technology, communication services and consumer discretionary were amongst the weakest sectors.

Eurozone

Eurozone shares fell sharply in the quarter. The region has close economic ties with Ukraine and Russia, with a heavy reliance on Russian oil and gas. The invasion led to a jump in energy prices and raised serious concerns about future supplies. Germany finally suspended the approval of the Nord Stream 2 gas pipeline from Russia after being warned by President Trump concerning their vulnerability and dependency on Russia over 4 years ago. The European Commission announced a plan designed to diversify their sources of gas and speed up the roll-out of renewable energy. But even the best plans will take years to implement. Understandably, there are fears that the high energy prices will weigh on both business and consumer demand and hurt economic activity.

Over the quarter, energy was the only sector to register a positive return. The steepest declines came from the consumer discretionary and information technology sectors. Worries over consumer spending led to declines for stocks such as retailers, while the war in Ukraine also exacerbated supply chain disruption, impacting the availability of parts for a wide range of products.

In response to rising inflation, the European Central Bank (ECB) outlined plans to end bond purchases (printing of money) by the end of September. ECB President Christine Lagarde indicated that a first interest rate rise could potentially come this year, saying rates would rise “some time” after asset purchases had concluded. Data showed annual eurozone inflation at 7.5% in March, up from 5.9% in February. The ongoing war in Ukraine and rising inflation led to a pullback in forward-looking measures of economic activity raising concerns about future economic growth and the possibility of a recession by year end. With the US, UK and Canada raising rates while the ECB sits on his hands, expect significant weakness in the Euro for the remainder of this year.

United Kingdom

UK equities were buoyant as investors priced in the additional inflationary shock resulting from Russia's invasion of Ukraine. Large capitalization equities rose over the quarter, driven by the oil, mining, healthcare and banking sectors. Strength in the banks reflected rising interest rate expectations while the Bank of England moved to hike rates ahead of other key central banks.

As the quarter progressed, some of the more defensive sectors made some progress and advanced in value. Erratic fears of a global recession, drove periodic sell-offs during the period. Market volatility rose given the uncertainty related to the Russia/Ukraine conflict.

The Bank of England increased its official rate by a combined 50 basis points (bps) with a further two consecutive 25 bps hikes on top of December's 0.15% increase. According to the Office for Budget Responsibility (OBR), UK consumer price inflation is set to peak at close to 9% this year. The OBR published its new forecast for the Consumer Prices Index (CPI) alongside the Spring Statement at the end of the quarter. It now expects CPI to hit 8.7% in the fourth quarter of 2022 (previous forecasts had been to peak at 4.4% in the second quarter of 2022) before falling back in Q1 2023.

Japan

After weakness in January and February, the Japanese stock market rose in March to end the first quarter just slightly below its year-end 2021 level.

From the start of the year, the tone for the equity market was set by the release of minutes from the US Federal Reserve meeting, and the associated change in expectations for US interest rates. This helped to accelerate a change in market dynamics. In Japan, this was especially evident in the outperformance of value-style stocks at the expense of growth. Much of this relative gain in value stocks was concentrated in financial-related sectors including banks and insurance

Geopolitical events dominated equity market behaviour from February to the end of the quarter. Despite Japan's proximity to Russia, it is a relatively small trading partner for Japan, accounting for around 1% of exports and 2% of imports. The balance is skewed by the import of energy from Russia, especially liquid natural gas (LNG), while exports are predominantly in auto-related areas and most auto makers are now moving to suspend these links.

The yen weakened sharply against all major currencies in March, reaching a six-year low against the US dollar. Although expected interest rate differentials have widened this year, the scale and timing of the yen's weakness caught the market by surprise, given its perceived role as a safe-haven asset at times of uncertainty. In the last week of March, the Bank of Japan conducted fixed-rate bond purchase operations for several days. This unprecedented move was the clearest possible statement of the Bank's intention to keep bond yields within the current target range of +/- 25bps. It will be interesting to watch what happens in Japan. Can the Bank of Japan keep bond yields down and maintain a steady currency value given their massive debt and shrinking population? We think there are serious challenges ahead for Japan. Stay tuned.

Asia (ex-Japan)

Asia (ex-Japan) equities experienced sharp declines in the first quarter of 2022 amid a volatile and challenging market environment as Russia launched an invasion of neighbouring Ukraine. Share prices in China were sharply lower in the quarter while shares in Hong Kong and Taiwan also fell. The number of COVID-19 cases in Hong Kong and China spiked to their highest level in more than two years during the quarter despite the Chinese government pursuing one of the world's strictest virus elimination policies. So much for efficacy of lockdowns and vaccines! The city of Shanghai, China's financial capital with a population of 25 million people, went into a partial lockdown at the end of the quarter in a bid to curb a surge in Omicron COVID-19 cases, prompting fears that other parts of the country could also go into lockdown. At the time of writing this update, Shanghai remains in a city wide lockdown raising more concerns over the global supply chains.

Share prices in South Korea were sharply lower in the first three months of 2022 as the leaders in the region allow the COVID-19 pandemic to continue to affect economic activity with short sighted and misguided policies. Despite the index falling sharply, there were pockets of growth such as Indonesia, which achieved solid gains in share prices during the quarter. Thailand, Malaysia and the Philippines also moved higher, although gains were muted.

Commodities

The S&P GSCI Index increased strongly in the first quarter of 2022. It was driven sharply higher by significant increases in energy prices along with increases in the price of wheat following Russia's invasion of Ukraine. Energy was the best performing component of the index, with strong price gains for oil, natural gas and heating oil amid rising global demand for energy and fears of supply restrictions due to the Ukraine crisis and the cutting of Russian energy supplies.

Within the agriculture component, wheat and corn recorded sharp price gains on fears that supplies will be restricted by the Ukraine conflict (Russia and Ukraine account for approximately 30% of global wheat exports). Within industrial metals, the price of nickel rocketed higher in the quarter. Aluminum and zinc prices were also significantly ahead during the first quarter. Precious metals, gold and silver also turned in gains over the quarter.

D. North American Equity Market Statistics

During the first quarter, the Canadian equity market as measured by the S&P/TSX increased by 3.1%. Year-over-year, the index increased by 19.4%, including dividends. Although the S&P/TSX index has lagged many of the world's major stock markets over the past 15 years it has come roaring back to life over the past year! The recent pick up in the index has been largely driven by commodity stocks and the inflation trade, coupled with the upswing in the value of the banks after a sharp selloff due to the lockdowns in 2020/2021. At Rocklinc, we continue to focus on an evolving basket of great businesses that can successfully navigate the inevitable challenges facing the global economy. We do not try to market time or attempt to profit from short term moves in any particular sectors. This strategy has proven to not only protect our clients' money in the downturns but provide strong long-term performance.

During the last three and five years, our basket of Canadian companies outperformed the index by approximately 6.6% and 4.6%, respectively. Our weighting in the gold and silver royalty companies, along with our infrastructure holdings and technology stocks, added significant value over the last three to five years. Year-to-date our Canadian equities rose by 9.96% compared to the index at 3.65%. Regardless of the short-term noise, our focus is on the long-term economic fundamentals of the companies we own and we are pleased with our core positions and their favourable long-term fundamentals.

In terms of the S&P/TSX, seven sectors generated positive returns and four decreased during the first quarter! Here are their returns from best to worst: Energy (+27.4%), Materials (+19.7%), Telecom Services (+7.7%), Consumer Staples (+5.0%), Utilities (+4.0%), Industrials (+3.6), Financial (+1.4), Real Estate (-5.4%), Consumer Discretionary (-8.2%), Healthcare (-8.7) & Information Services (-35.5%).

Pertinent market action during the first quarter of 2022 and during the last 12 months is captured in the following table.

	Mar. 31, 2021	Dec. 31, 2021	Mar. 31, 2022	3 Month	1 Year Return
CAD/USD	.7956	$0.7904	$.7996	+1.16%	+.50%
Oil WTI (US $)	$59.34	$75.43	$100.28	+32.9%	+69.0%
Gold (US $)	$1,707.08	$1,829.17	$1,936.78	+5.9%	+13.5%
Silver (US $)	$24.41	$23.29	$24.80	+6.49%	+1.60%
S&P/TSX	18,698	21,222	21,890	+3.14%	+17.1%
S&P 500	3,973	4,766	4,602	-3.44%	+15.8%
Cdn 10 yr.	1.55%	1.43%	2.40%	+97bps	+85 bps
US 10 yr.	1.75%	1.51%	2.33%	+82 bps	+58bps

Source: Bloomberg

During the first quarter, the Canadian dollar increased 1.16% against the USD and was up .50% over the last twelve months. Over time, the best way to minimize currency risk is to buy strong and growing businesses that generate revenue in numerous currencies. As a result, these businesses create a natural currency hedge in your portfolio and mitigate the impact of fluctuating currencies and inflation. Our view is that all fiat currencies will continue to lose value against tangible or real assets because governments around the world, through their central banks, continue to print record amounts of money to support their weak and indebted economies. Increasing the supply of paper money can only depreciate its value over time. Over the past 24 months, we have witnessed the largest expansion of fiat money in the history of the world. During the quarter gold edged higher by 5.9% and was up 13.5% over the past twelve months, reaching a peak at $2,070.44 on March 8, very close to its all-time intraday high of $2,075 (August 7, 2020). Silver increased by 6.5% over the last three months and was up 1.6% over the past year. We believe the long-term trend for precious metals is to the upside and continue to build positions in this sector.

During the quarter, oil jumped by 32.9% and year-over-year, it is up a whopping 69%. Much of the gain in the first quarter resulted from the invasion of Russia into Ukraine and the restrictions/sanctions placed on Russian oil and gas. Our direct investments in the oil and gas sector remains relatively small. During the quarter we did add to some of our positions. It is our indirect exposure through a number of infrastructure firms that remains quite large. We are more comfortable gaining our exposure to the energy sector through businesses that service the sector or provide long-term infrastructure assets (pipelines, storage, cleaning, recycling) to the broader energy sector.

During the first quarter, interest rates jumped sharply as inflation rose to levels not seen in over 40 years! The 10-year Canadian bond increased by 97 bps and the US 10-year treasury increased by 82 bps. Despite the extreme volatility in interest rates, we believe that interest rates will remain historically low and well below the true levels of inflation. **While interest rates are expected to increase significantly in the year ahead, we believe a sharp rise will lead to a recession by early 2023. This would then lead to a drop in rates at that time! With global debt reaching levels never seen before in world history the global economy cannot absorb an increase of 250-300 bps without the risk of sinking into a serious and prolonged recession!**

E. ROCKLINC Investment Update

1. Private Client Assets

In terms of our ROCKLINC portfolios, with 70% invested in equities and 30% in a short-term bond mix, they increased by 1.71% during the first quarter and increased by 9.60% during the last 12 months (period ending March 31, 2022).

More importantly, our average annual compound rate of return over the past 3, 5 and 10 years is clocking in at approximately 11.6%, 9.9% and 8.4% respectively. Returns are after all fees, and are based on an asset mix of approximately 70% invested in equities, with the remainder invested in short-term deposit accounts, bonds and preferred shares. This asset mix has varied over the past five years but in general we have averaged approximately 65%-70% invested in equities. Please note that the performance we are disclosing is our **aggregate performance** across all our accounts. Each client's portfolio is unique, and performance will vary, based on your risk tolerance and your specific asset allocation.

When we dig further into our numbers, we find that our basket of equities increased by 2.7% during the first quarter and increased by approximately 13.7% during the past 12 months. Our equities have been compounding by approximately 17% per year over the past 3 years and by 14.2% over the past 5 years. Over the past five years, our Canadian equities have been compounding at 14.1% per year (compared to the index at 9.8%), while our US equities have been growing at 15.5% per year (adjusting for currency changes) (compared to S & P 500 index at 15.9%). We continue to allocate capital into global businesses in order to glean the benefit of global growth and diversification in our portfolios.

We continue to fix our attention on the economic fundamentals! This means that we **first,** selectively add companies as our research team ferrets out new opportunities. **Second**, prune underperforming businesses. **Third**, take advantage of market swings and add to our outstanding companies at better prices! Whether the markets are weak or exuberant, there are always opportunities to seize upon.

2. Rocklinc Partners Fund

Back in September 2017, we launched our Rocklinc Partners Fund. Our goal was to offer our clients a low cost and efficient way to purchase our top 20-30 companies in one portfolio. It is an effective way to gain access to a diversified portfolio with more modest amounts of investment capital.

Our plan is to develop a long-term track record that can be marketed not only to our own private clients but also directly to other Canadian investors. By having an investment product that can be marketed to other investors we will have another avenue of growth for the firm. As Rocklinc continues to grow, our number one objective is to add investment professionals to our roster in order to provide each of our clients with a high-quality and high performing investment portfolio.

Quarterly we will provide our clients updated performance numbers on our Rocklinc Partners Fund. All performance numbers are after all fees and rates of return beyond one year are annual compound rates of return.

As at March 31, 2022

	1 mo.	3 mos.	6 mos.	1 yr.	3 yr.	Incep.**
RL Partners	4.3%	0.6%	7.6%	9.1%	11.8%	10.3%

** Inception September 29, 2017 (NBN1212)

F. Company Update - Franco Nevada

Nearly 40 years ago, Canadian mining legends, Seymour Schulich and Pierre Lassonde, formed Franco-Nevada Mining Corporation (Franco) with an initial capitalization of $2 million. They created the first publicly traded mining royalty business with the now infamous royalty on the Goldstrike mine in Nevada in 1985. This acquisition would prove fortuitous; Goldstrike would go on to be one of the most prolific gold mines in history, resulting in tremendous wealth creation for Franco shareholders. In 2002, Franco was acquired by Newmont Mining for $2.5 billion.

Under the Newmont umbrella, the original Franco team continued to manage royalty assets as part of Newmont Capital. In 2007, Newmont offered a package of the original Franco royalties, along with other royalties, for sale. The team incorporated the 'new' Franco, launching an IPO and shortly thereafter, acquiring the royalty portfolio from Newmont for $1.2 billion. Fifteen years later, Franco has paid out over $1.7 billion of dividends, compounded shareholder wealth at an approximate 18% growth rate per year since inception and has outperformed both the S&P 500 and Nasdaq markets. If you had purchased the shares at IPO, the current dividend yield on your shares today would equate to approximately 10.8% and your original $10,000 investment would be worth $133,083.

ROCKLINC's preferred exposure to the precious metals space is through the ownership of companies that use the streaming and royalty model (in addition to Franco, our clients own Wheaton Precious Metals, Sandstorm Gold, Royal Gold and Gold Royalty Corp.). Investors in royalty and streaming companies own a portfolio of precious metal derived cash flow streams that are diversified across types of metal, geographic location, mines and mining companies. Franco's corporate administrative expenses equate to 0.06% of the Company's Enterprise Value, cheaper than the most inexpensive exchange traded funds (ETF's), in return for an arguably better investment (Franco has outperformed gold ETFs by a large margin). Due to the ubiquitous presence of these companies across our client portfolios, it is important for us to take a moment to explain this business model in greater detail.

The Streaming and Royalty Business Model

In essence, a royalty involves a Royalty Company (ie. Franco) that provides an upfront payment in exchange for the right to a certain percentage of revenue produced from the mine over a specified period of time. A stream, which is different from a royalty, although similar, involves the Streaming Company making an upfront payment in exchange for the right to pay a fixed amount (well below the current market price) per ounce of gold or silver produced from the mine, with the Streaming Company capturing the difference between the fixed amount and the current spot price of the precious metal.

There are a number of advantages that are derived from both the Streaming and Royalty model:

1. Produce large cash flow streams that are highly scalable (high operating leverage).
These are cash generating machines that reinvest and compound their cashflows. Likewise, because they are highly cash generative, these royalty and streaming companies typically carry little to no debt on their balance sheets and require very little overhead expenses.

2. Provide capital at a time when traditional means of capital are not available.
A move from active to passive investing has affected the ease of obtaining financing for mining companies. Royalty companies are unique in their position to offer non-dilutive expedited financing, creating a real partnership with the mining company, with both parties achieving mutually beneficial outcomes. The best deals are available when there is a bear market in the precious metals.

3. Provide tremendous flexibility to mining companies.
There is a plethora of benefits to miners from entering into a streaming or royalty deal such as no fixed repayment requirements, no restrictive debt covenants and no regulatory consents.

4. Large upside optionality from both price and mine expansion without downside operational risk
There are more than three times *more* gold ounces recorded at Franco's original properties today than these properties had in reserves at inception. This means Franco's reserves went up 3x without having to lay out a single cent; essentially 'free' production attributed to the Company.

5. Hedge to monetary foolishness and a future problem in our financial markets.
Given the nature of the challenges we face within our global financial system (massive increase in global debt levels and the insurmountable amount of unfunded liabilities such as pensions and entitlements), royalty companies provide our clients with a hedge to these risks through their ownership right to future gold and silver production, at locked-in prices!

Franco-Nevada Corp

Franco boasts a portfolio of over 400 assets, diversified by commodity, geography, revenue type and stage of project. In total, the portfolio contains 112 producing assets, 43 advanced-stage projects and 250 assets in the exploration stages, covering 63,000 square kilometres in 17 countries. Franco works closely with its partners, offering technical support where appropriate and providing financial support to their mining partners' economic, environmental and social initiatives within the communities that are directly influenced by the mines.

Franco has exposure to a variety of non-precious metal royalties and streams; approximately a quarter of its revenues are derived from these alternative sources. In the past several years, the Company has been actively growing its oil & gas portfolio, particularly after the sharp fall in oil prices in 2014. While gold and precious metal equivalents remain the focus, investments in other resources allows Franco to be opportunistic through the commodity cycles, adding growth and diversity in the portfolio. The Company is also building exposure to a variety of critical metals that will be necessary in the vast electrification of our grid in the coming decades, particularly as technologies such as electric vehicles and renewable power generation take hold in a meaningful way. The Company has accumulated royalty interests on producing nickel properties, large prospective copper developments and much of the chromite resource in Ontario's Ring of Fire. In 2021, Franco acquired a tranche of debt securities (which are effectively a royalty) on Vale's world-class iron ore operations in Brazil. In a world that has underinvested in critical key resources due to ESG concerns, Franco is well-positioned for intense natural resource demand in the coming decades.

Looking forward, Franco is positioned be a key provider of capital to the mining industry, aided by a strong balance sheet, dynamic partnerships and astute management. We are pleased with our investment in this excellent business.

F. Moving Forward

We continue to keep our eyes focused on the fundamentals of the businesses we invest in, within the context of a global economy immersed in debt and run by power hungry governments. **We will do our best to take advantage of sharp moves in the market!** As investors, volatility and turbulence are our friends and we will use them to your advantage. It is important that we remain vigilant given the economic and social challenges facing the global economy. Anyone who believes that the market cannot drop sharply is mistaken.

As a result, the investment team at Rocklinc is working hard to make sure our existing companies are performing as expected or better and searching for new companies that we can add to your portfolios. Over the past year, we have added several new companies to our mix. During the same period, we eliminated/reduced several positions. We continue to add to our weightings in a number of sectors including, precious metals, financial, consumer staples and technology. We maintain a large weighting in the infrastructure sector.

Given the current environment our basic strategy has not changed. We are positioned strongly to deal with the extraordinary times we are living in. Here is a summary of our thoughts as we invest in a world submerged in debt, addicted to money printing and increasingly ruled by tyrants.

1. Patience – we need to wait for well-priced opportunities.
2. Watch the world's leading Central Banks. The level of money printing is already historic and we do not believe it will be easy to turn off the spigot as 2022 unfolds.

3. Pay attention to the irresponsible decisions of governments around the world. Governments are running massive deficits. Sadly, there does not seem to be any end in sight for this madness. There are even calls for governments around the world to spend more, including the introduction of a Universal Basic Income (UBI).

4. Diversify across asset classes, sectors and geographic regions. At the current time, we are focusing on nine sectors. These are agriculture, consumer staples, financial, healthcare, infrastructure, manufacturing, precious metals, technology and water. Our largest weightings are in infrastructure, precious metals, technology and financial. By investing in global businesses, we also gain exposure to many different currencies providing a hedge to any weakness in the Canadian dollar.

5. Invest in businesses with strong balance sheets, backed by hard and tangible assets with limited counterparty risk.

6. Invest in firms that produce essential products and services, in growing industries, with well-established long-term secular growth trends. Our highlighted company this quarter **Franco-Nevada,** is an excellent example.

7. Avoid/minimize highly leveraged financialized firms that have incomprehensible balance sheets, loaded with risky derivatives. We continue to minimize our exposure to banks and life insurance companies!

8. Maintain adequate liquidity in our portfolios, in order to take advantage of significant moves in the stock market. **Cash is not trash** when the markets become irrational! We expect our cash allocation to be put to work during the next six to twelve months or when the markets get skittish.

9. Remain optimistic and opportunistic seasoned with a dose of reality. Do not succumb to fear mongering nor believe that you cannot survive without the "help" of an intrusive State that has proven to be completely inept.

10. Place your faith and hope in God and not the State. If we have learned anything over the past 25 months it is that we should not trust in governments to protect or provide for us! The psalmist in the Holy Scriptures writes; **"It is better to take refuge in the Lord than to trust in princes." Psalm 118:9.**

If you have any questions pertaining to your account please call or email for an appointment.

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