



## FUND DETAILS

|                                |                                       |
|--------------------------------|---------------------------------------|
| Type                           | Fee based/<br>Advisory Fee            |
| Fund Code                      | VAM 301                               |
| Total Assets (All series)      | \$15.6 million                        |
| Category                       | Alternative<br>Mutual Fund            |
| Inception Date                 | October 1, 2019                       |
| MER (%)<br>As at Dec. 31, 2019 | 2.01                                  |
| Management Fee                 | 1.5%                                  |
| Total Number of Holdings       | 73                                    |
| Total Long Positions           | 41                                    |
| Total Short Positions          | 32                                    |
| Minimum Investment             | \$5,000 initial /<br>\$500 subsequent |
| Distribution Frequency         | Annually if any                       |

## WHY INVEST IN VERITAS ABSOLUTE RETURN FUND?

- The Fund manages risks with the aim of preserving capital in down markets and achieving consistent returns.
- The Fund's long-short capability targets lower volatility than equities, less correlation to traditional asset classes, and greater downside protection.
- The Fund pursues an active investment discipline using forensic-accounting based research.
- Fundamental analysis is paired with systematic stock selection to generate alpha.
- Suitable for investors with a medium risk profile.
- Weekly liquidity.
- No performance fees.

## PORTFOLIO OBJECTIVE

The investment objective of the Fund is to achieve attractive risk adjusted rates of return that deliver long-term capital appreciation to unitholders.

The Fund will invest primarily in the securities of publicly traded Canadian companies that the Portfolio Manager identifies as mispriced. Long and short positions will be determined primarily based (in part) on recommendations provided by Veritas Investment Research Corporation (an affiliate of the Portfolio Manager). The Portfolio Manager may also invest in securities that are not formally covered by Veritas Investment Research Corporation.

The Fund will manage its long and short positions to reduce the impact of market volatility on the Fund's investment portfolio.

## MAY 2020: SUSPENDED ANIMATION

2020 has been an extraordinarily volatile ride for investors globally. Central banks have taken unprecedented action to prevent fallout after the fastest +30% decline in history. Trillions of dollars in stimulus has flooded markets resulting in the strongest 50-day rally in history. Companies in a precarious financial position have avoided bankruptcy, while those able to pivot to or facilitate the work-from-home ecosystem have prospered.

Putting the market's recent volatility into historic perspective, illustrates the opportunity for active management, especially in the Canadian market. Consider that if one had purchased the TSX Composite (through the ETF **XIC.TO**) in June 2008 at the peak prior to the financial crisis and sold at the bottom in March 2020, the investor would have experienced a negative price return of 25.5%. Dead money for over a decade. With dividends reinvested, the return becomes 5.9%, a figure that lagged inflation. Therefore, careful sector exposure combined with stock selection creates significant opportunity in the smaller more concentrated Canadian market.

Our goal is to buy companies best positioned to capitalize on their industry's tailwinds at discounts to their intrinsic values and short poorly positioned companies in challenged industries. During Q1-2020, our performance was driven by a net short position in the consumer discretionary sector in anticipation of a recessionary crisis. Most noteworthy short contributors to Fund performance included MTY Food Group (**MTY**), Canadian Tire (**CTC/A**) and Spin Master (**TOY**), which severely underperformed their benchmark. One the long side, we were overweight consumer staples, a sector that outperformed the broad market. Standouts include Loblaw's (**L**) and Metro (**MRU**), both of which provided a positive return during the market's sharp decline.

April and May have been markedly different than Q1; the TSX composite is up 14.2%, while **TOY** rose over 38%, **MTY** 15%, and **CTC/A** 40%. At the same time, **MRU** and **L** languished relative to the index with returns of +1.3% and -6.1%, respectively. Although the stock prices may have changed materially, we believe the economic backdrop and each company's fundamentals have not. Given the deteriorating household balance sheet, we expect consumer discretionary and financial services companies to remain challenged and face a significant shock when the government fiscal stimulus programs expire in the coming months. Top contributors to May performance were long positions in Hydro One (**H**) and Waste Connections (**WCN**). The fund was long \$1.00 for every \$0.20 short, net exposure in May was 83%.

We continue to prefer businesses with strong balance sheets, free cash flow and the ability to endure periods of hardship. We will participate in the government fueled rally but remain cautiously positioned given the uncertainty of the economic recovery. Our goal is to provide a positive absolute return over the medium and long term with lower overall risk than broad equity markets.

### Volatility risk profile

LOW MEDIUM HIGH



## TOP 10 HOLDINGS

|    | COMPANY                | TICKER | LONG/<br>SHORT |
|----|------------------------|--------|----------------|
| 1  | SPDR Gold Shares       | GLD    | LONG           |
| 2  | Granite REIT           | GRT-U  | LONG           |
| 3  | Metro Inc.             | MRU    | LONG           |
| 4  | Hydro One Ltd.         | H      | LONG           |
| 5  | Cogeco Inc.            | CCA    | LONG           |
| 6  | Loblaw Companies Ltd.  | L      | LONG           |
| 7  | TransAlta Corp.        | TA     | LONG           |
| 8  | Waste Connections Inc. | WCN    | LONG           |
| 9  | CGI Inc.               | GIB.a  | LONG           |
| 10 | Crombie REIT           | CRR-U  | LONG           |



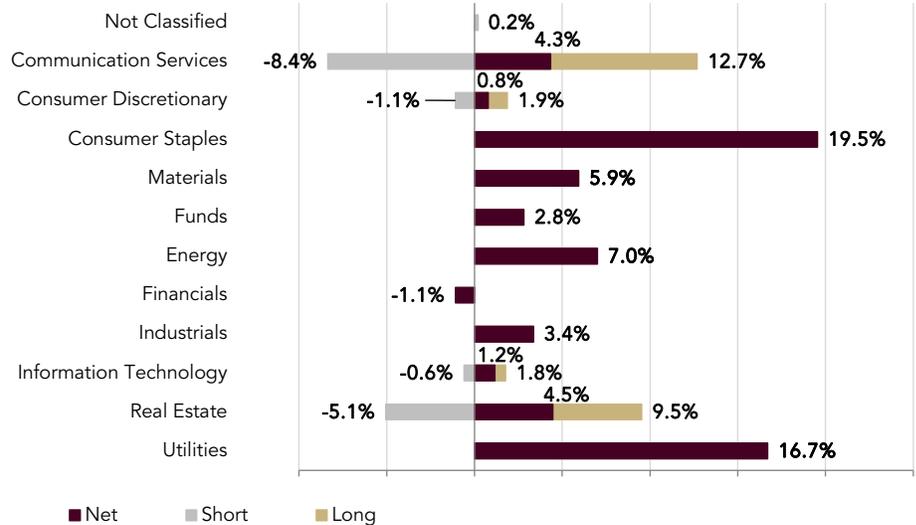
## ABOUT VERITAS ASSET MANAGEMENT

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.

## SECTOR ALLOCATIONS



## PERFORMANCE

Mutual Fund regulations restrict the presentation of performance figures until a Fund reaches its one-year anniversary.

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 Series 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.