Third Quarter Update

A. North American Equity Market Statistics

During the third quarter, the Canadian equity market as measured by the S&P/TSX decreased by 2.41%. Year-over-year, the index increased by 8.6%, including dividends. The substantial increase in interest rates over the past 18 months has dampened the outlook for global stock markets and hammered the value of medium to long-term bonds. Central Banks around the world are trying to slow economic growth in order to bring inflation back to what they deem as “acceptable levels”. In particular, the large rise in rates has weighed heavily on capital intensive businesses that utilize significant levels of debt on their balance sheets such as real estate and utilities/infrastructure companies. This means some of the businesses we own in our portfolios including infrastructure and precious metals businesses have struggled in 2023. This does not deter us in owning these companies because these same companies continue to grow steadily and are now trading at very attractive prices.

In fact, several of our favourite businesses are trading at substantial discounts to what we believe is their intrinsic value. This is providing us with a unique opportunities to slowly increase our weightings in these companies. Here are ten businesses that we believe are trading at greater than 25% discounts with several trading at greater than 40% discounts to intrinsic value: Agnico Eagle Mines, American Tower Corporation, Autodesk Inc, Brookfield Infrastructure, Brookfield Renewable, Danaher Corporation, MEG Energy, Sandstorm Gold Ltd, Trisura Group and Wheaton Precious Metals. Expect to see us judiciously add to some of these businesses along with others in the current quarter.

At Rocklinc, our focus is on building portfolios of great businesses that can successfully navigate the challenges facing the global economy. We do not market time or attempt to profit from short-term moves in any particular securities or sectors. As the old investment adage goes, it’s time in the market, not market timing. Perhaps more accurately we would say, it’s time in the market, *in the right businesses*, not market timing! Our mandate is to find the right businesses and be patient. If we keep our eyes firmly fixed on the playing field the scoreboard will take care of itself.

Canadian Equities

Year-to-date (YTD), our basket of Canadian companies (after all expenses) decreased by 3.6% and over the past 5 and 10 years, compounded annually at 9.0% and 8.6%, respectively. While underperforming the index by 6.3% during the first nine months of 2023, we have outperformed the index by approximately 2.6% and 1.9% annually over the past 5 and 10 years, respectively. Our weighting in the precious metals royalty companies, along with our large weighting in infrastructure businesses, added significant value over the last five and ten years but have held us back so far in 2023 given the large rise in interest rates and the strong US dollar. We expect this trend to quickly reverse as interest rates peak and eventually start to move down. Regardless of the short-term noise, our focus is on the long-term economic fundamentals of the companies we own. We are pleased with our core positions and their favourable long-term fundamentals.

In terms of the S&P/TSX index, only two of the ten sectors generated positive returns during the second quarter. Their returns from best to worst: Health Care (+13.8%), Energy (+8.9%), Consumer Staples (-1.6%), Financials (-3.8%), Materials (-4.2%), Industrials (-4.5%), Consumer

Discretionary (-7.6%), Information Technology (-7.6%), Utilities (-13.0%) and Telecommunication Services (-13.8%).

US Equities

YTD, our portfolio of U.S. based companies (after all expenses) increased by 6.6% and over the past 5 and 10 years, compounded annually at 8.7% and 13.3%, respectively. YTD, we have underperformed the index by approximately 6.5% when measured against the S & P 500 total return index. When compared to the Dow Jones Industrial Average (DJIA) we beat the index by 5.5%. The challenge with the S & P 500 index is that it has been dominated by a handful (7-10 companies) that have skewed the index up in an unsustainable manner. We will not chase stocks nor buy stocks based on momentum. The basket of companies we own represent reasonable value and possess the characteristics to outperform other businsesses in the coming years.

Over the past 5 years we have trailed the S & P 500 index by 1.2% and over the past 10 years outperformed the index by 1.4% annually. When compared to the DJIA we outperformed the index by 2.3% and 5.0% over the past 5 and 10 years.

Most recently, the returns in the U.S. markets have been dominated by a handful of businesses which are trading at extremely high valuations. Many of these businesses are being propelled by the excitement surrounding artificial intelligence (AI). There is no question that AI will have a massive influence on our society and many business but that does not give us license to chase overvalued securities. It is our long-term discipline that will produce the consistent returns demanded by our investors. Proverbs 21:5 is a great verse to remember when you feel like chasing the latest investment fad, “The plans of the diligent [patient] lead surely to abundance, but everyone who is hasty comes only to poverty.”

Major contributors to our long-term performance include businesses operating in the following five sectors; consumer staples, healthcare, industrial, manufacturing and technology. Given the size of the U.S. market, most of the new holdings we have added to our portfolios over the past 2-3 years have been global businesses domiciled in the U.S. We expect this trend to continue.

Market Statistics

Pertinent market action during the third quarter of 2023 and during the last 12 months is captured in the following table.

	Sept. 30, 2022	June 30, 2023	Sept. 30, 2023	3 Month Return	1 Year Return
CAD/USD	$.7231	$0.7548	$.7365	-2.42%	+1.85%
Oil WTI (US $)	$79.49	$70.48	$90.79	+28.82%	+14.22%
Gold (US $)	$ 1,660.61	$1,918.83	$1,848.63	-3.66%	+11.32%
Silver (US $)	$19.03	$22.76	$22.18	-2.55%	+16.55%
S&P/TSX (TR)	18,444	20,155	19,541	-3.05%	+5.95%
S&P 500 (TR)	3,585	4,450	4,288	-3.64%	+19.61%
Cdn 10 yr.	3.17%	3.27%	4.02%	+75 bps	+85 bps
US 10 yr.	3.83%	3.84%	4.57%	+73 bps	+74 bps

Source: Bloomberg

During the third quarter, the Canadian dollar decreased by 2.42% against the USD and was up 1.85% over the last twelve months. The USD has been quite strong and has advanced against every major currency in the world over the past three years. For example the USD is up 10% against the Euro, 6% against Pound Sterling, 7% against the Chinese Yuan and a whopping 41% against the Japanese Yen.

We do not try to forecast moves in currency, although we do believe the US dollar will have greater headwinds moving forward and may weaken later this year and into next year. As more and more countries around the world seek to de-dollarize, that is, avoid the U.S. dollar when trading goods in the international markets, the U.S. dollar will slowly come under pressure and may weaken relative to other major currencies. This does not mean that the U.S. dollar will lose its reserve currency status any time soon. Given the ugly alternatives the U.S. dollar still looks relatively attractive. What is more important for investors is that the U.S. dollar, and other fiat currencies, like the Canadian dollar will weaken relative to hard assets such as copper, nickel, oil, gas, gold and silver.

Over time, the best way to minimize currency risk is to buy strong and growing businesses that generate revenue in numerous currencies and are backed by hard tangible assets. As a result, these businesses create a natural currency hedge in your portfolio and mitigate the impact of fluctuating currencies and inflation. Our view, which we have held for the past 13 years, is that all fiat currencies will continue to lose value against tangible, or real, assets. This is because governments around the world are fiscally irresponsible (run large budget deficits and accumulate large debts), and through their central banks, continue to print record amounts (through the whole business cycle) of money to support their indebted economies.

During the quarter, gold slipped 3.7% and was up 11.3% over the past twelve months. It finished the quarter at $1,848.63, having reached a peak of $2,070.44 on March 8, 2022, very close to its all-time intraday high of $2,075 (August 7, 2020). Silver was weaker during the quarter and decreased by 2.6% but was up by 16.6% over the past year. We believe the long-term trends for both of these precious metals are to the upside and we continue to build positions in this sector. Our major positions continue to be royalty companies Franco-Nevada, Gold Royalty Corp., Osisko Royalties, Royal Gold, Sandstorm Gold, Wheaton Precious Metals and leading miner Agnico Eagle Mines. While these companies sold off during the third quarter, due to the rapid rise in interest rates and US dollar strength they are all beautifully positioned to benefit from global turmoil and overindulgent governments. Best of all, they are all trading at substantial discounts to intrinsic value with several trading at massive discounts. Expect us to nibble away and add to your positions.

During the quarter, oil jumped by 28.8%. Year-over-year oil was up 14.2%. The significant jump in the price of oil is due to a number of factors that go far beyond the Russian invasion of Ukraine in 2022. The long-term factors include the ongoing political assault on the oil and gas industry driven by the gospel of “ESG” and the climate alarmists who are working overtime to drive money into the inflationary green economy. Increasing prices are being driven by government policies that restrict capital investments in the oil and gas sector and are holding back production. All this will do is keep long-term oil prices at elevated levels and make investments in oil companies very rewarding. Currently, oil prices have settled in around $80-$90 per barrel which is very profitable for the industry and the companies we own in your portfolios. Any geopolitical shock (which we are experiencing at the time of writing this report, with the war in the Middle East) will only increase the price of each barrel of oil and drive up the value of oil companies.

Our direct investments in the oil and gas sector remain relatively small but we continue to look at ways to profit from the "green agenda." During the quarter, we added to some of our direct oil and gas positions with a particular focus on MEG Energy. We also maintain a large indirect exposure to the sector through a number of infrastructure firms.

During the third quarter, interest rates continued to jump as inflation settled in at stubbornly high levels. The 10-year Canadian bond increased 75 bps and the US 10-year treasury increased by 73 bps during the quarter. Year over year, the yields were up 85 bps and 74 bps on the 10-year Canadian bond and the 10-year US bond, respectively. During the first week in October yields jumped further to the highest level in over 23 years! At this point, it appears that interest rates are approaching their peak and may remain at these levels throughout the remainder of the year and into 2024. At some point the financial system will buckle under the weight of these interest rates due to the massive amount of global debt. **While we have been surprised by the resiliency of the global economy, largely supported by the fiscal irresponsibility of national governments, the deficits cannot continue at the current levels and indebted consumers will have to slow down their spending. When this happens, we will see a meaningful slowdown in our economy and a retrenchment in the level of interest rates which should benefit your investment portfolios.**

B. ROCKLINC Investment Update

1. Private Client Assets – Separately Managed Accounts

In terms of our ROCKLINC separately managed accounts, they decreased by 3.1%% during the third quarter and increased by 2.7% during the last 12 months (period ending September 30, 2023). More importantly, our average annual compound rate of return over the past 3, 5 and 10 years is clocking in at approximately 1.0%, 6.4% and 7.2%, respectively. Returns are after all fees, and are based on an asset mix of approximately 63% invested in equities, with the remainder invested in short-term deposit accounts and short-term bonds. 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 (Canadian and U.S.) were down by approximately 5% during the third quarter and increased by approximately 2.2% during the past 12 months. Our equities have been compounding by approximately 8.9% over the past 5 years and by 10.3% over the past 10 years.

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 existing positions at better prices!

Whether the markets are weak or exuberant, there are always opportunities to seize upon. Given the downturn in markets last year (2022), a number of buying opportunities emerged and we have tried to seize on the weakness with new positions like Autodesk and beefed up weightings in Amazon. With the large increase in interest rates this year slashing the value of utilities, infrastructure business and precious metals royalty companies we have been adding to our positions. Expect to see new additions, along with some deletions, from your portfolios over the next few months. **Altius**

Minerals, Trisura Group and Danaher Corporation are three of the companies we added to our buy list so far in 2023 and they have been added to both our Rocklinc Partners Fund and our Kokomo Fund along with many of your individual portfolios.

2. Rocklinc Partners Fund

We launched our Rocklinc Partners Fund in September 2017. 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 global diversified portfolio with 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. As Rocklinc continues to grow, our number one objective is to create portfolios of excellent companies that produce strong long-term performance.

Quarterly, we provide a performance update to our clients. All performance numbers are after all fees and rates of return beyond one year are annual compound rates of return. Currently, the Fund is approximately 30% in cash and short-term money market instruments (yielding 4.5-5%) and 70% equities. We continue to hold our cash weightings around 30% in order to take advantage of the volatility in the market. We expect our cash weighting to slowly trend lower during the next two quarters.

During the quarter we continued to increase our weightings in Altius Minerals Corp., Autodesk Inc., Brookfield Renewable Partners LP, Danaher Corp., MEG Energy Corp., Roper Technologies Inc., Suncor Energy Inc., Trisura Group Ltd and Wheaton Precious Metals. The best performing companies were our two energy companies, MEG Energy and Suncor Energy and our weakest performers were our infrastructure and precious metals businesses. They were held back by the rapid rise in interest rates coupled with the strong US dollar.

After all expenses and fees, the Rocklinc Partners Fund has been compounding at approximately 6.5% per year since inception (six years) and 6.7% over the past five years. When you look through to the equities in the portfolio, the Canadian stocks have been compounding at 11.3% and the U.S. equities have been compounding at 7.7% over the past five years. During the same five-year period, the S&P TSX index compounded at 6.4% and the S&P 500 compounded at 9.9%.

Our top 12 holdings represent approximately 45% of the total portfolio and 68% of the equity weighting in the portfolio. The top 12 holdings are Trisura (5.1%), Apple (4.6%), Franco-Nevada (4.4%), Amazon (4.1%), Brookfield Infrastructure Partners (3.8%), Roper Technologies (3.7%), Wheaton Precious Metals (3.5%), Autodesk (3.2%), MEG Energy (3.2%), Danaher Corporation (3.2%), Suncor Energy (3.1%), and Altius Minerals (2.9%).

As at September 30, 2023

	1 mo.	3 mos.	YTD	1 yr.	3 yr.	5 yr.
RL Partners**	-3.2%	-1.7%	+4.4%	4.3%	-1.2%	+6.7%

** Inception September 29, 2017 (NBN1212)

3. Rocklinc Kokomo Fund

In order to assist some of our clients and provide them with an investment product that is regulated and registered outside of Canada, we launched our Rocklinc Kokomo Fund in November 2022. Our Kokomo Fund is registered in the Cayman Islands and all funds are held in custody in Grand Cayman. It is important to point out that the Cayman Islands are a British Overseas Territory and the world's number one offshore market for investment funds.

The Fund Custodian for the Rocklinc Kokomo Fund is FundBank (formerly DMS Bank), the Fund Administrator is SGGG Fund Services (Cayman) Inc., the Fund's legal counsel is Carey Olsen, and Fund's Auditor is Grant Thornton (Cayman). The minimum investment is $100,000 USD. The Net Asset Value (NAV) of the Fund is priced monthly and started at $100.00 per unit. We are managing the portfolio in a similar manner to how we manage all our discretionary accounts. This will include 20-25 stocks, low turnover, a competitive management fee, no performance fees and monthly pricing and liquidity. Offering documents are available on our website or by calling us at Rocklinc.

We started making investments in the portfolio in February and continue to add slowly to our core positions. At the end of the third quarter, the Fund had a total value of approximately $2.9 million USD. The units closed at $97.02 at the end of September. The units have decreased by 2.98% year-to-date. There has been a consistent flow of assets into the Fund which provides us with terrific opportunities to slowly add to our existing positions, while adding new positions to the portfolio. The rapidly rising interest rates throughout 2023 has discounted the value of some of the companies in our portfolio to levels that we can add to and secure outsized returns over the next 3-5 years. Client interest is very strong and we are continuing to add 3-4 new clients into the portfolio each month.

As of September 30th, we have 19 equity positions in the portfolio representing approximately 62% of the total value of the assets. The remaining 38% is invested in a money market fund currently earning approximately 5% per year. Our objective is to slowly increase both the number of equities in the portfolio (up to 20-25 securities) and also take the equity weighting up to 80-90% based on buying opportunities and valuations. Given current market weakness, there are more buying opportunities appearing everyday. This means we are being very patient in slowly adding to our equity weightings while keeping cash on the sidelines.

Our top 10 companies in the portfolio by portfolio weighting are Trisura Group Ltd, Brookfield Infrastructure, Wheaton Precious Metals, Brookfield Renewable, Apple Inc., Autodesk Inc, Franco-Nevada Corp., Linde PLC, Danaher Corp., and Glencore PLC. These businesses represent approximately 44% of the total portfolio and 71% of the active equity weighting in the portfolio.

C. Company Update - Trisura Group

Etched into a slab of diorite stone, you will find recordings of the earliest use of insurance – the Code of Hammurabi. Approximately 1750 BC, the Babylonian King Hammurabi outlined a form of insurance called "bottomry", which allowed merchants to effectively purchase insurance on their shipments. Merchants would borrow money from a lender to fund its shipments and pay the lender high interest, which was effectively an insurance premium.[1], If the merchant's shipment arrived

[1] https://www.history.com/topics/ancient-middle-east/hammurabi

safely, the merchant would return back the loan and interest; however if the shipment did not safely make it through the treacherous waters, the merchant would not have to pay back the loan - effectively giving the merchant insurance on damaged cargo.[2] Insurance can be viewed as the transfer or spreading of risk to minimize financial uncertainty and loss. Early forms of insurance have been noted in early Chinese traders who spread their risk by allocating goods across multiple ships to minimize loss of goods travelling across the sea.

Since then, insurance has evolved and become more complex – you can insure just about anything! Traditional forms of insurance can be broadly categorized under accident & health and property & casualty (P&C) insurance. Standard line or admitted insurance market is well developed and governed by state law, while the excess & surplus (E&S) or non-admitted insurance market provides specialized insurance that are not regulated under the same insurance rules as admitted companies. Speciality insurance companies provide insurance coverage for risk that would not normally be covered by traditional insurers. Since specialized insurance covers unique, emerging and/or higher risks, specialty insurers have greater pricing power and can charge higher premiums than traditional insurers. Specialized insurance claims tend to be less frequent but higher in severity than traditional insurance claims, however this can be mitigated through the use of reinsurance. Reinsurance allows an insurance company to transfer or "cede" a portion or all of the risk to another insurance company in order to limit loss. Given these dynamics, the specialty insurance market has seen outsized growth compared to the traditional P&C market. For instance, from 2016 to 2021, the direct premiums written in the Canadian E&S insurance market increased at a compound annual growth rate of 11.1%, while the traditional P&C market increased 6.9%. Over that same period, the U.S. direct premium written in the E&S market increased 16.0% while the P&C market only increased 5.4%. By investing in a high-quality company in the E&S market, it is possible to generate outsized returns relative to the broader insurance market. One company that we believe will do just that is Trisura Group.

TRISURA®

Headquartered in Toronto, Trisura is a specialty insurance company that operates in niche markets that rely on specialized underwriting knowledge and structuring expertise. Trisura was previously owned by Brookfield Asset Management, which spun-off Trisura in the form of a special dividend to shareholders in 2017. Brookfield's management believed that Trisura would benefit from being a standalone company with direct access to capital markets. Trisura operates 4 main types of businesses: Surety, Risk Solutions Corporate Insurance and Fronting.

The Surety business, which accounts for 20.9% of 2022 net premiums written, provides surety bonds that guarantees to assume responsibility for a debt obligation in the event a party defaults. Trisura will provide contract surety bonds to ensure performance and labor and material payment for the construction industry. For developers, Trisura provides developer surety bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects. For commercial enterprises and professionals, Trisura will provide commercial surety bonds, such as license and

[2] https://westernfinancialgroup.ca/The-history-of-insurance#:~:text=In%20Babylon%20around%201750%20BC,back%20the%20loan%2C%20with%20interest.

permit bonds, issued on behalf of commercial enterprises and professionals. For residential homes, Trisura will provide new home warranty insurance. Trisura is the 4th largest surety player in Canada.

The Risk Solutions business, which accounts for 34.9% of 2022 net premium written, provides specialty insurance contracts, such as warranty programs and other non-standard businesses that don't fit into surety or corporate insurance. Trisura is the number 2 largest auto warranty provider in the Canadian automotive market.

Corporate Insurance, which accounts for 17.7% of 2022 net premium written, include various type of insurance required for an industry or company, such as Directors' and Officers' insurance and Errors and Omission insurance for professional liability. Trisura is a top 15 insurance underwriter for Director & Officer and Errors and Omission insurance in Canada.

The Fronting business, which accounts for 26.5% of its 2022 net premiums written, has been Trisura's fastest growing business. The fronting business is a fee-based business in which a self-insured company or "captive" insurer will look to a licensed insurer or "fronting" insurer to write insurance policies on its behalf. The fronting insurer will in turn cede the majority of underwriting risk to a reinsurance partner for a fee while retaining a portion of the gross premium written. In its U.S. business, Trisura aims to target a fronting fee in the range of 5% to 10% of its gross premiums, while in Canada, it targets 4% to 8% of gross premiums written. Trisura will partner with licensed brokers and managing general agents, who are wholesale brokers to generate fronting business. Trisura provides fronting for commercial auto, casualty and homeowner in both E&S and admitted markets.

From an investment perspective, we believe that Trisura gives us high-quality exposure to a fast-growing niche segment of the insurance market. Trisura is a growing specialty insurance company that has a strong track record of conservative underwriting performance. Given the complexity and specialized nature of its underwriting, Trisura has less competition from traditional insurers and can charge higher premiums. From 2014 to 2022, Trisura's gross premiums written, which are premiums written before deducting expenses and commissions, and fee income increased at an annual average of 75%, while its return on equity since 2018 has been 19% and above. Trisura has developed strong and profitable relationships with program administrators, managing general agents, insurance organizations, reinsurance companies and reinsurance intermediaries to generate business opportunities. Trisura has a wide distribution network of >170 contracted insurance brokerage firms across Canada. Trisura's US growth has been supported by a strong supply of highly rated international reinsurance companies. Reinsurers prefer to work with Trisura because of its cloud-based monthly underwriting and monitoring dashboard that ensures its insurance programs adhere to agreed-upon underwriting standards. Trisura's strong supply of reinsurers enable it to generate a recurring fee, while maintaining a small risk position and right sizing its underwriting risk on a diversified base of insurance programs.

Trisura has a conservative underwriting culture that limits its retention of risk by ceding it to a reinsurer. The average 5-year loss ratio in Canada was 22% and the 5-year average combined ratio was 85%. It has high-quality reinsurance counterparties, of which 83% of reinsurance recoverable are with rated reinsurers, while the remaining is 17% from unrated reinsurers that have appropriate collateral in place. Trisura requires that reinsurers post collateral if they fall below the "A" rating per AM Best insurance rating agency. In the fourth quarter of 2022, Trisura wrote down $81.5M due to one of its reinsurers that had depleting collateral that was not deemed recoverable. The counterparty had faced higher catastrophe reinsurance costs, which led to the depletion of its collateral. Trisura management has since done a thorough review of its other reinsurers to ensure that its partners meet all their requirements. As a result of this write-off, Trisura's share price had corrected to 5-year lows, which gave an attractive buying entry point in a fast growing company that has largely been de-risked. Trisura has disciplined risk management and internal control systems and policies in place that continue to evaluate and mitigate risks. Senior management also has skin in the game with share ownership of ~6% of shares outstanding. The CEO is required to hold shares of the company with a value equal to 3X his base salary, while the other executives are required to own shares of the company with a value equal to 1X their base salary. From a capital positioning perspective, Trisura has a conservative debt to capital ratio, which is below its internal target of 20% and has capital in excess of regulatory requirements. Its $1.2B investment portfolio is compromised of ~92% is in fixed income holdings that are highly liquid. Over 75% of its fixed income portfolio is in bonds with 5 years or less in maturity.

Trisura has a number of growth opportunities that will help continue to support its strong double digit growth rate. In 2020, Trisura launched its fronting business in Canada, which it plans to develop and strengthen relationships with licensed brokers. This is an excellent opportunity to expand its proven fronting model from the U.S. into Canada. Similarly, Trisura will launch a surety and corporate insurance business in Canada. By leveraging its expertise and successful model, Trisura can expand its business across different geographic regions. Management views transformational and bolt-on acquisitions as further opportunities to expand and strengthen its business. With a strong capital position, multiple growth levers, conservative risk management and attractive valuation, we believe that Trisura will continue to press forward and generate outsized performance in the years to come! This is why Trisura is one of Rocklinc's top ten companies

D. Moving Forward

We continue to keep our eyes focused on the fundamentals of the businesses we invest in, within the context of a struggling global economy absorbed in debt. **We will do our best to take advantage of sharp moves in the market!** Given the rapid rise in interest rates this year we are finding more buying opportunities in a number of sectors that have been hit hard by the rising cost of capital. As investors, volatility and turbulence while challenging in the short-term provide amazing opportunities for the disciplined and focused investor. We will do our best to use the current market challenges for your advantage.

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. We take the biblical proverb found in Proverbs 10:4 seriously; "Lazy hands make for poverty, but diligent hands bring wealth." Over the past year, we have started to add several new companies to our mix. These include, Autodesk, Inc., Canadian Natural Resources, Glencore (initiated January 2023), Altius Minerals, Intercontinental Exchange, Linde PLC, MEG Energy, Osisko Gold Royalties (initiated February 2023), Progressive Corporation (initiated March 2023), Trisura Group (initiated June 2023) and Danaher Corp (initiated August 2023).

During the same period, we eliminated/reduced several positions including Algonquin Power, Becton Dickenson and Company, First Majestic Silver Corp., Northland Power Inc., and TransAlta Renewable (bought out by parent company) We continue to add to businesses trading at the largest discounts to fair market value.

Within the current environment our basic strategy is as follows:

1. Patience – we need to wait for well-priced opportunities. Our patience and cash positions give us the flexibility to buy low.

2. Watch the world's leading Central Banks. Increased rates have started to slow down the global economy and we are preparing for a potential recession later this year and into 2024. As we enter the fourth quarter, it looks like Central Banks are nearing the end of the interest rate cycle and rates should start to plateau.

3. Pay attention to the irresponsible decisions of governments around the world. Governments continue to run massive deficits that are not sustainable.

4. Diversify across asset classes, sectors and geographic regions. While we are careful to run focused portfolios (20-30 securities), we are also careful to maintain an appropriate level of diversification.

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 **Trisura Group Inc.** 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! We have been sounding the alarm on banks for the past decade and the situation only continues to get worse. We are very concerned with the solvency of many banks. Why? If we are in a global debt bubble and the liabilities of consumers, corporations and governments are the assets of the banks, those are not assets we want to own!

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! With the recent rise in rates, the cash (investment savings accounts) we hold in clients accounts is earning approximately 5% per year. Currently we are averaging 40% across our client accounts.

9. Remain optimistic and opportunistic, seasoned with a dose of reality. According to some the Chinese character/word for crisis is composed of two parts, danger and opportunity. It is important that we always try to ferret out the opportunity in the midst of danger.

10. Place your faith and hope in God and not the State. Remember the words of the psalmist King David in Psalm 118:8-9; "It is better to take refuge in the LORD than to trust in man. It is better to take refuge in the LORD than to trust in princes." If we have learned anything over the past 4 years it is that our various levels of government do not have our best interests at heart and are not worthy of our trust!

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

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