



NEXUS

Portfolio Management & Financial Counsel



Investment Review

May 27, 2020

1. Inside Nexus
2. Current Environment
3. Portfolio Overview
4. Investment Performance
5. Appendices

We continue to build our capability to support our clients and our vision

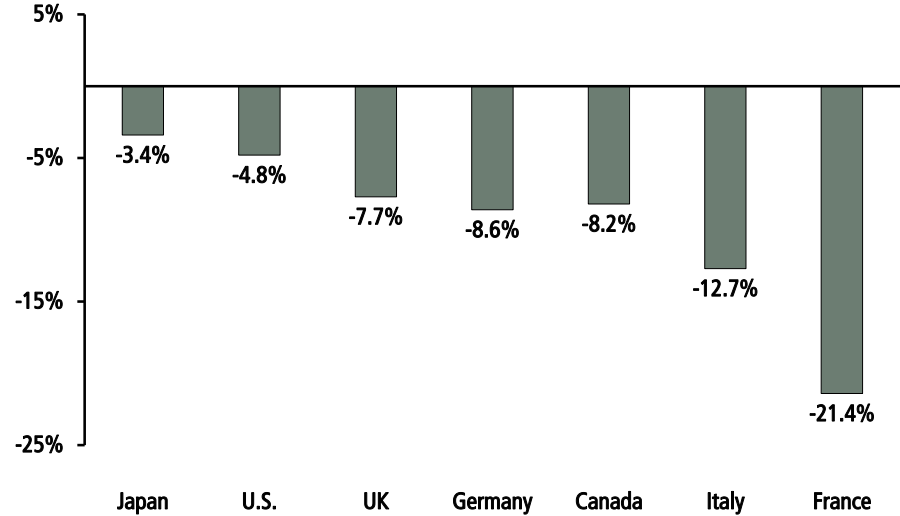


⁽¹⁾ Calculated as the average annual retention rate from December 31, 2009 to December 31, 2019.

Extraordinary times in the markets, the economy and the world

- ◆ COVID-19 has rapidly upended a period of relative calm; outcomes remain highly uncertain
 - The global economy has contracted
 - Energy market disruption is difficult for Canada
- ◆ There are other issues
 - Contentious U.S. election looms
 - U.S. and China frictions
 - Brexit
 - Supply-chain diversification
- ◆ For better or worse, Government response unprecedented
- ◆ Science may come to the rescue
- ◆ Stocks are attractive relative to bonds

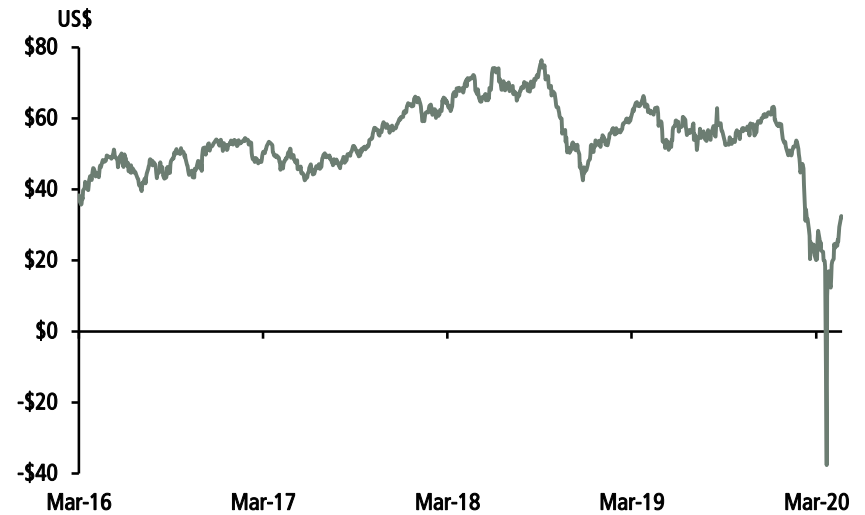
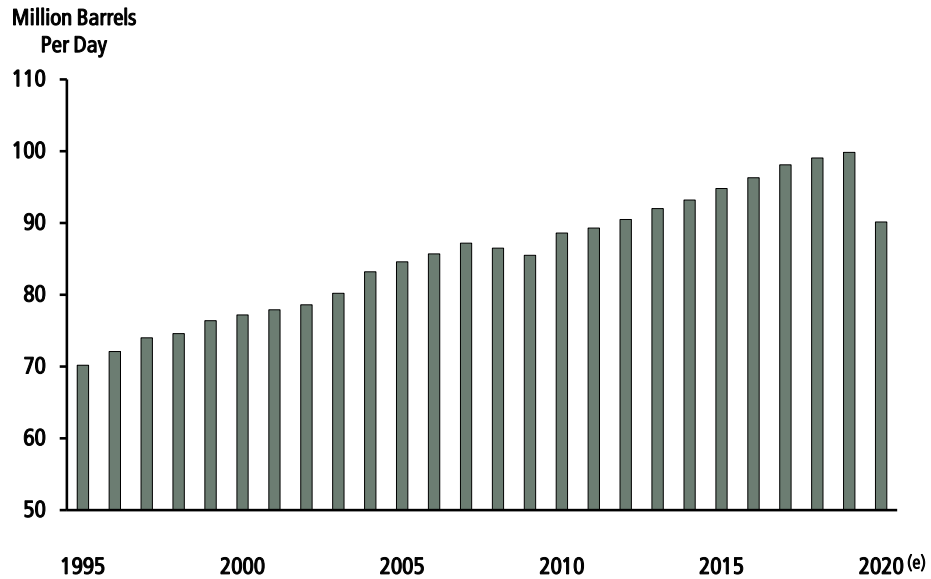
The global economy is experiencing a mighty shock... and Q2 will be worse



- ◆ Path to recovery uncertain
- ◆ Second wave a risk
- ◆ Debt burdens a drag
- ◆ Consumerism diminished

G7 Economic Growth, Q1

Sharp decline in oil demand devastating to Canada, but some normalization will occur



Global Oil Demand

- Canada is 5th largest producer and 4th largest exporter

Crude Oil Price (US\$ Per Barrel) ⁽¹⁾

- A rebound in oil pricing is welcomed

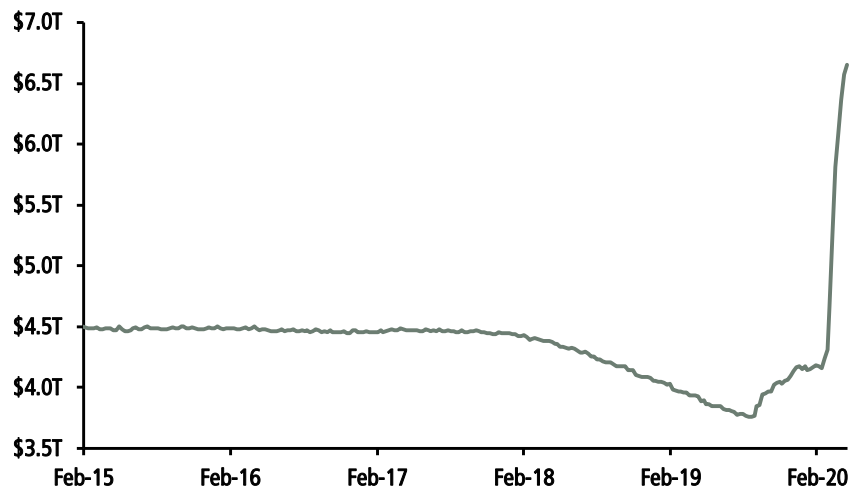
Source: International Energy Agency, Bloomberg.

⁽¹⁾ Price is the value of the front month West Texas Intermediate (WTI) Futures. As at May 20, 2020.

There are other issues

- ◆ Contentious U.S. election looms
 - Republicans and Democrats increasingly polarized
- ◆ China-U.S. hostility elevating
 - Trade agreement a distant memory
- ◆ Brexit – negotiations stalled
- ◆ Global supply chains being re-configured
 - Short-term pain for long-term gain?

The unprecedented government interventions are helping, but risk negative consequences



U.S. Federal Reserve Balance Sheet – Total Assets

- ◆ U.S.
 - Over \$3T in fiscal stimulus
 - 150 bps of interest rates cuts
 - Unlimited quantitative easing (QE) program
- ◆ Canada
 - Over C\$400B in fiscal stimulus
 - 150 bps of interest rate cuts
 - First ever QE program launched (open ended)
- ◆ Europe
 - €500B in stimulus plus proposed EU Recovery Fund
 - Increase in existing QE program of €750B
- ◆ In addition, central banks are purchasing a range of money market and fixed income securities.

Scientific progress is helping... but a resolution is not assured

- ◆ The curve has flattened
- ◆ Effective therapies seem achievable
- ◆ Testing, tracing, and PPE supplies improving
- ◆ Vaccine efforts are very promising



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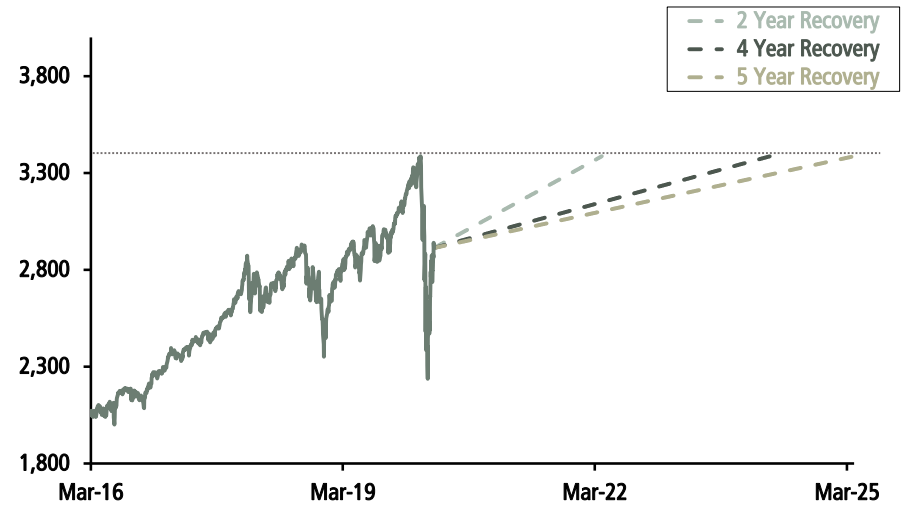


GILEAD

Johnson & Johnson

At current levels, stocks are attractive to bonds/cash

Recovery Period	Average Annual Return ⁽¹⁾
2 Years	8%
4 Years	4%
5 Years	3%



S&P 500 Return Scenarios (Based on Recovery Period)

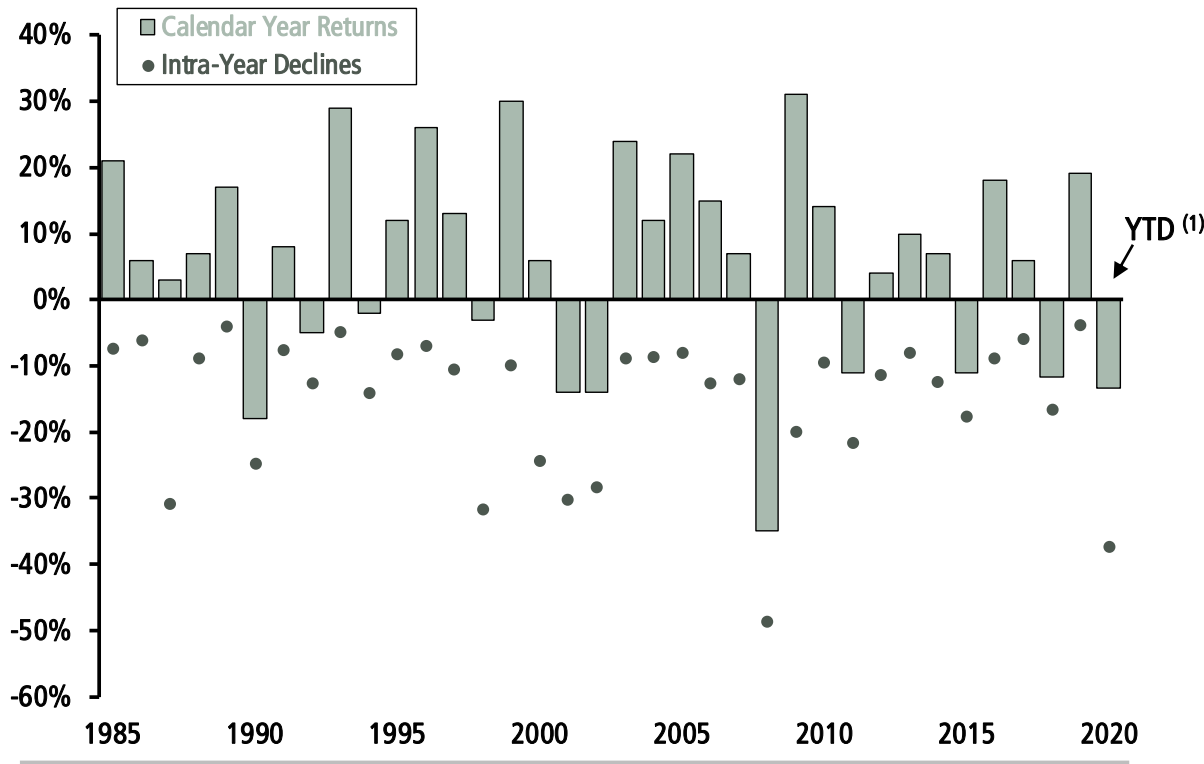
S&P 500 Recovery Scenarios ⁽²⁾

Source: Bloomberg.

⁽¹⁾ Calculation is for the total return required to bring invested capital (as of April 30, 2020) back to its value at the market peak on February 19, 2020.

⁽²⁾ Price return only.

Equity market volatility is the norm



◆ Despite average intra-year declines of 15%, annual returns were positive in 25 of 35 years

S&P/TSX Composite Intra-Year Declines vs. Calendar Year Returns

Source: Bloomberg.
 (1) Year-to-date as of April 30, 2020.

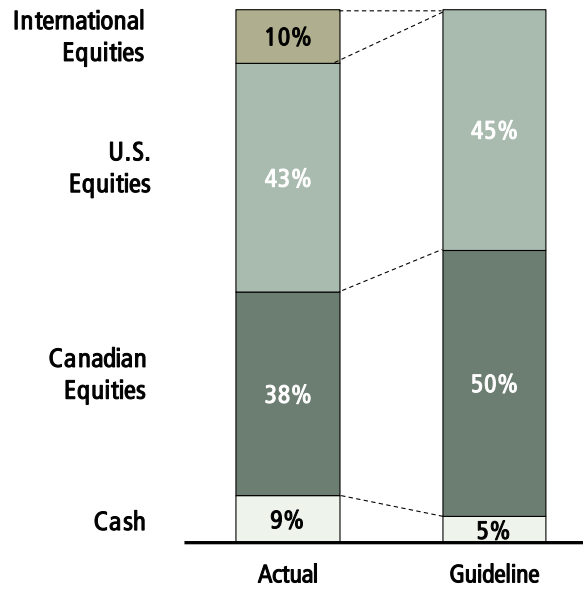
Where to from here?

- ◆ Sticking with the plan makes sense right now
 - Stocks are likely to outperform bonds and cash from here
 - It will be difficult to stay the course, but investment success is measured over the long term
- ◆ Timing the bottom not feasible
 - The best and worst days in the market can be very close together
 - TSX returns in March (-17.4%) vs. returns in April (+10.8%)
- ◆ Markets are always unpredictable
 - It's better to stay in the market with a diversified, quality portfolio trading at a reasonable valuation at all times
 - Substantial re-positioning in a volatile market can be damaging
- ◆ Avoiding capital withdrawals at this time will help in the long run

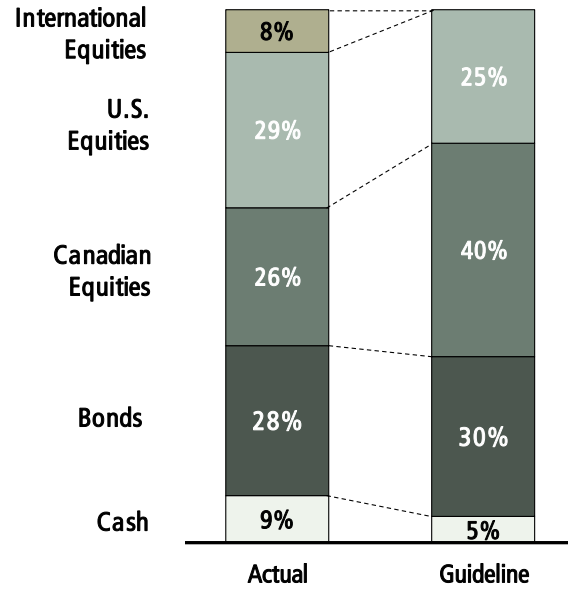
Portfolios remain aligned with our long-term investment approach

- ◆ Asset allocations are close to guidelines, with a modestly conservative tilt
 - Opportunities to rebalance lie ahead
- ◆ Fixed income portfolios emphasize quality
 - Concentration in higher-quality and shorter-maturity bonds
- ◆ Diversified equity portfolio holds quality businesses that should perform well over the long term
 - We remain confident in our holdings, but time is required for a recovery to take hold

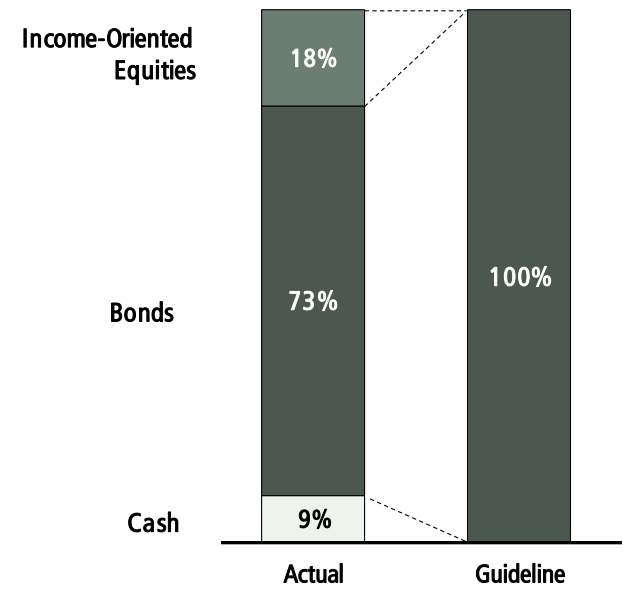
Overall equity allocations remain close to long-term guidelines



Nexus Equity Fund



Nexus Balanced Fund



Nexus Income Fund

As at April 30, 2020

Equity Portfolio Changes

We have executed some trades, but they are minor in the overall portfolio context

Buy

George Weston Limited
Northview REIT ⁽¹⁾

Sell

Thomson Reuters
Northview REIT ⁽¹⁾

Buy

United Parcel Service

Sell

HP Inc.
General Electric

Add

—

Trim

Selected overweight stocks

Add

—

Trim

Selected overweight stocks

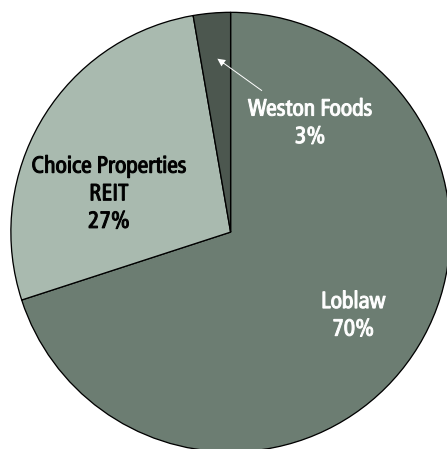
Canadian Equities

Foreign Equities

12 months ended May 15, 2020

⁽¹⁾ Purchased and sold with a gain.

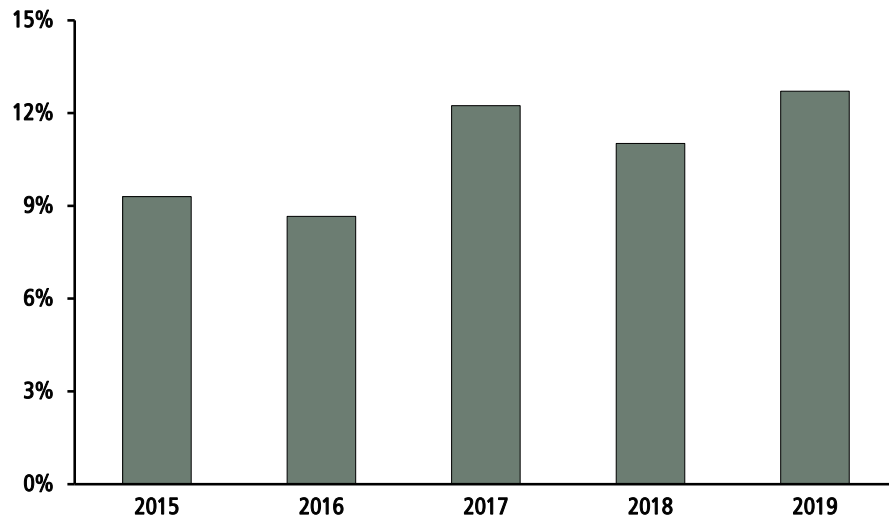
Focused on food staples, but underlying assets are diversified across several businesses



2019 Operating Income by Segment

- ◆ Loblaw
 - Multiple banners including Loblaw, Shoppers Drug Mart, No Frills, Zehrs, Provigo, Real Canadian Superstore and Joe Fresh
 - Leading loyalty program – PC Optimum
- ◆ Choice Properties REIT
 - Over 700 properties
 - Defensive real estate portfolio, predominantly leased to necessity-based retail tenants
- ◆ Weston Foods
 - \$2 billion in revenue across 9 categories of baked goods
 - 40 bakery facilities across Canada

These businesses produce steady returns



George Weston Limited Return on Equity

- ◆ Loblaw is well positioned in “omnichannel”
 - Ability to serve customers in-store or online
 - Online grocery penetration only 1% in Canada
- ◆ Choice Properties is an attractive REIT
 - High-quality tenants
 - Growth opportunities (site intensification, acquisitions)
- ◆ Weston Foods making improvements
 - Capital expenditures will moderate, cash flow will improve
- ◆ Attractive valuation
 - George Weston Limited is worth more than the sum of its parts

COVID Impact on Nexus Holdings

Our overall portfolio is robust, but some Nexus holdings have suffered

- ◆ No “direct hits” in most-affected sectors
 - We are not invested directly in hard-hit sectors like cruise lines, travel and restaurants

- ◆ Some companies performing well
 - Metro and Dollar General – pantry loading
 - Facebook – repositioning for online commerce
 - Microsoft – working from home drives greater demand for cloud

- ◆ However, a number of holdings have suffered
 - Autos – GM, Magna, CarMax
 - Aviation suppliers – CAE
 - Energy

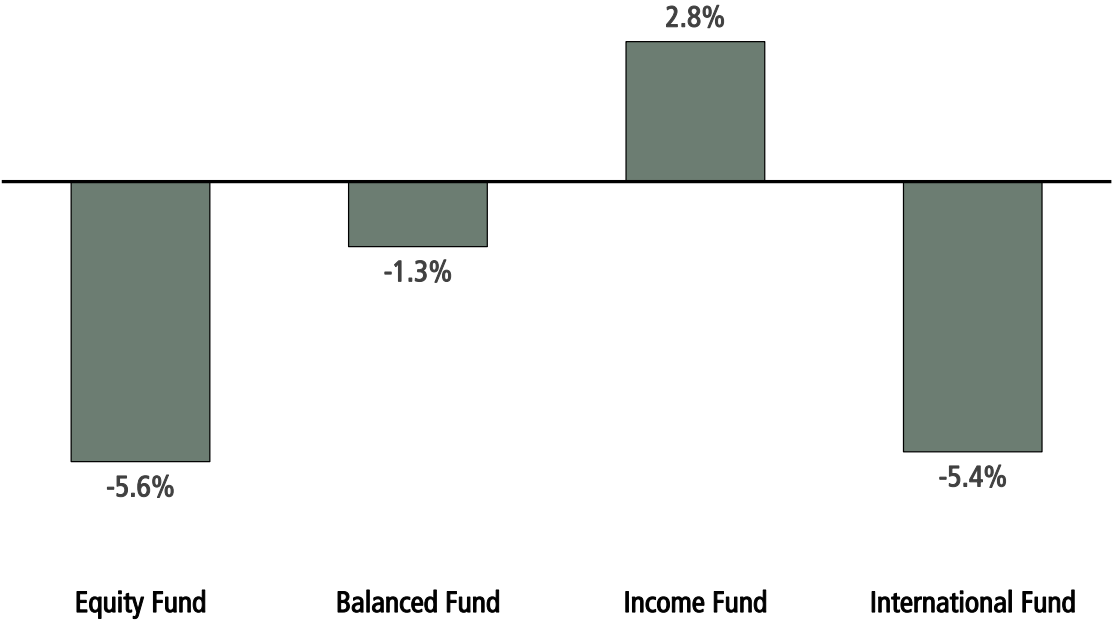
Stocks rebounded in April from the COVID-19 market sell-off

- ◆ Sharp rebound in April tempers year-to-date declines
 - Equity Fund up 7.9% and Balanced Fund up 6.0% in April
 - Canadian stock market affected by both COVID downturn and oil market collapse
 - U.S. market more resilient and U.S. dollar strength year-to-date has reduced losses
 - Fixed income gains also softened the blow

- ◆ 1-Year returns remain negative in Equity, Balanced and International Funds
 - Bonds and U.S. equities both provided positive returns
 - Canadian equities negative and Nexus holdings lagged the TSX
 - JPMorgan international funds better than their benchmarks

- ◆ Longer-term returns now more modest
 - Nexus fund returns in line with their benchmarks
 - Long-term up- and down-market capture ratios remain attractive

The 1-Year return in each of our funds has been disappointing

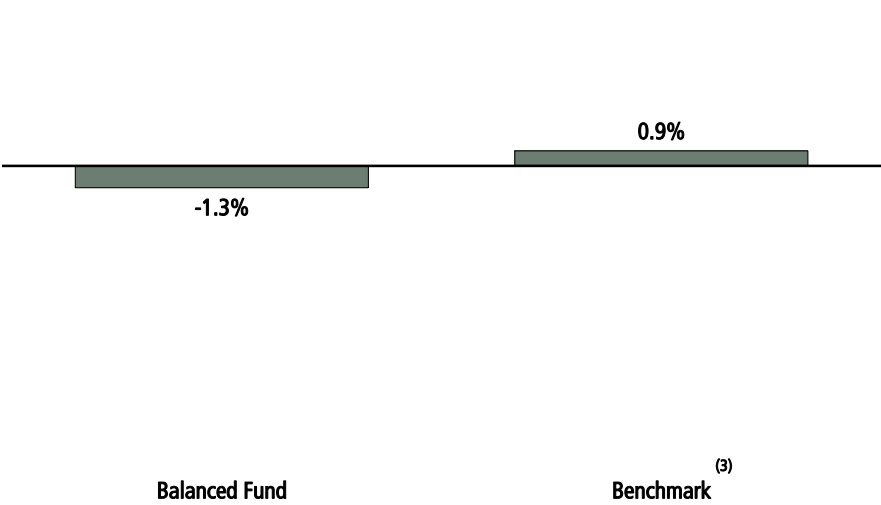


1-Year Returns on Nexus Funds ⁽¹⁾

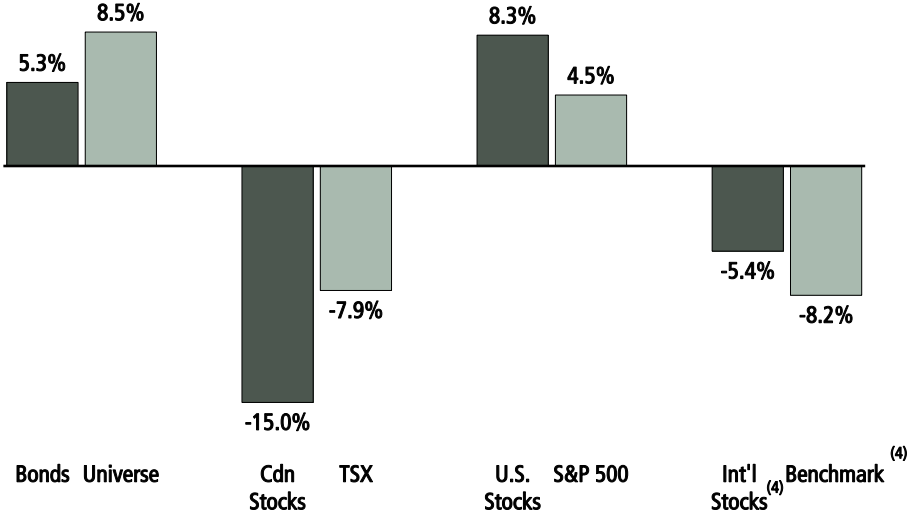
12 Months ended April 30, 2020

⁽¹⁾ Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

Underperformance in the last year is largely because of Canadian equities



1-Year Balanced Fund Return ⁽¹⁾

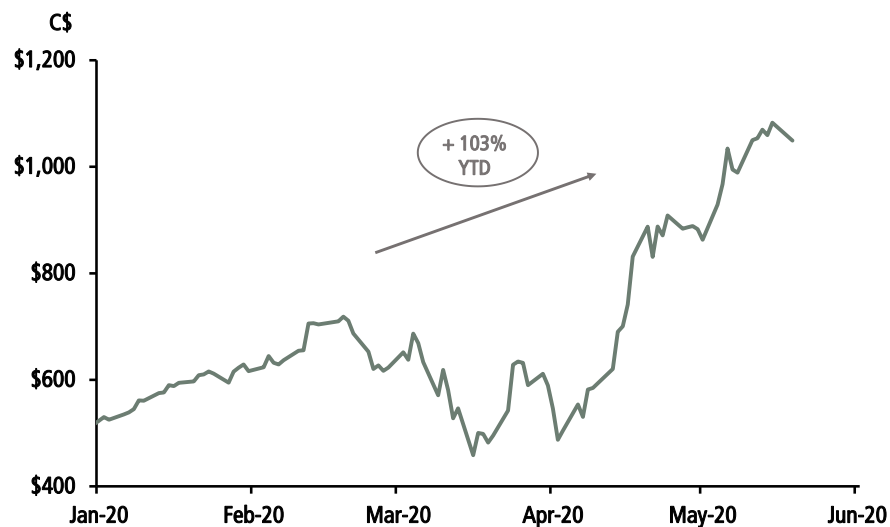


1-Year Balanced Fund Asset Class Returns ⁽²⁾

12 Months ended April 30, 2020

⁽¹⁾ Balanced Fund return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.
⁽²⁾ Nexus return is the compound average annual return shown *prior* to the deduction of all fees and expenses. Past performance is not indicative of future results.
⁽³⁾ Balanced Fund market benchmark is 5% FTSE Canada 91 Day TBill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.
⁽⁴⁾ Nexus International Fund and its benchmark used as proxy. See appendix for details.

We didn't own Shopify, the TSX star stock



Shopify Stock Price (YTD to May 19, 2020)

- ◆ Shopify's \$138 billion market value makes it the biggest on the Toronto Stock Exchange ⁽¹⁾
- ◆ A compelling business, but the share price and valuation metrics are high ⁽²⁾
 - EV / Revenue ratio: 36x
 - P/E ratio: 1,438x
 - Price-to-book value ratio: 29x
- ◆ Large gains recently leave little margin of safety

Source: Bloomberg.

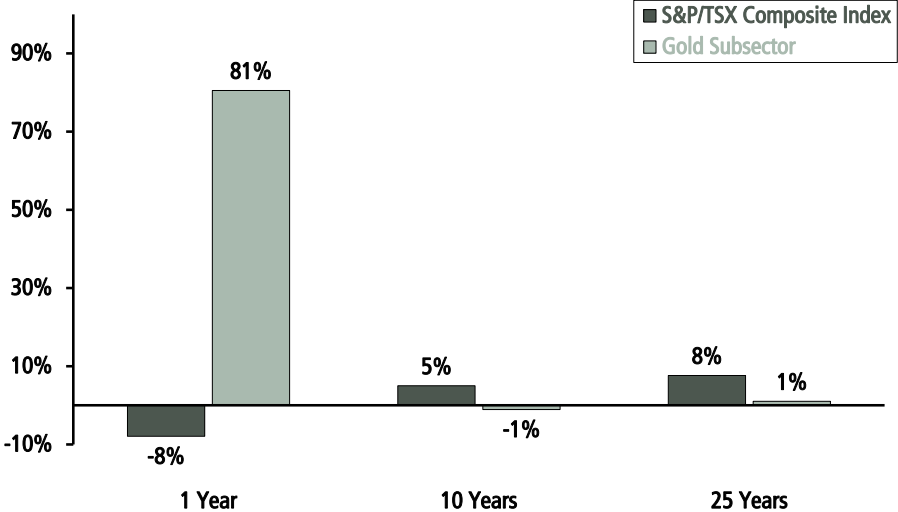
⁽¹⁾ In the last 20 years, only four public companies have exceeded the market value of Royal Bank of Canada: Nortel Networks (2000), BlackBerry (2007), Valeant Pharmaceuticals (2015) and Shopify (2020).

⁽²⁾ Valuation metrics sourced from Bloomberg as of May 20, 2020.

We didn't own Gold companies, the TSX star sector

	1-Year Price Change
Novagold Resources Inc	193%
Yamana Gold Inc	123%
Kinross Gold Corp	116%
Barrick Gold Corp	110%
B2Gold Corp	93%
Franco-Nevada Corp	92%
Alamos Gold	80%

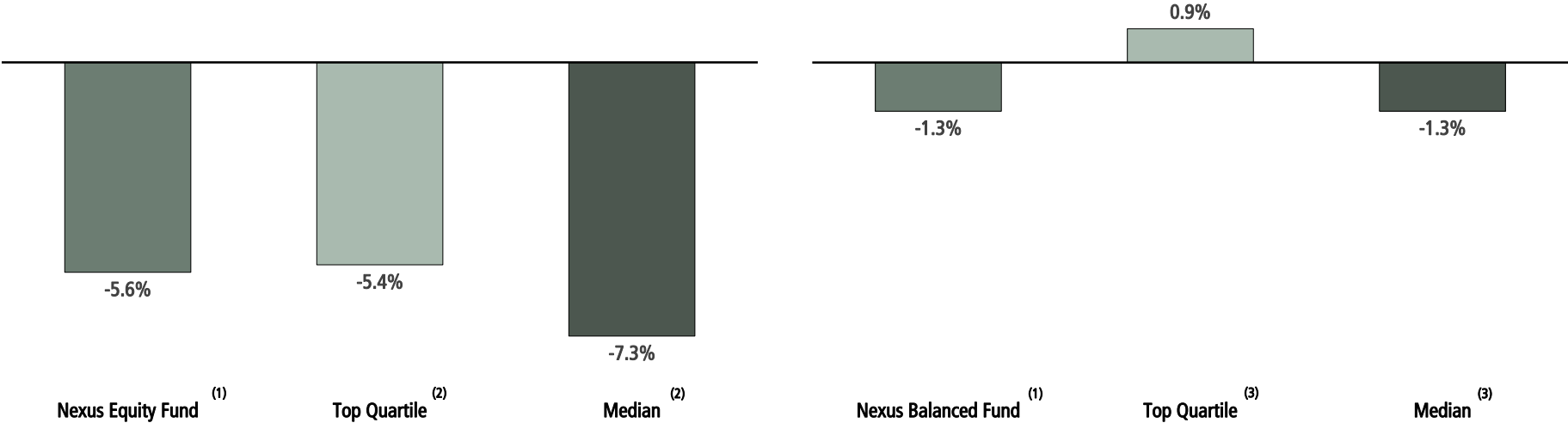
Gold Company Top Performers



Total Return Compound Annual Growth Rates (C\$)

As at April 30, 2020

Nonetheless, Nexus funds still compare well to the universe of other funds in Canada



Equity Fund Returns for 1-Year Ended April 30, 2020

- Equity Fund return is 2nd quartile for 1 year, but remains top quartile for 5 years

Balanced Fund Returns for 1-Year Ended April 30, 2020

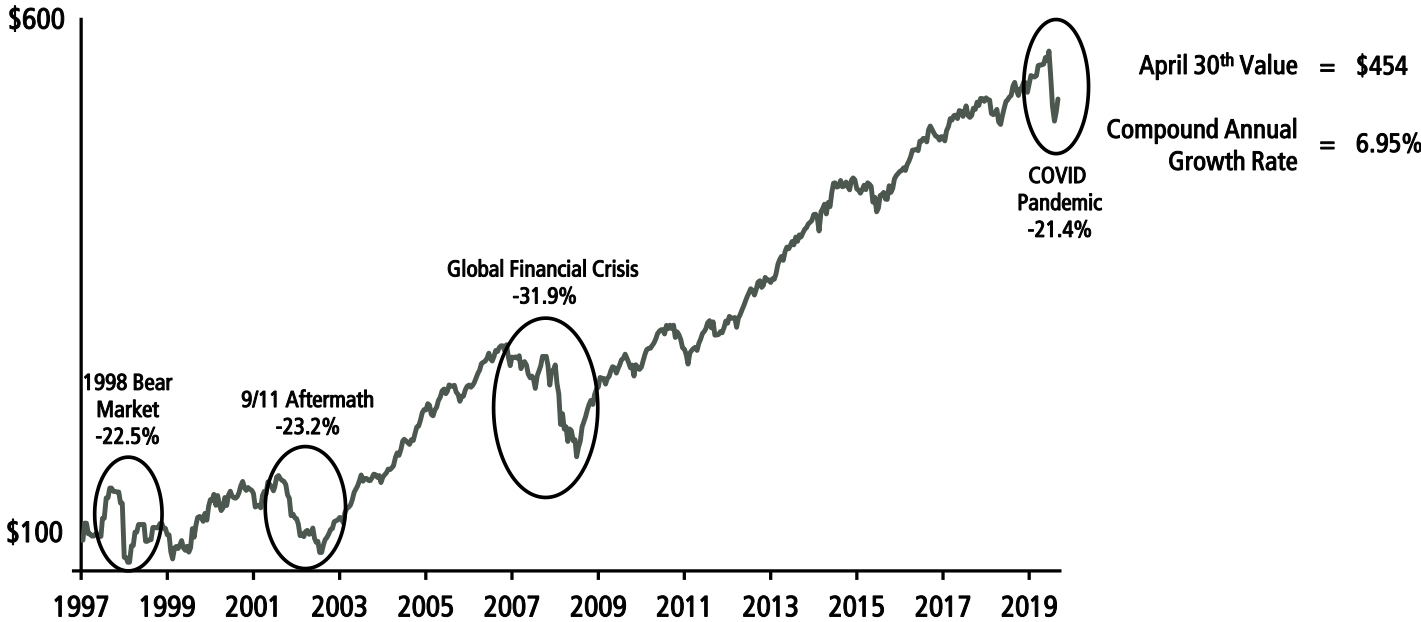
- Balanced Fund return is at the median for 1 year, but remains top quartile for 5 years

(1) Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

(2) Canadian Plus Equity Universe from Global Manager Research Institutional Performance Report.

(3) Balanced Universe from Global Manager Research Institutional Performance Report.

While the 2020 decline is painful, the magnitude of the setback is not unusual

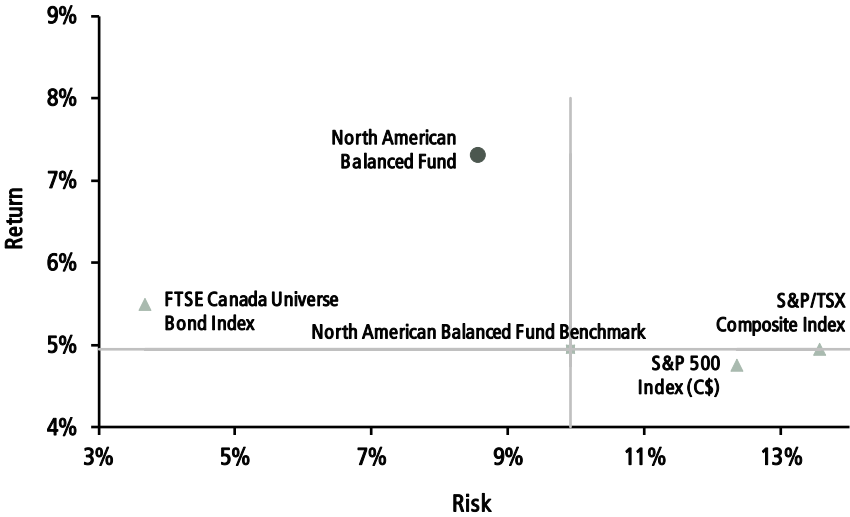
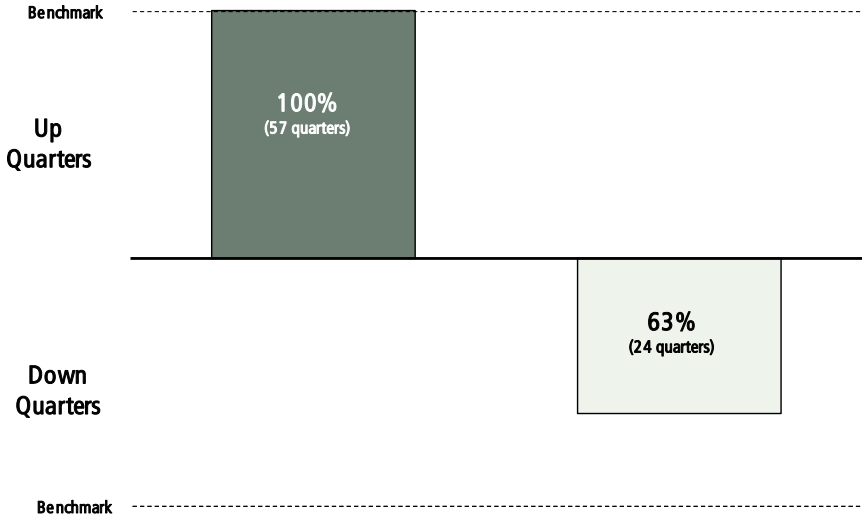


Nexus Equity Fund ⁽¹⁾

As at April 30, 2020

⁽¹⁾ Value of \$100 invested in the Nexus North American Equity Fund at inception on August 31, 1997, presented on a logarithmic scale. Returns used for calculation are *before deduction of investment management fees*, but after custody fee and expenses. Past performance is not indicative of future results.

Our approach has worked over the long term, with good downside protection



Balanced Fund Up- & Down-Market Capture Ratios ^(1,2,3)

Risk / Return Profile Since January 1, 2000 ^(2,3,4)

Period Ending March 31, 2020

⁽¹⁾ Each quarter since January 1, 2000 is defined as an "up" or "down" quarter based on whether the benchmark return for the quarter was positive or negative. For up (down) quarters, the capture ratio is the ratio of compound average rates of return for the Fund and its benchmark for such quarters.
⁽²⁾ Nexus returns are presented *prior to the deduction of investment management fees*. Past performance is not indicative of future results.
⁽³⁾ Balanced Fund benchmark is 5% FTSE Canada 91 Day TBill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.
⁽⁴⁾ Risk is calculated as the annualized standard deviation of monthly returns since January 1, 2000.



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Appendices

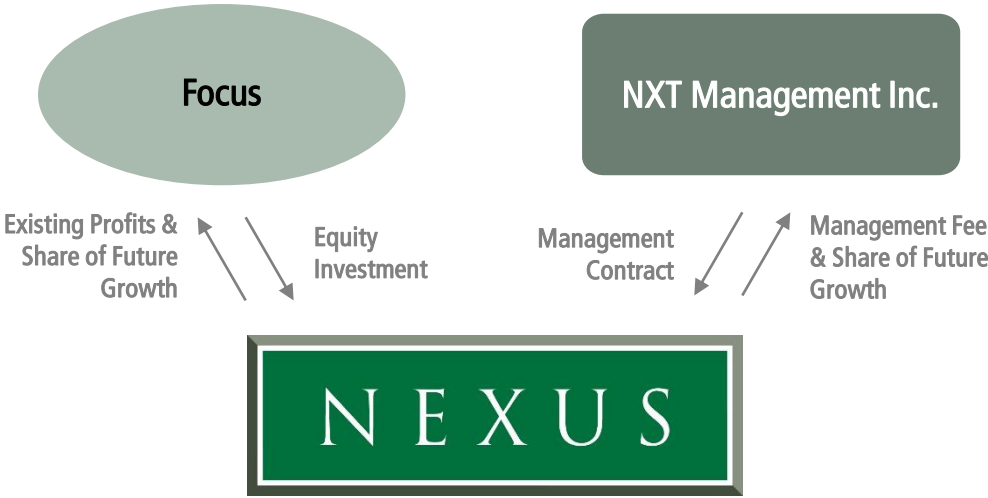
Nexus/Focus relationship will benefit all stakeholders

- ◆ Nexus has entered into an agreement with Focus Financial Partners
 - Focus buys an equity stake in Nexus
 - Nexus employees continue to run all aspects of the Nexus business
 - Closed on February 1

- ◆ Focus has investments in approximately 65 investment firms
 - Vision is to be the Berkshire Hathaway of the investment management industry
 - Each firm continues with its own identity and manages its business independently
 - Partnership network supports the sharing of best practices
 - Focus supports with capital and helps facilitate succession, as needed

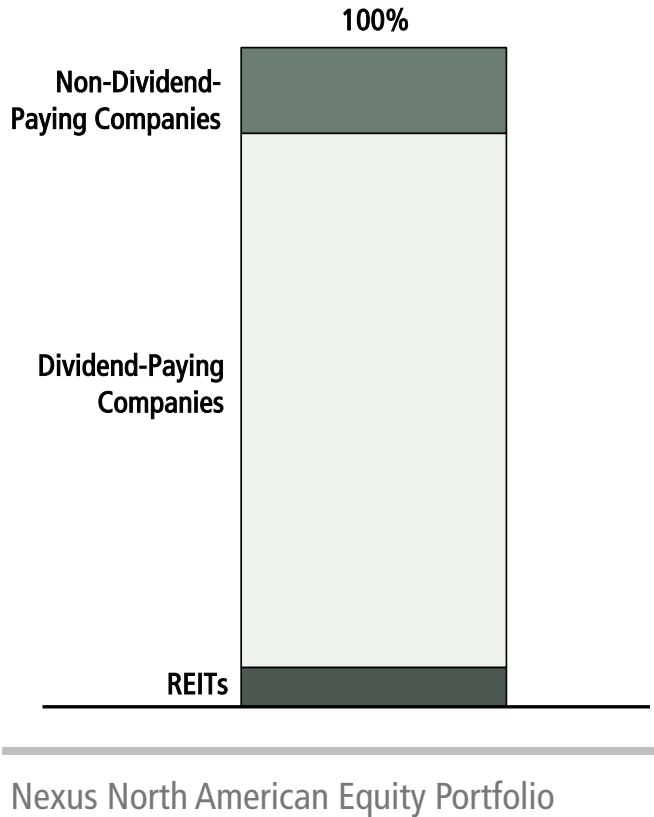
- ◆ This agreement ensures Nexus's ongoing independence
 - Focus's investment is passive
 - Facilitates Nexus's long-term management succession to principals of our choice
 - We believe this relationship best supports our clients' and employees' needs

Nexus and Focus share in future success



- ◆ Focus acquires an equity interest in Nexus and enters into an agreement with NXT to manage the business
- ◆ Certain Nexus professionals become owners of NXT
 - Initially, 9 professionals
- ◆ Future growth of Nexus’s profits is shared between Focus and NXT

Our North American equities combine defensiveness and growth



- 4 stocks
- Average EPS growth of 18% per year over 5 years
- 14.8x average forward P/E multiple ⁽¹⁾

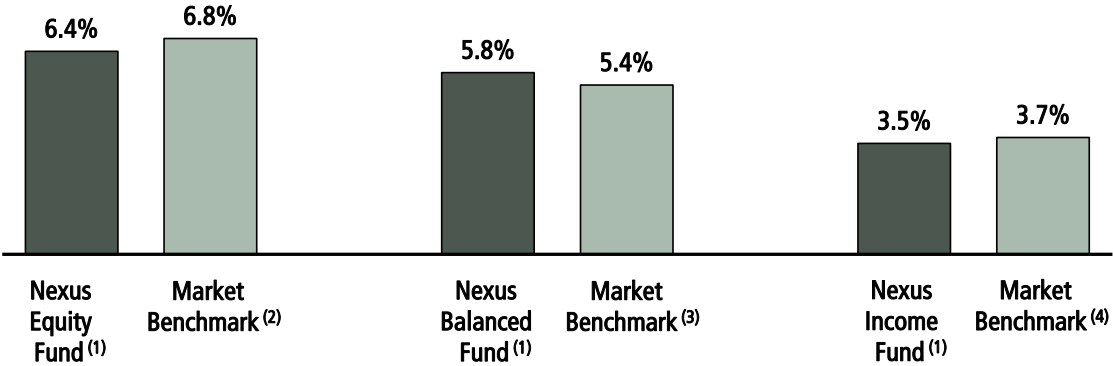
- 29 stocks
- 4.2% average dividend yield
- Average dividend growth of 7.8% per year over 5 years
- 12.4x average forward P/E multiple ⁽¹⁾

- 2 Real Estate Investment Trusts
- Average distribution yield of 7.7%
- Average Price/NAV of 60%

As at March 31, 2020

Source: Bloomberg.
⁽¹⁾ The "forward" year is the current fiscal year estimate for each company; excludes data points that are not meaningful.

5-Year returns have moderated substantially



5-Year Annualized Returns on Nexus Funds

Five Years ended April 30, 2020

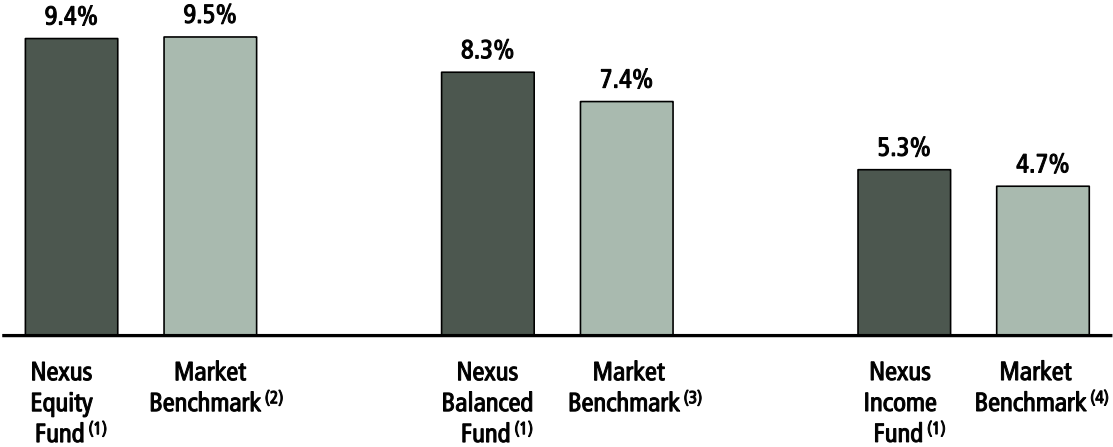
⁽¹⁾ Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

⁽²⁾ Equity Fund market benchmark is 5% FTSE Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.

⁽³⁾ Balanced Fund market benchmark is 5% FTSE Canada 91 Day TBill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.

⁽⁴⁾ Income Fund market benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

Fund and benchmark returns over the last decade remain good compared to long-term averages

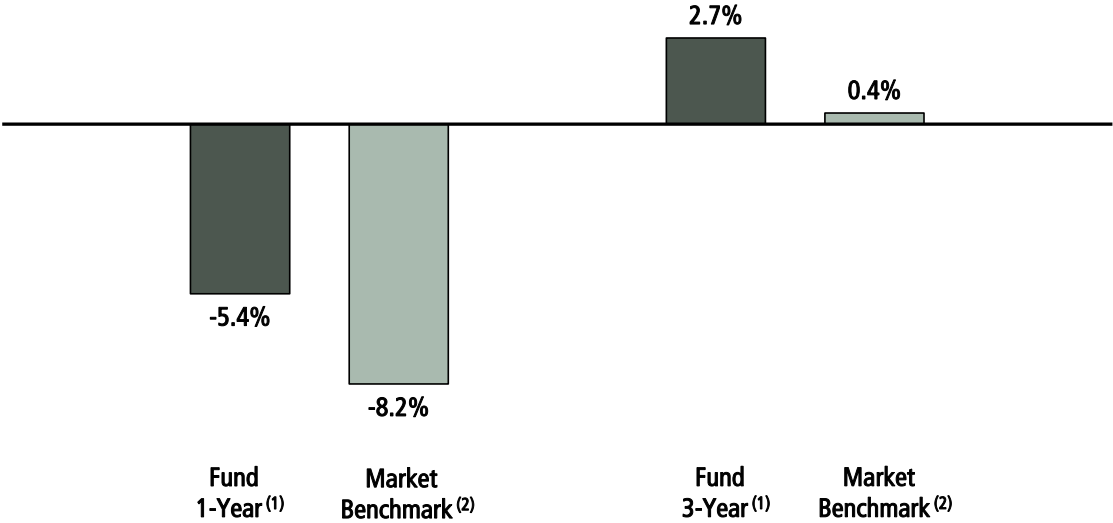


10-Year Annualized Returns on Nexus Funds

Ten Years ended April 30, 2020

(1) Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.
 (2) Equity Fund market benchmark is 5% FTSE Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.
 (3) Balanced Fund market benchmark is 5% FTSE Canada 91 Day TBill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.
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The International Equity Fund has performed well relative to its benchmark



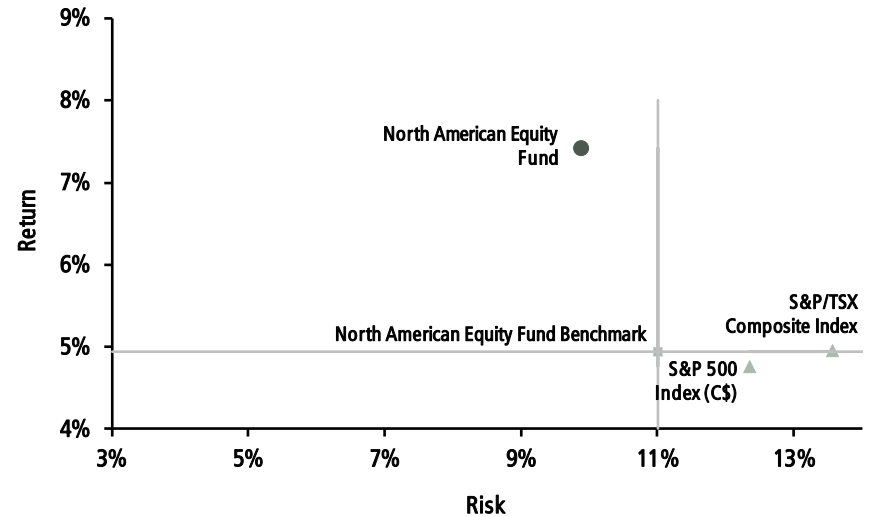
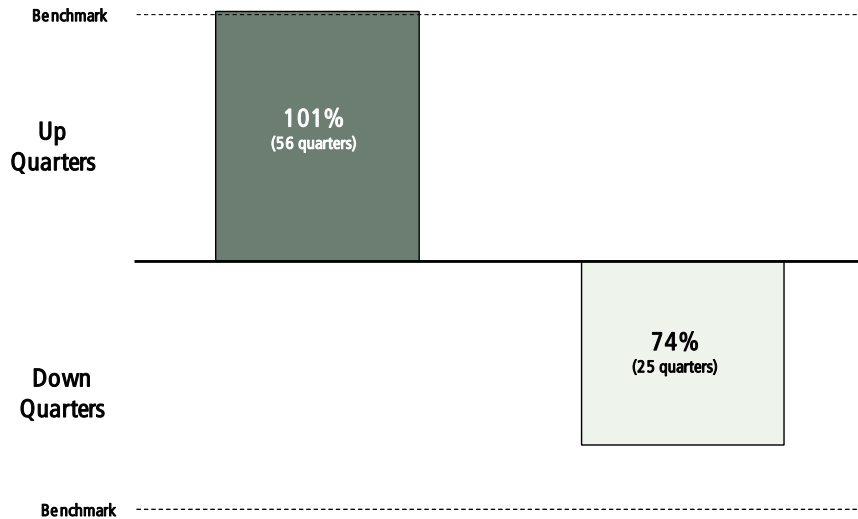
Returns on Nexus International Equity Fund

Periods ended April 30, 2020

⁽¹⁾ Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results. The International Equity Fund's inception date is September 2015.

⁽²⁾ International Equity Fund market benchmark is 75% MSCI EAFE and 25% MSCI Emerging Markets indices (both in C\$); rebalanced monthly.

Our approach has worked over the long term, with good downside protection



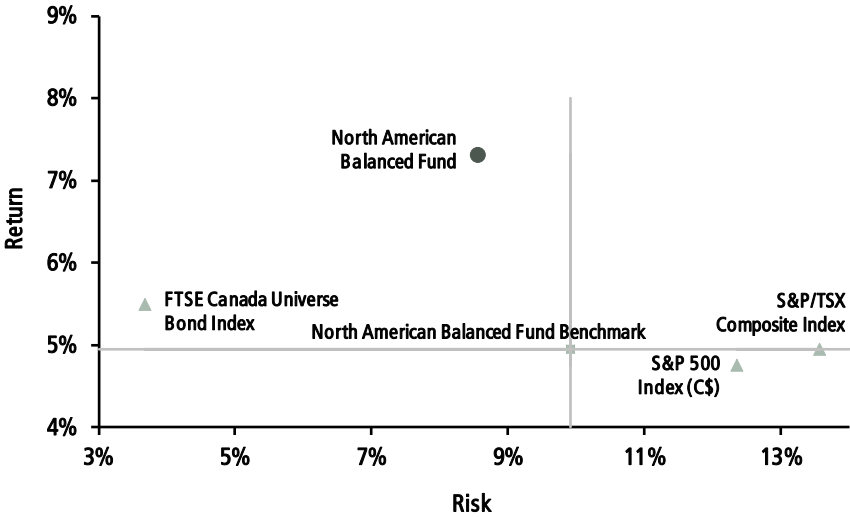
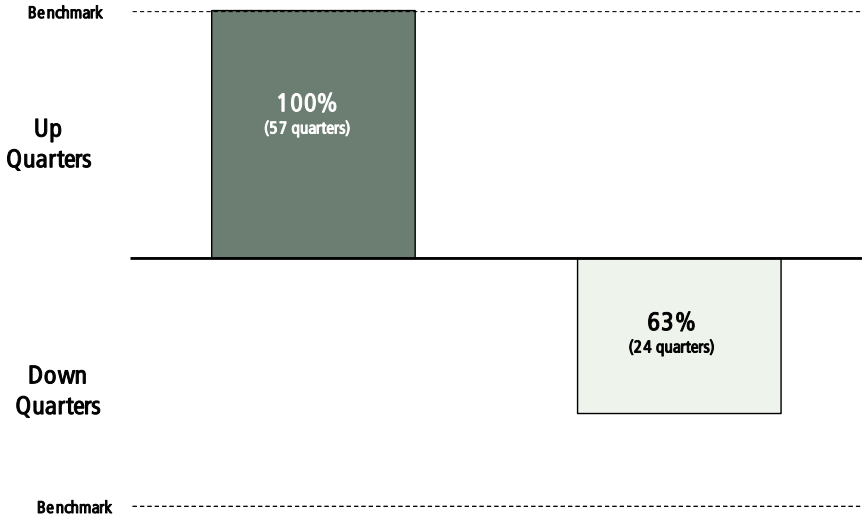
Equity Fund Up- & Down-Market Capture Ratios ^(1,2,3)

Risk / Return Profile Since January 1, 2000 ^(2,3,4)

Period Ending March 31, 2020

(1) Each quarter since January 1, 2000 is defined as an "up" or "down" quarter based on whether the benchmark return for the quarter was positive or negative. For up (down) quarters, the capture ratio is the ratio of compound average rates of return for the Fund and its benchmark for such quarters.
 (2) Nexus returns are presented *prior to the deduction of investment management fees*. Past performance is not indicative of future results.
 (3) Equity Fund benchmark is 5% FTSE Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.
 (4) Risk is calculated as the annualized standard deviation of monthly returns since January 1, 2000.

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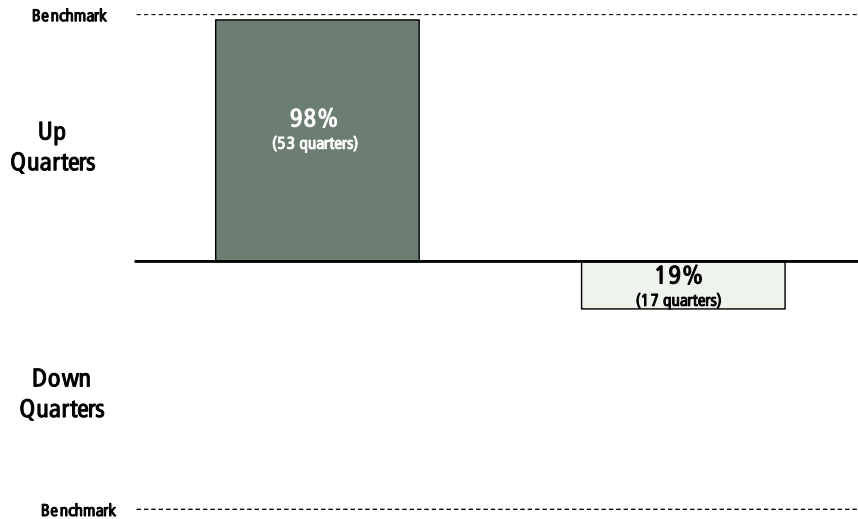
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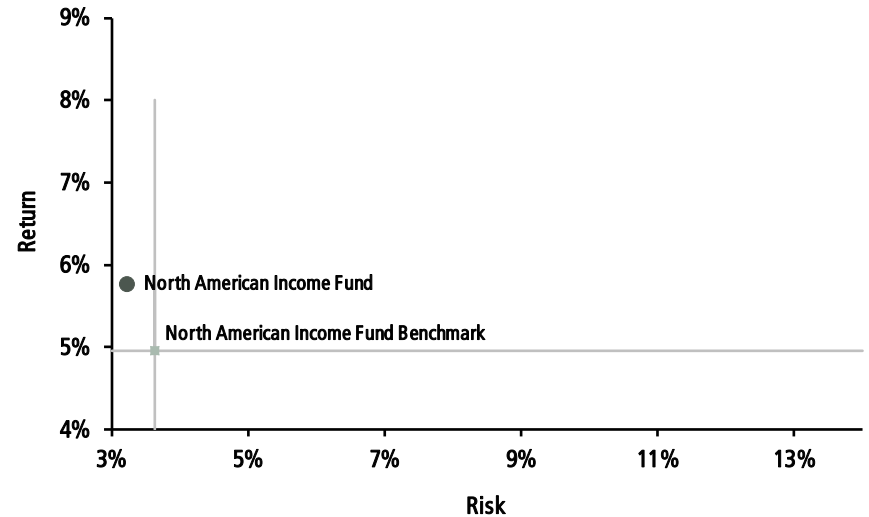
Period Ending March 31, 2020

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⁽⁴⁾ Risk is calculated as the annualized standard deviation of monthly returns since January 1, 2000.

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Income Fund Up- & Down-Market Capture Ratios ^(1,2,3)



Risk / Return Profile Since October 1, 2002 ^(2,3,4)

Period Ending March 31, 2020

⁽¹⁾ Each quarter since October 1, 2002 is defined as an "up" or "down" quarter based on whether the benchmark return for the quarter was positive or negative. For up (down) quarters, the capture ratio is the ratio of compound average rates of return for the Fund and its benchmark for such quarters.

⁽²⁾ Nexus returns are presented *prior to the deduction of investment management fees*. Past performance is not indicative of future results.

⁽³⁾ Income Fund benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

⁽⁴⁾ Risk is calculated as the annualized standard deviation of monthly returns since October 1, 2002.