LONGVIEW
Asset Management Ltd.

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Private & Confidential

April 13, 2023

Dear [ ],

We are pleased to attach your Longview portfolio report as of March 31, 2023.

This report consists of a statement for your managed portfolio, including separate statements for each of your individual managed accounts, and, if you have one, a statement for your non-managed account(s).

Managed Portfolio

At Longview, our mandate is to invest your capital safely and so that it grows at a rate which, over time and after tax, is well above the rate of inflation.

As of March 31, the market value of your managed portfolio totalled $[X].

Investment Return

During the first three months of 2023, the investment return for your managed portfolio, net of fees, was [X]%.

From [X] (the end of the month in which Longview began managing your portfolio) to March 31, 2023 the investment return for your managed portfolio, net of fees, has been [X]% per annum.

Purpose of Our Quarterly Letters

An important purpose of these letters is to provide you with insight into our investment approach, which is set out in more detail as an attachment to this letter. We hope that by understanding it, you will be more confident that your investment returns will be attractive over the long run.

Being aligned with you is at the core of our investment approach. Each of Longview's clients and everyone at Longview owns the same companies in the same weightings.

Ongoing Economic Downturn, but a Strong Portfolio

When central banks begin a tightening cycle, by raising their overnight borrowing rates, there is a delay between their actions and achieving their goal of dampening inflation by slowing economic growth. Typically, when the latter arrives, some companies (and individuals) are caught unprepared and, often, high-profile frauds come to light (e.g. Enron, Madoff).

After a 12-month period during which central banks have dramatically increased their overnight borrowing rates, which was preceded by more than a decade of essentially free money, it was predictable that this tightening cycle would also have some casualties.

Banks are highly-leveraged businesses, so even small changes to their assets or deposit base can get them into difficulty. Each of the banks in the U.S. and Switzerland that recently ran into trouble had specific circumstances that lead to its demise, including (very) poor management. Nonetheless, banking is a confidence-based business, so the risk is that fear can spread and damage otherwise financially sound and well-run banks. In today's world, with the use of social media and technology, fear can spread easily and deposits get withdrawn rapidly.

Only time will tell whether there will be further difficulties in the banking sector. It is likely that we will see some issues in other sectors before this economic downturn is over. Leveraged industries, such as commercial real estate, are possible candidates.

In the meantime, the troubles in the banking sector have accelerated the work of the central banks. Lenders immediately began to withdraw credit available in the economy, and borrowers have also become more cautious. Some have equated the resultant acceleration of the economic slowdown and the expected dampening effect on inflation to a 1% rise in interest rates. This is why the Fed did not raise interest rates at the end of March by as much as was previously expected and why it may now be closer to, if not at, the peak of its rate increases.

As we navigate this economic downturn, the companies in the Longview Portfolio are well-positioned:

- None of them rely on debt or equity for day-to-day funding.
- All of them generate strong cashflows and many of them have substantial net cash positions on their balance sheets.
- They are growing and have the ability to earn attractive rates of return on their capital, creating economic value.
- Many of the management teams act counter-cyclically, purchasing their own shares and/or other companies when values are depressed.

The cash level in the Longview Portfolio also continues to be higher than usual. We currently see attractive investment opportunities both inside and outside of the portfolio and expect to selectively deploy the cash in the coming months.

Portfolio Management – Focus on the Whole

As investors, we must accept that even the world's best investors are only correct in their decision-making just over half of the time. In other words, just over half of their new investments will perform better than what they already own or will need to sell to make a new investment. If we can be correct in our investment decisions even slightly more than half of the time, we will do exceptionally well over the long run.

We expect that a small number of our investments will perform better than we initially anticipated, lifting the overall return of the Longview Portfolio and driving investment performance. To ensure that their outperformance is not negated, it is vital that we avoid investments that might result in a permanent loss of capital. Our primary way of managing this risk is by doing extensive fundamental research on companies before and while we own them. It is also why we focus on industries and businesses that we regard to be relatively predictable.

For each company in the Longview Portfolio, we have a view on how we believe the business will perform going forward – our Base Case. We also consider whether the range of potential outcomes around our Base Case scenario is, in our opinion, relatively wide or narrow. For example, as a large, diversified basket of businesses representing a broad swath of the U.S. economy, we believe that the range of future financial outcomes for Berkshire Hathaway is relatively narrow. In contrast, Booking.com, a focused, travel-driven business, has a wider range of potential future outcomes. Berkshire Hathaway is unlikely to dramatically out or underperform our expectations, while Booking.com could do either.

Because we accept that we will not always be correct in our decision-making, we construct the Longview Portfolio to include companies with what we believe are both narrow and wider ranges of potential outcomes. Purchased at the right price, both types have the potential to be attractive investments. Having a mix of both, provides us with the potential to outperform, while reducing the scope for downside surprises.

Update on Investments

During the quarter, we re-initiated a 2% position in CarMax Inc. You may remember that we initiated a position in CarMax prior to the 2022 market sell-off and then quickly sold it in order to trigger capital losses. There is a brief overview of CarMax in the Appendix to this letter.

In addition, another new company entered the Longview Portfolio during the quarter – Lumine Group, which was spun-out of Constellation Software in March. A description of Lumine is also included in the Appendix to this letter.

At the end of the quarter, even after spinning-out Lumine, our weighting in Constellation Software was above 12%, the maximum weight that we limit holdings to in the Longview Portfolio for risk management purposes. Therefore, we trimmed our position in Constellation Software at the beginning of this month.

For Canadians – Tax-Free First Home Savings Accounts

A new type of registered account is now available to assist Canadians looking to buy their first home. The Tax-Free First Home Savings Account (FHSA) combines attributes of both RRSPs (Registered Retirement Savings Plans) and TFSAs (Tax-Free Savings Accounts) and will be a powerful tool for helping home buyers save for their first purchase.

We expect to be in a position to open FHSAs with our custodian, NBIN, soon. In the meantime, we have prepared an educational primer on FHSAs – setting out how they work, frequently asked questions and some tips for using them. The primer is attached to this letter and also saved in your portal in the *Longview Documents/Planning Primers* folder, alongside our primers on other registered accounts.

Longview Annual Spring Celebration – June 14th

This year, we will be hosting Longview's Annual Spring Celebration for clients and friends of Longview on Wednesday, June 14th.

As in prior years, the evening of hors d'oeuvres and drinks will be at Rosedale Golf Club. Our guest speaker this year is Darrell Bricker, the CEO of the world's leading social and opinion research firm, Ipsos Public Affairs, as well as the co-author of the best-selling book *Empty Planet.* The invitations for the event will be posted soon. We hope that you will hold the date and be able to join us.

Longview Update

During the first quarter of the year, we had another article published in The Globe and Mail. It is attached to this letter and also saved on our website along with all of our past articles.

On behalf of everyone at Longview, thank you for your continued support. Please do not hesitate to contact us at any time, if you have any questions or would like an investment update.

Sincerely,

Doug

Doug McCutcheon

APPENDIX

Changes to Longview Portfolio – First Quarter 2023

PURCHASE: CarMax Inc.

During the quarter, we re-established a position in CarMax, the leading buyer and seller of used cars in the U.S. We exited our previous position in CarMax in early 2022, in order to crystalize capital losses after the broader stock market pulled back and, more specifically, the approaching economic downturn began creating headwinds for the used car market.

CarMax is based in Richmond, Virginia, with its shares listed on the New York Stock Exchange. The CEO of the company is Bill Nash, who joined in 1997 and took over as CEO in 2016.

In a very fragmented used car market, CarMax has pioneered new approaches to selling used cars, including complete price transparency, no price haggling and no salespeople, selling through its network of over 200 stores and its online channel.

CarMax's scale and profitability allows it to invest in growth and inventory at a faster rate than peers. The company can offer the best selection of used cars to customers while having lower average reconditioning and advertising costs per car. It can also scale technology investments and manage inventory more efficiently. For example, CarMax's scale gives it the ability to run its own car auctions for the wholesale market, a channel in which it sells an additional 500,000 cars each year. These factors allow CarMax to keep prices fair for customers, while not attracting lower priced competition, and increasing its profits through volume growth.

CarMax also operates a financing division for its cars, with over 40% of its customers choosing to finance their cars through the company. The company bundles these loans together and sells them, earning a spread on the interest cost difference between what they charge to their customers and what investors require to purchase the bundled loan securities. Used car financing has historically had low default rates, making this segment a recurring income source for CarMax.

Since selling our investment in CarMax last year, we have continued to follow the company closely. The impact of the rapid rise in interest rates on consumers, as well as the financial difficulties at one of CarMax's key competitors, have depressed CarMax's share price. At current levels, we believe that most of the short-term headwinds appear to be factored in, although we recognize that our timing might be early.

SPIN-OFF: Lumine Group

At the end of March, Constellation Software completed its previously announced spin-off to shareholders of Lumine, one of its business units. Simultaneous with the spin-off, Lumine completed the acquisition of Wide Orbit, a media-focused software company, for about $490 million.

Constellation shareholders have received three shares in Lumine for every share owned in Constellation by way of a dividend-in-kind, in the same way that Constellation shareholders received shares in its prior spin-off of Topicus.com in 2021.

Lumine is headquartered in Toronto, with its shares now listed on the Toronto Venture Exchange (LMN). Lumine follows the same acquisition-led growth model as Constellation. However, it is more narrowly focused on software businesses in the communications and media industries.

Today, Lumine consists of 26 different software businesses in its industry vertical. The company has revenues of some $525 million and operating income (EBITDA) of some $150 million, representing about 7% of both Constellation's revenues and operating income.

Constellation will maintain voting control of Lumine. It also has multiple senior Constellation executives on Lumine's Board of Directors and long-time Constellation employees running Lumine's business day-to-day.

Now that it is public, we will be evaluating Lumine, to determine whether it should remain as a holding in the Longview Portfolio and, if so, at what weight.

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TAX-FREE FIRST HOME SAVINGS ACCOUNT (FHSA) PRIMER

- Tax-Free First Home Savings Accounts (FHSAs) are being introduced to Canadians in 2023, to assist individuals saving for the purchase of their first home.

- The investments in an FHSA grow tax-free and the contributions are tax-deductible for income tax purposes. Additionally, there is no tax paid on withdrawals, if they are used to purchase a qualifying home.

- Any Canadian resident who is of the age of majority or older and considered a first-time home buyer can open an FHSA. To be considered a first-time home buyer, you cannot have owned a home that you resided in at any time during the calendar year when the account is opened or at any time in the preceding four calendar years.

- An FHSA must be closed within 15 years of being opened or by December 31st of the year in which you turn 71.

Contributions

- The lifetime contribution limit to an FHSA is $40,000, and the annual contribution limit is $8,000. The full annual limit of $8,000 is available starting in the year that the account is opened.

- You can make contributions to your FHSA at any time during the calendar year. Unused contribution room can be carried forward and catch-up contributions can be made, up to a maximum of $8,000 per year.

Withdrawals

- You can make a withdrawal from your FHSA in a single lump sum or a series of withdrawals. For the withdrawal to be considered tax-free, you must:
    - Have bought your home no more than 30 days before making your initial withdrawal.
    - Have a written agreement to have bought or built your qualifying home before October 1st of the year following the year of your initial withdrawal and intend to occupy it as your primary residence within one year after buying or building it.

Estate Planning

- Surviving spouses (and common-law partners) can be named as Successor Holders of your FHSA if, on your death, they are a qualified first-time home buyer. If they are not a qualified buyer, or do not wish to take on the FHSA, the capital in the account can be contributed tax-free to the Successor Holder's RRSP/RRIF or withdrawn on a taxable basis.

- You can name anyone a Beneficiary of your FHSA. On your death, the capital will be withdrawn for the Beneficiary on a taxable basis.

TAX-FREE FIRST HOME SAVINGS ACCOUNT (FHSA) PRIMER

FREQUENTLY ASKED QUESTIONS (FAQs)

How is the FHSA different from the Home Buyers Plan (HBP) within an RRSP?

- Withdrawals from both types of accounts can be used to purchase your first home. However, unlike the HBP:
  - Earned income is not needed to create contribution room in an FHSA.
  - All of the capital can be withdrawn from an FHSA, unlike the HBP which has a $35,000 limit.
  - Money withdrawn from an FHSA does not need to be repaid.

When do I need to close my FHSA?

- Your FHSA must be closed by the earliest of:
  - December 31st of the 15th year after being opened.
  - December 31st of the year following your purchase of a qualifying home.
  - December 31st of the year you turn 71.

Can I make a withdrawal for a purpose other than buying my first home?

- Yes, but any withdrawals not used to purchase a qualifying home will be treated as taxable income.

What happens if I do not buy a home or a qualifying property?

- If you do not buy a qualifying home, or have residual funds leftover in your FHSA after a qualifying purchase, when you close the FHSA, you can roll the funds into your RRSP/RRIF on a tax-free basis or withdraw them as taxable income.

What types of investments can I own in an FHSA?

- You can own a wide variety of investments including cash, cash equivalents and securities listed on qualified exchanges, including stocks, bonds, exchange-traded funds, mutual funds and options.

- There are certain types of securities that can be owned in an FHSA, but ideally should not be because they incur some tax even inside the account. For example, none of the U.S. withholding tax incurred on the dividends of U.S. listed stocks is recoverable if received inside an FHSA, unlike if held in a taxable account or an RRSP.

What happens if I over-contribute to my FHSA?

- There is a 1% tax on over-contributions for each month (or partial month) that the over-contributions exist and based on the highest amount of the over-contribution in each month.

Can I open a joint FHSA or more than one FHSA?

- You cannot open a joint FHSA, but couples may each use their FHSA for the joint purchase of the same qualifying home.

- You can open more than one FHSA, but your overall contribution limits will remain unchanged.

Can I contribute to the FHSA of another family member and claim an income tax deduction?

- You can gift funds to your spouse or children so that they can make FHSA contributions. However, only the FHSA account holder(s) can claim income tax deduction for the contribution(s).

TAX- FREE FIRST HOME SAVINGS ACCOUNT (FHSA) PRIMER

PRO TIPS

Contribute to your FHSA before your RRSP or TFSA

- With your FHSA, you get the best of both worlds. You can deduct your contributions for tax purposes and can withdraw the funds tax-free if/when you make a qualifying purchase.

Time your tax deductions

- If you anticipate that you will be in a higher tax bracket in the future, you may want to delay deducting your contributions in order to receive a greater tax benefit in the future.

Start contributing early

- The longer your capital grows in your FHSA, the more it will be worth when you make your qualifying purchase.

Year/(C$000)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Annual Contribution	8	8	8	8	8	-	-	-	-	-	-	-	-	-	-
Indicative Market Value	9	18	28	39	51	55	59	64	69	74	80	87	94	101	109

Note: Assuming annual contributions are made at the beginning of each year and that your investment return is 8%.

Transfer contribution amounts from your TFSA if you don't otherwise have the funds

- If you do not have the flexibility to contribute to both your FHSA and TFSA, you should consider moving your capital from your TFSA to your FHSA. Your TFSA funds can be replaced at a later date when you have the financial capacity.

Pay your FHSA costs outside of your FHSA

- It is possible to pay the management fees for your FHSA investments outside of the FHSA to preserve capital inside the FHSA that can continue to grow tax-free. However, the fees paid outside will not be deductible for tax purposes.

Unused FHSA funds can be used to increase the size of your retirement fund

- When closing your FHSA, any unused funds can be rolled into your RRSP/RRIF tax-free, providing an incremental contribution to your retirement account.
  - Example: If you start an FHSA at age 18, contribute $40,000, keep it open for the maximum 15 years and then roll the FHSA into your RRSP/RRIF, and assuming that you earn 8% a year on your investments throughout, the capital will have grown to some $2.2 million when your RRSP converts to a RRIF at age 72.

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ATTACHMENT

Longview Article in The Globe And Mail – First Quarter 2023

Just starting to invest? Follow these steps for long-term success in building your wealth

DOUG MCCUTCHEON

SPECIAL TO THE GLOBE AND MAIL

JANUARY 11, 2023

The beginning of the new year is an ideal time to update your financial plans and, if you are in a position to do so, contribute to your investments. For young people in particular, maximizing the time that your capital has to compound will make a significant difference to your wealth over time.

When investing, most people focus on the return that they earn while failing to realise the importance of a long, uninterrupted investment runway. The story goes that, when asked why he had not spent the money he had been given to get a haircut, a teenage Warren Buffett replied, "Why would I want a $300,000 haircut?" Even at a young age, Buffett understood that if, in addition to the return on your initial investment, you earn returns on your returns, the growth in your capital becomes exponential over the long run.

Here are some basic investment guidelines to assist you in maximizing your long-term wealth and your financial optionality along the way. All of them are simple, but not easy.

Start saving early and save regularly

Saving often seems difficult, particularly for young people. Starting with small, regular amounts can make it easier to begin and for it to become habitual. It might help to set aside part of your monthly salary or annual bonus. It might also help to have the savings bypass your chequing account and go directly into your investment account – the funds will not be 'seen' and there will be no temptation to spend them.

The sooner you start saving, the greater the power of compounding. If you invest $1,000 at age 25 and earn 9% a year for 40 years, by the time you turn 65 it will be worth more than $31,000. In contrast, the same amount earning the same return, but invested at age 35 for 30 years will be worth only about $13,000.

In addition, adding to your savings on a regular basis is powerful. Using the example above, if you invest $1,000 each year from age 25 for 40 years, the $40,000 invested will grow to almost $370,000.

Invest to match your goals and time horizon

Everyone's investment approach should suit their personal situation and the purpose of the capital that they are investing.

If your long-term goal is to build a capital base capable of providing future cashflow and a security net, your objective should be to grow it safely at a rate that is above inflation on an after-fee and after-tax basis. Buying pieces of high-quality companies that will be around and worth more in the years to come (i.e. stocks) is a proven way to do this.

In any given year, stock market returns are random and markets regularly have down years – most recently in 2022 and 2018. However, stock market returns are relatively predictable over the long run (10 years or more). In the United States, the stock market has produced attractive annualized long-term total returns of about 10% before fees for more than a century.

Not investing appropriately, including being overly conservative by investing too much in bonds or fixed income securities, is risky, particularly for someone with a long investment horizon. A young person investing along the lines above will earn three times more from age 25 to 65 than if they decide to 'play it safe' and invest in a way that earns an annualized return of 5%.

Maximize your time in the market, don't try to time the market

One thing that has not changed in the past century is that most investors tend to buy stocks when they are going up and sell them when they are going down.

Studies show that, because of buying and selling at the wrong times, investors in, for example, index funds consistently underperform the index the funds are tracking by a much wider margin than the fees they are paying.

The reason for this is because the short-term volatility of the stock market makes people emotional – both greedy and fearful. Many investors also like to believe that, when the market begins to fall, they can get out and then be smart and brave enough to reinvest when it has bottomed. Unfortunately, they only see the bottom after it has passed. No matter what anyone says and how many forecasts are made, stock markets are not predictable in the short-term. Also, the best periods in the market often follow the worst periods and have a disproportionate impact on your overall long-term return.

The solution? Only invest as much money in stocks as allows you to sleep at night and keep that capital invested through thick and thin.

Keep your costs low

Taxes and fees are forms of negative compounding on capital – in the short run, their impact may not feel material, but in the long run it can be significant.

Staying invested, and not trying to time the market, has the added advantage of resulting in lower turnover (trading) in a portfolio. Low turnover reduces the realization of capital gains and, therefore, taxes owed in taxable accounts as well as transaction costs across accounts.

Investing in low-fee ETFs can help to reduce fees. Or, if you decide to use an investment advisor, make sure, amongst other things, that their fees are reasonable.

Take advantage of your tax-sheltered accounts

Tax-sheltered accounts such as RRSPs and TFSAs allow capital invested inside of them to compound tax-free. They provide an investment advantage that should be utilized to the maximum extent possible.

If you are earning a good salary and in a relatively high tax bracket, contributing to your RRSP first will probably make the most sense, as the tax credit received will reduce income tax owed. If you are fortunate and have surplus savings after having fully contributed to your RRSP, then you should also contribute to your TFSA.

Today, the maximum annual contribution to a TFSA is $6,500 – often not large enough for people to focus on making it every year, let alone early in the year, without realizing the long-term consequences.

However, making $6,500 annual contributions starting at age 18 (the earliest year for contributing) until age 65, and assuming an investment return of 9%, the total contributions of just over $300,000 will grow to about $4.4 million. Think of it like building a pension.

For parents reading this article, helping your child make their TFSA contributions in the early years is an amazing gift. The contributions made from age 18 until 30 (12 years) will be worth more than all of those made from age 30 to 65 (35 years) due to the power of compounding capital over the longest possible period of time.

If you earn enough to save and live a long, healthy life, the ability to achieve financial independence in retirement, and to have financial flexibility along the way, is largely in your hands.

Doug McCutcheon is the President of Longview Asset Management Ltd., a Toronto based investment management firm

LONGVIEW INVESTMENT APPROACH

Investment Strategy

We seek to achieve superior after-tax returns over the long run, while minimizing risk.

We invest in the shares of public companies. In doing so, we think like business owners. We buy shares (i.e. fractional ownership interests) in businesses that we believe will be worth substantially more in the future. We buy them when they are trading below our estimate of their economic or intrinsic value. Our aim is to own them for many years, allowing their value to compound on a before-tax basis over the long run.

We know that, over time, the share price of each company we own will follow the increase in the economic value of its business. We accept that the price may diverge from that value in the short-term, driven by the emotions of stock market participants. For us, short-term volatility represents an opportunity.

We do not try to predict short-term stock market movements or macro events. We believe that it is futile to try to do so.

We have a disciplined and repeatable investment process involving both quantitative and fundamental analysis, including detailed research, management meetings, checklists and writing proprietary reports. After buying a stake in a company, we follow the company closely and continually re-evaluate it relative to other potential investment opportunities.

Our investment strategy has been proven to work. However, it does not produce linear returns. We believe that our investment performance should be evaluated over periods of five years or more.

Improving the Odds for Success

In addition to following a proven investment strategy, we further increase the likelihood of our clients achieving superior after-tax investment returns through the following:

- *One Portfolio*: we are 100% focused on the Longview Portfolio.
- *Alignment with Clients*: all Longview employees are investors in the Longview Portfolio.
- *High Conviction Investments*: we limit the Longview Portfolio to 15 to 25 companies.
- *Predictable Investments*: we focus on relatively predictable businesses.
- *Broad Investment Universe*: we invest globally and in companies of all sizes.
- *Tax Minimization*: we use strategies to minimize the tax payable on investment returns.
- *Temperament*: we think long-term about investing, client relationships and our firm.

Having like-minded clients is essential to what we do.
It provides the time for our investment strategy to work.