NEXUS

Portfolio Management & Financial Counsel

Investment Review

June, 2019

OUTLINE

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

- To be one of Canada's most respected investment counselling firms focused on private clients and foundations

- We have approximately 550 clients with a range of portfolios up to $100 million in size
- 98% client retention rate [(1)]

- Nexus turned 30 in 2018!
- Nexus has reached $2 billion in assets under management

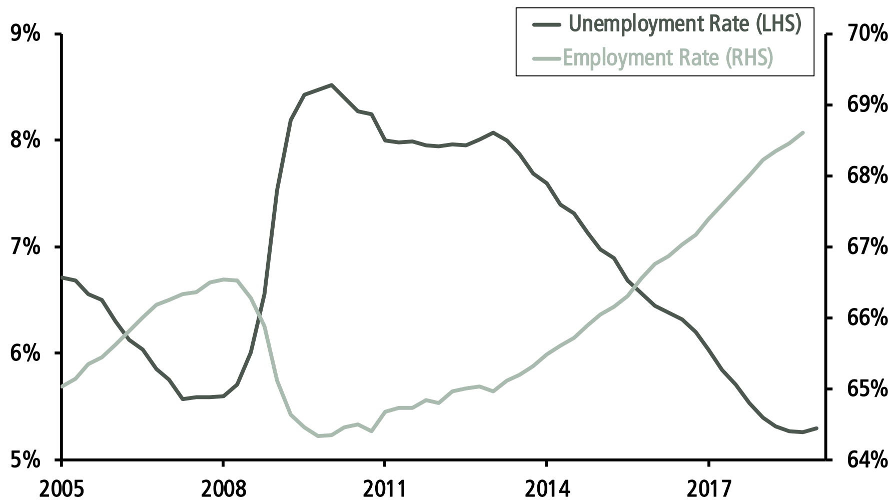
- We welcome a new colleague
  - *Karrie Cheng*, Portfolio Administrator

[(1)] Calculated as the average annual retention rate from December 31, 2008 to December 31, 2018.

A confusing landscape – trade conflicts overwhelming all else

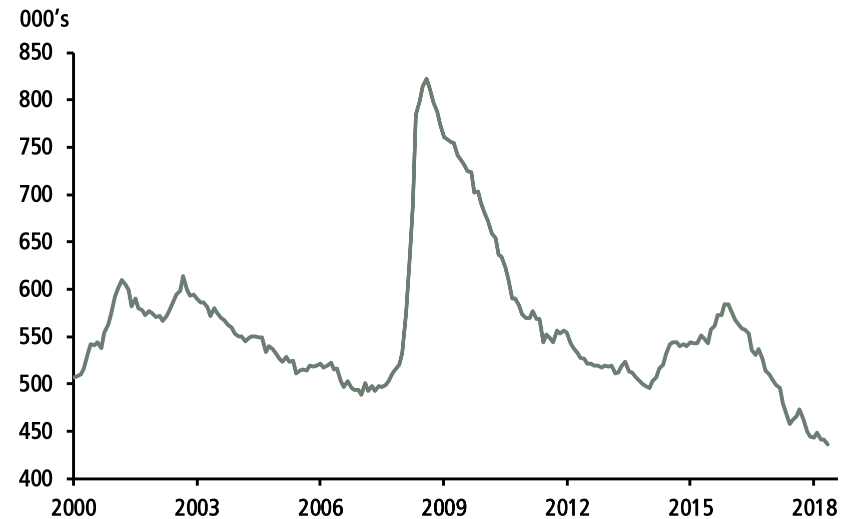
- Global economic indicators remain a mixed bag
  - Labour markets remain healthy
  - GDP growth has proven slow but resilient
- U.S./China trade war is chilling economic activity
  - Globally, business confidence has been damaged
  - Canadian and U.S. consumers differ in their ability to withstand labour market weakness
  - Increasing trade frictions could lead to higher prices
- Central Banks confused over appropriate policies
- Like Central Banks, investors are also confused
  - Bond markets demonstrate unease while credit spreads resilient

Labour markets remarkably healthy



OECD Unemployment [1] and Employment Rates [2]

- Canada and U.S. have 74% and 71% employment rates, respectively

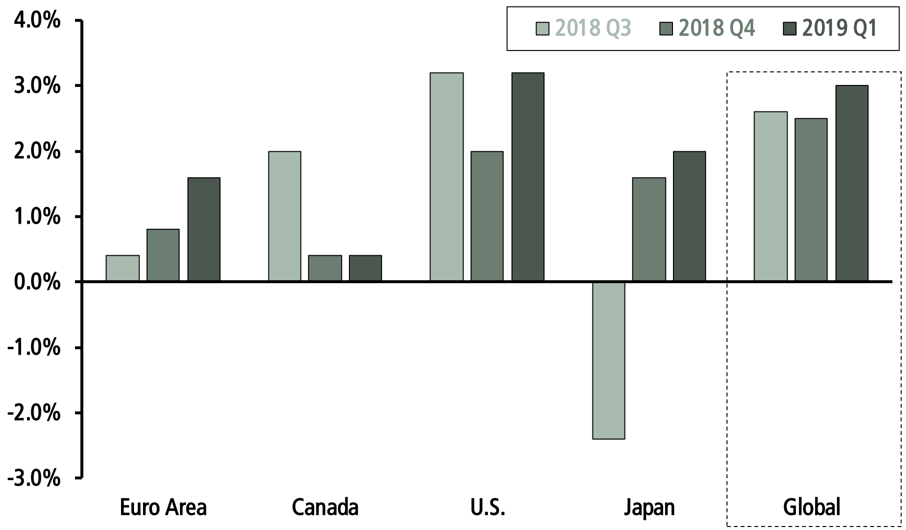


Canadians Claiming Employment Insurance

- A record low number of Canadians received employment insurance in March

Source: Organisation for Economic Co-Operation and Development (OECD).
(1) Unemployment rate is the percentage of the "active" population over 15-years old that is not employed.
(2) Employment rate is the percentage of the working age population (15-64) that is employed.

Global growth – uneven but positive

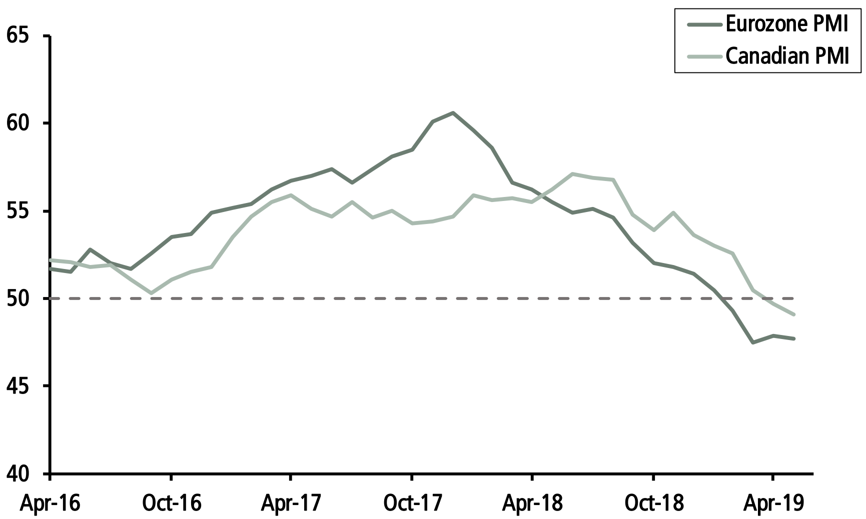


GDP Growth [1]

- Regional growth has been quite variable
- But recently, global GDP has maintained a fairly consistent pace of growth
- A prolonged period of tariffs and trade uncertainty will slow global growth

Source: Organisation for Economic Co-Operation and Development (OECD), Bloomberg, JPMorgan.
[1] Represents quarter-over-quarter change in real GDP, annualized.

Businesses confidence reflects trade woes



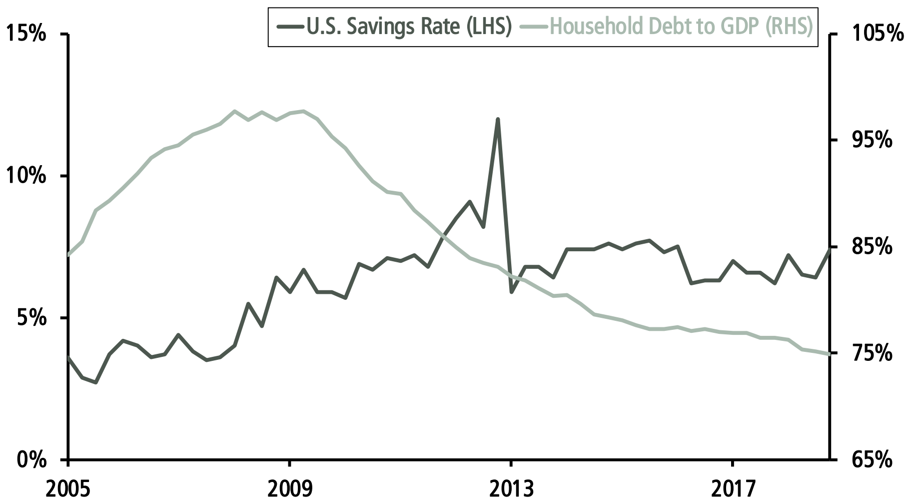
Purchasing Managers' Index (PMI)

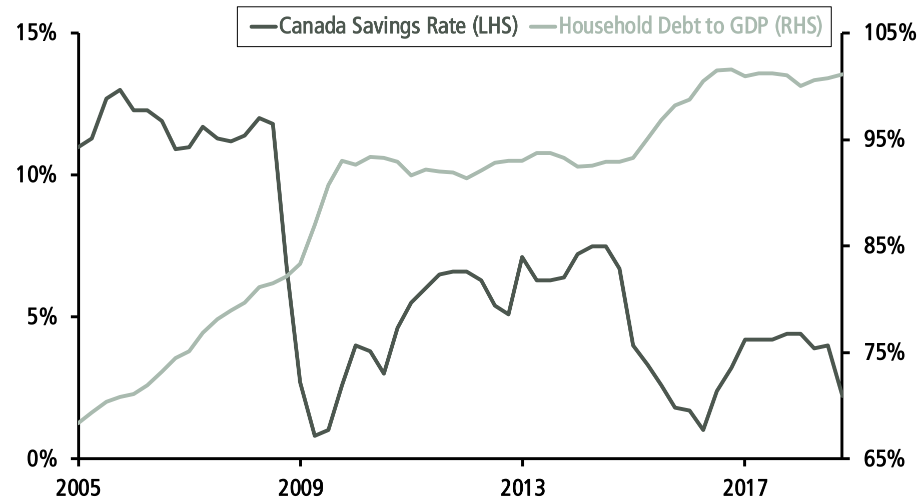
"Canadian manufacturers reported subdued demand conditions in both domestic and external markets during April, which was often linked to a slowdown in global trade volumes and more cautious spending among clients."

Christian Buhagiar, President and CEO
Supply Chain Management Association (SCMA)
May 1, 2019

Source: Bloomberg.

Despite strong employment in both Canada and the U.S., consumer health differs





U.S. Savings and Household Debt Rate [(1)]

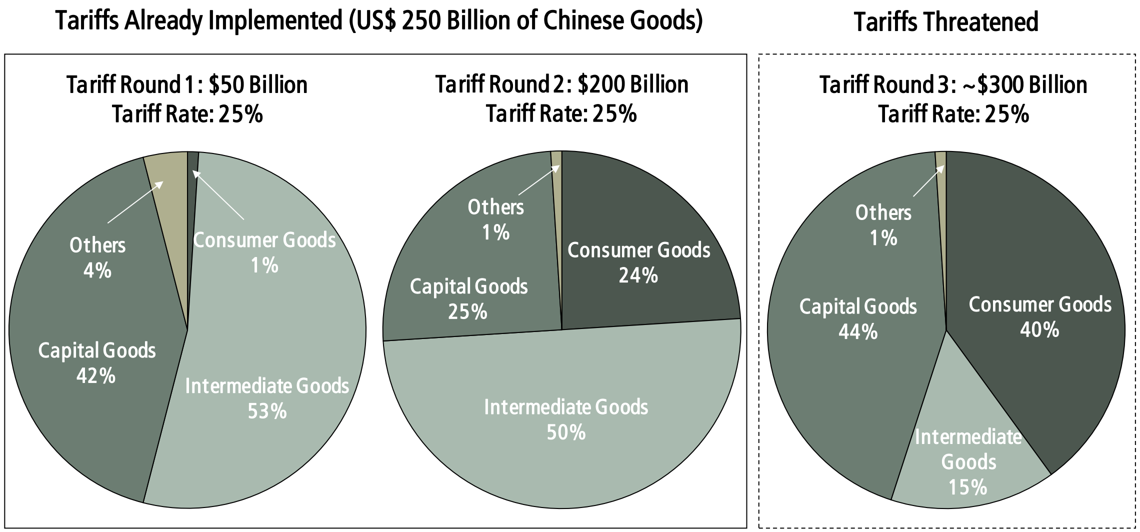
- U.S. consumer is in good shape
- Offers protection in a downturn

Canada Savings and Household Debt Rate [(1)]

- Canadian households lack financial flexibility
- Economic slowdown would be disruptive

Source: Bloomberg, St. Louis Federal Reserve.
(1) The savings rate is the ratio of savings to after-tax income.

Increasingly, consumer goods are exposed to tariffs



Various Rounds of Tariffs on Chinese Goods

- Tariffs on consumer goods more likely to impact end prices
- Possibility of trade wars extending to other U.S. trading partners is concerning

Source: Peterson Institute for International Economics (PIIE) and CIBC World Markets Inc.

Trade concerns have central banks confused over appropriate next steps

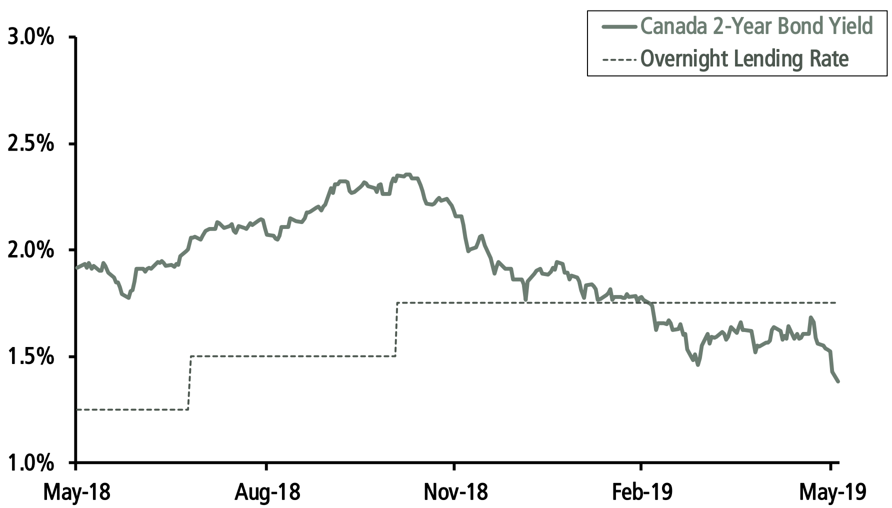
"The wild card, of course, is the trade war."

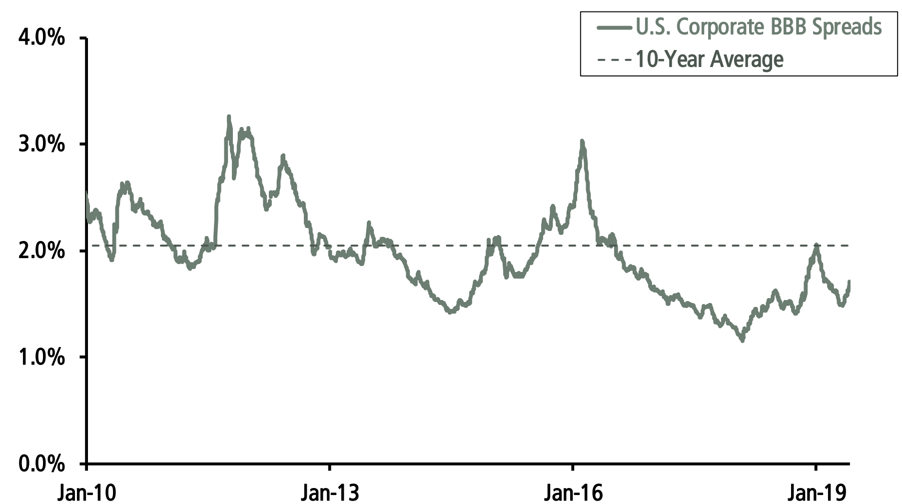
Carolyn A. Wilkins
Senior Deputy Governor of the Bank of Canada
May 30, 2019

"We do not know how or when these issues will be resolved."

Jerome H. Powell
Chair of the Federal Reserve
June 4, 2019

Bond market sending conflicting signals about what's to come





Government of Canada 2-Year Bond Yield

- Declining bond yields predict rate cuts

U.S. Corporate BBB Bond Spreads (1)

- In contrast, credit spreads suggest little cause to worry

Source: Bloomberg, St. Louis Federal Reserve.
(1) Represents the spread of the ICE BofAML U.S. Corporate BBB Index over U.S. Treasury bonds.

CURRENT ENVIRONMENT

Until trade issues are resolved, investors should expect volatility

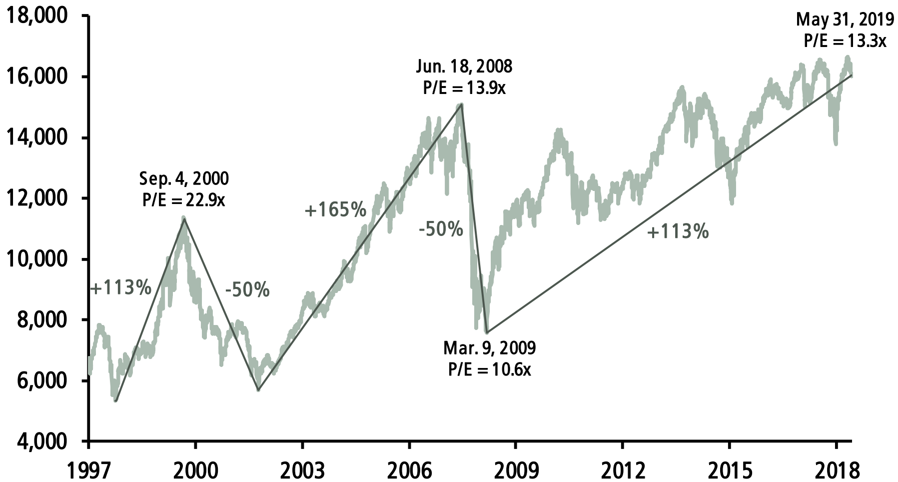
- Significant pessimism is priced into current market levels
  - Bond market sees lower growth ahead
  - Equity markets more positive but reflect trade concerns
  - No clear path to resolution
- We expect recent volatility to continue
  - U.S. trade discussions include China, Europe, Mexico, Canada and Japan

PORTFOLIO OVERVIEW

We have maintained our portfolio positioning, despite escalating trade conflicts

- No significant changes in allocation
  - Equity and fixed income weights remain close to guidelines
- Fixed income portfolios emphasize safety
  - Concentration in higher-quality and shorter-maturity bonds
- Equity portfolios are structured to produce long-term growth and preserve capital in down markets

A long bull market in equities, but valuation is not excessive

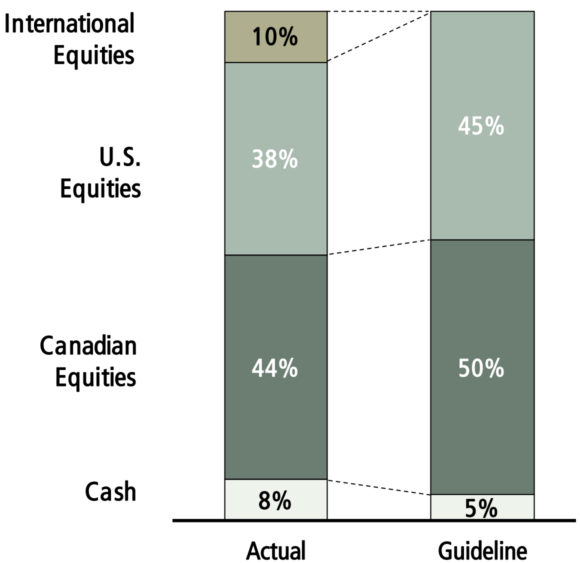


S&P/TSX Composite Price Index

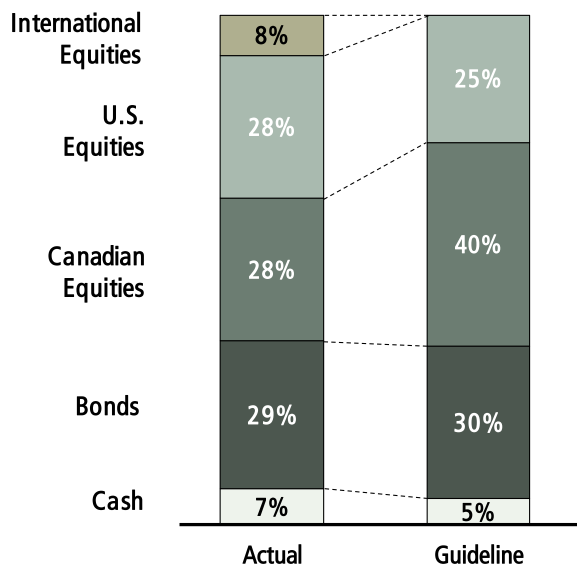
- Bull markets don't die of old age
  - Average length: 5 years, 4 months [(1)]
  - Longest: +12 years (1987-2000)
  - Shortest: +2 years (1966-1968)
- Current valuation remains reasonable
- Negative external shocks?
  - Risks remain, as always
  - No clear recession signal in economic data

Source: JPMorgan Asset Management, Bloomberg, Barron's.
(1) Bull markets measured from 1949.

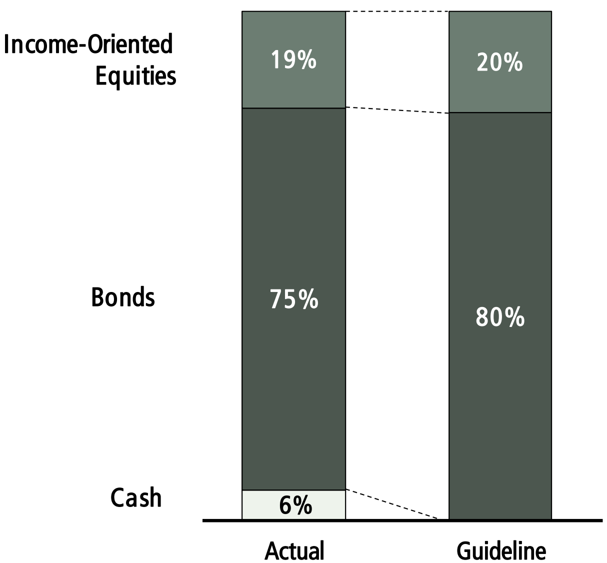
Overall equity allocations are close to long-term guidelines



Nexus Equity Fund



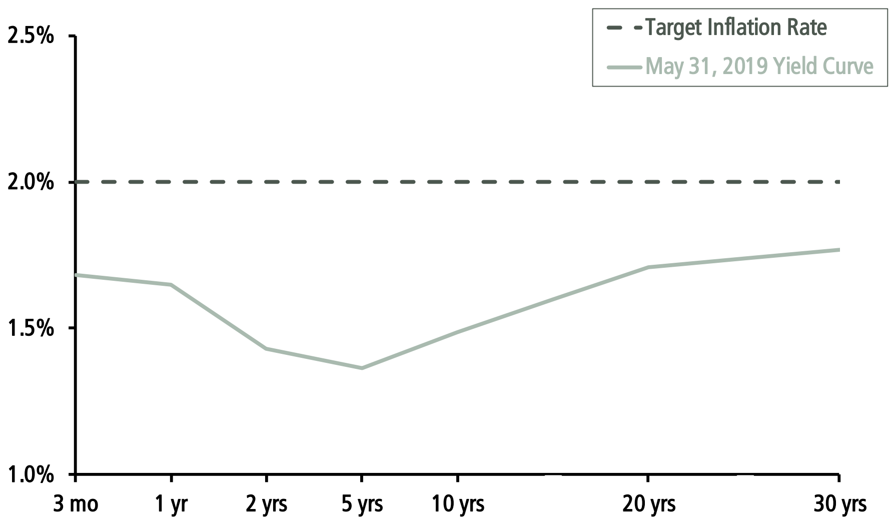
Nexus Balanced Fund



Nexus Income Fund

As at May 31, 2019

Current yields provide no inflation protection



Government of Canada Yield Curve

- Unless economic fundamentals deteriorate meaningfully, current yields are not justified
- Nexus's high quality and short duration portfolio (3.5 years) will protect capital

Source: Bloomberg.

PORTFOLIO OVERVIEW

Equity Portfolio Changes

Given Nexus's long-term approach, limited trading is the norm

Canadian Equities

Buy	Sell
—	—

Add	Trim
Cenovus Enbridge Thomson Reuters	—

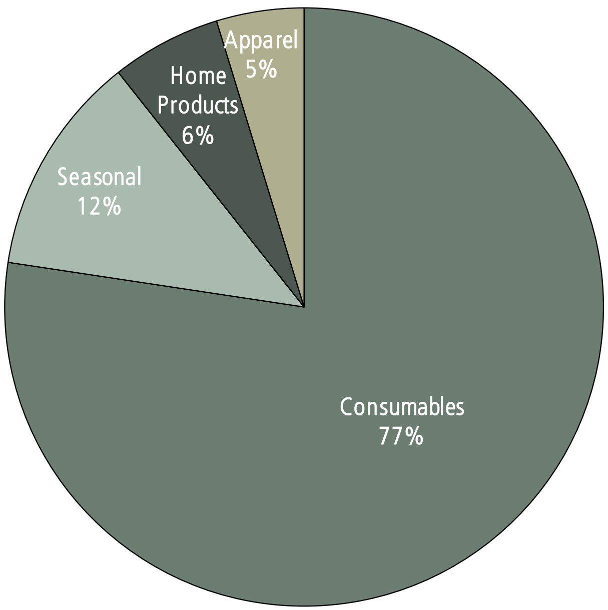
Foreign Equities

Buy	Sell
Facebook General Motors	Walmart

Add	Trim
—	—

12 months ended May 31, 2019

Dollar General is the U.S.'s largest discount retailer



Dollar General Business Mix by Revenue

DOLLAR GENERAL
Save time. Save money. **Every day!**

- Dollar store format
  - Small stores serving mostly lower-income households
  - Sells "everyday necessities" priced between $1 to $10
  - Offers low prices and convenience
- Large national footprint of stores
  - 15,370 stores in 44 states
- Plans to expand
  - 900 stores opened in 2018
  - 975 planned openings in 2019
  - New stores repeat a proven formula

Source: Dollar General company documents.

Well-positioned in a challenging retail environment

- **Insulated from the threat of online retail**
  - Low price points make shipping costs prohibitive for online (Amazon)
  - Small town markets not easily served by major chains
- **Business model has defensive characteristics**
  - Provides a recurring and necessary service
  - High percentage of consumables = repeat customer visits
  - Low price points are attractive to consumers during economic downturns; many trade down to the dollar store channel
- **Also possesses attractive financial features**
  - Visible revenue growth (8%-9%)
  - Reasonable debt levels (42% debt/equity ratio) [1]
  - Growing dividend
  - Leading retail financial metrics

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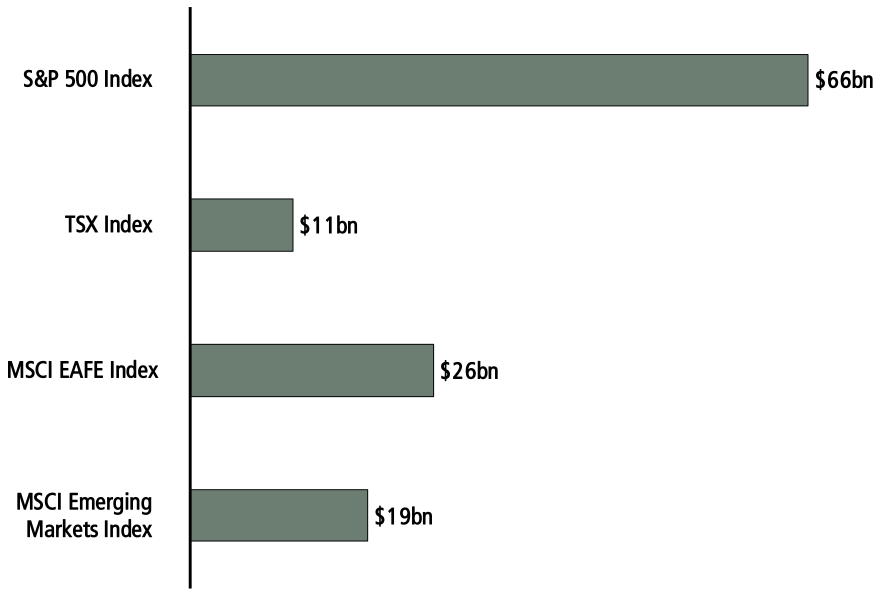
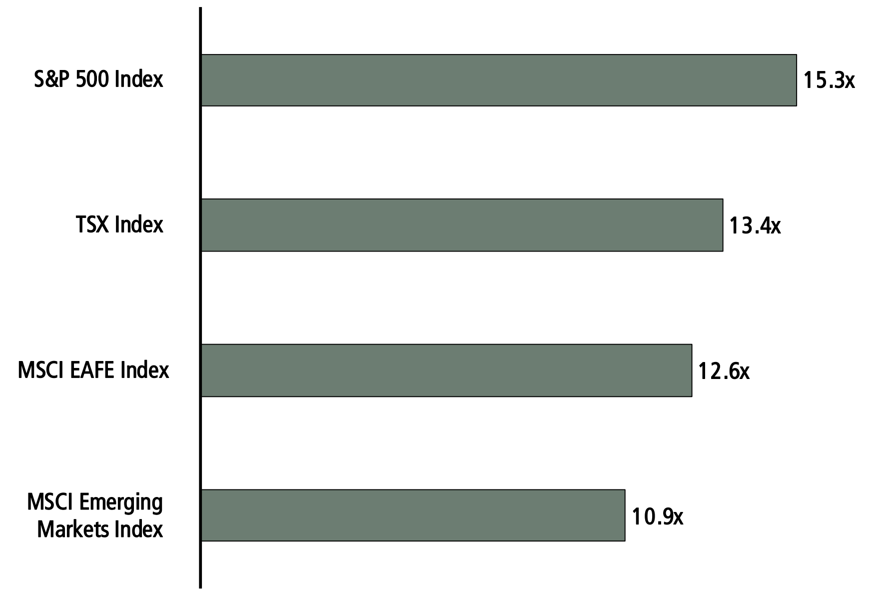
[1] Calculated using total debt excluding operating leases. Data as of May 3, 2019.

International companies are larger than you might think and valuations remain attractive



Average Market Capitalization (in C$) [1]



Forward Price/Earnings Ratio [2]

Source: JPMorgan Asset Management, Bloomberg.

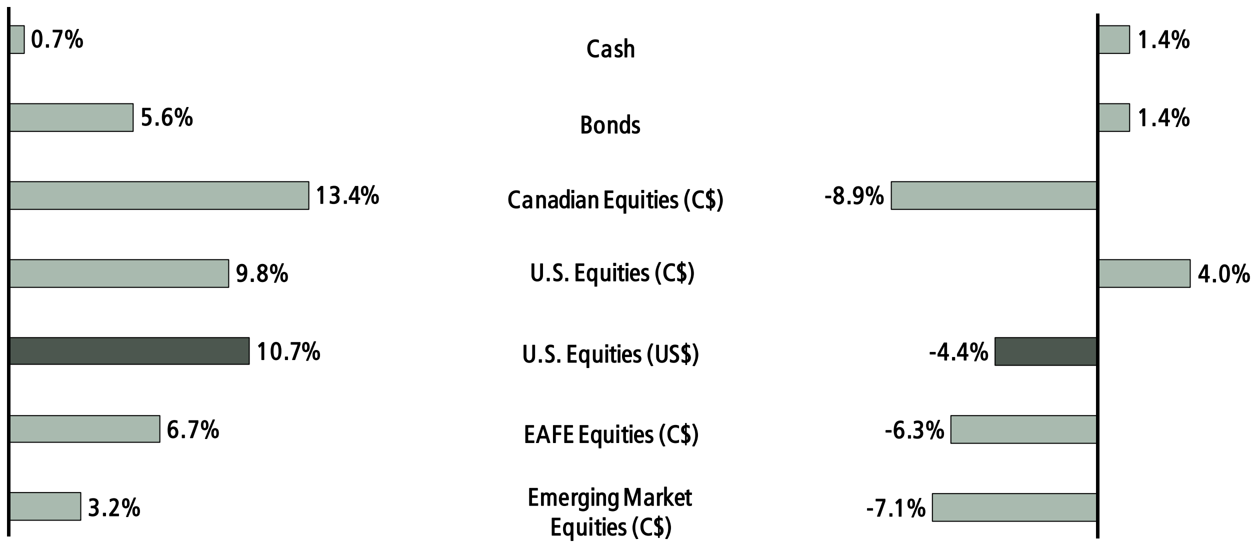
[1] MSCI EAFE is the principal equity index for Europe, Australasia, and the Far East. MSCI EM is the principal equity index for emerging markets. As at May 31, 2019.

[2] The “Forward Price/Earnings Ratio” is calculated as the last price of the index divided by the estimated index earnings next year. Prices and earnings estimates as of June 5, 2019.

After a strong start to the year, stock markets slumped in May

- 1-Year returns remain decent
  - Nexus's Canadian equities significantly outperformed the TSX
  - U.S. equities positive, but underperformed
  - International equities a significant drag
- 1-Year fixed income returns were unexpectedly strong
  - Central bank intervention has driven yields lower
- Over the long term, Nexus portfolios have performed well
  - Long-term up- and down-market capture ratios remain excellent

Markets have recovered strongly to start 2019

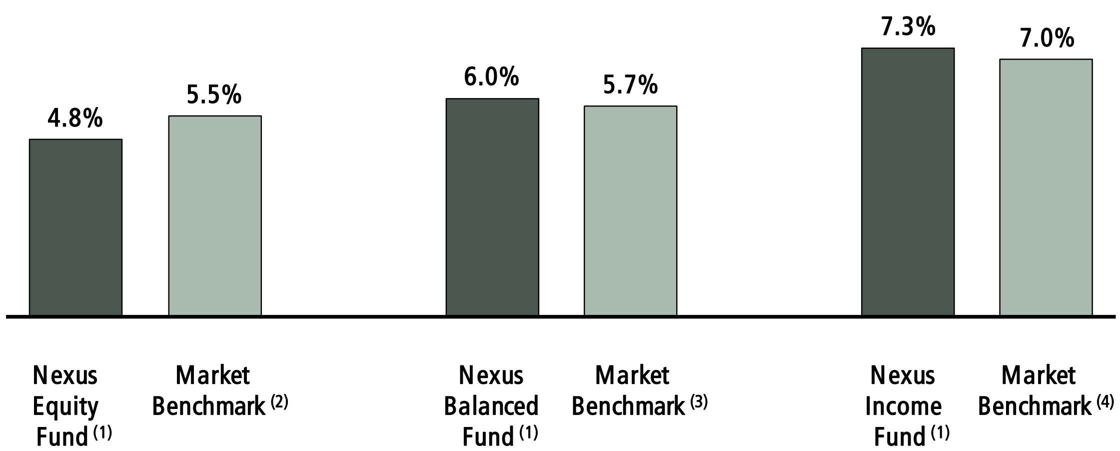


Index Returns – YTD, May 31, 2019 (1)

Index Returns – Calendar 2018 (1)

(1) Total returns based on the following indices: FTSE TMX Canada 91 Day TBill Index (Cash), FTSE TMX Canada Universe Bond Index, S&P/TSX Composite (Canadian Equities), S&P 500 (U.S. Equities), MSCI EAFE and MSCI Emerging Markets.

One-year Fund returns have moderated

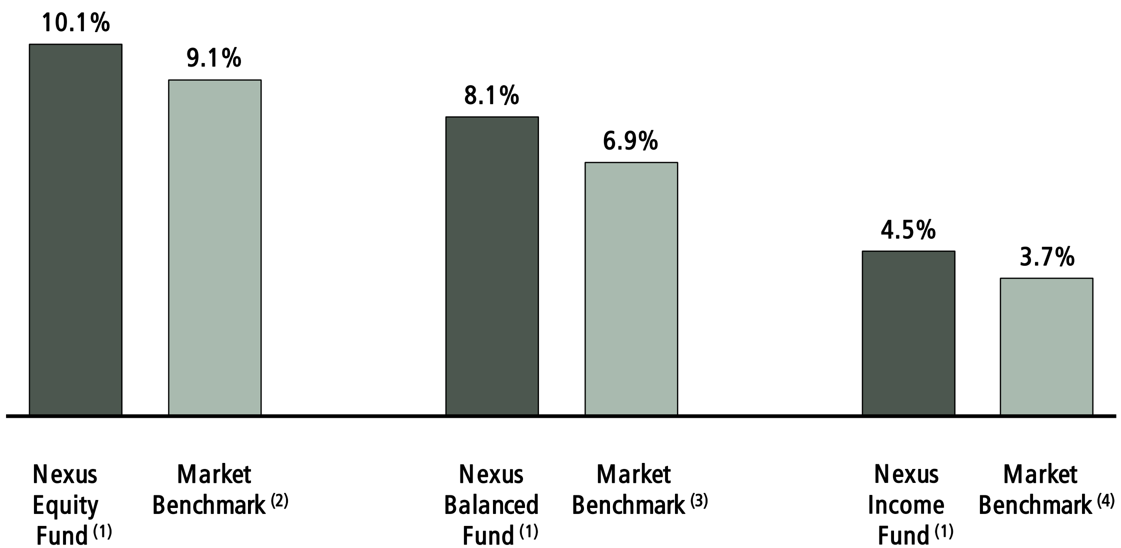


1-Year Returns on Nexus Funds

12 Months ended May 31, 2019

(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 TMX Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C$); rebalanced monthly.
(3) Balanced Fund market benchmark is 5% FTSE TMX Canada 91 Day TBill Index, 30% FTSE TMX Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C$); rebalanced monthly.
(4) Income Fund market benchmark is the FTSE TMX Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

5-Year returns strong on an outright basis and better than benchmark



5-Year Annualized Returns on Nexus Funds

Five Years ended May 31, 2019

(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 TMX Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C$); rebalanced monthly.
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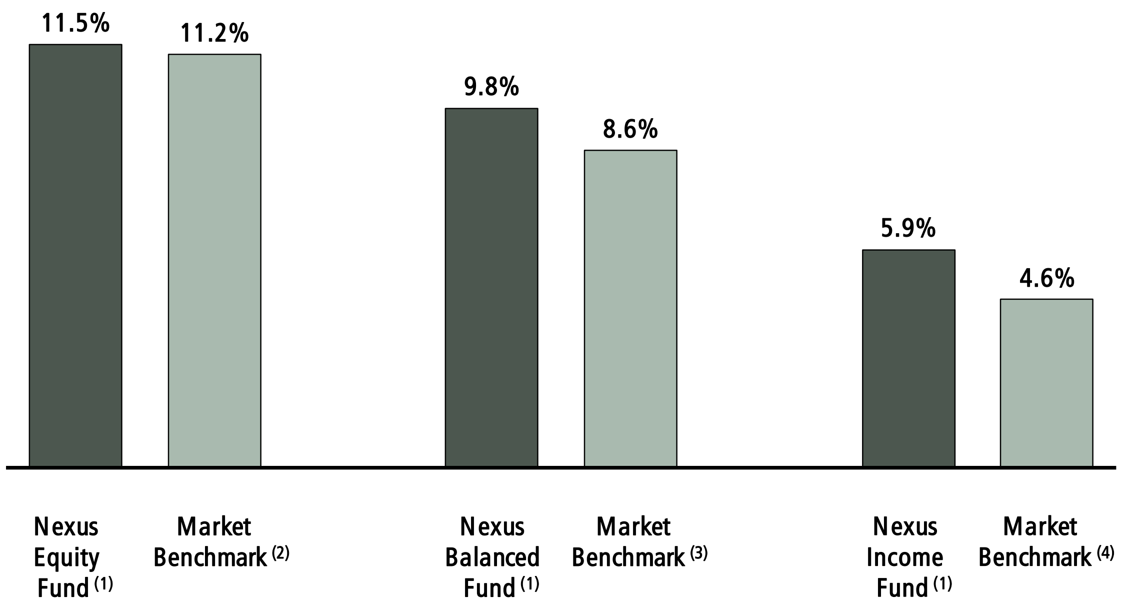
Fund and benchmark returns above long-term averages



10-Year Annualized Returns on Nexus Funds

Ten Years ended May 31, 2019

(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 TMX Canada 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C$); rebalanced monthly.
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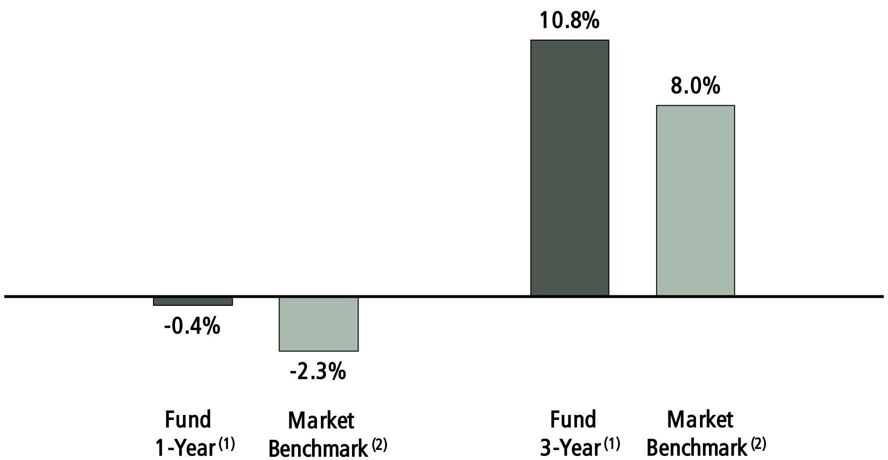
(4) Income Fund market benchmark is the FTSE TMX Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

Despite tough recent conditions, the International Equity Fund's longer-term returns have been good



Returns on Nexus International Equity Fund

- International adds diversification and potential return to North American investors

Periods ended May 31, 2019

(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.

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Appendices

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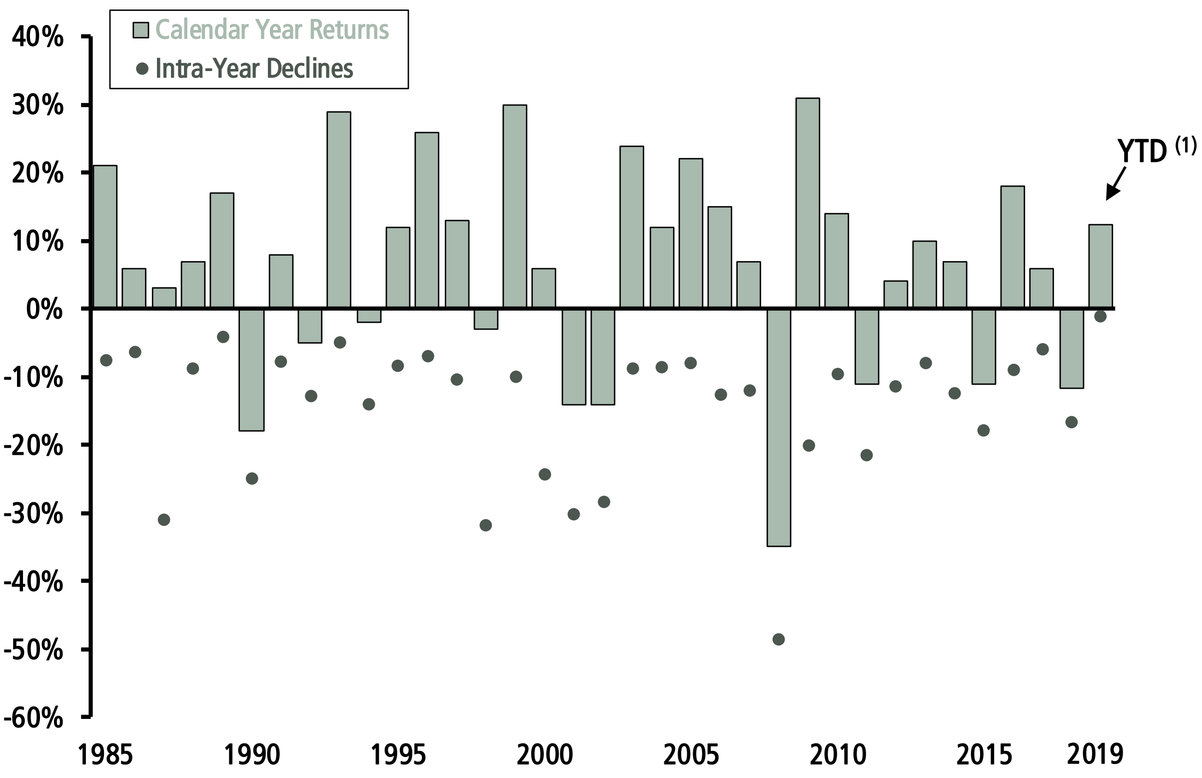
PORTFOLIO OVERVIEW

Asset Allocation Considerations

Equity market volatility is the norm



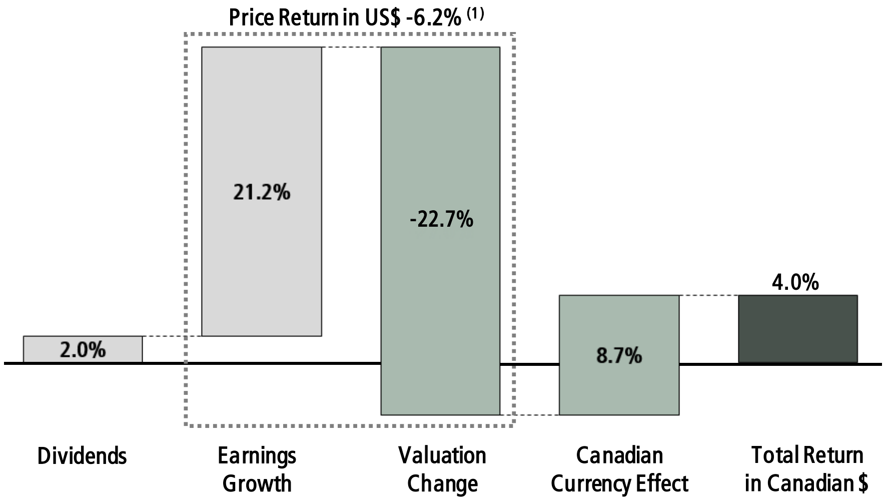
S&P/TSX Composite Intra-Year Declines vs. Calendar Year Returns

- Despite average intra-year declines of 15%, annual returns were positive in 24 of 34 years

Source: Bloomberg.

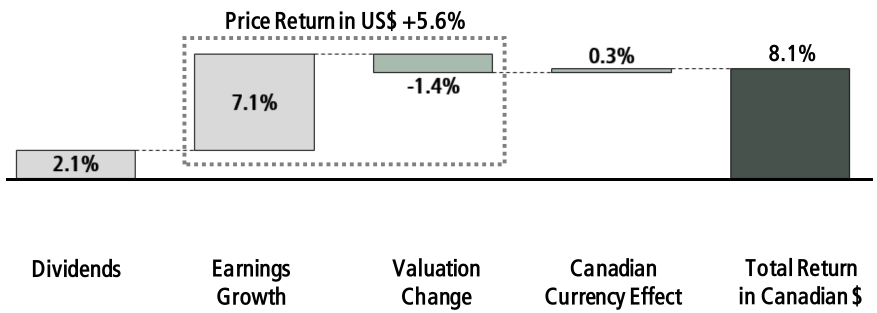
(1) Year-to-date as of March 29, 2019.

Short-term returns are driven by markets…



S&P 500 1-Year Return Composition

…Long-term returns are driven by company economics



S&P 500 15-Year Annual Return Composition

Periods Ending December 31, 2018

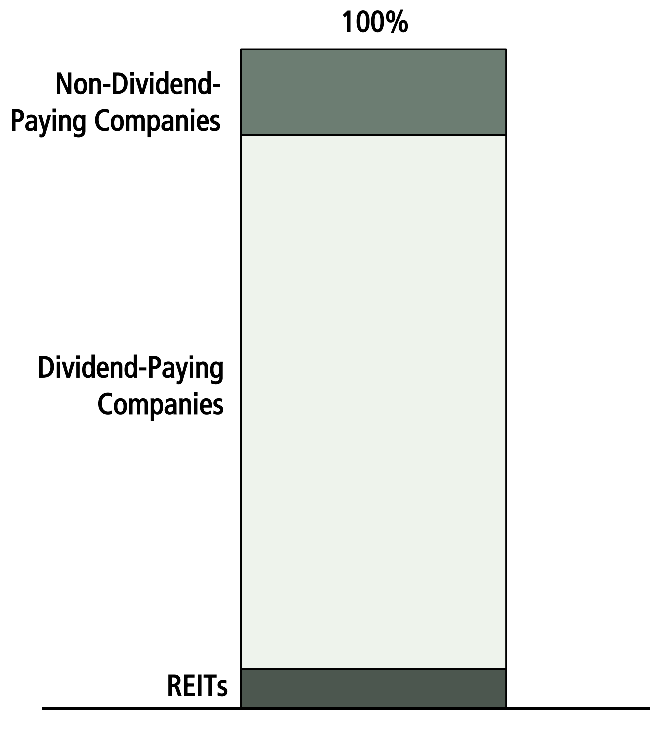
Source: Bloomberg, Bank of Canada.

(1) Percentage returns must be combined by multiplying, not adding. For example, a 21.2% gain and a 22.7% loss are combined using (1 + 21.2%) x (1 - 22.7%) -1 = -6.2%.

PORTFOLIO OVERVIEW

Equities

Our North American equities combine defensiveness and growth



Nexus North American Equity Portfolio

- 4 stocks
- Average EPS growth of 22% per year over 5 years
- 17.7x average forward P/E multiple [(1)]

- 31 stocks
- 3.0% average dividend yield
- Average dividend growth of 10.1% per year over 5 years
- 13.0x average forward P/E multiple [(1)]

- 2 Real Estate Investment Trusts
- Average distribution yield of 4.5%
- Average Price/NAV of 96%

As at March 31, 2019

Source: Bloomberg.

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

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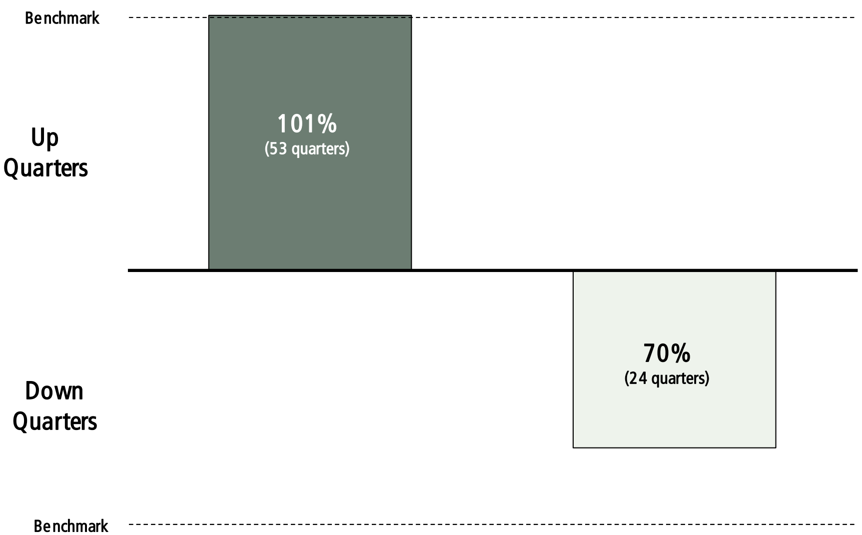
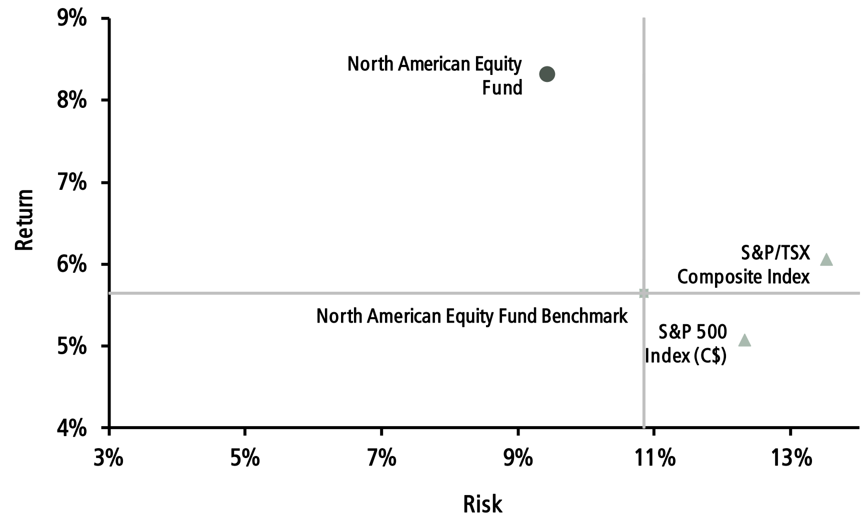
RISK MANAGEMENT

Equity Fund

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, 2019

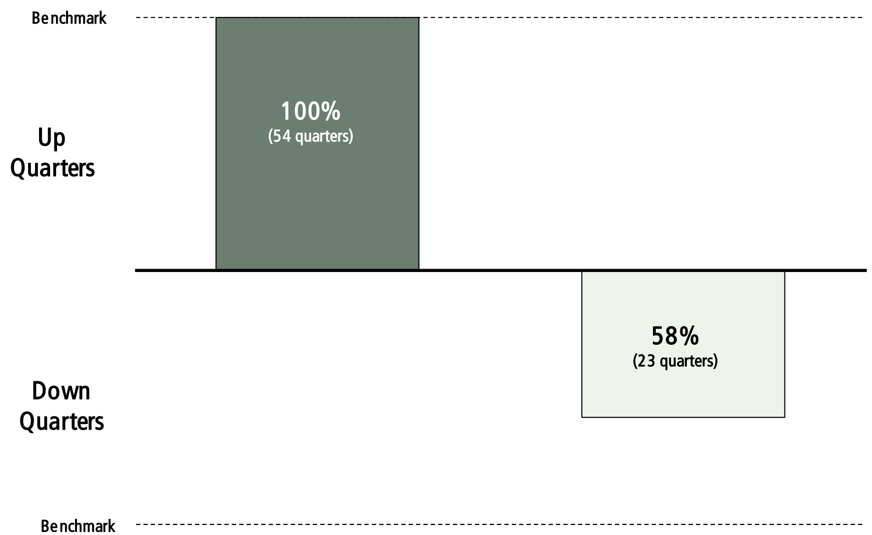
(1) Each quarter since January 1, 2000 is defined as an "up" or "down" quarter based on whether the benchmark return for the quarter was positive or negative. For up (down) quarters, the capture ratio is the ratio of compound average rates of return for the Fund and its benchmark for such quarters.

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

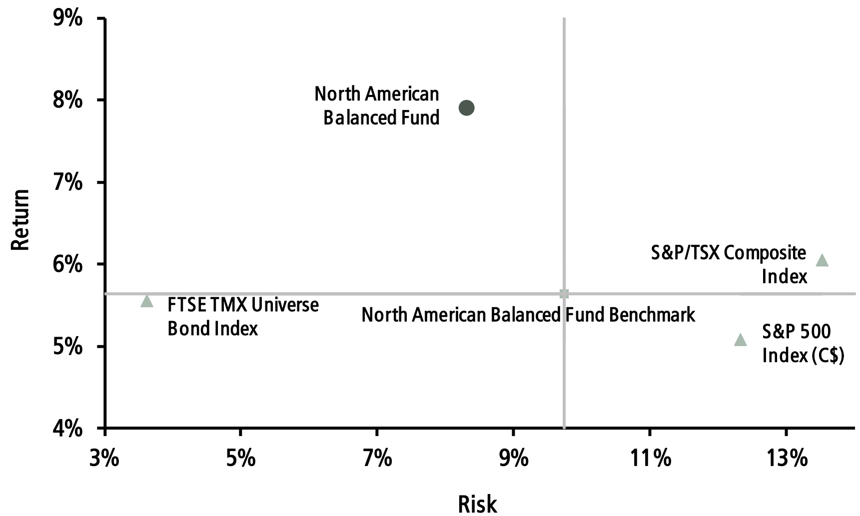
(3) Equity Fund benchmark is 5% FTSE TMX 91 Day TBill Index, 50% TSX, and 45% S&P 500 (in C$); rebalanced monthly.

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

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, 2019

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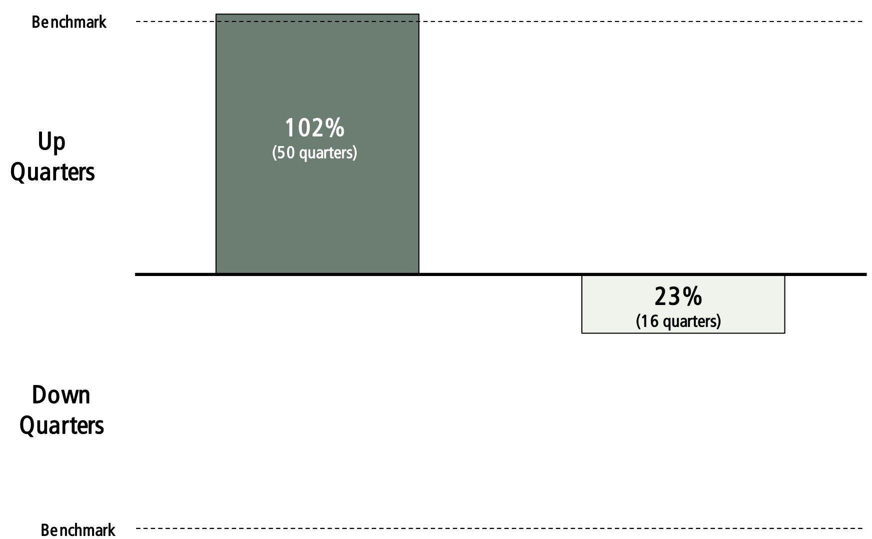
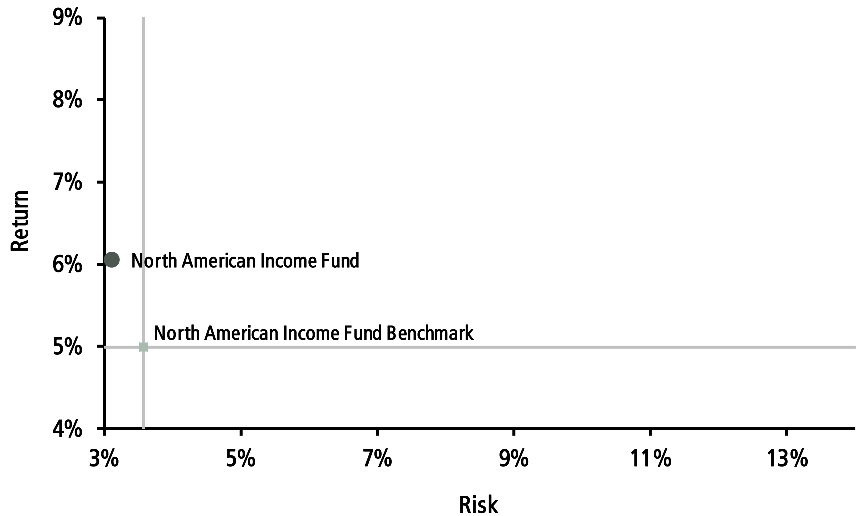


Income Fund Up- & Down-Market Capture Ratios (1,2,3)



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

Period Ending March 31, 2019

(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.
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