



Dear Fellow Investor:

Relative to the last thirty years, the TSX sprinted out of the gate in 2021, posting a top ten Q1 return of 8.05%. Our Canadian Equity Fund (CEF) continued its outperformance in Q1 and is now up 20.3% over the last six months – 251 basis points (bps) ahead of the Index. Meanwhile, our Absolute Return Fund (ARF) bested the Index by 300 bps in March and is up 7.7% YTD with low volatility and correlation to the S&P/TSX. (Performance based on F Series Units.)

The marathon is just beginning, however. Q1 and Q2 returns tend to be negatively correlated, with a strong Q1 typically followed by a weak Q2. While not necessarily guaranteeing a reversal, experience suggests that investors should prepare for a choppy second quarter. Of the 11 times where Q1 returns have exceeded 5% since 1991, in Q2 the TSX has been flat to down 6 times, with returns averaging 1.8% overall.

They say never look back until the race is over. But with more than a year passed since the pandemic lows of 2020, it may now be safe to look back, if only to acknowledge how extraordinary the rebound has been. Early U.S. data suggests corporate profits slipped to 8.7% of national income in 2020, down from 9.0% in 2019, while national income contracted by just 2.6%; the result was a relatively shallow drop in corporate profits of ~6%. Public company earnings, which are typically more levered, declined by more, with S&P 500 operating earnings estimated to have dropped 22% last year.

But how much worse would things have been had the U.S. government not upped its deficit to ~14.7% of national income, from 5.8% in 2019? This was a much more dramatic intervention than in 2009 when the deficit hit 10.9%. Last time around, deficits continued into 2010 (10.7%) and 2011 (9.6%), helping shore up the economy and stock markets.

U.S. legislators along with their Canadian counterparts appear to understand the need to keep spending. The U.S. has already rolled out another US\$1.9T stimulus package (~9% of GNP) with the Biden administration announcing plans for a US\$2T infrastructure package over the next eight years. The go-forward effects on markets may be muted, however, as the administration plans to fund most of its infrastructure plan by hiking U.S. corporate tax rates to 28% and tightening offshore profit rules.

We anticipate U.S. stimulus cheques will continue to buoy markets in the early parts of Q2, with volatility returning over the remainder of the year. CEF is invested to benefit as the economy ramps back up, while defensively positioned should reopening take longer than expected. ARF is similarly positioned to capitalize on the transition, using strategies to enhance returns and maintain its low correlation and volatility versus the market. (For further details please see our monthly commentaries, linked below.)

In our view, markets are facing a much different race in 2021. What worked last year is unlikely to work again. Managing this year's risks requires even greater focus on the fundamentals and careful stock selection. Research still makes all the difference.

We thank you for your continued support.

Your fellow investors,  
Anthony Scilipoti  
Sam La Bell



**FUND DETAILS\***

Type	Fee based
Fund Code	VAM 201
Total Assets (All classes)	\$16.2 million
Category	Canadian Equity
Inception Date	May 1, 2018
Management Fee	0.95%
Number of Holdings	34
Minimum Investment	\$1,000 initial / \$500 subsequent
Firm AUM	\$38.6 million
Employee AUM <sup>1</sup>	\$3.3 million
Volatility Risk Profile	Medium
Distribution Frequency	Annually if any

**PORTFOLIO OBJECTIVE**

The investment objective of the Veritas Canadian Equity Fund is to provide Unitholders with long term capital growth earning enhanced risk adjusted returns relative to the S&P TSX Composite Total Return Index by investing in a portfolio comprised primarily of the securities of Canadian companies.

**WHY INVEST WITH US**

- Driven by award winning research
- High-conviction concentrated portfolio
- Low market correlation
- Index and sector-agnostic
- Low turnover portfolio
- Strict risk management optimization process

**THE PORTFOLIO PRIMARILY INVESTS IN**

The Fund will invest primarily in the securities of companies included on the V-List Model Portfolio as prepared by Veritas Investment Research Corporation (VIR).

The V-List was launched by VIR in 2004. The V-List is a concentrated model portfolio of between 12 and 25 companies that comprise VIR's best investment ideas. The fund is systematically optimized to minimize volatility and maximize performance relative to passive investing.

Companies are selected based on their potential for long term capital appreciation, using bottom-up fundamental analysis and a strict review of accounting and disclosure practices to identify companies with defensible competitive advantages and the ability to generate meaningful cash flows.

**ABOUT VERITAS ASSET MANAGEMENT**

Veritas Asset Management (VAM) is an independent employee owned research driven investment manager. VAM was founded on the belief that superior research leads to better investment decisions. VAM sources its investment ideas from Veritas Investment Research Corp. (VIR), an award-winning independent equity research organization whose fundamental analysis is based on forensic-accounting principles.

Once ideas are selected, the next step in building a VAM portfolio is risk management. After studying the fundamentals, the portfolio managers at VAM overlay a factor-based risk management strategy. This approach allows VAM to select a portfolio of names and individual weights that, when combined, are designed to minimize risk. VAM is sector agnostic and takes concentrated positions based on each company's relative risk/reward characteristics.

Together, VAM and VIR offer a unique investment solution that diversifies and adds value to investor portfolios.

**PERFORMANCE<sup>6</sup>**

	YTD	1 MONTH	1 YEAR	SINCE INCEPTION
FUND	9.0%	5.3%	23.1%	20.1%
INDEX	8.1%	3.9%	44.3%	31.3%

RISK MEASURES <sup>2</sup>	1 YEAR	SINCE INCEPTION
Beta <sup>3</sup>	0.63	0.69
Fund Volatility <sup>4</sup>	13.6%	13.9%
Index Volatility	14.7%	17.3%

	TOP TEN HOLDINGS <sup>5</sup>	TICKER	% WEIGHT
1	TransAlta Corp.	TA	6.23
2	Alimentation Couche-Tard Inc.	ATD.B	5.89
3	TFI International Inc.	TFII	5.18
4	Manulife Financial Corp.	MFC	5.01
5	Bank of Montreal	BMO	4.41
6	Maple Leaf Foods Inc.	MFI	4.08
7	SNC-Lavalin Group Inc.	SNC	4.06
8	Metro Inc.	MRU	4.04
9	George Weston Ltd.	WN	4.03
10	Capital Power Corp.	CPX	4.02
	<b>Top 10 weight</b>		<b>49.96</b>



**SLOW AND STEADY WINS THE RACE**

The Series F of the Veritas Canadian Equity fund returned 5.26% in March, well above the index return of 3.87%. For the first quarter, our return reached 9.00%, which exceeded the index return of 8.05%. Notably, our returns have been achieved with lower volatility and correlation to the index, averaging a standard deviation of 13.57% over the last year, below the index at 14.68%, with a 0.69 correlation to the TSX.

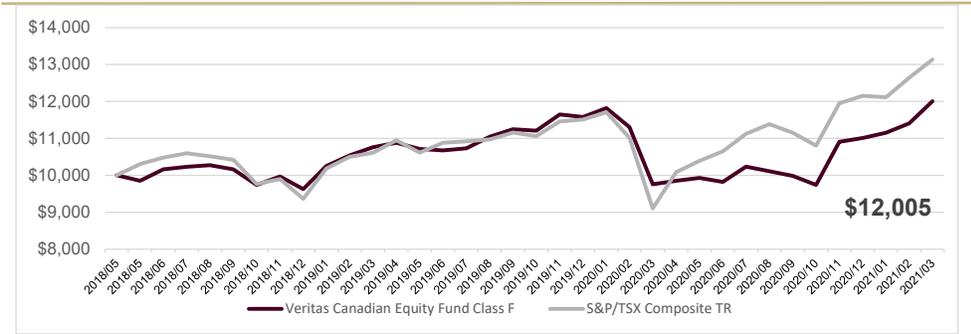
The Fund's position in **Canadian Natural Resources Ltd. (CNQ)** was the top contributor to fund performance for the month of March. As the world watched a ship block, then unblock, the Suez Canal, OPEC met to decide this year's supply schedule. In our view, OPEC's commitment to a slow ramp up in 2021 extends support for crude at current prices. With WTI in the mid-to-high US\$50s, **CNQ** currently offers a free cash flow yield of 15%+ this year, which should further strengthen the company's balance sheet and allow for share buybacks, future dividend increases or M&A.

The Fund's position in **George Weston Limited (WN)** was the second-best contributor to fund performance in March as investors applauded the company's decision to explore a sale of its Weston Bakeries business. The potential Bakeries sale increases focus on Weston's Loblaws and REIT businesses and removes some of Weston's longstanding holdco discount. Meanwhile, **WN's** steady cash flow and balance sheet strength give it considerable flexibility.

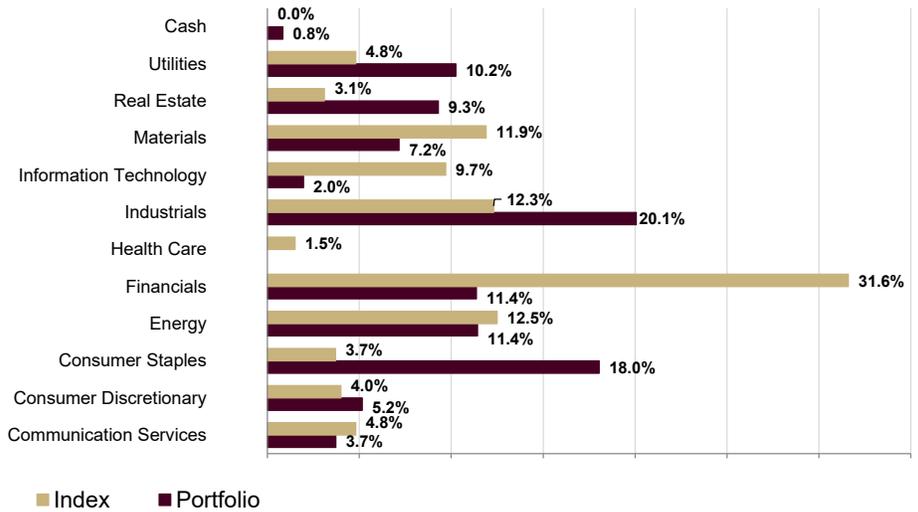
Our goal is to buy the best companies in sectors where we identify positive investment catalysts while avoiding poorly positioned companies and industry headwinds in sectors where we identify investment risks. We evaluate companies based on balance sheet strength; free cash flow sustainability; transparent financial reporting and governance; as well as the ability to endure periods of economic weakness.

**PERFORMANCE<sup>7</sup>**

**Growth of \$10,000 (since inception date)**



**SECTOR ALLOCATIONS<sup>8</sup>**





## DISCLOSURES

The information contained herein is for general information purposes and does not constitute a solicitation for the purchase or sale of securities. The full details of the Fund, its investment strategies and the risks are detailed in the Fund's current simplified prospectus, annual information form, and fund facts document, copies of which may be obtained from Sedar, your dealer, Veritas Asset Management Inc. ("VAM") or at [Veritasfunds.com](http://Veritasfunds.com). Please read the prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. All performance data assume reinvestment of all distributions or dividends and do not take into account other charges or income taxes payable by any unitholder that would have reduced returns. The performance of the Fund is not guaranteed, unit values change frequently and past performance may not be repeated. Performance is presented in Canadian dollars, unless otherwise stated, and is net of fees of Class F units of the Fund. VAM is an affiliate of Veritas Investment Research Corporation ("VIR"), which produces and issues independent equity research regarding public issuers to investors and other capital markets participants. VAM is a client of VIR and receives research reports from VIR at the same time as VIR's other clients. VIR and VAM have implemented policies and procedures to minimize the potential for and to address conflicts of interest, which are available upon request.

1. Employee AUM includes all parties related to the Manager in all series or classes of all Veritas Asset Management Inc. Funds, as at March 31, 2021.
2. Source: Refinitiv, Veritas Asset Management Inc. estimates, for period ending March 31, 2021. Class F Inception Date: May 1, 2018. Benchmark is the S&P/TSX Composite Index. The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Veritas Canadian Equity Fund draws its ideas from constituents in the index, but differs in its weighting of securities.
3. Beta (observed beta)  $\beta_{i,f}$  based on historical relationship between fund return (F) and index (I) performance.  $\beta_{i,f} = \text{Cov}(R_i, R_f) / \text{Var}(R_i)$  where  $R_i$  is the monthly index return,  $R_f$  is monthly fund return.
4. Volatility is expressed in terms of historical annual volatility. Historical monthly volatility is measured by the standard deviation of monthly returns. Historical Annual Volatility is measured by annualizing monthly data.
5. Source: Refinitiv & Veritas Asset Management Inc. estimates. Portfolio weights refer to end of day weights for period ending March 31, 2021.
6. Source: Refinitiv. Class F Inception Date: May 1, 2018. Portfolio weights refer to end of day weights for period ending March 31, 2021. Past performance is not indicative of future performance. The S&P/TSX Composite Index is a capitalization weighted index that represents some of the largest float adjusted stocks trading on the Toronto Stock Exchange. Veritas Canadian Equity Fund draws its ideas from constituents in the index, but differs in its weighting of securities.
7. Source: Refinitiv. Class F Inception Date: May 1, 2018. Performance as of March 31, 2021. Past performance is not indicative of future performance. The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Veritas Canadian Equity Fund draws its ideas from constituents in the index, but differs in its weighting of securities.
8. Source: Refinitiv & Veritas Asset Management Inc. estimates. Portfolio weights refer to end of day weights for period ending March 31, 2021. The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Veritas Canadian Equity Fund draws its ideas from constituents in the index, but differs in its weighting of securities.

\* Portfolio Manager changed to Antonio Scilipoti as of October 1, 2020.

\* All dollar figures are represented in CAD unless otherwise noted.