VPI FOREIGN EQUITY POOL

GROW AND PROTECT

INTERVIEW WITH VITO MAIDA, PORTFOLIO MANAGER

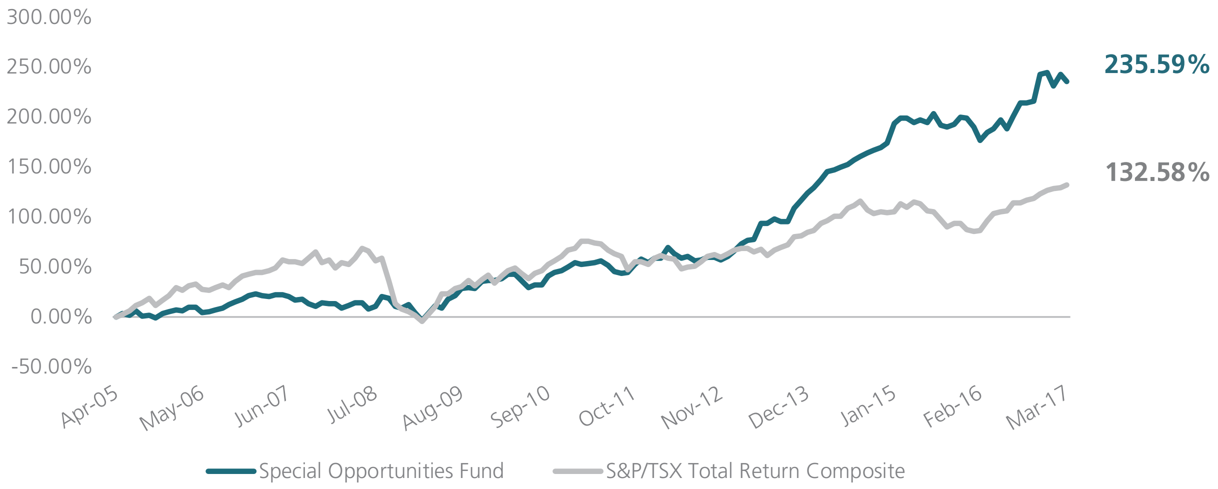
STEVE: Your results for this mandate since 2005 have been impressive as seen in the chart below. However, the pool is down 8% YTD (as of June 28th) while the US market is up. What's causing the gap between the market and the pool?

VITO: A handful of companies are pushing the market higher. In 2017 Facebook, Amazon, Netflix and Google (aka - Fang Stocks) are up 22.76%. In contrast, we own energy companies, department stores and banks. This reminds me of the late 1990's when oil was $10 a barrel and I was buying energy companies. The market was fixated on companies with little to no earnings and paying prices that didn't make sense. Many people will remember Nortel, the most highly valued, widely held stock in Canada. That irrational exuberance ended badly for too many Canadians. We have a fiduciary duty to protect investors from the short-termism that takes hold of the stock market from time to time. We buy things that aren't popular today which can cause some discomfort but I think people should feel far more discomfort owning the market at these high prices. At the end of the day you have to ask yourself, do you want to own companies like Amazon at 183 times earnings or companies like Bed Bath & Beyond at 7 times earnings?

LONG-TERM PERFORMANCE

PATIENT CAPITAL MANAGEMENT – SPECIAL OPPORTUNITIES FUND

MAY 2005 TO MARCH 2017



VPI FOREIGN EQUITY (FE) POOL & FANG STOCK COMPARISON

Source: S&P Capital IQ. FANG Stocks: Facebook, Amazon, Netflix, Google cenovus ENERGY

STEVE: I understand why you're not buying Amazon and frankly I'd be concerned if you were. However, some of the companies you own have experienced share price declines this year. Cenovus is down 50% YTD which has caused the Pool to lose 2.5% of its value. Can you shed some light on the subject for us?

VITO: Recently, Cenovus announced the purchase of the fifty per cent interest in the oil sands assets that it did not already own from its partner ConocoPhilips; effectively doubling its size. The acquisition was financed with a combination of debt and equity. The market did not react favorably to the transaction. Adding more uncertainty around the deal was the announced retirement of Brian Ferguson the CEO. In addition, oil prices have softened over the past 30 days making the deal appear less attractive in the short-term.

Our assessment of Cenovus and the acquisition is quite positive. We were fortunate to purchase the shares at a substantial discount to their net asset value. We have had several discussions with management and thoroughly revisited our analysis. Our thesis remains intact. CVE now owns one hundred per cent of an incredible resource base and the net asset value per share has increased as a result of the acquisition. In our view management was opportunistic in the timing of their purchase; ConocoPhillips was a motivated seller during a period of weak commodity prices. We believe that over time the purchase price will prove to have been very sensible.

Our confidence in Cenovus is also underpinned by its long term operating history and we're very comfortable with CVE's current financial position. Cenovus' debt is rated investment grade by all of the major debt rating agencies. Once Cenovus completes the sale of some other assets the balance sheet will come into line with those of its peers. In addition, management is committed to ensuring that the company's balance sheet is strengthening over the next two years. In essence the company's low cost operations, long life asset base and high quality assets materially reduce risk.

> **In our view, Cenovus Management was opportunistic in the timing of their purchase. Conoco was a motivated seller during a period of weak commodity prices.**

★macy's

STEVE: The stock market is a very efficient machine at assimilating the perspective of the masses in the short-term but that doesn't mean the market is right. Falling prices of quality assets are the friend of investors because they provide wonderful buying opportunities. In saying that, you have to be right about the underlying business in the long-term. Traditional retailers like Macy's are under pressure, mall traffic is down and more people are making purchases online. In addition, Amazon is clearly not concerned about profitability and could do a lot of damage to traditional retailers.

VITO: I understand the concern but many people aren't aware that Macy's is the 5th largest online retailer. Sales are down but the market is pricing the business like it's going out of business. The market is valuing the business at

> **Falling prices are the friend of long-term investors. If people don't feel a little uncomfortable then I'm probably not doing my job.**

$7.3 billion today and the real estate is worth $9 billion conservatively. I believe sales will stabilize and the business will be worth much more than it is today. In the meantime we're getting paid a dividend to wait.

STEVE: That leads me to my next question. Is Macy's dividend safe?

VITO: I believe they have the cashflow to maintain the dividend. They've also been buying back shares at these prices. In my experience company's don't buy back shares if they're in danger of cutting of the dividend.

BED BATH & BEYOND

STEVE: Bed Bath and Beyond (BBBY) is another company out of favour today. Is this a similar story to Macy's?

VITO: Yes and no. It's in the retail space but they've been experiencing some growth. BBBY's fourth quarter earnings were above expectations. Net sales were approximately $3.5 billion, an increase of 3.4% compared to the prior year period and online sales grew in excess of 20%. For the full year, net earnings per share were $4.58 and net sales were approximately $12.2 billion, an increase of approximately 0.9%. They continue to generate substantial free cash flow. As a result, the company is able to maintain a strong balance sheet while investing in new stores, in new concepts and in the online distribution channel. Reflecting strong fundamentals, the Board of Directors declared an increase in the quarterly dividend to $0.15 per share from $0.125 per share. At current prices BBBY shares offer the potential for substantial returns over the next three to five years. We continue to purchase shares for existing and new clients.

STEVE: As an owner of the pool how should I be thinking about short-term performance of the pool vs. the overall market?

VITO: I understand when the market moves up and the pool goes down it makes people feel uncomfortable. My experience tells me that people should feel much more uncomfortable owning the market at today's prices. We continue to do what we've always done, own quality companies at attractive prices. The strategy has rewarded long-term investors and I believe it will do the same in the future. I appreciate the confidence and patience people are showing as owners of the pool.

My Family's money is *invested alongside you.*

Steve Norton, Director of Sales, Value Partners Investments Inc.
Vito Maida, President, Patient Capital Managment Inc., Portfolio Manager of the VPI Foreign Equity Pool

STANDARD PERFORMANCE INFORMATION
(MAY 31, 2017)

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
SERIES A	4.2%	5.0%	10.7%	2.4%

Note: Annualized returns

DISCLAIMER

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The complete holdings of the Pool are disclosed in its Statement of Investment Portfolio semi-annually. On a quarterly basis, the Pool discloses its top 25 holdings in its Summary of Investment Portfolio. Both these documents are available on our website at www.valuepartnersinvestments.ca. Value Partners Investments Inc. (Value Partners) has engaged Patient Capital Management Inc., a registered portfolio manager, to make decisions about the investments made by the Pool – these investment decisions are not made by Value Partners.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance will not tell you how the Fund will perform in the future, particularly since the portfolio manager of the Fund, changed effective November 1, 2011..

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VALUE PARTNERS INVESTMENTS

300-175 Hargrave Street, Winnipeg, Manitoba R3C 3R8

TF: 866 323 4235 P: 204 949 0059 F: 204 949 1743

VALUEPARTNERSINVESTMENTS.CA