



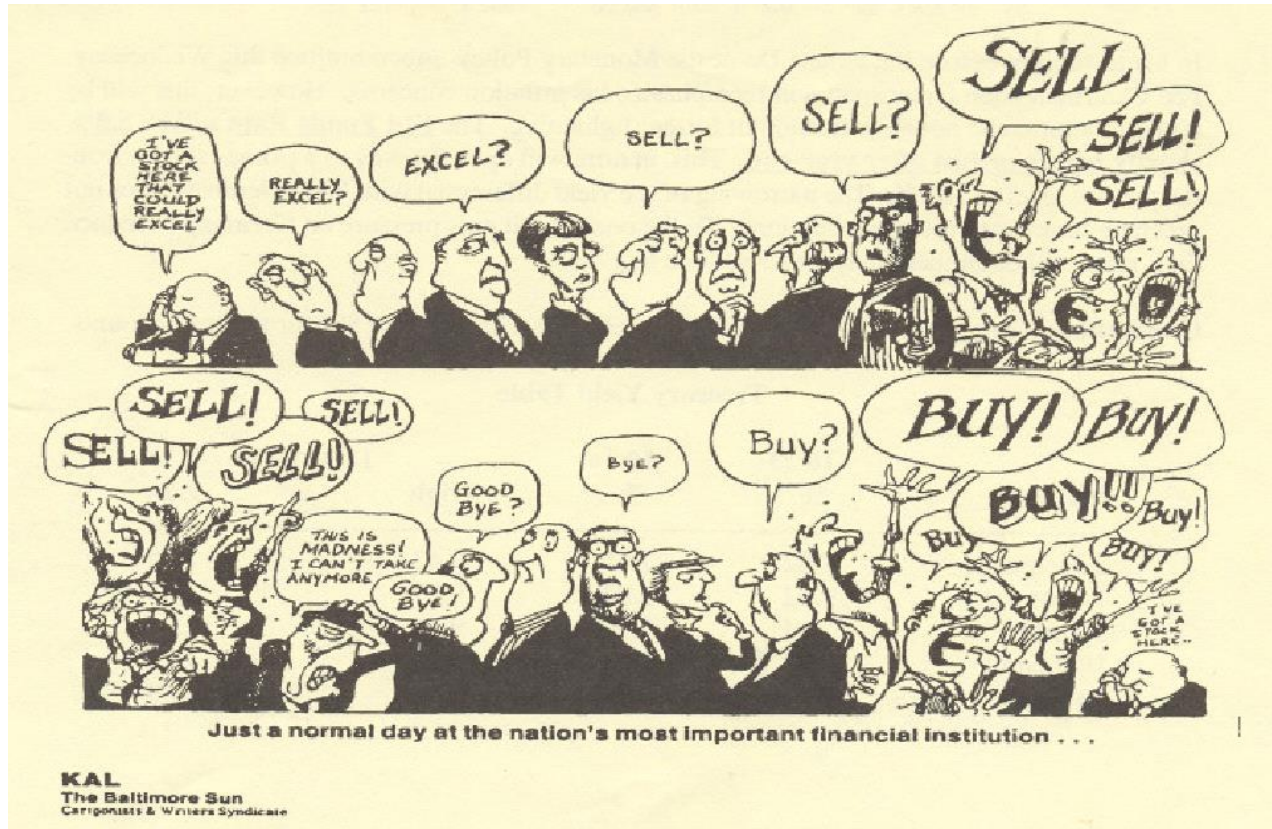
Ivey Business School

Presented by:
Kim Shannon, CFA, MBA
Founder and Co-Chief Investment Officer
Sionna Investment Managers

Passion for the craft of investing.

Investing is as Much About Emotions as Fundamentals

We Have a Tendency to Excess



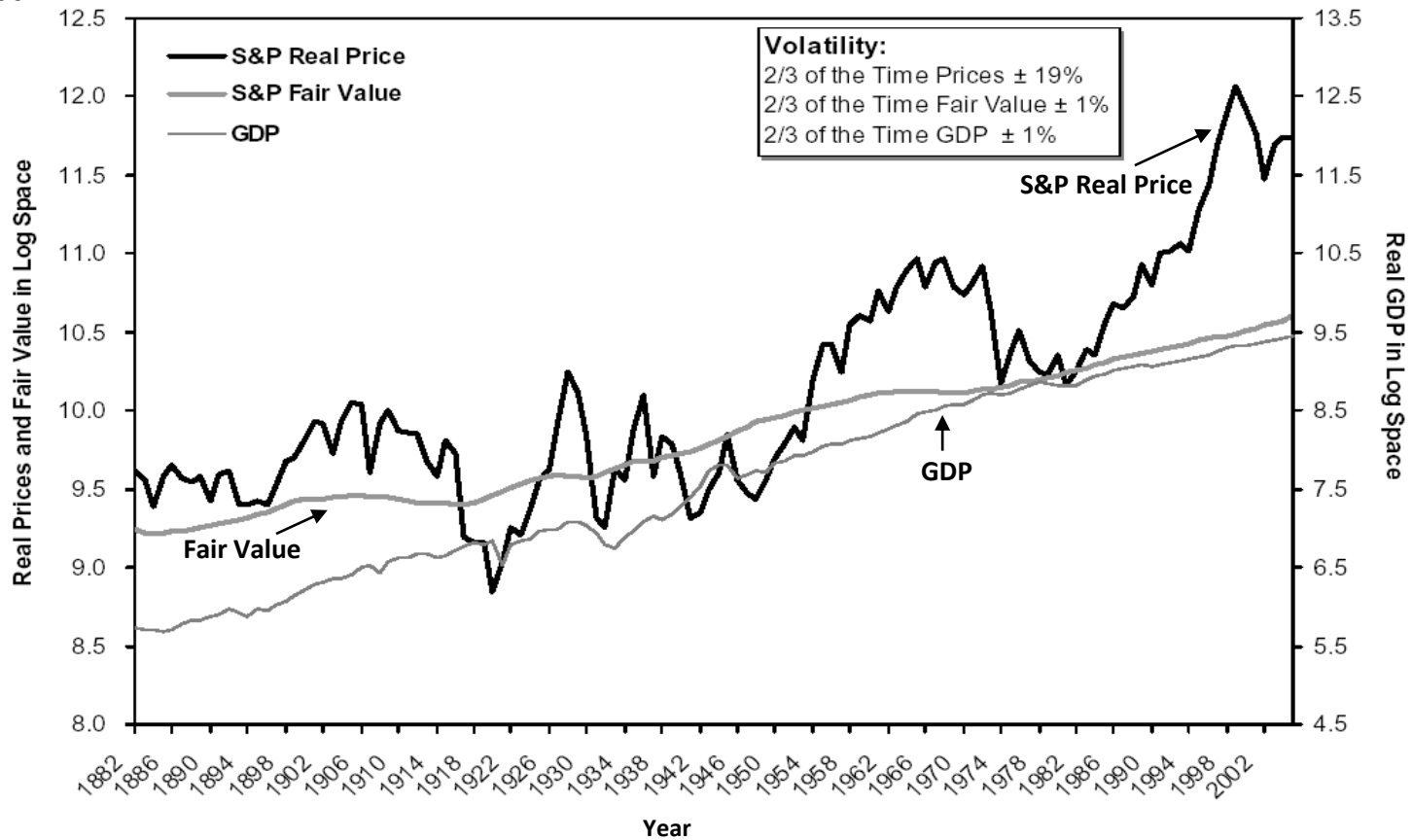
Investing can be Emotional...



LCM Perspectives, Sep 15/97

Market Action is Typically More Volatile than Underlying Economic Activity

Real S&P price vs. perfect foresight fair value:
1882–2005

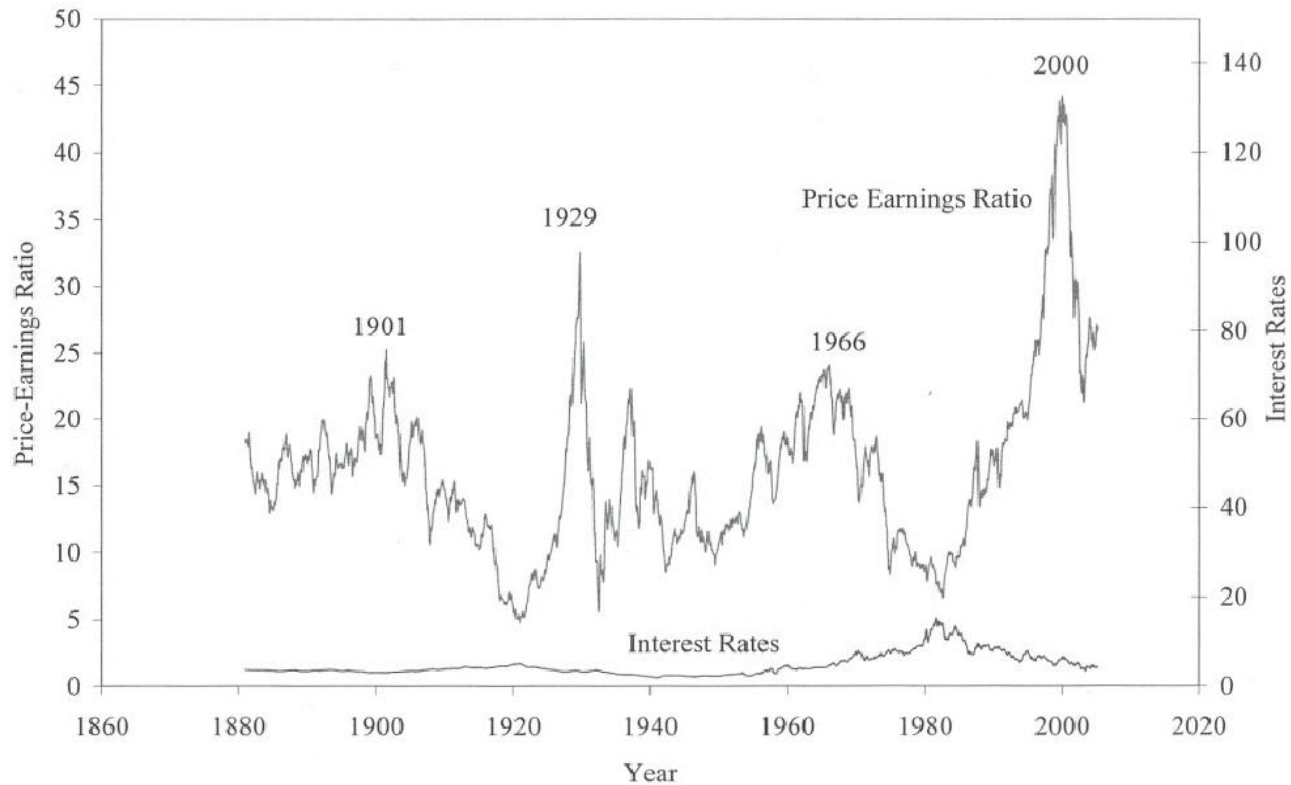


*Schiller Model as of 12/31/05

Source: GMO, Standard & Poor's, Federal Reserve. The above returns do not represent the performance of any product or security managed by Sionna and are provided for illustrative purposes only. The performance presented represents historical performance of an unmanaged index. Returns would have been lower if they were subject to management fees and trading expenses. Past performance is not an indicator of future results. The indices are unmanaged and have no fees. One cannot invest directly in an Index.

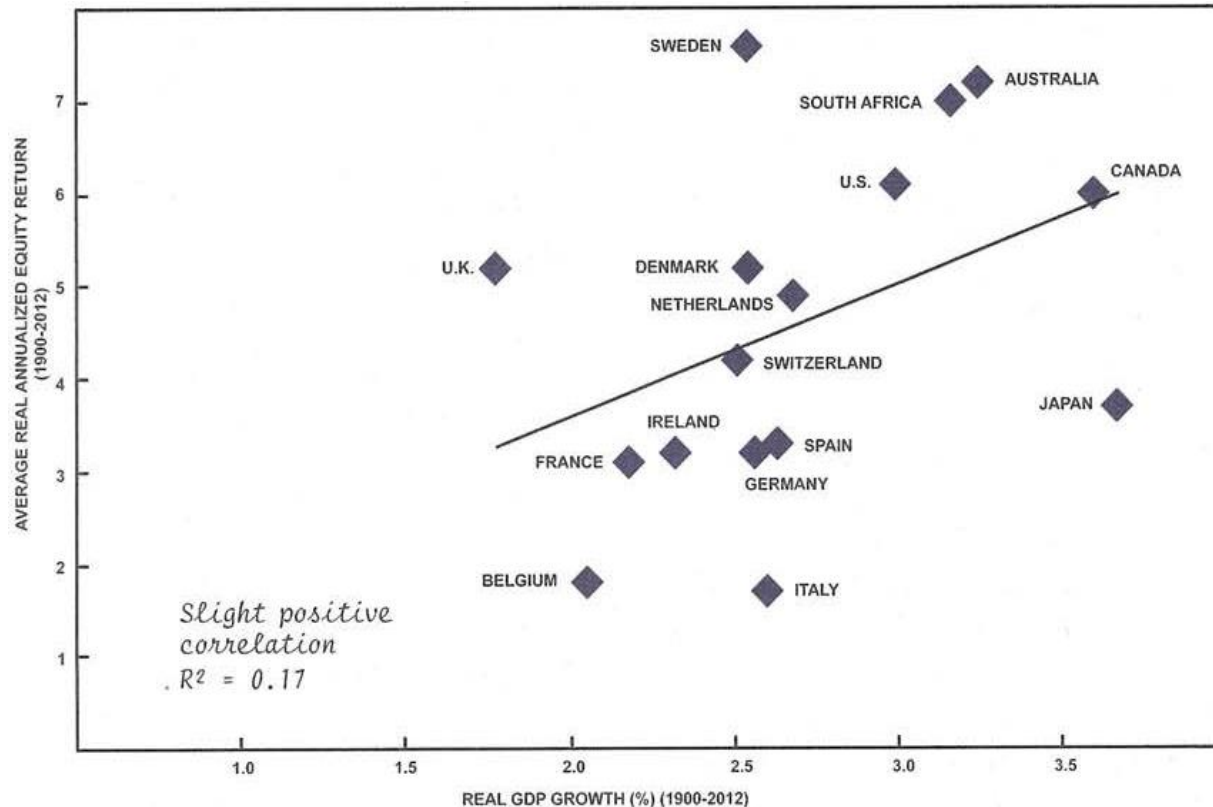
Stock Market Modestly Correlated to Interest Rates

Historical Correlation Between Earnings Growth and Interest Rates is 43%



Economic Growth Only Explains 17% of Stock Market Returns

No Clear Correlation Between Long-Term GDP Growth and Equity Returns (1900-2012)



“We continue to ignore political and economic forecasts which are an expensive distraction.” – Warren Buffett

Range-Bound Markets are Frequent

U.S. Stock Market

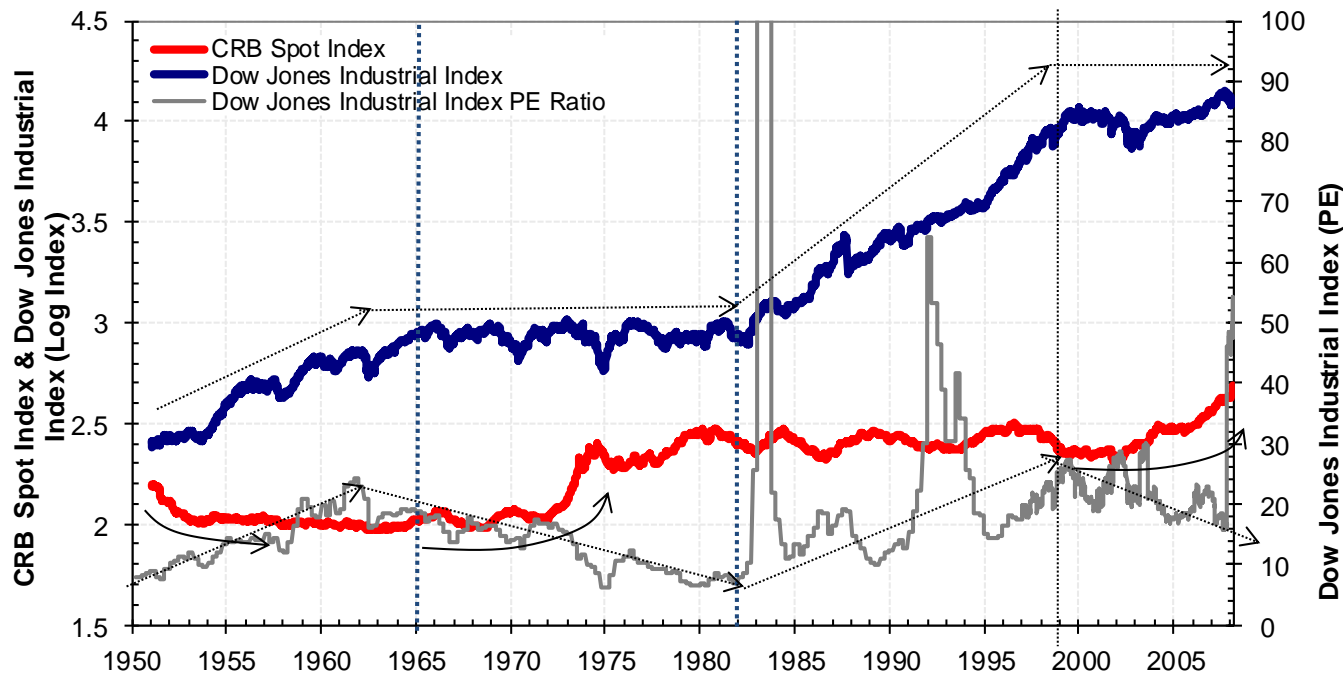


As of 2021:

- Markets have been range-bound 110 of the last 148 years
- Secular bull runs are a rarity, not the norm
- After major bull markets, markets have historically trended sideways for a minimum of 15 years

Source: Wells Capital Management. For illustrative purposes only. The above returns do not represent the performance of any product or security managed by Sionna or Bridgehouse and are provided for illustrative purposes only. The performance presented represents historical performance of an unmanaged index. Returns would have been lower if they were subject to management fees and trading expenses. Past performance is not an indicator of future results. The indices are unmanaged and have no fees. One cannot invest directly in an Index.

Last Full Sideways Market (1965-1982)



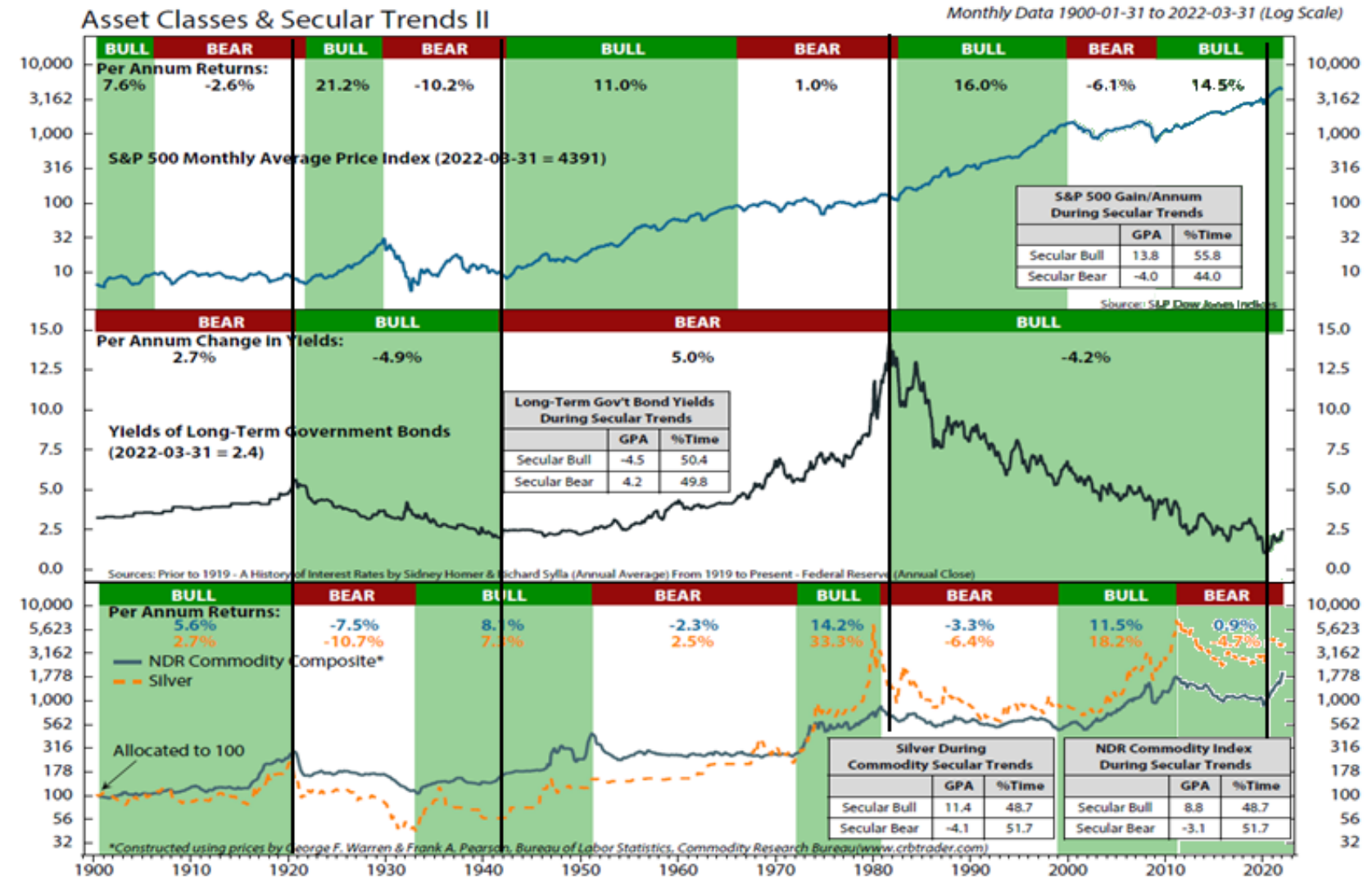
- Sideways markets typically end with single digit P/Es

- P/E multiples rise in bull market
- P/E multiples fall in sideways markets as excess gets removed

Source: Rathbones' Investment Strategy, February 2008. CRB: Commodity Research Bureau. P/E: Price/Earnings ratio

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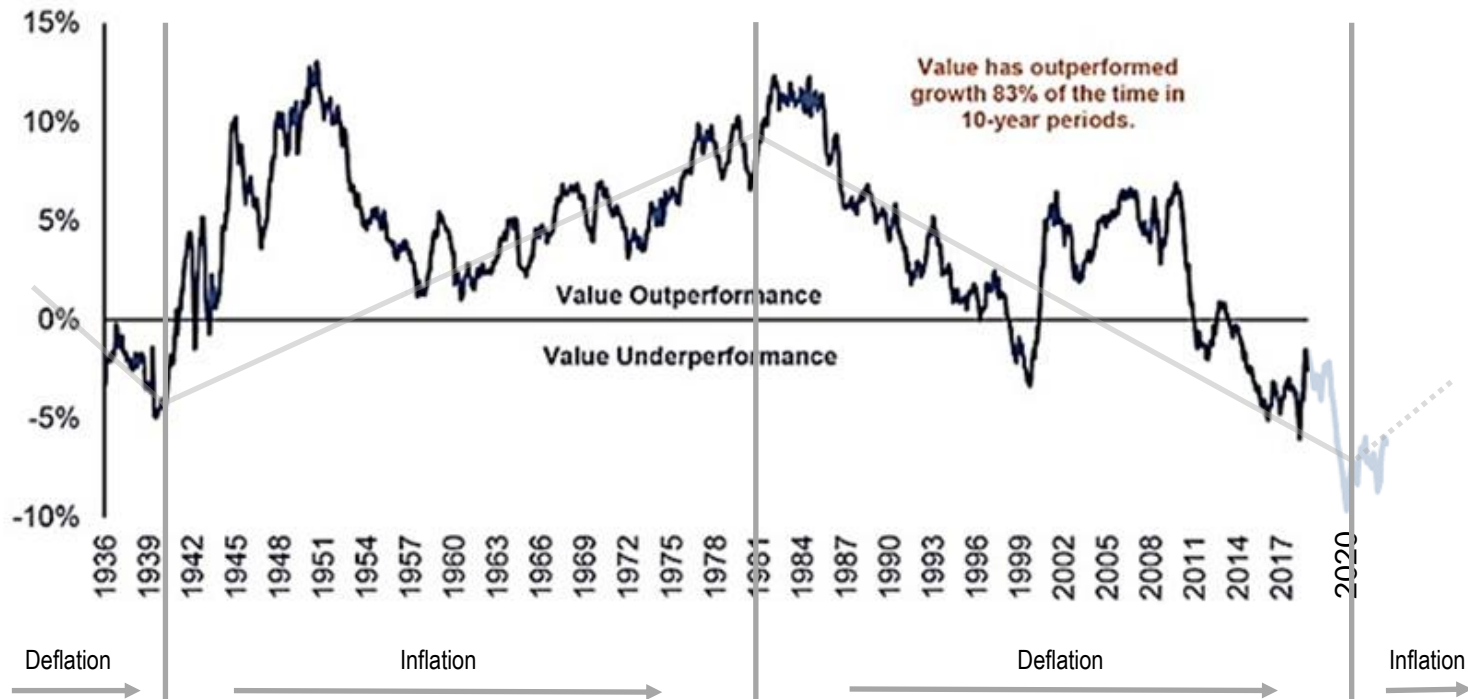
Interest Rate Changes Historically Signal Equity Bull Market



Source: Ned Davis Research Group, March 2022. Indices are unmanaged and cannot be directly invested into.

Value Outperforms Over the Long Term

Value vs. Growth 10 Year Rolling Performance (Annualized)
(6/30/1926– 3/31/2019)

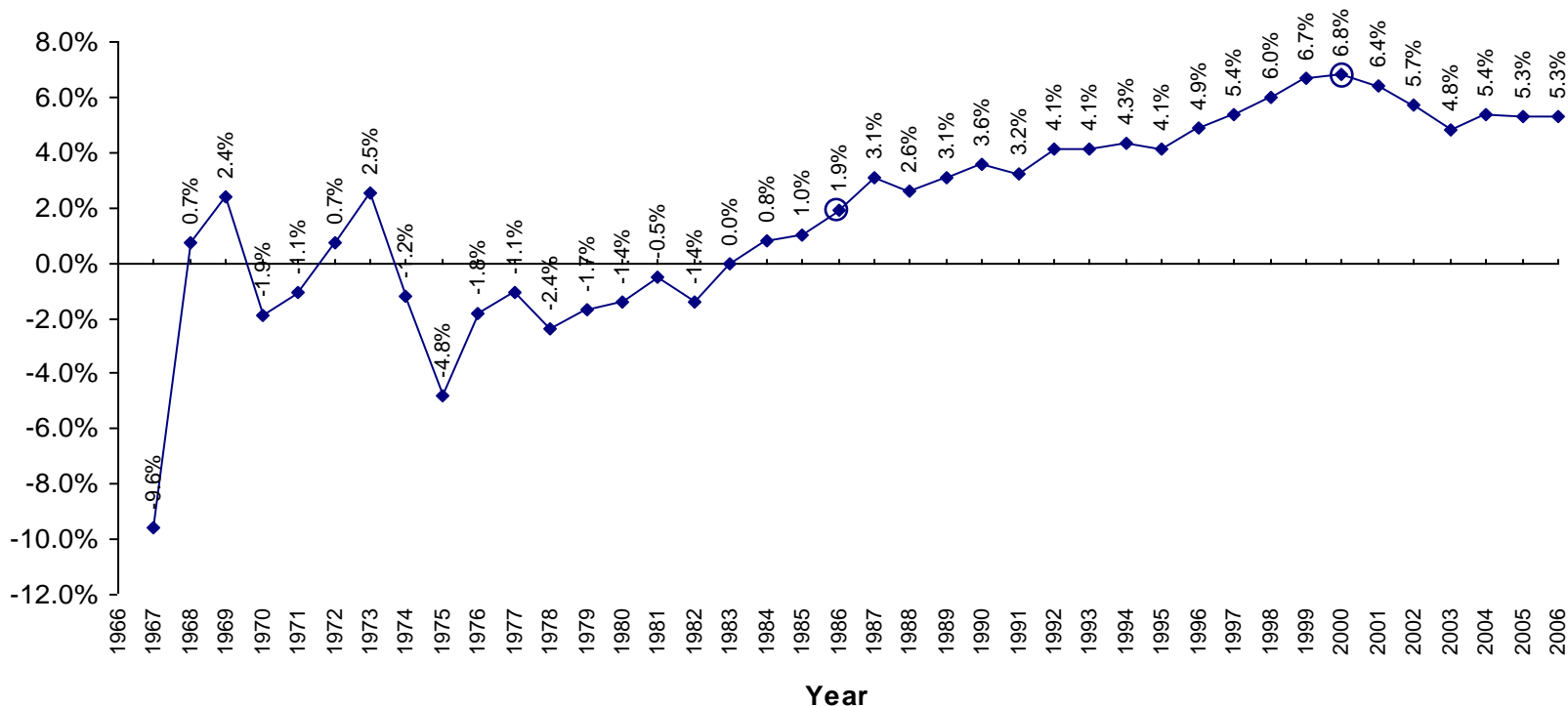


- Suggests that the value recovery has only just begun

Source: Eugene Fama & Kenneth French. Ronald Blue Trust. 2019.
2019-2022 is an estimate by Sionna based off of S&P 500 Value and S&P 500 Growth Index Data.

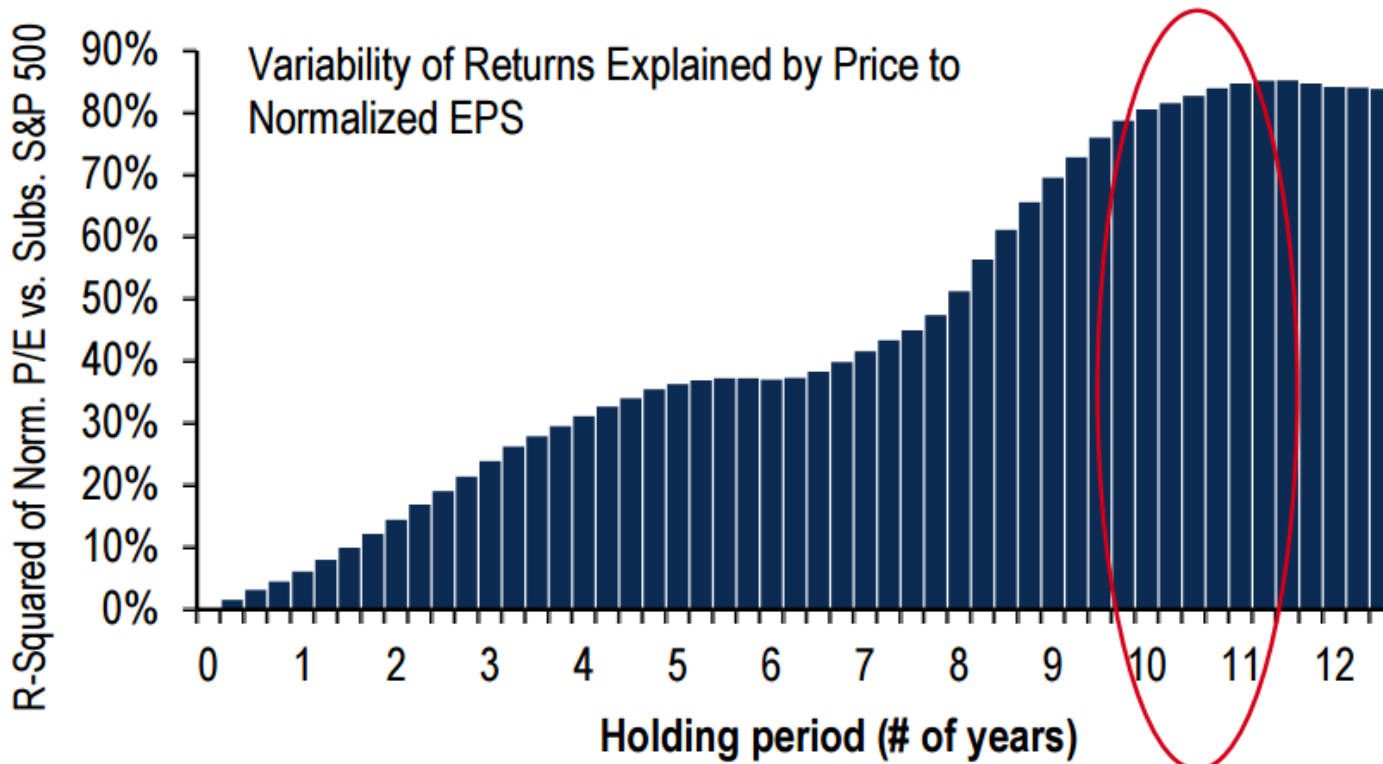
High Entry Prices Lead to Lower Long-Term Returns

Real Cumulative Annual Total Rate of Return if Invested in 1966



In Long-Run, Valuation Explains +80% of Returns

Normalized P/E's Predictive Power on S&P 500 Returns



- Long-term investing adds value
- Investing is fundamentally based in long run, emotional in short run

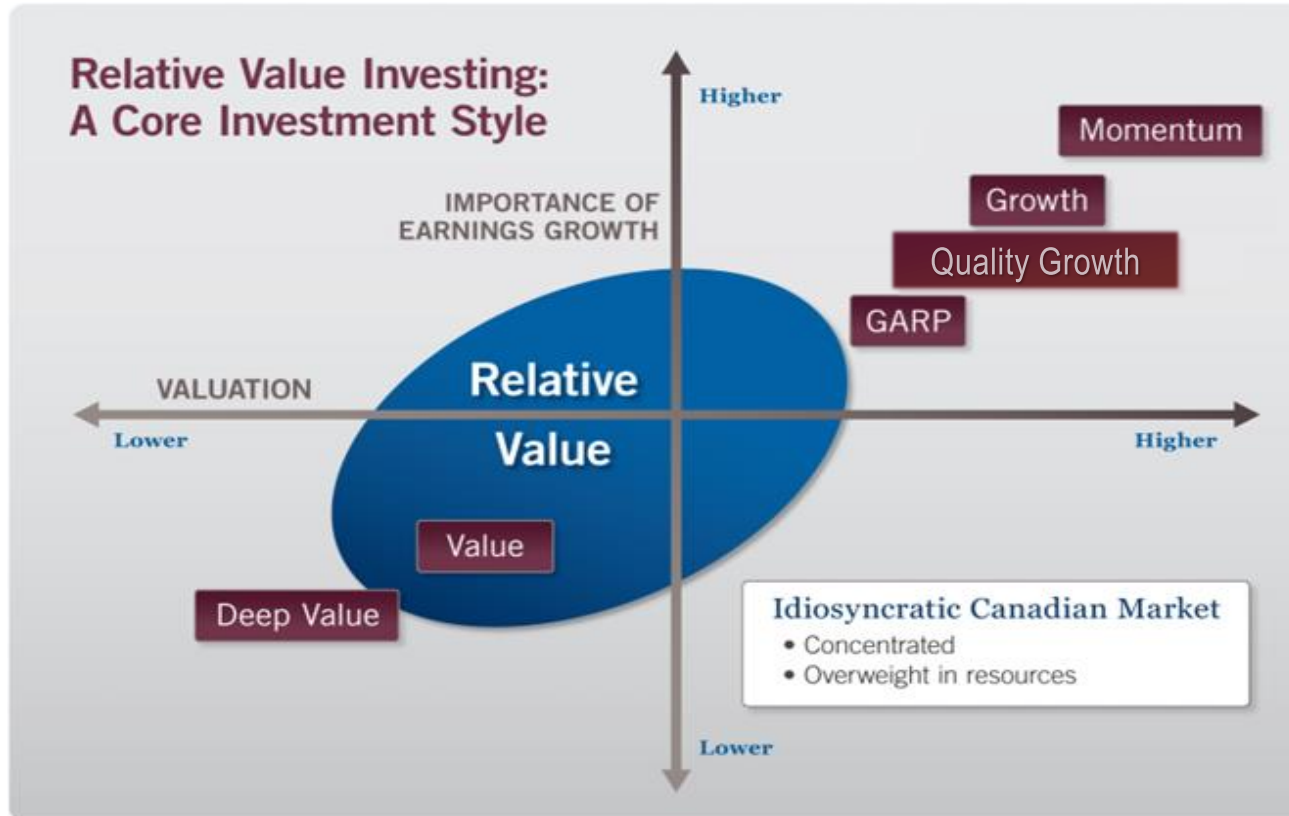
Source: Bank of America Merrill Lynch. Strategy Snippet. The Most Contrarian Theme: Long-Term Fundamental Investing. March 2017. Indices are unmanaged and cannot be directly invested into.

Investors' Best Choice: Bottom-Up, Contrarian Value

- Overlooked
- Underfollowed
- Misunderstood
- In some kind of trouble
- Self-inflicted wound
- Ideally, challenges are recoverable with good management and good culture

Advantages of Relative Value

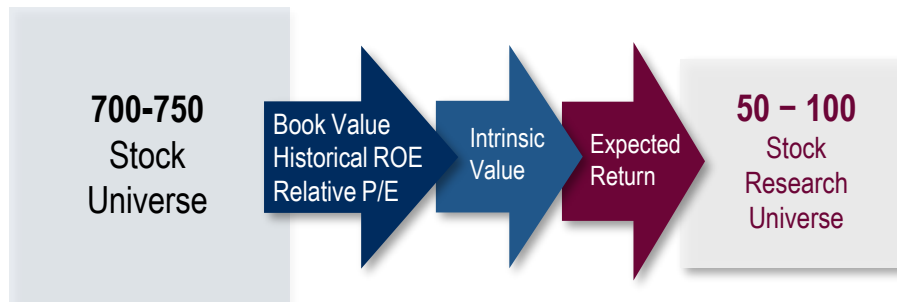
Broadening our Investment Universe



- Sector/Benchmark aware (+/- 5% max, min of sector weights)

Idea Generation

- Intrinsic Value Model
 - Quantitative screen narrows universe of potential investments



- Alternative Idea Sources
 - Screen on multiple metrics: P/E, P/BV, P/CF, P/FCF, ROIC, NAV
 - Attend industry conferences
 - Conduct portfolio review meetings
 - Review external research, academic studies and publications
 - Hold internal idea-sharing meetings and discussions

Research and Evaluation

- Sionna's Research Questionnaire is central to our research process
- Internal research and management interviews are key considerations
- Comprehensive research reports are circulated for feedback and discussion

Ideal Investment Opportunity	
Strong Fundamentals	Attractive Valuation
<ul style="list-style-type: none">• Strong competitive position• Predictable earnings, cash flows and dividends• Capable and shareholder-oriented management• Conservative levels of debt• Good capital allocators• Solid corporate culture and business strategy• ESG risk considerations	<ul style="list-style-type: none">• Significant expected return to our estimate of intrinsic value• Attractive metrics on a normalized basis (e.g., P/E, P/CF, NAV)• Acceptable risk profile

Investment Objective

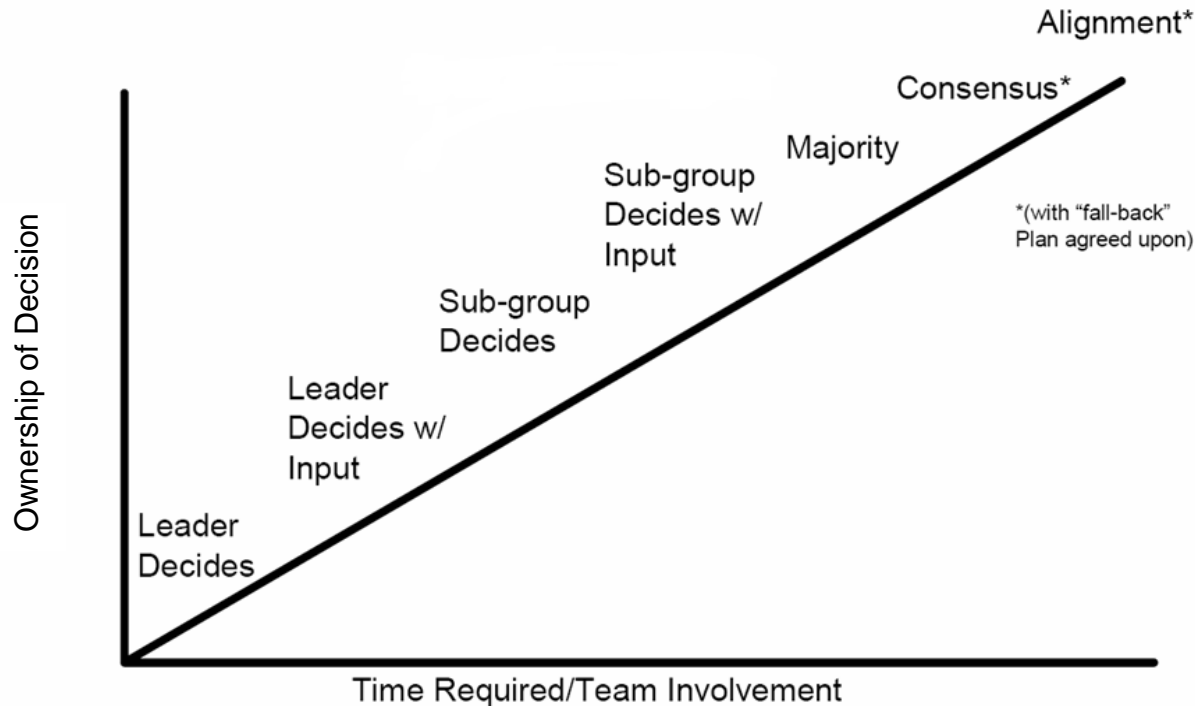
Seek to buy stocks offering a minimum **30%** expected return over a two-year horizon

15.0% per annum from each stock

-9.5% Long-Term Historical Annual Return

5.5% Margin of Safety

Most Decisions are Made Through Consensus

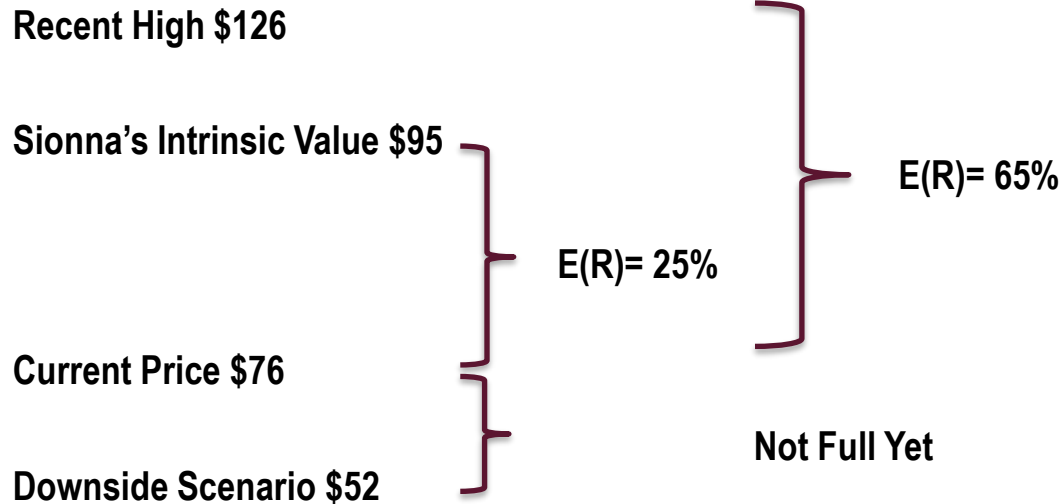


Investment decisions are made by the respective portfolio manager with input from the team

Benefits:

- Leverages team's depth and experience
- Provides an effective training tool as all team members form an opinion, present their idea, and receive feedback

Example: Magna International



As of March 7, 2023.

The estimate of intrinsic value is based on Sionna's proprietary fundamental research. The expected return is the calculated result of the growth from the current security price to our estimate of intrinsic value. Intrinsic value is an estimate and expected returns may not be achieved.

Challenges Weighing on Magna International



- Inflation input cost pressures and affordability
- Looming economic recession
- Ukrainian war on-going, leading to rising energy prices
- Chip supply issues
- ~42% of sales in Europe
- Leasing has fallen
- Loss of operations in Russia (1% of total sales)

How many of these are temporary, resolvable?

Opportunities for Magna International



- 50-100% potential return
- Magna flexible to EV transition, make both internal combustion engines and electric vehicle components
- Average bear markets lasts 12 months... done 11 months so far
- Modest debt
- Age of vehicles rising (average in US is ~12 years)
- Canadian costs cheaper with strong US\$
- Discounting can return to stimulate sales

Portfolio Construction

Building Resilient Portfolios

- Meetings held to review research reports; if consensus cannot be reached, final decision lies with strategy's lead manager

If team reaches a buy decision:

- Initial position size of 1%, gradually increase to target weight
- Portfolio size considers risk profile and confidence and magnitude of return expectations
- Long-term orientation results in low portfolio turnover (average approximately 20%)

Team reviews positions when:

- Company reaches our estimate of intrinsic value
- Opportunity to switch to name with more attractive risk/return profile
- Change in financial strength, competitive position or earnings capability

- Monthly day-long portfolio reviews held to examine overall portfolio construction, structure, sector weights, portfolio risks and identify potential new securities to research
- Annual reviews of exited names to identify learnings and evaluate original thesis versus the actual outcome

Good Fundamental Analysis is Good Risk Management

Integrated Approach that Seeks to Preserve Capital

Stock Level

- Bottom-up selection of solid businesses at attractive valuations
- Position size based on expected return and risk
- Analysis of ESG risks help determine margin of safety required

Portfolio Level

- Portfolio Construction Meetings: examine overall portfolio, sector diversification, liquidity
- Pre-trade compliance review
- Risk Management Committee: cross-functional team led by Sionna's Co-CIOs



Overall Impact

Downside protection over a
four-year rolling period

We consider five major types of risk: cyclical, operational, financial, technology disruption and ESG

Additional Risk Management Reviews

Key Element of Sionna's Research Process

- Quarterly Co-CIO Risk Management Meeting
 - Ensures adherence to Sionna's disciplined investment process
 - Examines portfolios for outsized risks and signs of looming risks
- Monthly Portfolio Review Meetings
 - Investment team analyzes portfolio risks and attributes
 - Portfolios examined from all perspectives
- Weekly Culture of Compliance Meeting
 - Portfolio Managers and Compliance Manager review inventory report
 - Each team member reviews their securities, lead manager reviews full portfolio

Responsible Investing at Sionna

- ESG factors are integrated into Sionna's Research Questionnaire to:
 - Inform our analysis
 - Better assess risk
- Evaluating a company's exposures to ESG factors helps determine:
 - Potential impact on our estimate of intrinsic value
 - Margin of safety on our investment
- Examples of ESG issues considered:
 - Executive and board compensation and diversity, board independence, shareholder rights
 - Carbon emissions, climate impact, environmental risks
 - Employment relations, worker health and safety
- Signatory to the Principles for Responsible Investment (PRI):
 - Report annually on our ESG-related activities in accordance with the PRI reporting framework

Member of:

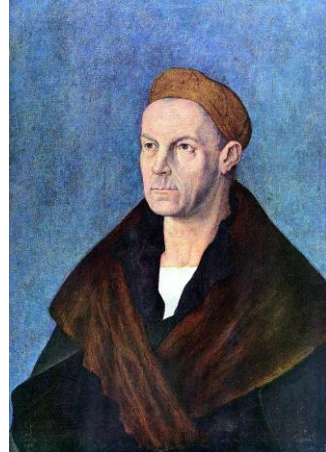


Signatory of:



The Original Value Investor...500-Year-Old Advice

“Divide your fortune into four equal parts: stocks, real estate, bonds and gold coins. Be prepared to lose on one of them most of the time. During inflation, you will lose on bonds and win on gold and real estate : during deflation, you lose on real estate and win on bonds, while your stocks will see you through both periods, though in a mixed fashion. Whenever performance differences cause a major imbalance, rebalance your fortunes back to the four equal parts.”



Jacob Fugger the Rich
1459-1525



Thank You

Truly independent. Truly active.™

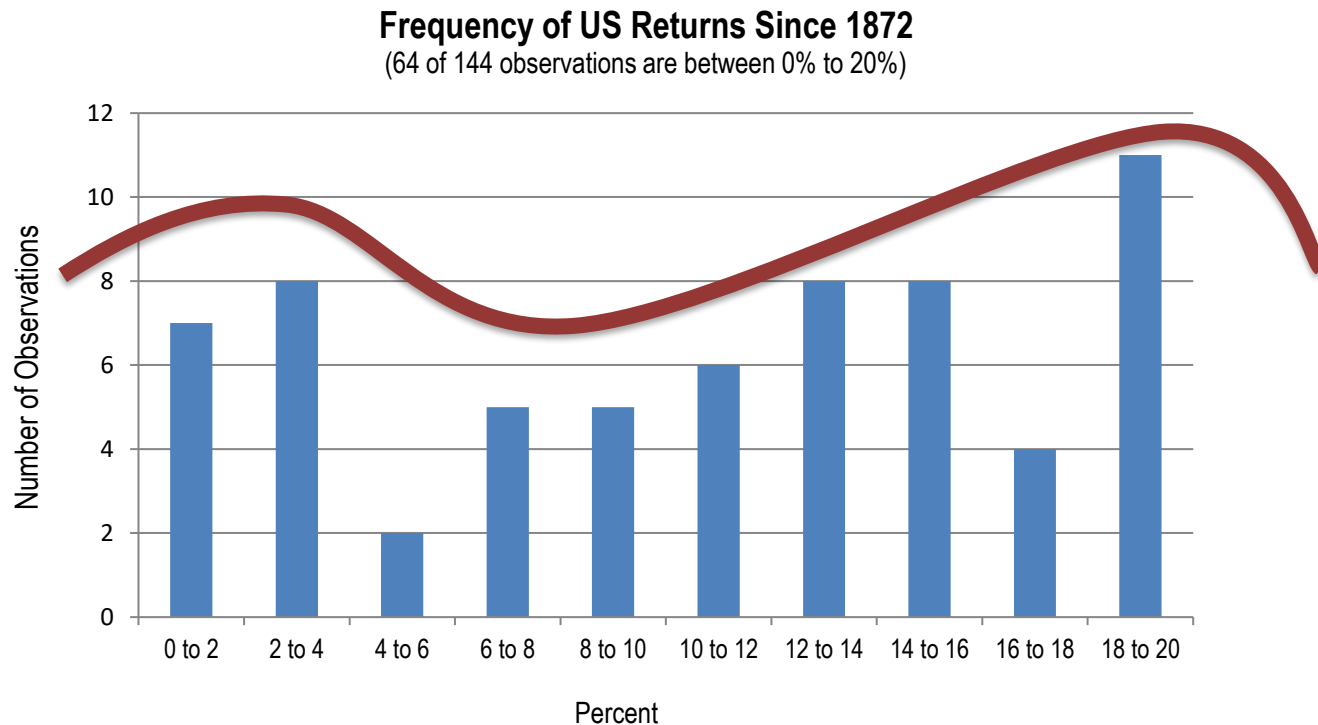
Additional Topics

- Career management
- Diversity in asset management – Variant Perspectives
- Importance of networking and volunteering (both sides of table)
- Guiding light: what would client want/expect?
- Professional services: Rainmaker
- Find the nut, figure out how to earn “A’s”
- Lessons from market history: macro value investing



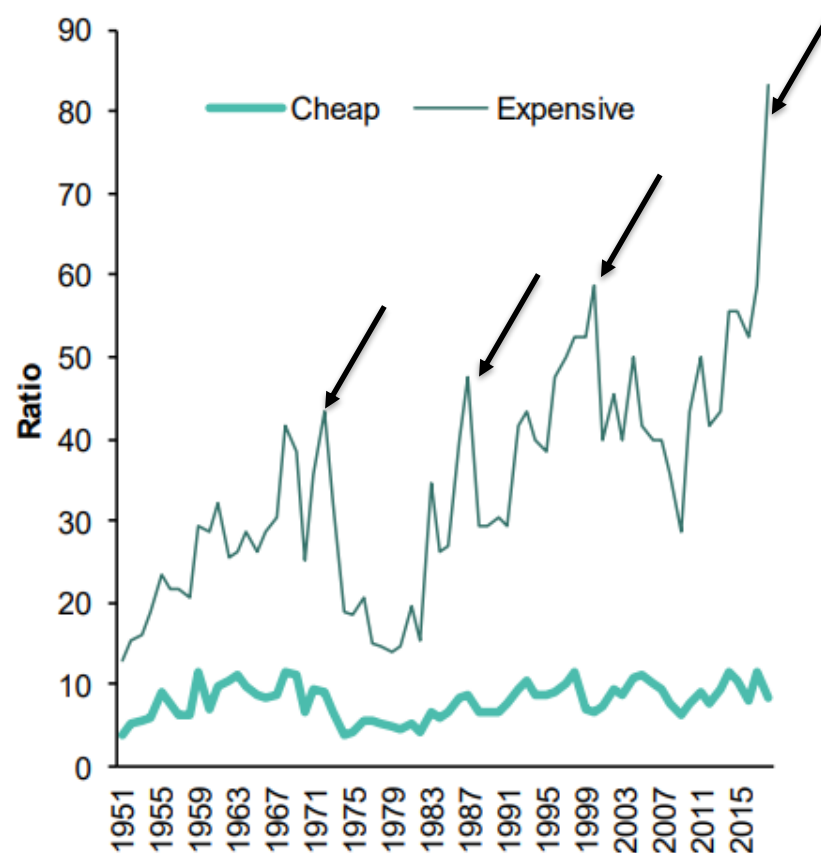
Appendix – Macro Value Investing

Market Returns Tend to be Bi-Modal



Source: Robert J. Shiller, S&P 500 Price Returns, average annual returns since 1872 is 5.9%.

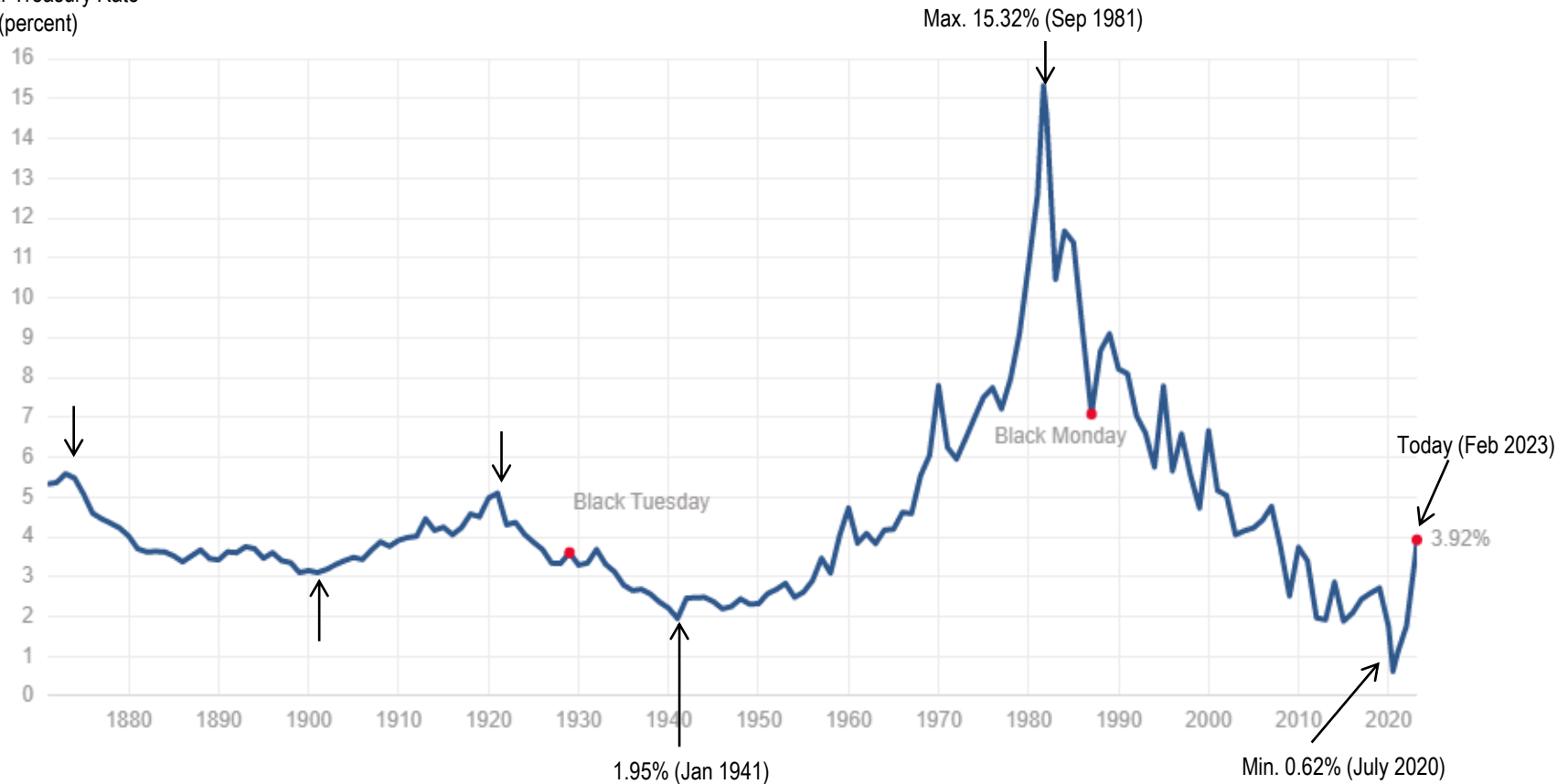
Value Slice is Steady, Growth Slice is Volatile



“US value stocks are trading cheaper than any time other than the ‘Nifty Fifty’ or the last few months of the financial crisis... I look on this as a wonderful time to ramp up value exposure” - Robert Arnott

Bond Yield Trends Tend to Last Approximately 20 Years and Symmetrical

10-Year Treasury Rate
(percent)



Source: MUTPL. US Treasury, February 28 2023.

Range-Bound Markets are Frequent

U.S. Stock Market

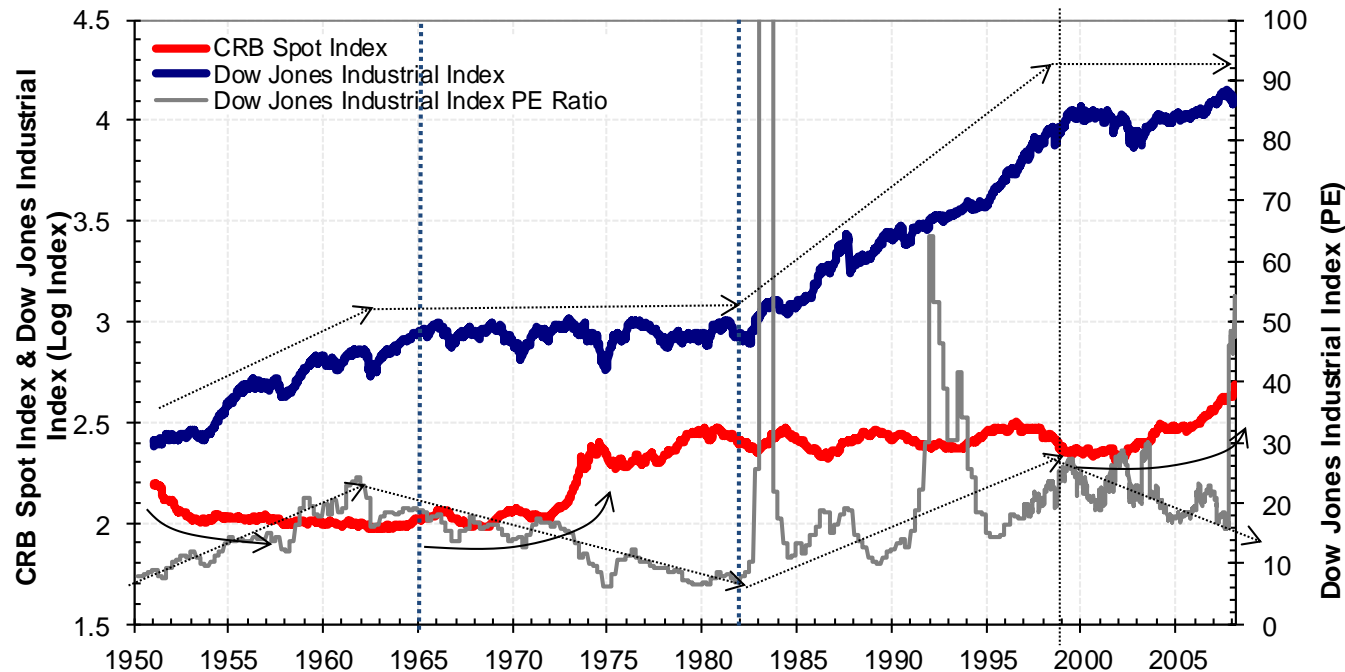


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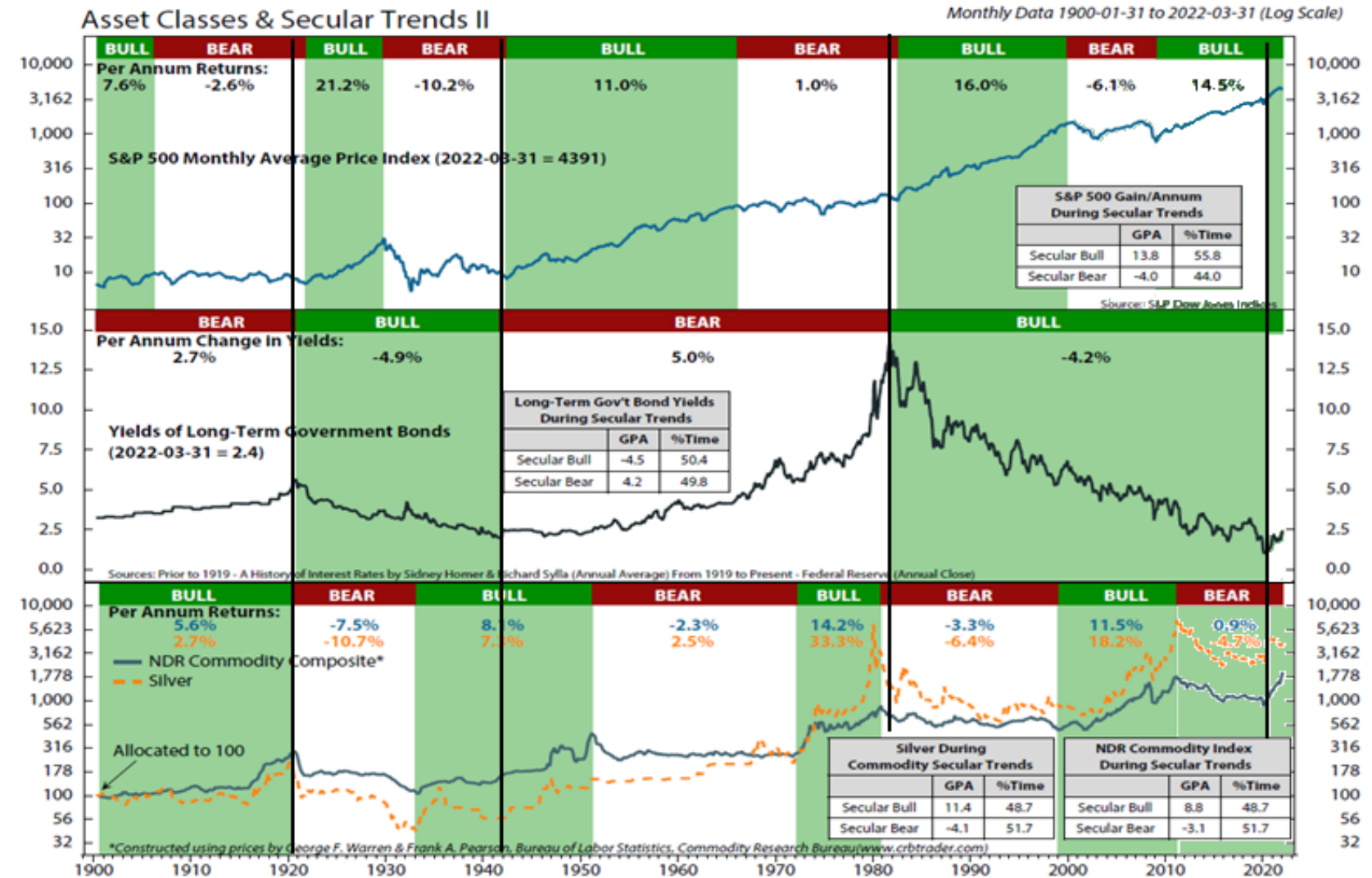
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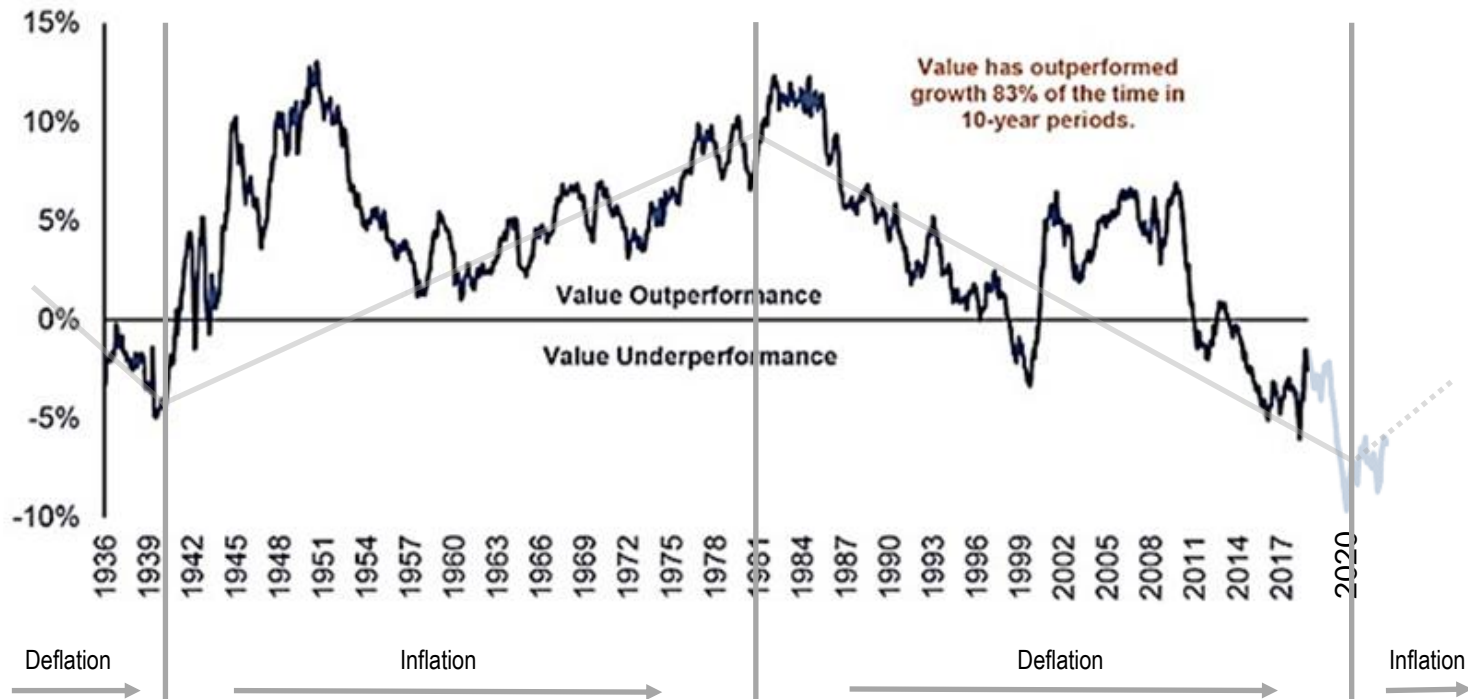
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2019-2022 is an estimate by Sionna based off of S&P 500 Value and S&P 500 Growth Index Data.

Macro Value Investing Suggests

- Bond prices bottomed spring 2020
- Entered minimum 20 years of inflation/rising rates
- This shift from deflation to inflation may lead to commodities having an extended 5-10-year bull
- Shift from deflation to inflation leads to value likely outperforming growth for next 20 years
- Equities expected to weaken in near term, led by growth stocks normalizing
- Equities will then enter a stealthy and lengthy bull market, initially led by value stocks

Incorporating Macro Value Investing, adds insight to your value toolkit, possibly contributing to more excess returns



Why Canada Now?

Truly independent. Truly active.™

Canada Tends to Outperform U.S. When Inflation Exceeds 4%

Perspective on performance of asset classes in inflationary periods

Real total annualized returns during when inflation exceeds 4% (including start of recessions)



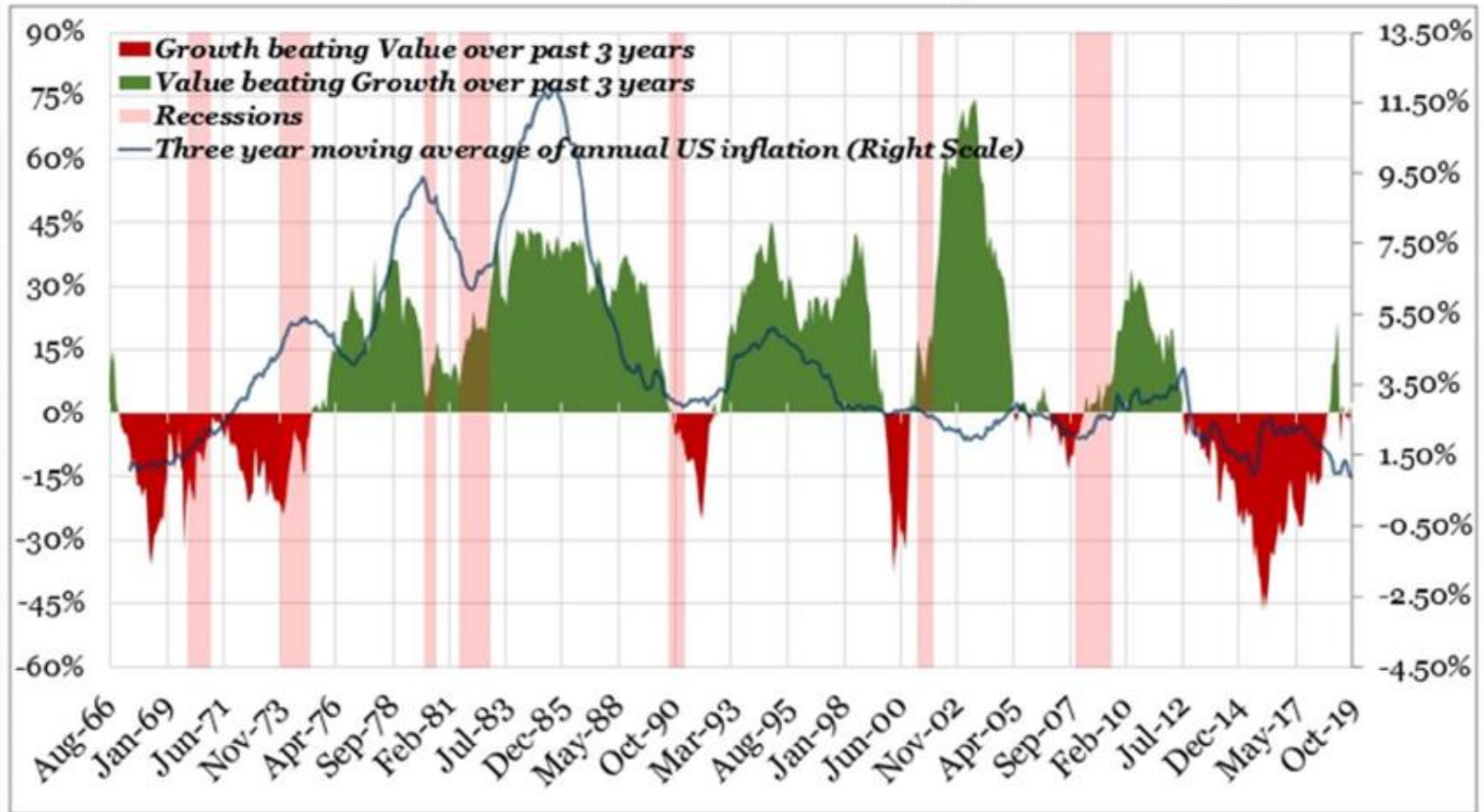
	Periods					Average	Other periods
	1972M12- 1974M12	1976M12- 1980M03	1986M12- 1990M10	2002M06- 2005M09	2006M10- 2008M07		
Copper	-6.7	2.5	12.6	32.9	-0.6	8.1	9.7
Gold Bullion	49.5	41.5	-6.2	10.8	11.0	21.3	-2.2
10-year treasury total return index	-8.3	-11.6	1.0	0.7	3.5	-2.9	5.9
S&P 500	-27.9	-5.0	3.0	7.8	-7.7	-5.9	11.4
S&P/TSX	-18.6	16.8	-3.1	13.9	2.6	2.3	6.4
US Broad Nominal \$	-12.6	-9.8	-1.4	-6.3	-9.8	-8.0	0.7
US home prices	-1.6	1.3	-0.4	11.0	-16.9	-1.3	1.7
CA home prices	11.6	-2.2	2.5	4.9	3.2	4.0	5.8
Light Crude Oil	66.4	27.5	10.5	26.3	42.4	34.6	-6.6
CRB composite	11.5	-2.5	-1.4	4.5	8.8	4.2	0.3
U.S. yield curve inversion?	YES	YES	YES	NO	YES	-	-
Annualized inflation	10.7	10.4	4.9	3.2	4.6	6.7	3.3
Recession started in the period?	YES	YES	YES	NO	YES	-	-

*July 2021 (U.S. home prices as of May)

- Canada returns 2.3% on average vs -5.9% in U.S.

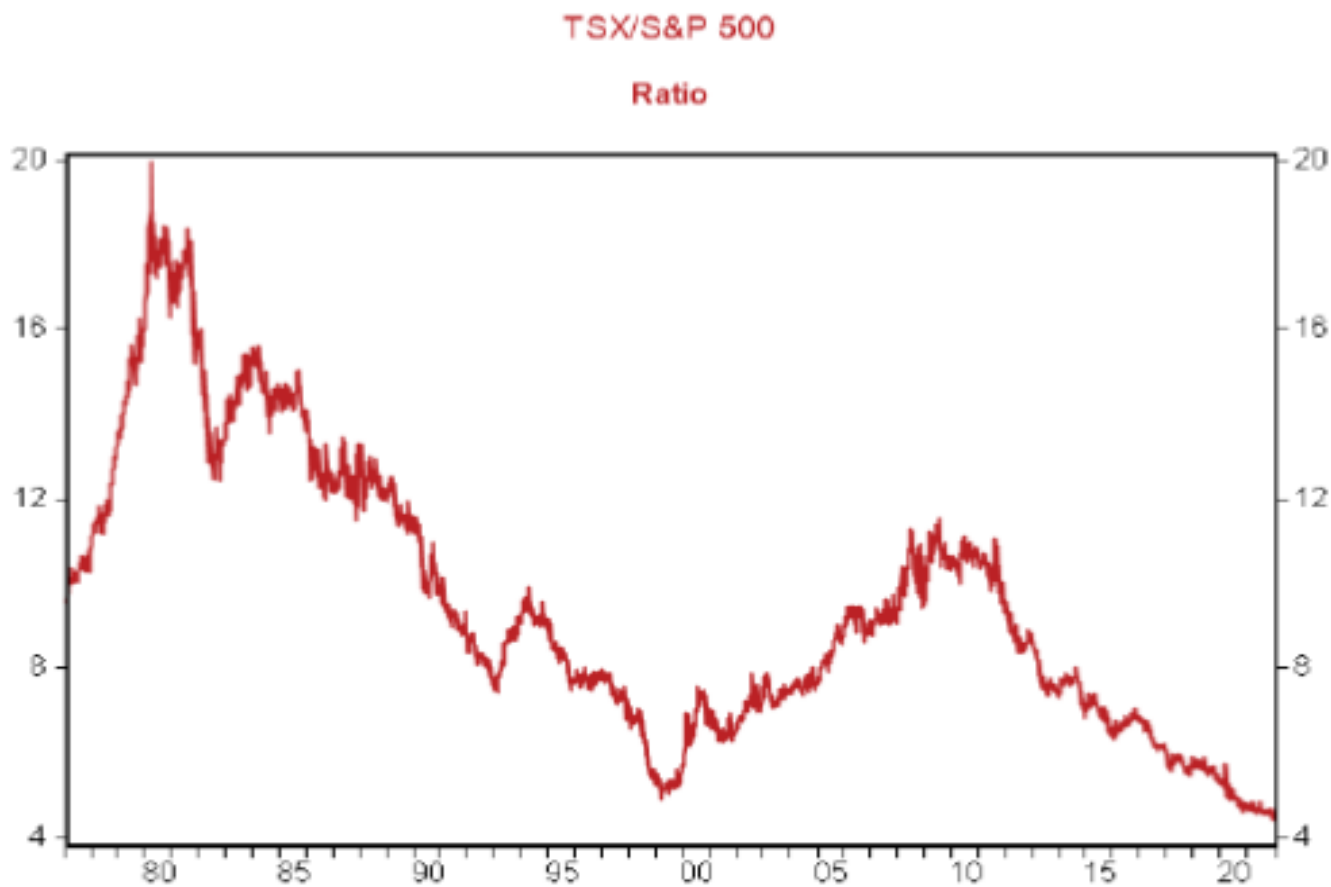
When Inflation Rises Above 2.5%, Value Begins to Outperform

Annualized Three Year Average Monthly US Value Premia to P/B Ratio Based Value and Growth Strategies: 1966-2019



- Between 1930-2020 when inflation is above 2.5%, median value premium was 11.04%

Similar to 2000, Canada Looks to Have Significant Outperformance to Come



- 2 Standard deviations below normal
- TSX is an attractive place to hide in this type of market

Source: BMO. Jan 5, 2022, Forward P/E.

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