

DEANS KNIGHT

CAPITAL MANAGEMENT LTD

INVESTING CAN BE EXTRAORDINARILY COMPLEX.
THE GENIUS IS IN KEEPING IT SIMPLE.

AS OF SEPTEMBER 30, 2018

CONTENTS

About Deans Knight	3
Equity Strategy	6
Income Strategy	11
Appendix	16

About Deans Knight Capital Management

ESTABLISHED IN 1992 BY WAYNE DEANS AND DOUG KNIGHT

The firm is based in Vancouver and employee-owned

FOCUS ON INDIVIDUALS, FAMILIES, FOUNDATIONS AND INSTITUTIONS

Assets under management of approximately \$700 million

INCOME

Provide a high level of income by investing in high yield corporate debt

CAPITAL GROWTH

Grow your capital by investing in 20-25 unique publicly traded businesses

Meet the Investment Team

Over 150 years of combined industry experience

WAYNE DEANS, MBA

45 years of investment experience

- Co-founder and CEO of Deans Knight
- Former President of M.K. Wong & Associates, executive CIBC Wood Gundy and Securities Division Bank of Canada

KELSEY DUNWOODIE, CPA, CA

12 years of industry experience

- Joined Deans Knight in 2010
- Previous manager at PricewaterhouseCoopers

SARAH WYNDELS

12 years industry experience

- Joined Deans Knight in 2007
- Communications Specialist and Client Relationship Builder

DOUG KNIGHT, CFA

45 years of investment experience

- Co-founder & Advisor of Deans Knight
- Pioneer of high yield debt market in Canada, well known specialist in income products

DILLON CAMERON, CFA

18 years investment experience

- Joined in 2000, the Portfolio Manager for the DK Income Strategy
- Worked alongside Doug Knight for over 8 years

PATRICK WILSON, MBA, CFA

12 years investment experience

- Joined Deans Knight in 2008
- Runs day to day operations for the Equity Portfolio

Meet our Strategic Advisors

Over 100 years of combined industry experience

PHILIP HAMPSON, M.SC.

29 years investment experience

- President of NGPI Canada Inc., a Toronto based merchant banking firm
- Previous Senior Director and Investment Banker with CIT, Bankers Trust Company and Deutsche Bank

PETER BROWN, OBC, LL.D, LittD, C.B.H.F.

50+ years investment experience

- Advisor of Deans Knight
- Founder, Chairman, and CEO of Canaccord Financial and Canaccord Genuity Group, Canada's largest independent investment dealer

All Deans Knight employees and advisors are owners of our firm and committed to our client's success

Deans Knight Equity Strategy

"A company is not merely a business plan. It is a living organism that represents the sum of the personal qualities talents, and values of the individuals that comprise it"

- Monique Leroux, Former Chairperson, President & CEO of Desjardins Group

We are business owners, not stock traders

**WE BUY BUSINESSES THAT ARE
RUN BY EXPERIENCED
INDIVIDUALS WHO SHARE OUR
CORE HUMAN VALUES**

WHAT WE LOOK FOR WHEN BUYING A BUSINESS...

- As owners, we focus on the business and operations, not the stock quotes
- A business we can understand
- Has a competitive advantage
- Can endure the destructive forces of competition
- Where we can identify hidden assets or any form of unrealized value
- Has barriers to entry
- Has free cash flow for owners, or has a strong probability of free cash flow in the near future
- The financial strength and flexibility to withstand adversity
- Buy at a 'reasonable' price, preferably when others are fearful
- Where management has 'skin in the game'

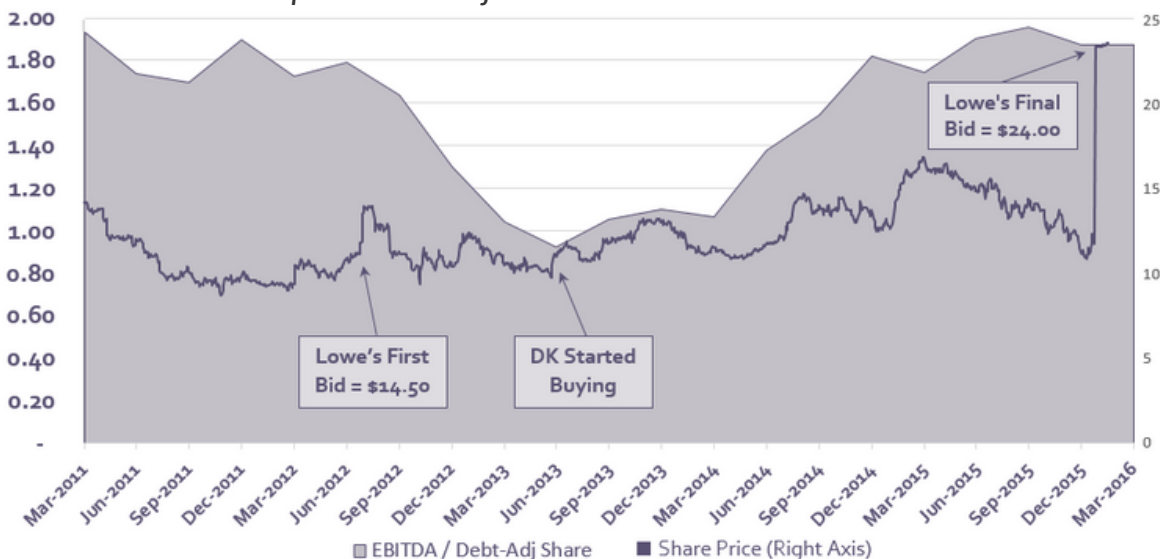
Our way of thinking recognizes future value

IN OUR HISTORY, OUR APPROACH HAS RESULTED IN OVER 40 INVESTMENTS SOLD TO TAKEOUT OFFERS, THE MAJORITY OF THOSE BEING SUBSTANTIAL PREMIUMS

- Aber Diamonds
- Algoma Steel
- Amber Energy
- Arequipa Resources
- Aventura Energy
- Blackrock Ventures
- CanstarSports
- CGA Mining
- ContransGroup
- CottCorp*
- Daylight Resources
- Diamond Fields
- DuvernayOil Corp
- DY 4 Systems
- KerecoEnergy
- LionoreNickel Corp
- Menu Foods
- Mantra Resources
- NorthrockResources
- OSF Inc
- PacaltaResources
- E3 Energy
- ElectrohomeBroadcast
- EmergisInc
- EncalEnergy
- First Marathon
- Gulf Canada Resources
- HerouxDevtek*
- International
- MustoExploration
- Paramount Resources*
- Phoenix International Life
- Premdor
- Prudential Steel
- Rona
- Sherwood Copper
- Sure Energy
- Taiga Forest Products
- TriTechPrecision
- Triumph Energy
- UnicanSecurities
- UniSelect*
- West Energy
- Western Star Trucks

RONA Inc (TSX:RON)

EBITDA per Debt-Adjusted Share vs Rona Share Price

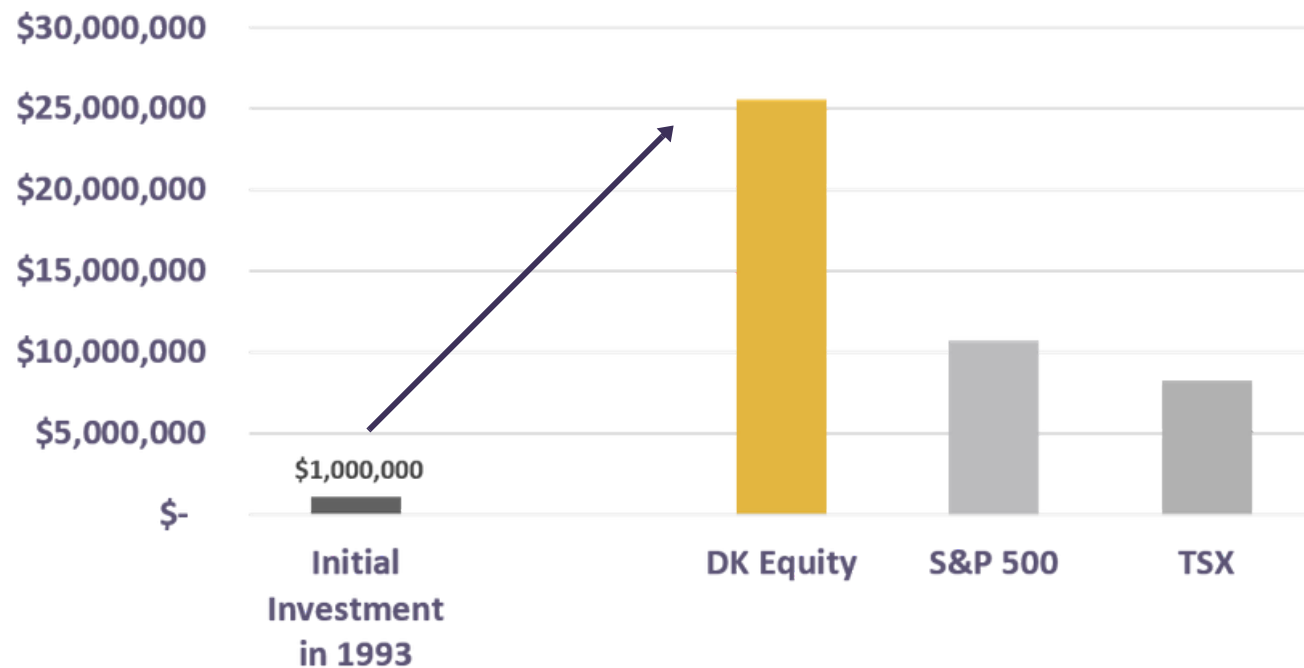


*Major division of the company sold

Long-term growth that is exceptional

A **\$1,000,000** investment in 1993 would be worth **\$25,821,000** in our DK Equity Strategy *(gross of fees)*, compared to \$8,152,000 if invested in the TSX Composite and \$10,700,000 if invested in the S&P 500

25 YEAR COMPOUND HISTORY



Note: Past returns are not guarantee of future returns. Returns calculated are gross of our management fee as at September 30, 2018

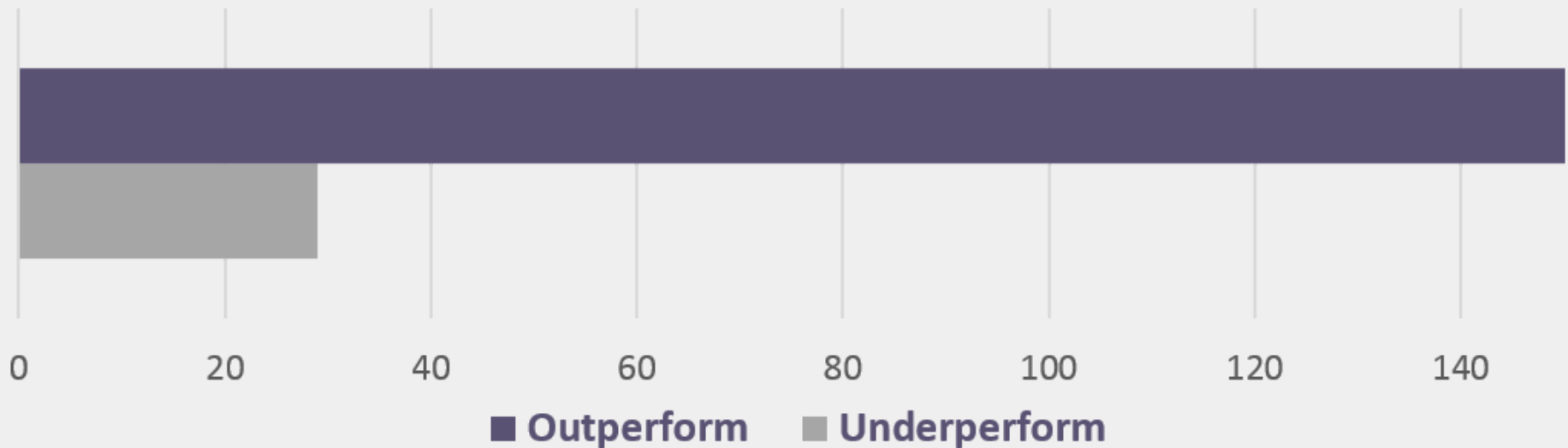
The equity strategy that outperforms

Since our inception in 1993,
we have recorded
187 monthly rolling periods
of 10 year annualized returns

90%

The Deans Knight Equity Strategy has outperformed the index when comparing these 10 year rolling returns to the TSX
(gross of fees)

DK EQUITY VS THE TSX



*Returns calculated gross of fees. Rolling 10 year annualized return, measured monthly

Deans Knight Income Strategy

Provide a high level of income by investing in high yield corporate debt

HIGH INCOME STREAM

Historically between 7-10% annually

CAPITAL PROTECTION

Emphasizing our own internal credit research

Focus on the credit quality = Focus on the business

WE USE OUR EXPERT CREDIT KNOWLEDGE TO EVALUATE THE LEGAL CONTRACT BETWEEN A COMPANY AND ITS LENDERS TO ENSURE PRINCIPAL IS PROTECTED

The best case scenario for a loan is earning the coupon and getting repaid

WE LOAN TO BUSINESSES...

- that we understand
- with financial strength and flexibility to withstand adversity
- with competitive advantage
- with barriers to entry
- with free cash flow to pay interest in all cycles
- with hard assets to provide security

Income drives total return...

and it's all about the coupon

LONG-TERM RETURNS: INCOME + PRICE RETURN

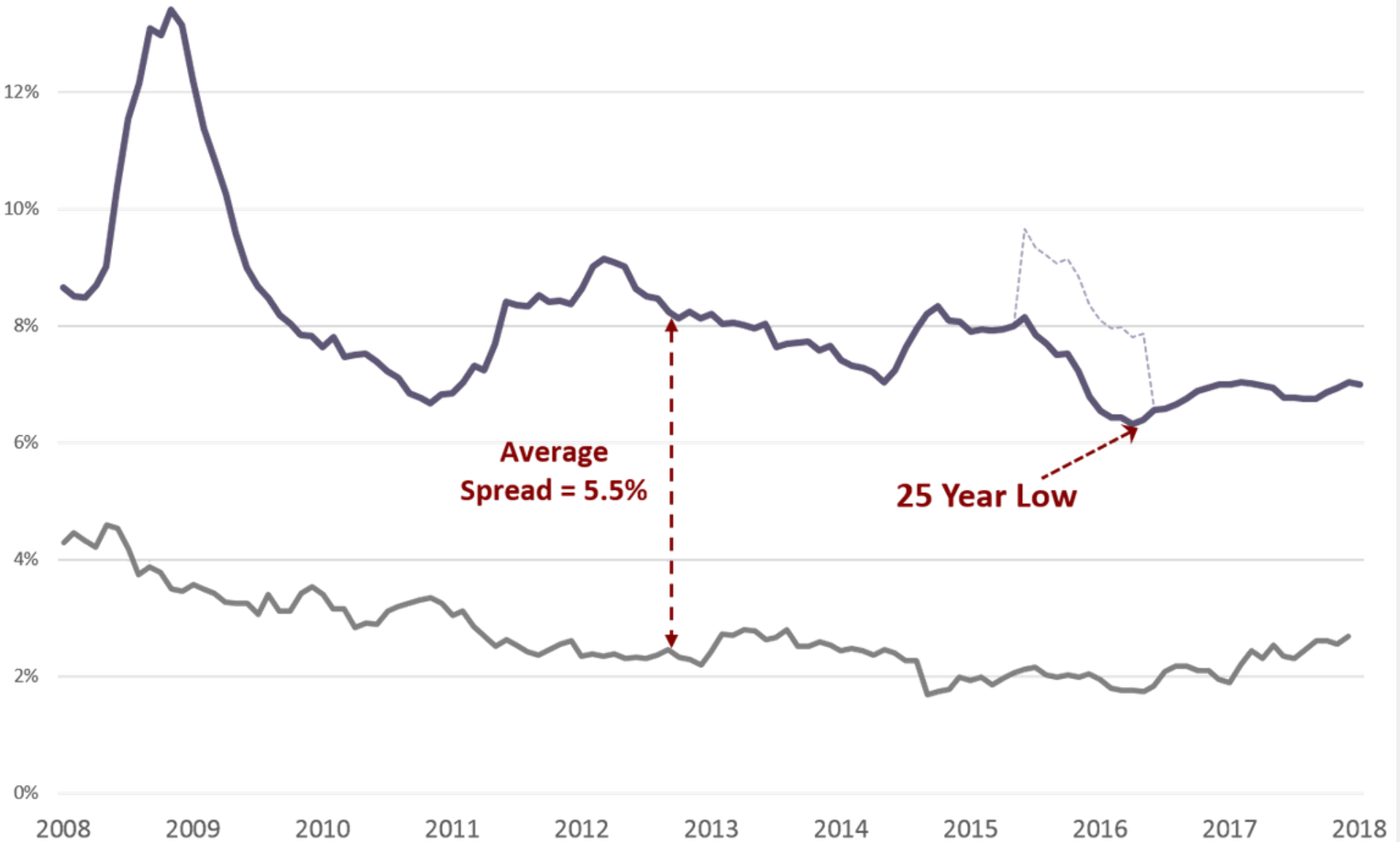
Since June 1993



*Emerging Markets Corporate Plus Index data only back to Dec 31, 1998

Historical Yield

DEANS KNIGHT INCOME STRATEGY VS INVESTMENT GRADE BONDS



Bonds don't 'perform', they earn income

DK Income Fund Since Inception

- The annualized income generates almost **90%** of the long-term return
- Annual income is consistent at **7-10%**
- Bond prices can be volatile as they trade in the market, but they always trend back to par value as they approach maturity

INCOME VS PRICE RETURN

Since June 1993

Income Return	8.6%
Price Return	1.6%
Total Return	10.2%

DEANS KNIGHT INCOME FUND HISTORICAL INCOME STREAM



Note: Past returns are not guaranteed of future returns. Returns calculated are gross of our management fee as of September 30, 2018

APPENDIX

DK Equity Fund Portfolio Characteristics

as of September 30, 2018

Average Market Cap: ~ **\$1 Billion**
 TSX Composite Average Market Cap: ~ \$8 Billion

Number of Holdings: **24**
 TSX Composite Number of Holdings: 240

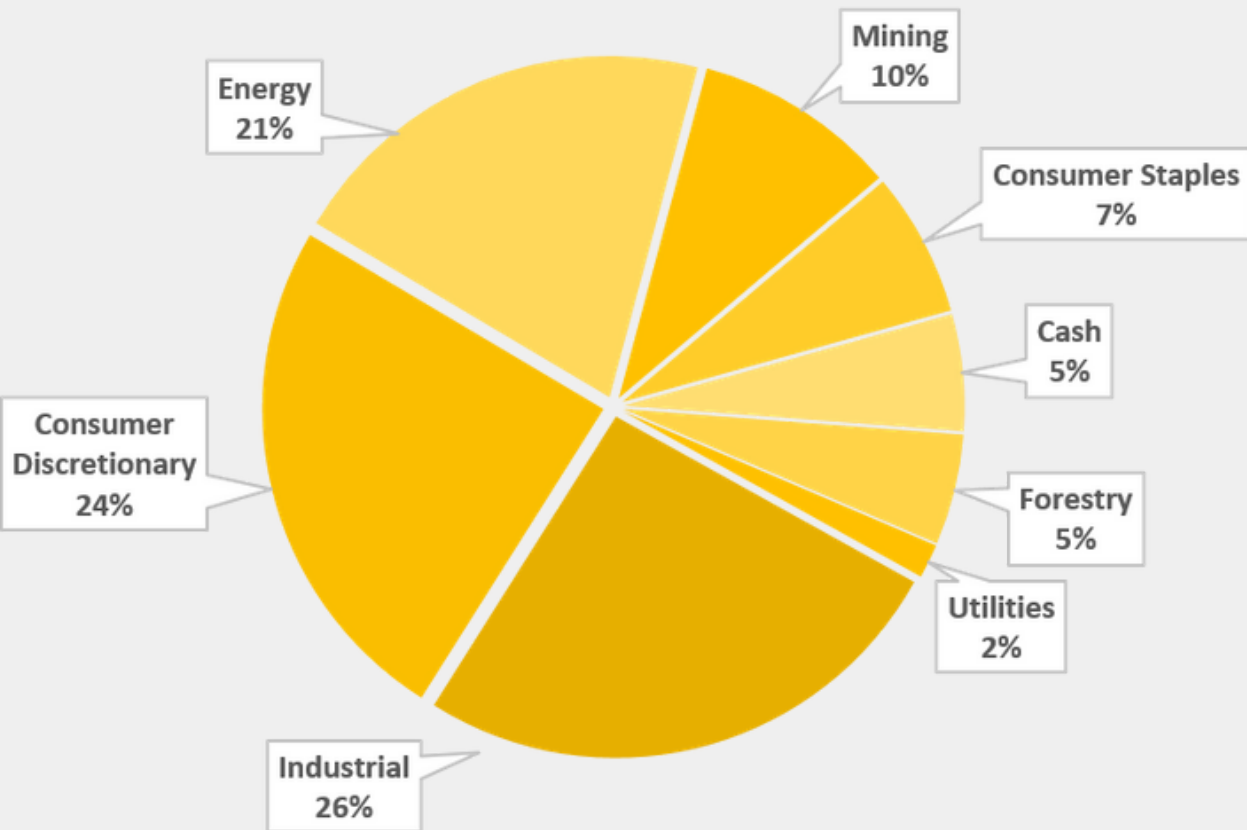
Average Management / Board Ownership: ~ **20%**

Average Hold Period: Roughly **5 years**

No leverage used

DK EQUITY SECTOR ALLOCATIONS

as of September 30, 2018



DK Income Fund Portfolio Characteristics

as of September 30, 2018

The bonds in the portfolio currently yield: **7%**

Average Term to Maturity: **4.2 years**

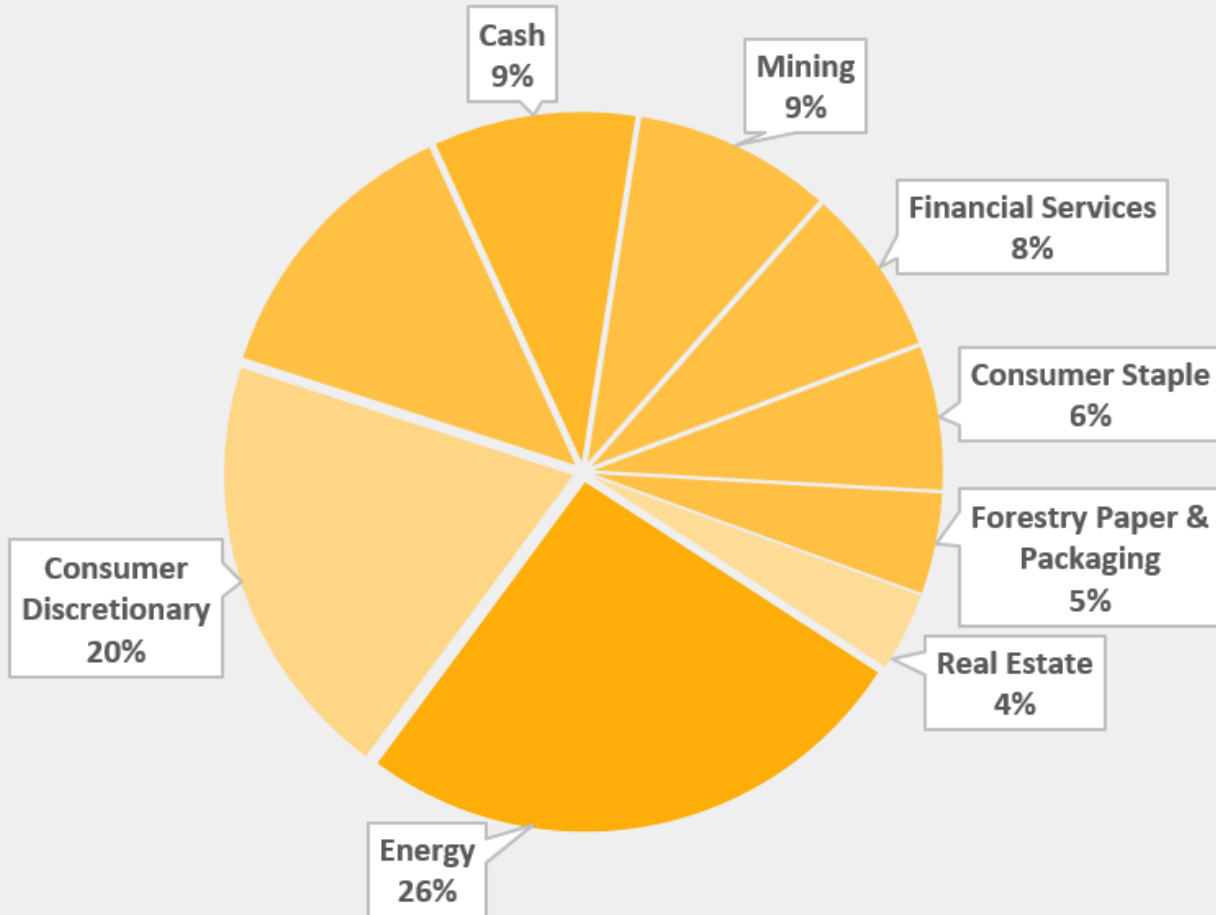
Number of Holdings: **38**

Average Bond Rate: **B**

No leverage used

DK INCOME SECTOR ALLOCATION

as of September 30, 2018



DK Income Fund Portfolio Characteristics

TOP TEN HOLDINGS

as of September 30, 2018

Company	Industry	Maturity	Coupon	Portfolio Weight
Garda World Security Corp	Security Services	2021	7.25%	6.5%
Gateway Casinos	Casinos	2024	8.25%	6.4%
Crew Energy Inc	Oil & Gas Production	2024	6.50%	5.6%
Seven Generations Energy	Oil & Gas	2023	6.88%	5.4%
Spectrum Brands	Consumer Goods	2022	7.75%	5.2%
Black Press Group	Publishing	2018	6.7%, 10%	4.8%
Baytex Energy Corp	Oil & Gas	2024	5.63%	3.7%
Ivy Funding Co LLC	Financial Services	2018	12.75%, 13%	3.6%
Lundin Mining Corp	Base Metal Mining	2022	7.88%	3.3%
Cott Holdings Inc	Beverage & Food Services	2025	5.50%	3.2%

Interest Rate Sensitivity

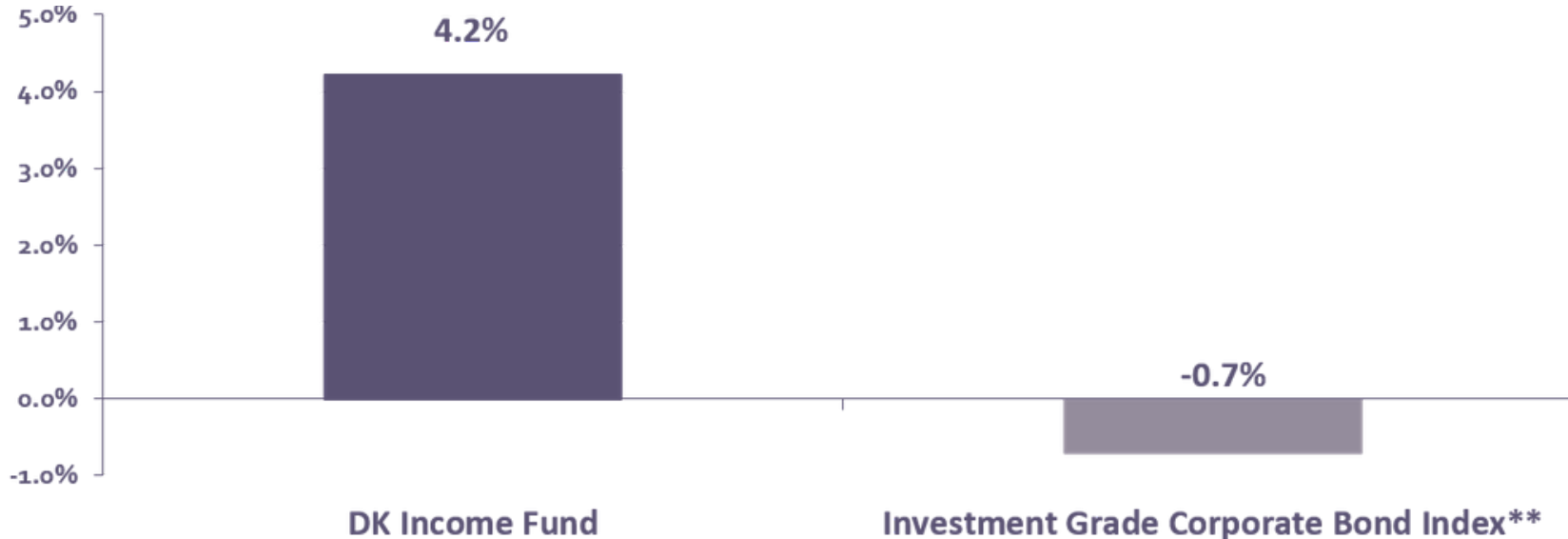
WHY OUR RETURNS ARE HIGHER

Maturity is short: *Current for the DK Income Fund is 4.2 years versus 10.7 years for the government and investment grade broad market index*
 Yield is higher: *7% versus 2.5%*

Our strategy has generated significantly better returns in a rising interest rate environment than government and investment grade bonds

QUARTERLY AVERAGE RETURN

*When interest rates increase**




*Interest increases are defined as a greater than 0.1% rise in average yields on 5 to 10 Year Government of Canada Marketable Bonds during a quarter

**Source: Bank of Canada, Deans Knight Capital Management Ltd. and FTSE/TMX

Why credit expertise matters

Defaults will happen, credit expertise at the outset maximizes our investor's recovery in receivership

A DK EXAMPLE

- 
- January 2017, Shoes.com shut down all businesses and websites
 - We were a senior lender to the business, behind a bank
 - Deans Knight took a leadership role with lawyers and receivers to protect our investors' interests
 - In less than 3 months, the assets were sold to maximize the value
 - **Fully recovered in July 2017**

Since inception Deans Knight has returned 10.2% annually, greater than our income earned, demonstrating the immaterial impact of defaults

DEANS KNIGHT

CAPITAL MANAGEMENT LTD

FOR FURTHER INFORMATION:

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