



Investment Review

October 30, 2020

NEXUS

Agenda

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

Inside Nexus

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

- Our new branding rollout is underway – website refresh coming soon



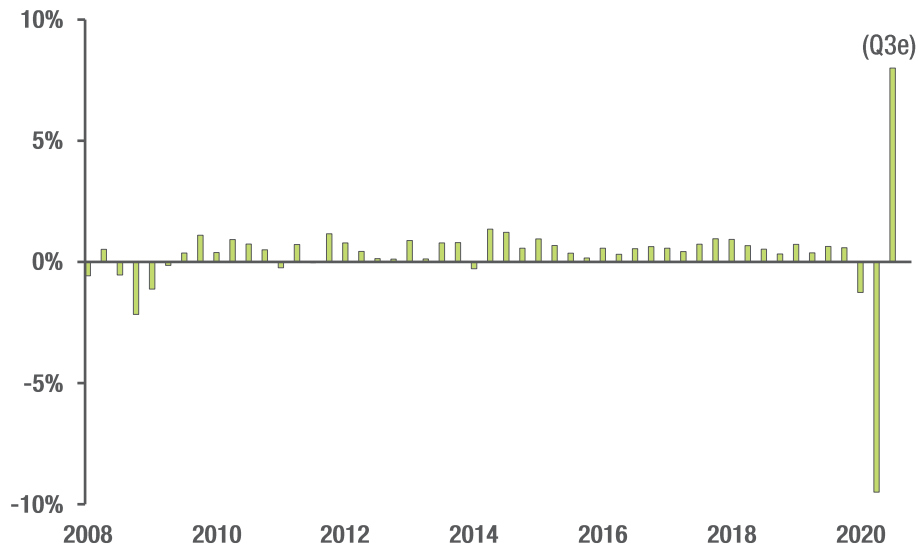
- We have approximately 600 clients with a range of portfolios up to \$100 million in size
- 98% client retention rate ⁽¹⁾

- Thankfully, everyone is healthy and we continue to work mostly remotely
- Preethi Khatri Chetri joined the team to focus on pooled fund administration; we hope to announce another addition soon

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

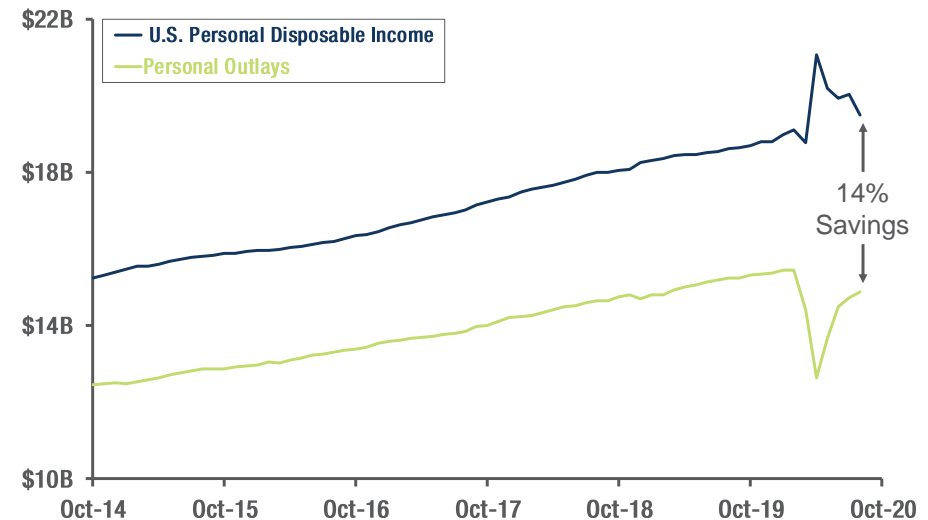
Current Environment

These are unprecedented economic times



U.S. GDP Growth (% Change from Prior Quarter)

- A sharp recovery is at hand



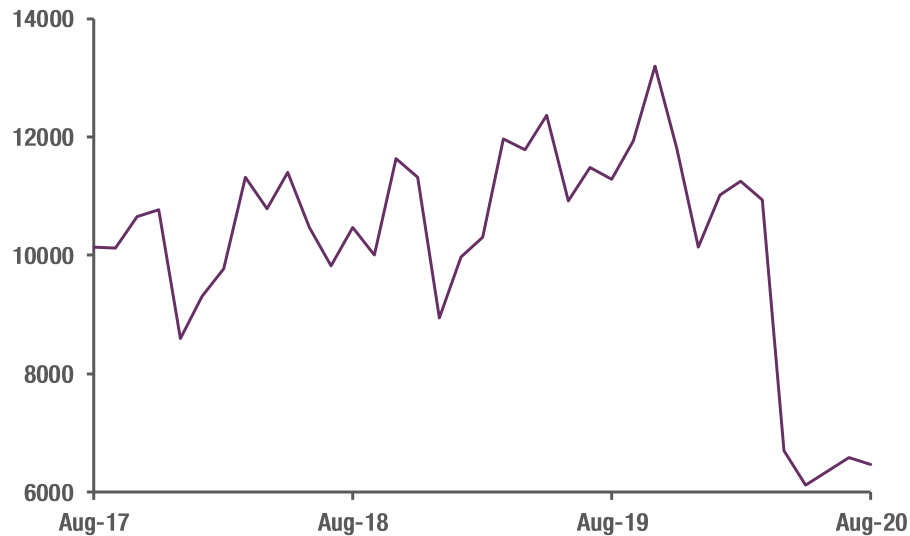
U.S. Personal Income and Consumption

- Income replacement payments have swamped the effect of job losses
- After an initial decline, spending is accelerating

Current Environment

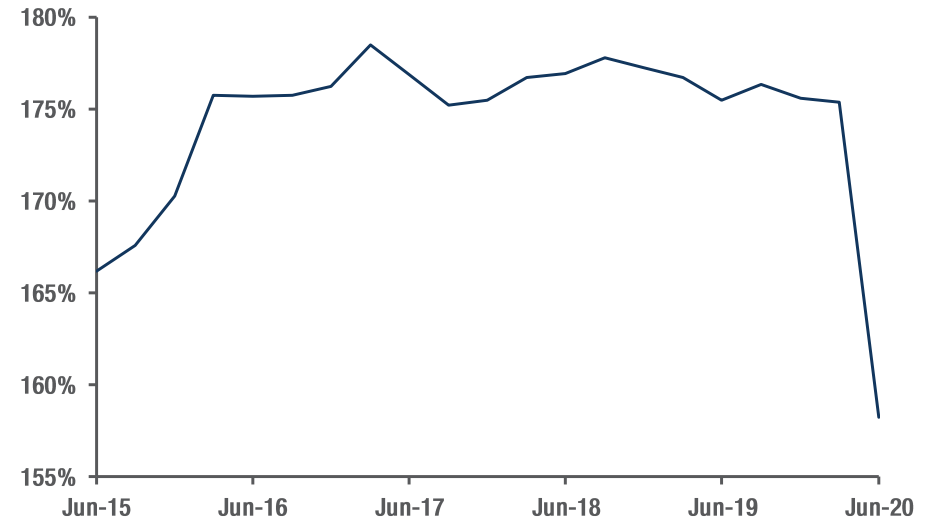
Canada

Counterintuitively, despite record unemployment, consumer finances have improved



Consumer Insolvencies ⁽¹⁾

- Insolvencies at low levels, but may not be indicative of true health of consumers

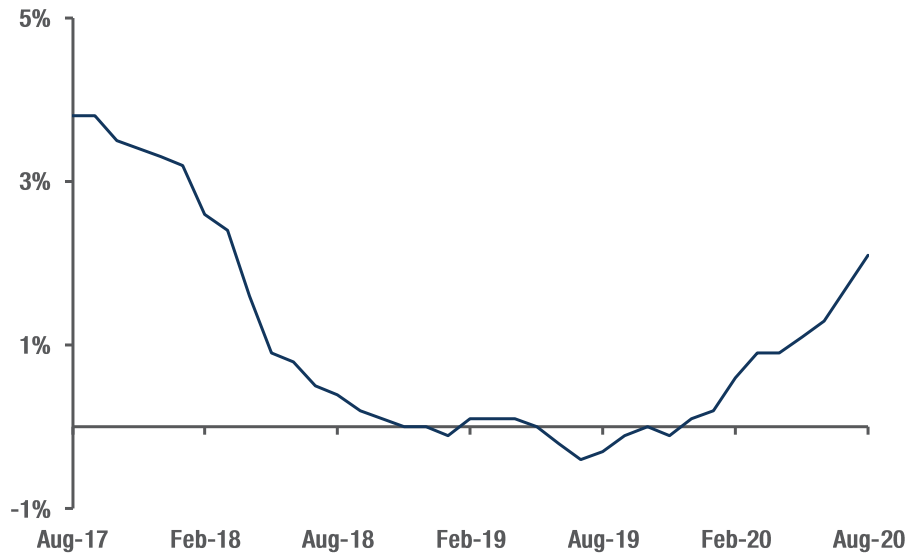


Debt to Disposable Income

- Elevated Canadian indebtedness has fallen!

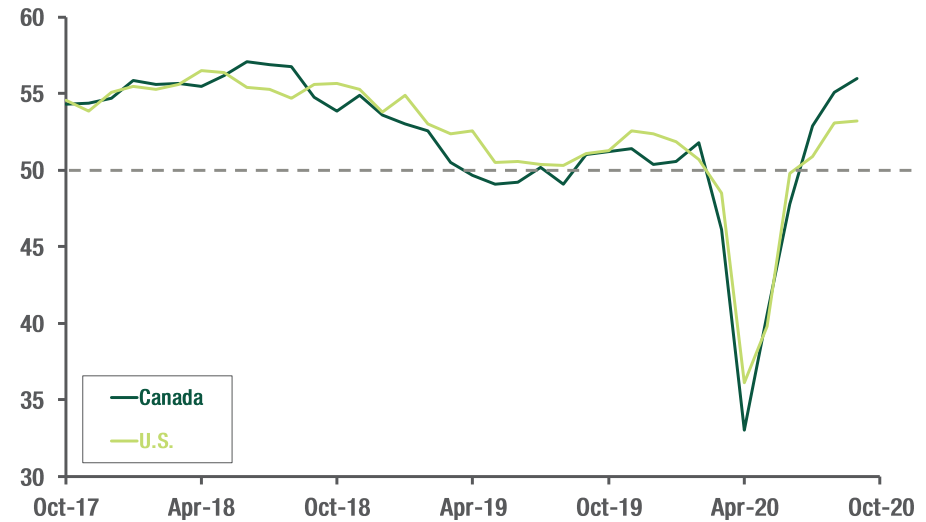
Current Environment

Government and Central Bank intervention have worked... for now



Change in Canadian Home Prices (% YoY)

- Low interest rates have been rocket fuel for the housing sector

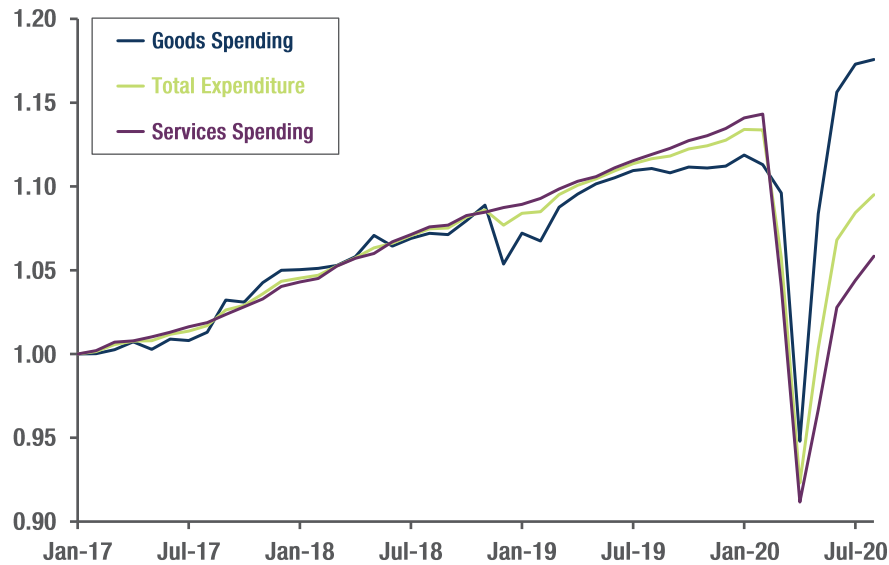


Markit Manufacturing Purchasing Managers' Index

- Manufacturing sentiment now back to normal

Current Environment

There is a sharp contrast between spending on goods and services

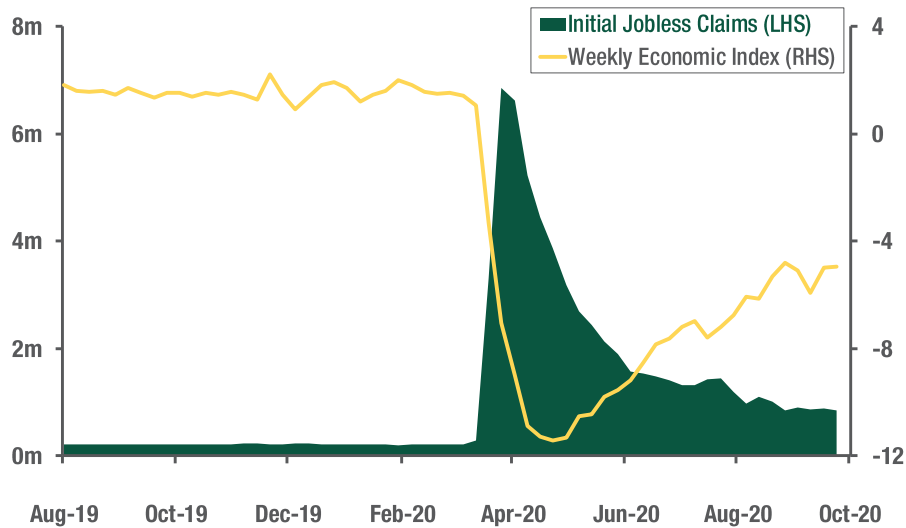


U.S. Personal Consumption Expenditure ⁽¹⁾

- Spending for home renovations, clothing, electronics and autos is strong
- Spending on travel, dining out, and personal care is still depressed

Current Environment

Continuation of the economic rebound is challenged by accelerating infections



U.S. Weekly Economic Index ⁽¹⁾ and Jobless Claims

- Globally, a second wave is at hand
 - However, hospitalizations and mortality are lower
 - Solid progress on vaccines and therapies
- Business and consumer confidence will need evidence of more medical success
 - Important trial data expected imminently
 - 10 vaccines in Phase 3 trials

Current Environment

Important issues remain outstanding, but we expect several will be resolved in the next year

- Government spending and borrowing will have limits
 - Size of next round of stimulus “up for debate”
- Interest rates now at the “lower bound”
 - Quantitative easing could increase
- Geopolitics remain unsettled
 - U.S. political dysfunction - November 3rd election looms
 - Brexit uncertainty
 - Global trade relations

Portfolio Overview

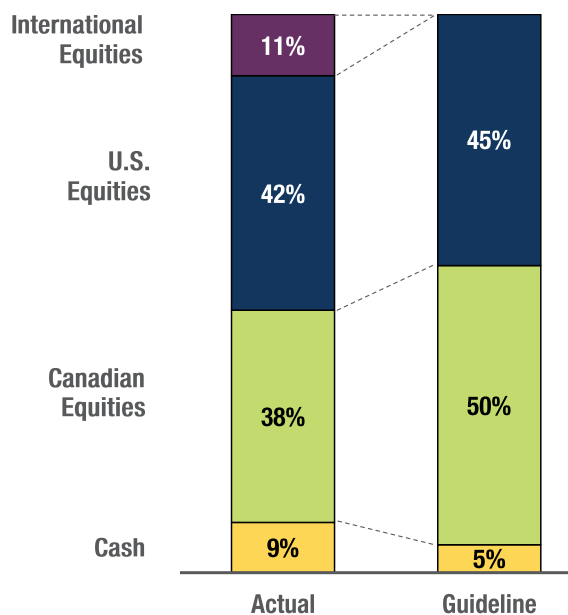
Portfolio changes have been made with a focus on long-term return potential

- Asset allocations remain aligned with our long-term guidelines
- Portfolio turnover is elevated compared to our historical norm
 - More sells and buys than typical to address COVID-19 disruptions and opportunities
- A diversified portfolio invested in quality businesses should perform well over time
 - We remain confident in our holdings

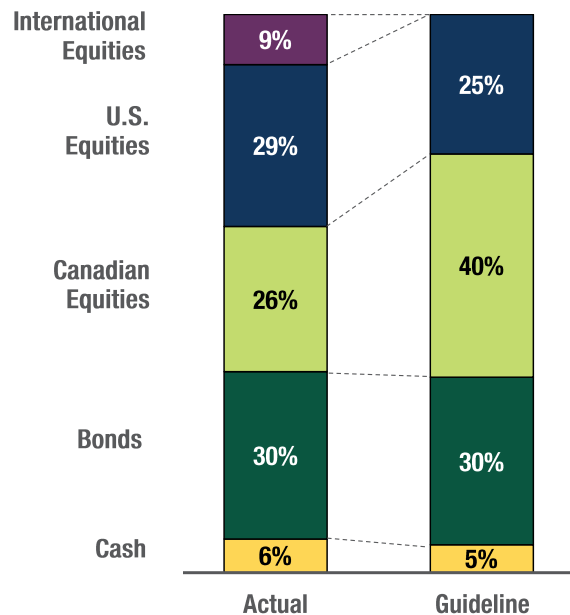
Portfolio Overview

Asset Allocation

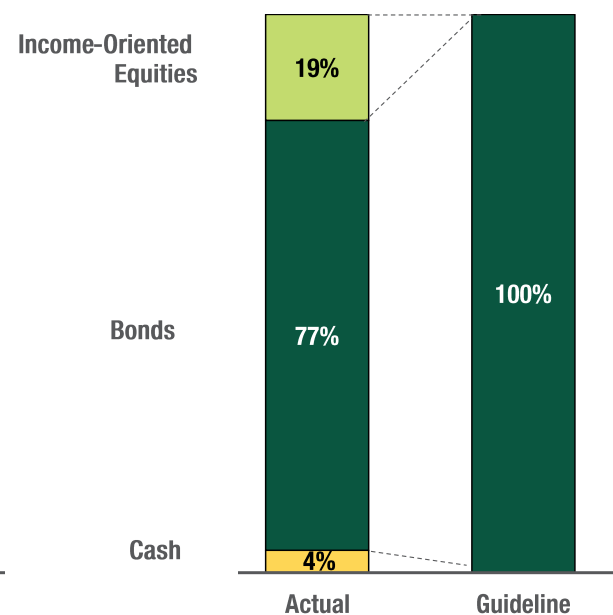
Overall equity allocations remain close to long-term guidelines



Nexus Equity Fund



Nexus Balanced Fund



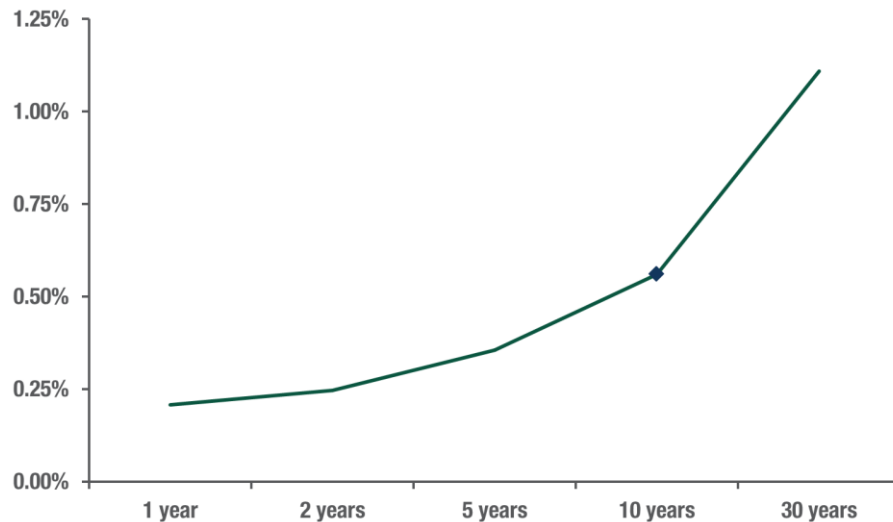
Nexus Income Fund

As at September 30, 2020

Portfolio Overview

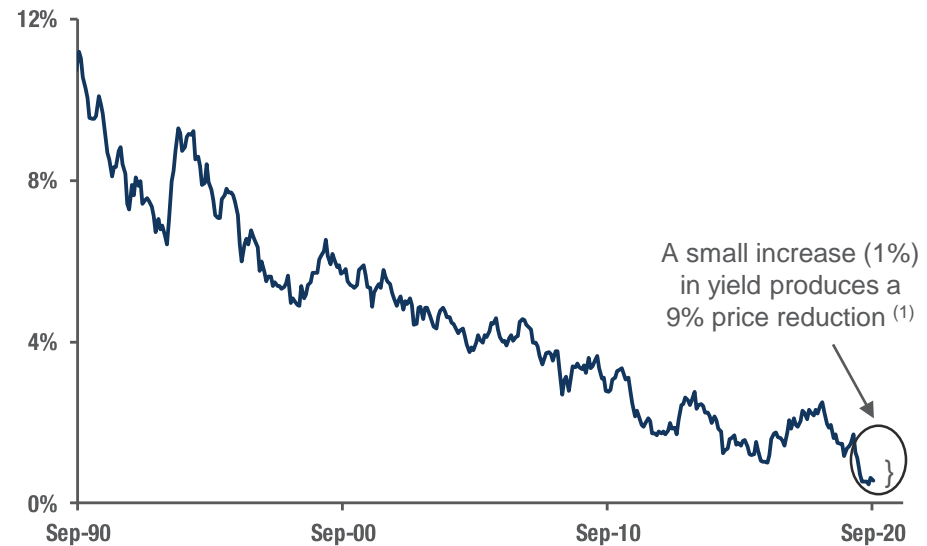
Fixed Income

Longer-term bonds still offer unfavourable risk/ return characteristics



Canada Yield Curve

- Central banks have suppressed yields



Historic Canada 10-Year Yield

- A shorter-maturity portfolio of highly rated corporates and government agencies should deliver positive returns – with little risk of capital loss

As at September 30, 2020

(1) A 1% yield increase reduces the price of Canada 1.25% June 1, 2030 from \$106.24 to \$97.03.

Portfolio Overview

Equity Portfolio Changes

Recent trading activity is elevated from our historical norm

Buy

George Weston Limited
Northview REIT ⁽¹⁾

Sell

Thomson Reuters
Northview REIT ⁽¹⁾

Buy

United Parcel Service
Medtronic
Boston Scientific

Sell

Apple
HP Inc.
General Electric

Add

—

Trim

—

Add

—

Trim

Selected overweight stocks

Canadian Equities

Foreign Equities

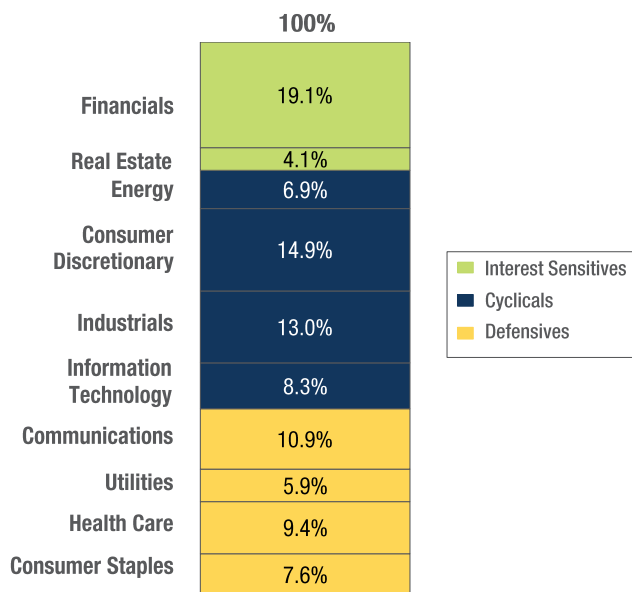
12 months ended September 30, 2020

⁽¹⁾ Purchased and sold with a gain.

Portfolio Overview

COVID-19 Effect

The equity portfolio is well diversified, with longer-term potential



- We avoided most of the direct hits
 - No direct travel and hospitality holdings
 - GE (sold) and CAE hurt by airline groundings
- Some holdings are well insulated from COVID
 - Consumer staples, healthcare, communication services
- COVID has not been a typical cyclical downturn
 - Some defensive stocks negatively affected – utilities, telecom, real estate
 - Some cyclical doing surprisingly well – Apple, Microsoft, Dollar General, UPS
- Several holdings have good recovery potential
 - Banks, energy, pipelines, value tech

Nexus North American Equity Sector Allocation ⁽¹⁾

As at September 30, 2020

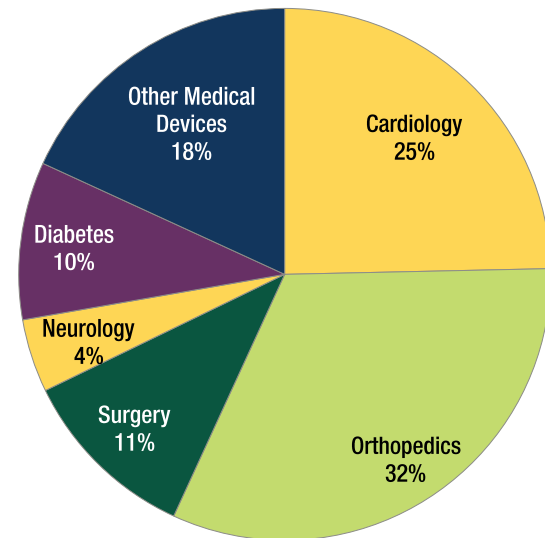
⁽¹⁾ Includes Canadian and U.S. equities.

Portfolio Overview

Medical Device Industry

The medical device industry has strong long-term growth potential

- Rising demand
 - Favourable trends from an aging population
 - Emerging markets are a growth frontier
- Product innovation drives growth
 - New devices improve health outcomes for patients
 - Easier for doctors to use
 - Large R&D investments driving device innovations
- COVID-19 led to a deferral of elective surgeries
 - Pressured Medical Device stocks' valuations = opportunity
 - Some risk of a repeat of Q2 hospital shutdowns, but unlikely due to better hospital preparedness

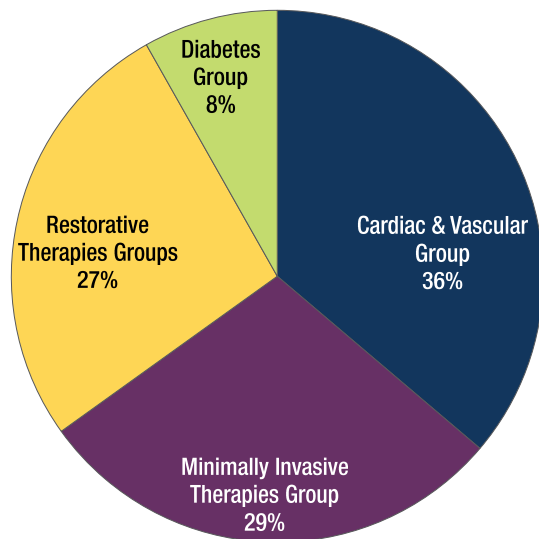


Medical Device Market Segments

Portfolio Overview

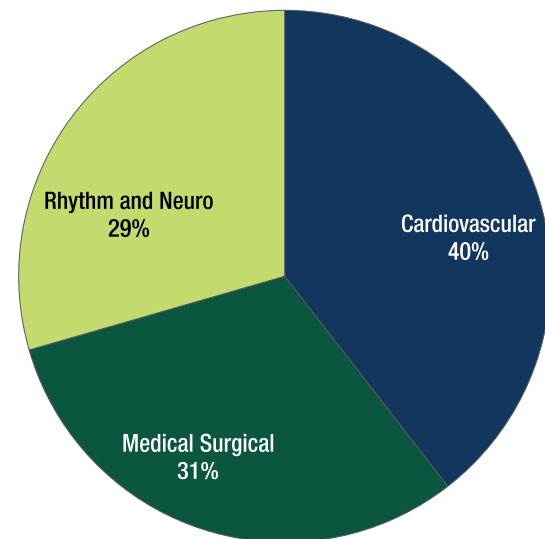
Medical Device Industry

We recently purchased positions in two leading medical device manufacturers



Medtronic Fiscal 2020 Revenue of \$28.9 billion

- Established market leader with strong balance sheet
- New management reinvigorating growth



Boston Scientific Fiscal 2019 Revenue of \$10.7 billion

- Focused on faster growing subsegments
- Growth from acquisitions, venture investments, R&D

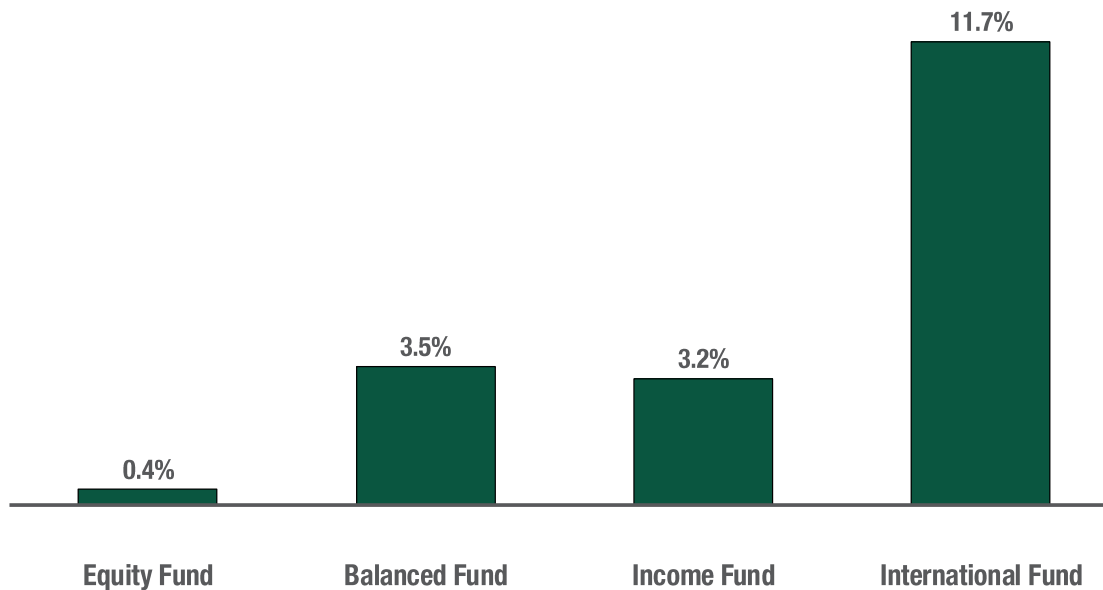
Investment Performance

Financial markets have continued their recovery, but dividend-oriented stocks are suffering

- 1-Year returns positive in all Funds
 - Bond returns strong, but slightly lag the Bond index
 - U.S. and International equity returns are both remarkably strong
 - Canadian equities are notably weak
- Canadian stock market frustrating for many investors
 - The overall TSX index has been driven by a handful of stocks
 - Most Canadian stocks have recovered only modestly from their COVID-19 lows
 - Nexus's 12-month Canadian returns trailed the benchmark
- Longer-term risk / return remains attractive
 - Our approach differs from the indices – performance will inevitably diverge at times
 - Nexus's returns still compare favourably to other managers
 - Long-term up- and down-market capture ratios are strong

Investment Performance

The 1-Year return in each of our Funds is positive



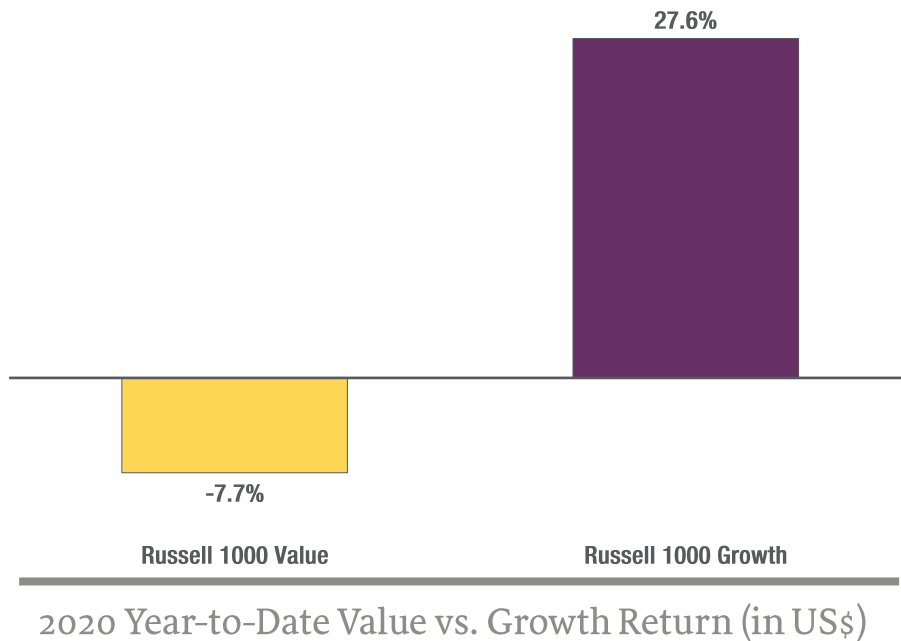
1-Year Returns on Nexus Funds ⁽¹⁾

12 months ended September 30, 2020

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

Investment Performance

Dividend-oriented, established economy stocks are lagging

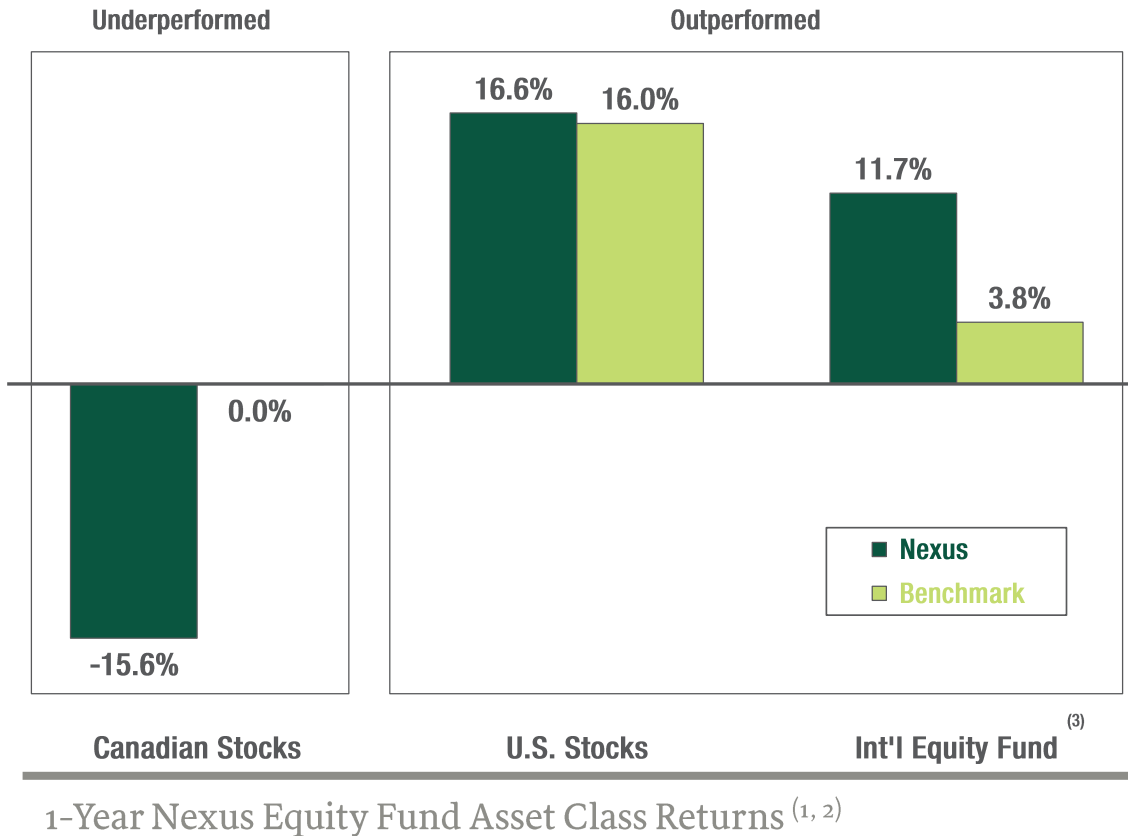


- Nexus's approach emphasizes quality – it's not Value, but closer to Value than Growth
- Growth's outperformance has been extreme
 - Atypical in a downturn
 - Continuation of an unusually long period
 - Even more extreme than in the tech bubble (1999 – 2000)

As at October 23, 2020

Investment Performance

Equity Fund underperformance in the last year is entirely because of Canadian equities ...



- Allocation to Canadian stocks is only 26% (Balanced Fund) and 38% (Equity Fund)

12 months ended September 30, 2020

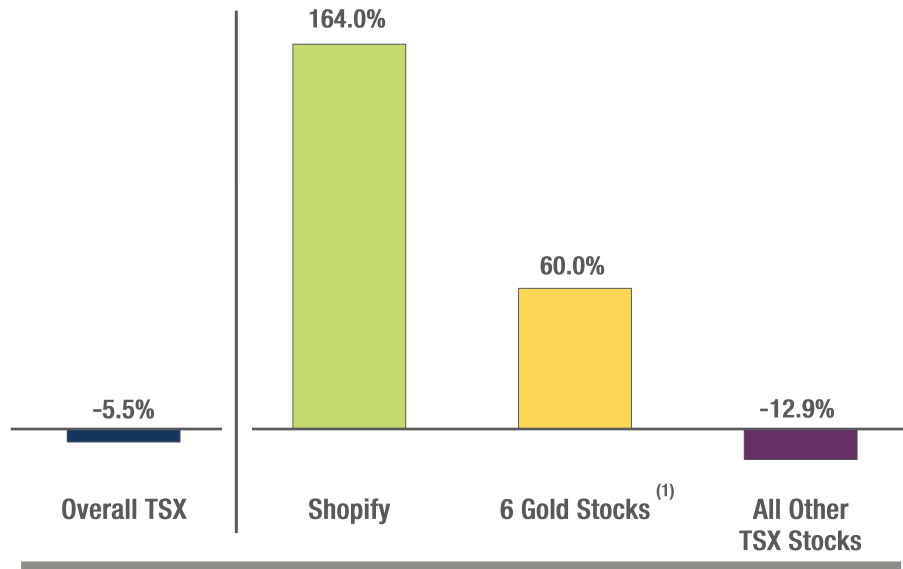
⁽¹⁾ Nexus return is shown *prior* to the deduction of all fees and expenses. Past performance is not indicative of future results.

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

⁽³⁾ Nexus International Fund and its benchmark used as proxy. International Equity Fund market benchmark is 75% MSCI EAFE and 25% MSCI Emerging Markets indices (both in C\$); rebalanced monthly.

Investment Performance

... in large part, the Canadian underperformance stems from 7 stocks in the TSX



Year-to-Date Price Return of TSX Stocks

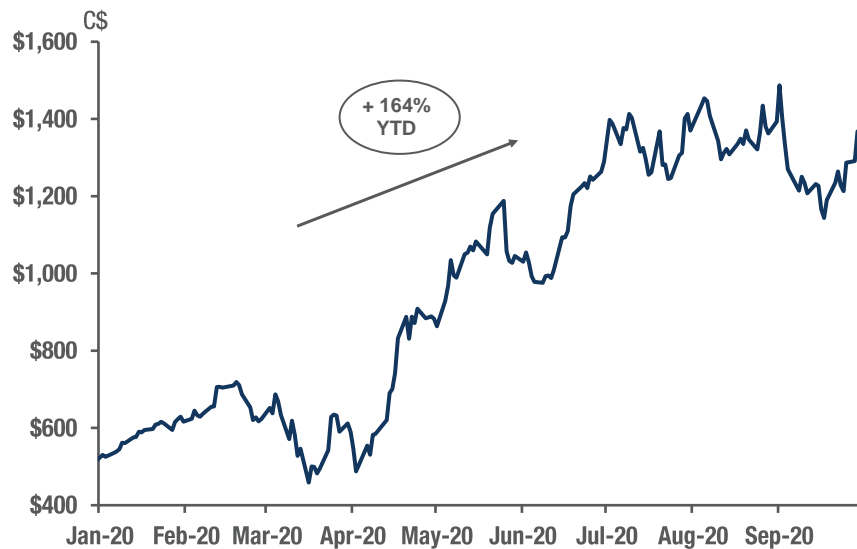
- These stocks don't fit well with Nexus's investment approach
 - Shopify has a high valuation
 - The Gold stocks have been poor investments over the long term

As at September 30, 2020

⁽¹⁾ Simple average return of the six precious metals stocks that contributed the most to the TSX's overall return.

Investment Performance

Shopify remains the star stock on the TSX Composite



Shopify Stock Price (Year-to-Date)

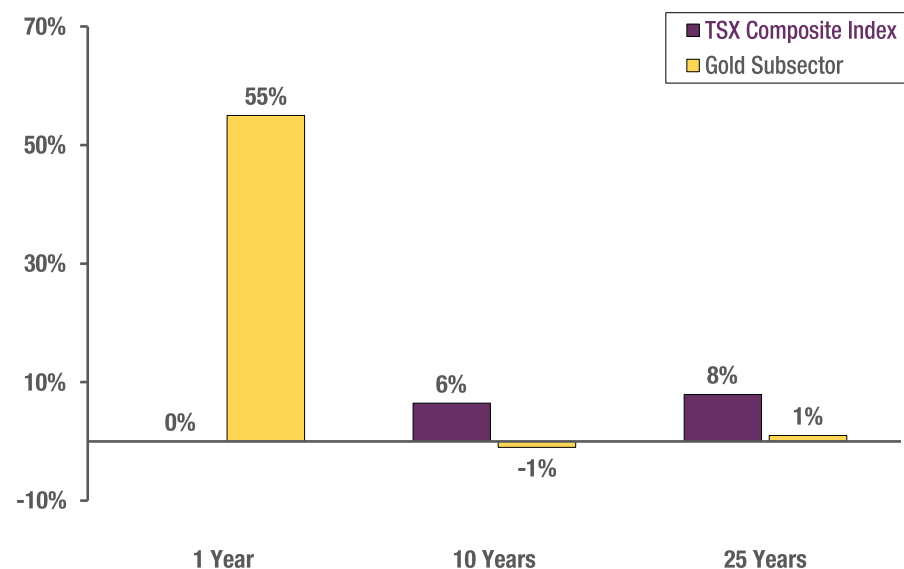
- Shopify is by far the biggest contributor to TSX returns in 2020
- Shopify's \$167 billion market value makes it the biggest on the Toronto Stock Exchange
- A compelling business, but the share price and valuation metrics have always been high ⁽¹⁾
 - EV / Revenue ratio: 38x
 - P/E ratio: 442x
- High valuation leaves little margin of safety

As at September 30, 2020

Investment Performance

The Gold sector remains the star sector of the TSX Composite

TSX Rank ⁽¹⁾	Company	YTD Gain
2	Barrick Gold	57%
4	Wheaton Precious Metals	70%
6	Franco-Nevada	40%
7	Kinross Gold	91%
8	Agnico Eagle	34%
12	B2Gold Corp	68%



YTD Gold Stock Contribution to TSX Composite

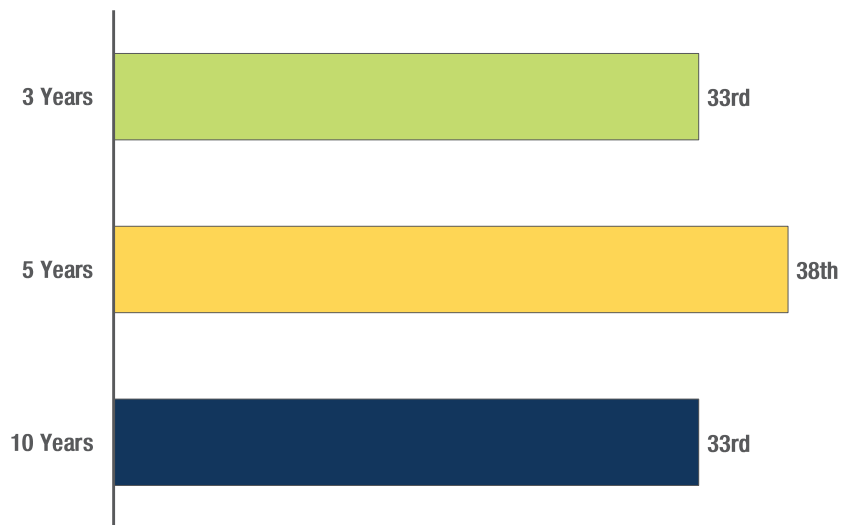
- Six of the 15 biggest TSX contributors in 2020 were gold stocks

Total Return Compound Annual Growth Rates

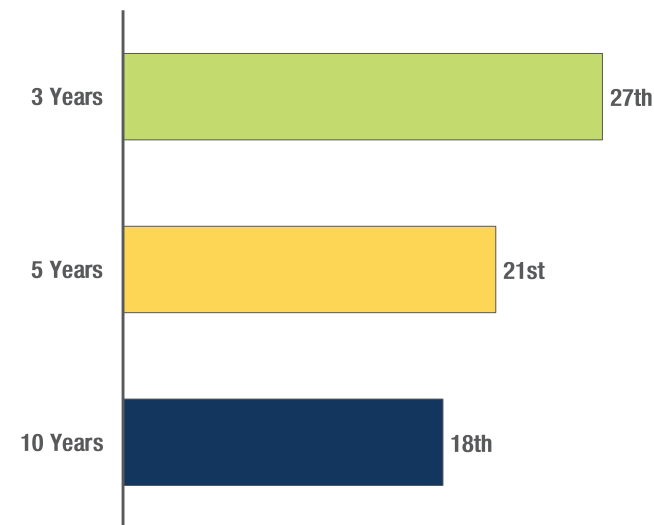
As at September 30, 2020

Investment Performance

Nonetheless, Nexus funds still compare well to comparable active managers



Equity Fund Percentile Ranking Relative to Comparable Managers ^(1,2)



Balanced Fund Percentile Ranking Relative to Comparable Managers ^(1,3)

- 25th percentile means 3/4 of the comparable funds had lower returns
- 50th percentile is the “average” fund

As at September 30, 2020

⁽¹⁾ Nexus and comparable manager returns are shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

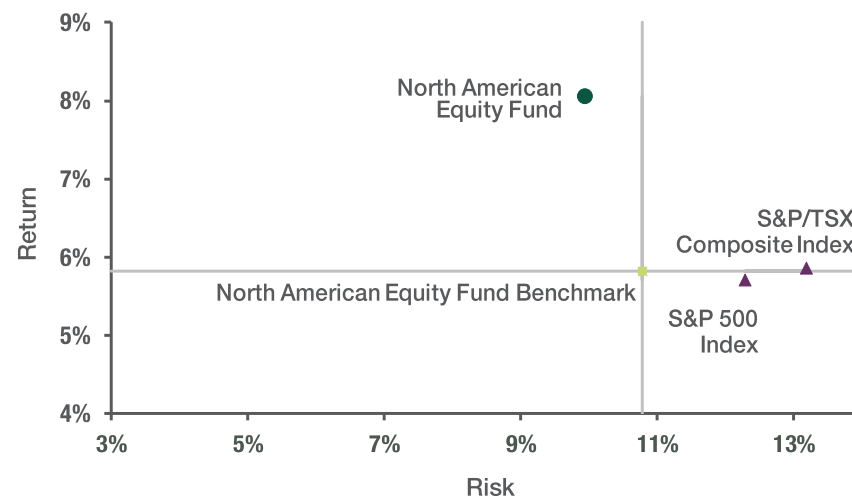
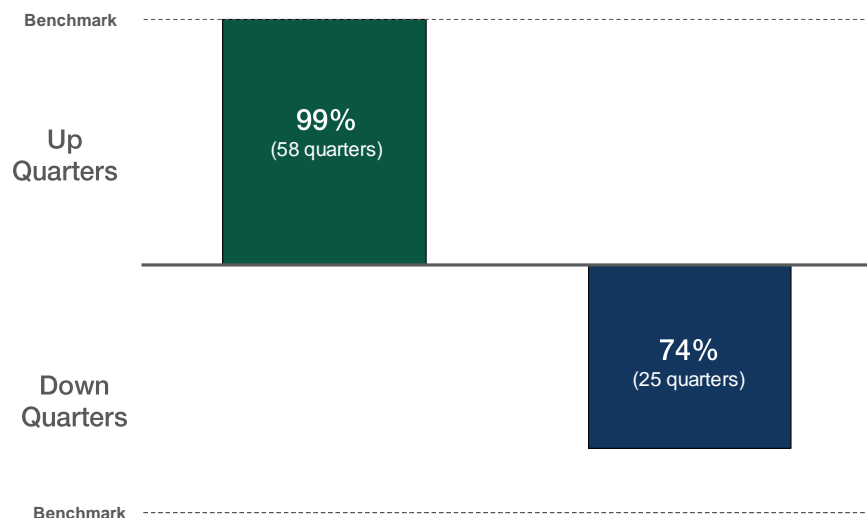
⁽²⁾ Canadian Plus Equity Universe from Global Manager Research Institutional Performance Report.

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

Investment Performance

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 September 30, 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.

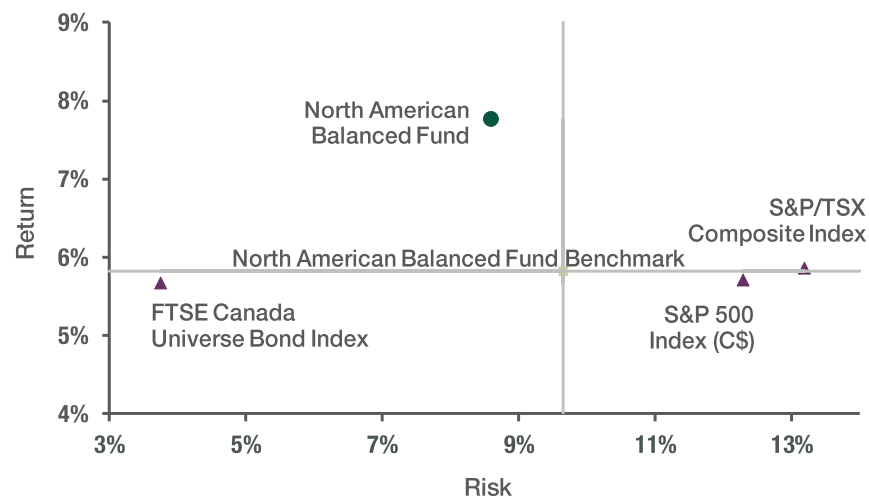
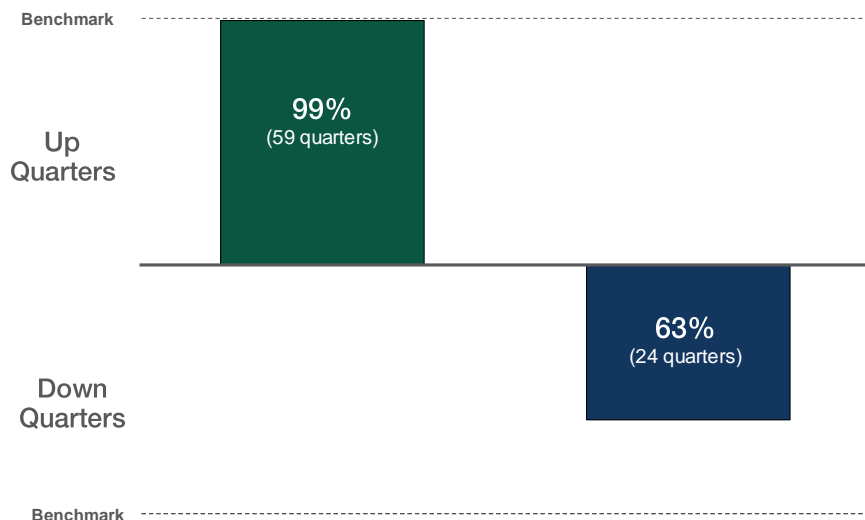
⁽³⁾ Equity Fund benchmark is 5% FTSE Canada 91 Day T-Bill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.

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

Investment Performance

Balanced Fund

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 September 30, 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.

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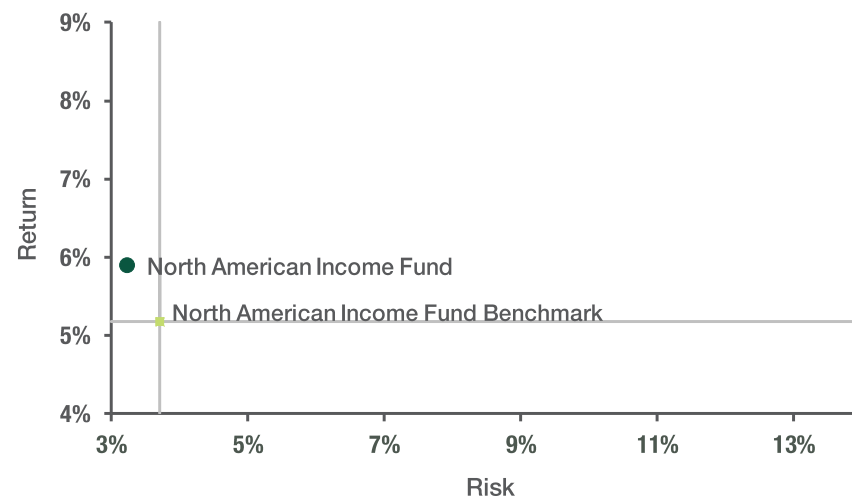
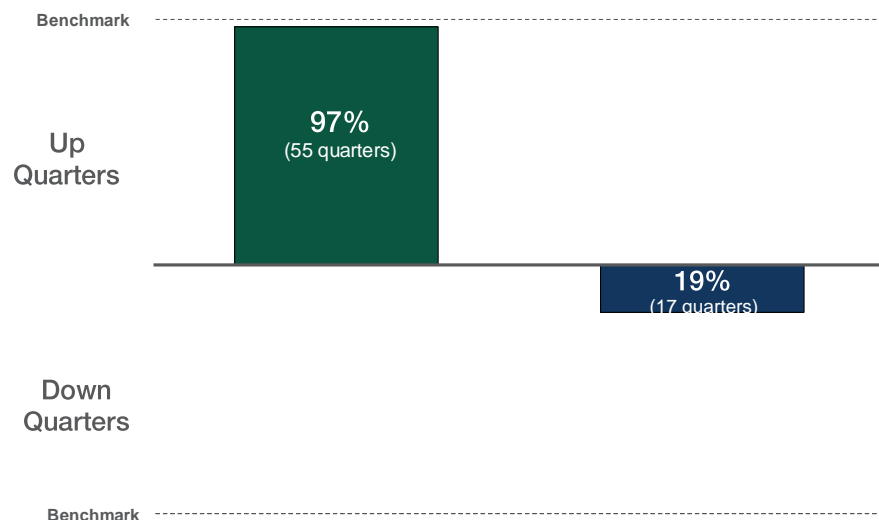
⁽³⁾ Balanced Fund benchmark is 5% FTSE Canada 91 Day T-Bill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.

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

Investment Performance

Income Fund

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



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

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

Period ending September 30, 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.

Investment Performance

We like the prospects for our portfolios

- The bond portfolio contains quality bonds with limited price risk
 - Income-oriented equities in the Income Fund should add value over time
 - Dividend yield exceeds bond yield, with superior long-term growth and inflation protection
- The North American equity portfolio is comprised of quality stocks with attractive prices
 - Established, dividend-oriented stocks
 - Modest valuations add margin of safety
 - Recovery potential post COVID
- International equities continue to add diversification

Appendix

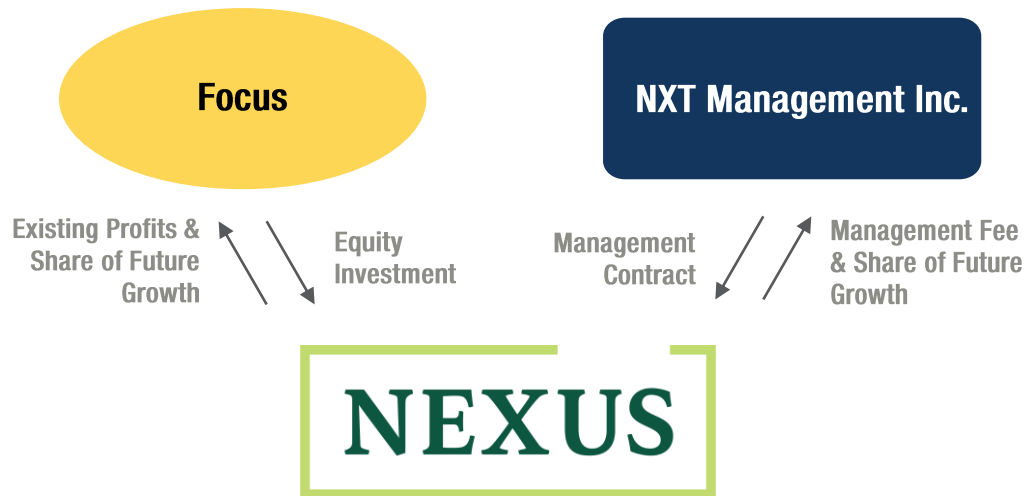
Inside Nexus

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

Inside Nexus

Nexus and Focus share in future success

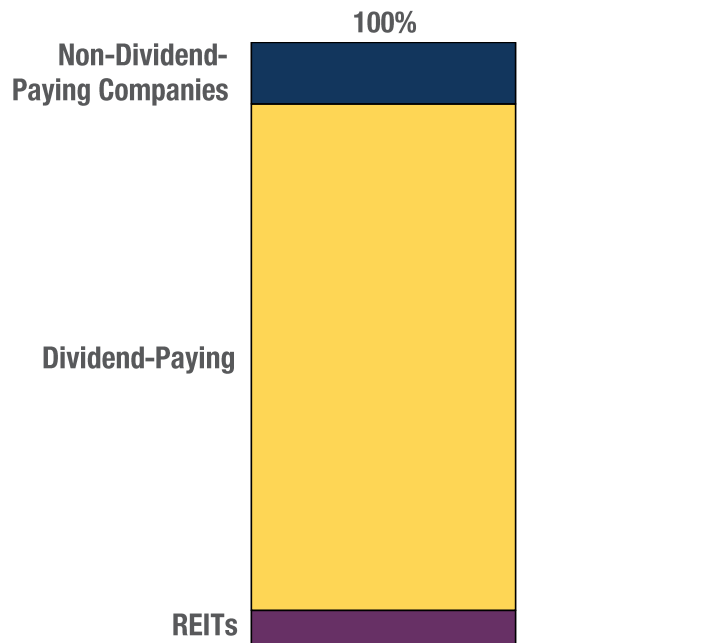


- Focus acquires an equity interest in Nexus and enters into an agreement with NXT to manage the business
- Certain Nexus professionals become owners of NXT
 - Initially, 9 professionals
- Future growth of Nexus's profits is shared between Focus and NXT

Portfolio Overview

Equities

Our North American equities combine defensiveness and growth



- 4 stocks
- Average EPS growth of 18% per year over 5 years
- 23.5x average forward P/E multiple ⁽¹⁾
- 30 stocks ⁽²⁾
- 3.0% average dividend yield
- Average dividend growth of 8.9% per year over 5 years
- 18.6x average forward P/E multiple ⁽¹⁾
- 2 Real Estate Investment Trusts
- Average distribution yield of 5.4%
- Average Price/NAV of 67%

Nexus North American Equity Portfolio

As at September 30, 2020

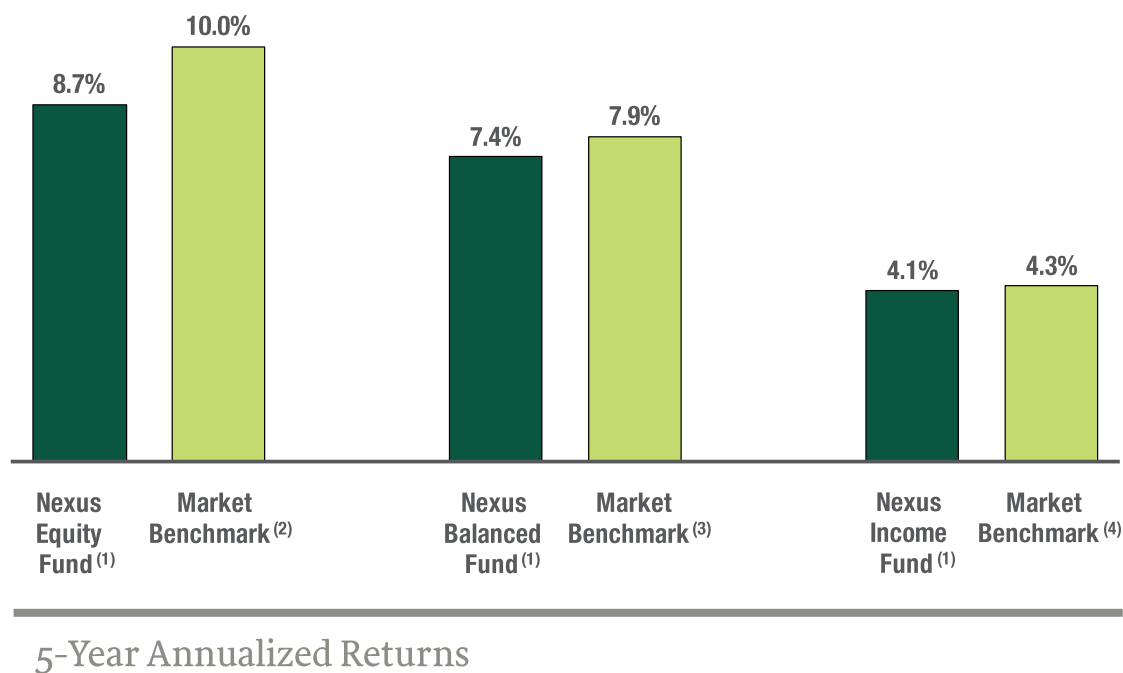
Source: Bloomberg.

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

⁽²⁾ Of the 30 stocks, four have temporarily suspended their dividends during the coronavirus pandemic.

Investment Performance

5-Year returns affected by recent Canadian Equity returns



Five Years ended September 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.

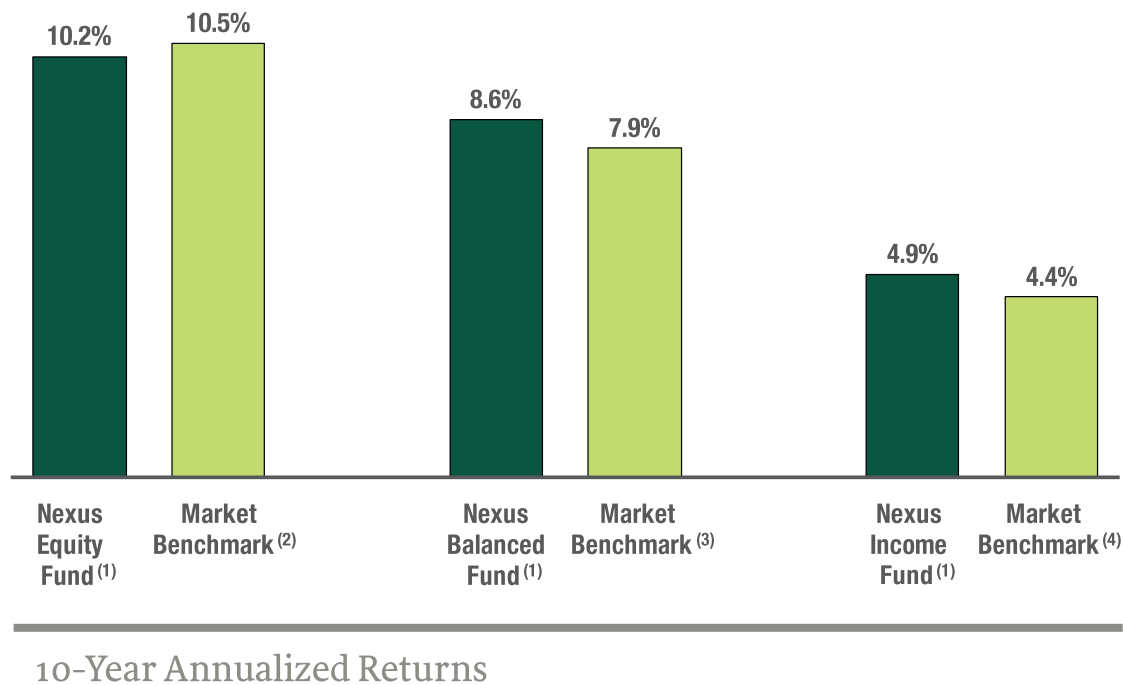
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⁽⁴⁾ Income Fund market benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

Investment Performance

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



Ten Years ended September 30, 2020

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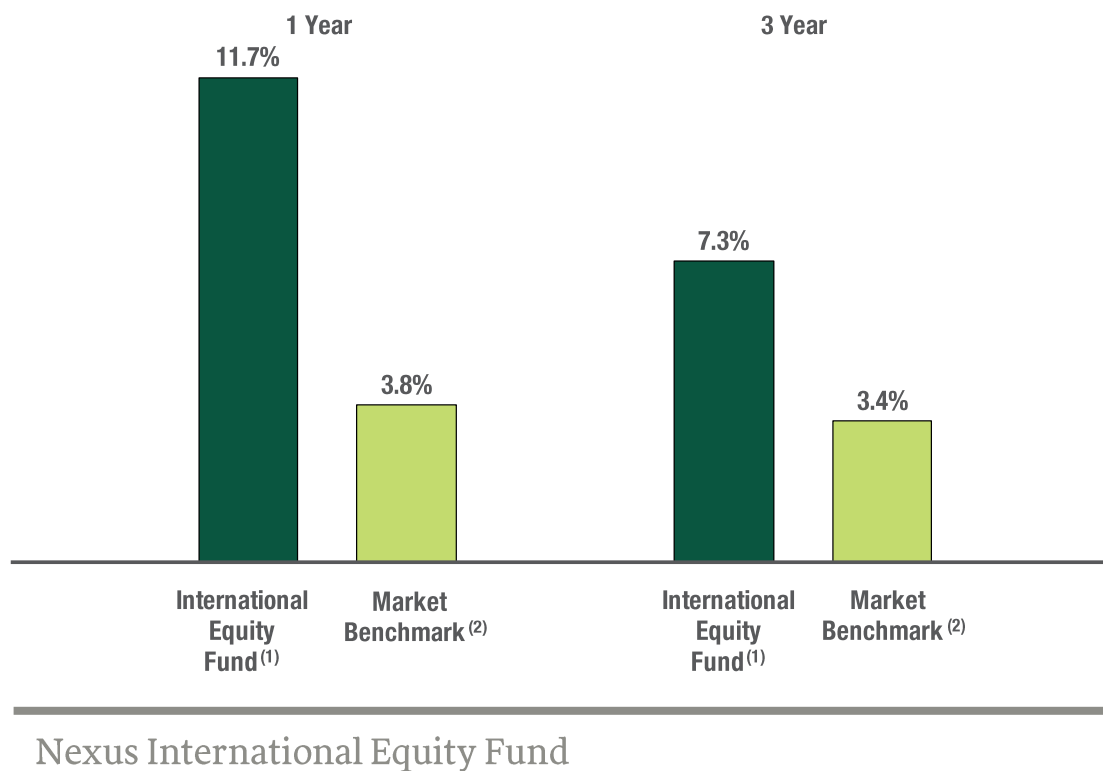
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⁽⁴⁾ Income Fund market benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

Investment Performance

The International Equity Fund has performed well relative to its benchmark



Periods ended September 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.

Thank you

NEXUS

www.nexusinvestments.com



Guiding investors
with *thoughtful*
wealth planning.