Highwood
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January 16th, 2023

Dear Investors,

During the fourth quarter of 2022, our portfolio was up 26.2% in Canadian dollars net of fees. The broad European equity index was up 17.7%[1] and the Canadian index was +5.1% in the quarter.

The table below gives you a summary of our performance and exposure by strategy bucket for the quarter and the relevant periods since inception.

		Exposures by Strategy Bucket			
Time Period	**Performance, Net of Fees**	**Total Equity**	**Core Value Equity**	**Special Situations Equity**	**Cash**
FY 2019 [1]	1.9%	41.0%	36.0%	5.0%	59.0%
FY 2020	24.2%	78.1%	70.6%	7.5%	21.9%
FY 2021	5.1%	84.1%	80.8%	3.3%	15.9%
FY 2022	-14.5%	95.6%	79.9%	15.8%	4.4%
Q4 2022	**26.2%**	**95.6%**	**79.9%**	**15.8%**	**4.4%**
Average, Since Inception [1]	4.3%	77.2%	68.2%	8.9%	22.8%
Total Return, Since Inception [1]	13.9%				

1. Inception on December 9, 2019

The portfolio had a strong fourth quarter and that performance has continued into the new year. As of January 16th, the portfolio is up 38.3% from September 30th 2022. This is a sharp reversal from the first three months of 2022, and a reminder that in the short-term, stock prices can fluctuate widely from their intrinsic value. This is a gift to investors that can operate with behavioural discipline and a long-term approach. I made use of this gift in September by buying more shares in two of our holdings and one new position. Hence, we exited the year 96% invested as noted in the table above, up from 84% in H1.

In this letter, I intend to take stock for a moment, give a brief business update, share the summary thesis on a new investment in the equity of Hotel Chocolat PLC and give the usual portfolio update including commentary on what is happening in our holdings on a position-by-position basis.

It has now been three years since the inception of Highwood Value Partners. I am proud of what I have built so far. Highwood is my response to an industry that has not provided value to its clients. As such, it is differentiated in a number of ways that I believe offer a much-improved proposition for long-term investors than what is available from larger asset managers or bank run 'products'. I outlined exactly how Highwood is differentiated from the vast majority of larger managers in a previous letter here. In short,

[1] MSCI Europe (in CAD) and TSX respectively.

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Highwood takes a business owner approach to investing in public markets. It is crafted to prioritize returns on invested capital over AUM growth. My money is invested alongside yours, which means I would rather manage less money and earn higher returns than more money with lower returns. I value transparency – partly provided through these letters – and as the person with sole discretion over investment decisions, there is true accountability instead of internal politics and decision by committee. Our structure, separately managed accounts with client capital custodied by a third-party independent custodian, offsets the key man risk that is inherent in a small firm. If I was to be hit by a bus tomorrow, there is no complicated wind-down process: you already have your capital in your account and have full control over that capital. Most intelligent investors I know appreciate the value of these differences. Thus, the firm has grown through word of mouth and referrals only and counts many intelligent, long-term investors as clients and supporters. I am grateful for your trust and value your support.

Our strategy and focus remains largely unchanged three years on. I expect to manage the portfolio with less cash and more exposure over the next three years than in the past three. Our focus will remain on European equities though I will retain flexibility if I find opportunities outside this geography. I touched on 'Why Europe?' in a previous letter here. To summarize, Europe has statistically been home to the largest proportion of the true alpha opportunities, yet there are very few managers in Canada that have this focus and even fewer that combine this focus with the structural advantages mentioned above. I am fortunate to have developed my circle of competence in this geography and am laser focused on leveraging this experience for other Canadians alongside my own capital.

Highwood has outperformed the broad European equity index by 200bps per annum and the Mid Cap European index by 459bps per annum since inception[2], while deploying 76% of our capital on average over that time. Your portfolio is now more invested, and at a larger discount to intrinsic value, which is partly the result of the many headlines you have read about Europe over the past year. We are now 96% invested in 12 companies that are trading at 10.6x earnings with little to no debt on the balance sheet, high returns on capital and run by management teams that are significant owners in their businesses. It is a good time to be disciplined value investor in Europe and I continue to believe ours is a potent formula for long term returns.

Business Update:

Over the past three years, we have also evolved the operational aspects of the firm in a direction I am excited about. We have taken on a new custodian which has simplified the process of managing individual accounts and we have added a new employee which has increased the horsepower of the firm to manage client requests. As a result, I have decided to lower the investment minimum to $200,000 for new accounts. Please reach out to me if you would like to discuss the proposition of hiring Highwood to manage a portion of your portfolio.

Hotel Chocolat Summary Thesis

[2] MSCI Europe (in CAD) and MSCI SMID Cap (in CAD) respectively.

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Hotel Chocolat is a classic core value investment for Highwood. It is a well managed, conservatively financed, high quality business that we have been able to buy at what I believe is a steal of a price.

Hotel Chocolat is a mid cap, UK listed, vertically integrated, direct to consumer (DtC) chocolate manufacturer, which retails its chocolates through its own estate of 122 stores in the UK, online through its website and wholesale through select retailers. The company has a well invested brand based on the values of ethics, sustainability and originality. It is known as the premium, affordable luxury chocolate brand in the UK, and resonates well with affluent and younger customers, especially for gifting. As a result of its brand, the company has consistently earned a mid 60's gross margin, which includes the manufacturing and retailing margin, on products ranging in price from £3 to £300, with an average price point of £8. The company has an impressive track record. Over the past nine years, the business has grown revenue 3.3x and profits by 6.4x, or a 23% CAGR while averaging a return on capital of 30%. The company is run by the founder led management team, who own 54% of the shares worth $145mn and who have directed the company's expansion while maintaining a conservative balance sheet, which is net cash today. A high quality, premium brand generating strong returns on capital and significant growth run by a well aligned management team is uncommon. As a result, the public shares in this business have consistently traded at a lofty 35x earnings on average since its listing in 2016. In short, it has been a stock market darling: a high-quality business, recognized as such by investors.

In 2018 encouraged by the success of the brand in its core UK market, the company began expanding in Japan, via joint venture, and in the US through a wholly owned subsidiary. Then came the Covid-19 induced lock-downs. Management responded by diversifying the company's sales channels, with a greater focus on-line, and expanding the product line while also managing its store portfolio in the UK and two nascent international businesses supplied by the UK manufacturing operation. The strategy over this period is best described as 'growth at any cost', as the company saw two years of accelerated growth with substantial incremental cost stemming from the increased complexity of the operation. This included larger inventories and a higher rate of discounting as the company shifted inventory across different sales channels depending on whether customers were in lock down or not. Revenue grew by two thirds but EBITDA margins deteriorated from 16% to mid single digits and cash flow halved, despite the larger base of revenue. At the same time, the company also went through a significant investment cycle to build additional manufacturing capacity to feed this higher rate of growth. The UK business is now doing 70% more revenue than pre-pandemic, has a well invested manufacturing facility and distribution that is genuinely multi-channel. In the last fiscal year, roughly half of the group revenue is from the store base and half from on-line sales. And while the international business grew significantly over this period despite the lock-downs, 95% of group revenue in the last fiscal year was from the core UK market.

The pandemic period also clarified which products, sales channels and geographies offer the highest returns on capital. Management have adjusted the strategy in response and are now shifting to focus resources and capital on those high return opportunities and away from the lowest returning activities, a strategy which can be described as running the business for 'value over volume' – a sharp contrast to the pandemic period strategy. This resulted in management's decision, announced in July 2022, to stop investment into the lower return, higher risk international businesses and focus on the core UK business

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with its expanded product range, including a large and growing subscription based hot chocolate offer and a growing crème liquor business.

Existing shareholders at the time did not like this change in strategy and sold their shares aggressively, sending the share price from £4 to £1.30 over the summer of 2022, an all-time low price for the public shares in the company since its listing in 2016. This created an opportunity for us to buy into a strong UK business at a substantial margin of safety to any realistic estimate of its worth. We acquired our shareholding at 0.8x revenue and 8x normalised earnings per share. In many ways, the UK business is in the best shape it has ever been in, with increased scale, a genuine multi-channel offer, a well invested manufacturing base which can supply volumes 2x the current level, and two new product categories in the form of a subscription hot chocolate offer (known as the Velvetiser) and a growing range of creamed liquors, similar to Baileys Irish Cream.

Hotel Chocolate is differentiated from traditional premium and FMCG[3] chocolate brands in the UK because it has the combination of a UK manufacturing operation, full ownership and control of its distribution and a premium brand. This combination is a powerful competitive advantage. The DtC nature of the business – retail through 122 Hotel Chocolat stores and half of sales online – results in a close relationship with the customer. Its own manufacturing gives the company flexibility to adjust range and innovate on new products based on that relationship. The direct relationship with customers also affords Hotel Chocolat the ability to shape the brand in a away that it's primary competitors who sell their products through mass market retail as FMCG products do not have. For example, Hotel Chocolat is able to advertise their ethical and sustainable values direct to the consumer at the point of purchase. The company's competitive moat has widened through the Covid period. It has grown its online active customer database to 2 million people over the past 3 years, it has grown its sales of gifting related boxed chocolate to c.50% of sales, a strong indication of brand health, and its manufacturing operation has been modernised to permit greater flexibility and unique range for its customers. This contrasts with other premium chocolate brands such as Lindt and Godiva, both of which are excellent businesses, but have a less flexible manufacturing base and an indirect relationship with the consumer as they are distributed through the major retailers.

There is, in my view, plenty of growth available to Hotel Chocolate in the core UK market. The premium chocolate category is growing high single digits per annum and Hotel Chocolat has consistently gained share[4] in this category. Still, Hotel Chocolate has an estimated 3% share of the total chocolate market in the UK, which is one indication of the runway for growth ahead. On top of this, the business has established products in large new categories (hot chocolate and crème liquor) that are doing well. Over the next 2 years, management will focus more on profitability as noted earlier. They are eliminating the excess cost built up during the pandemic, reducing inventory and the levels of discounting that came with the need to toggle inventory between sales channels and extracting the most value out of the expanded manufacturing operation on a per unit basis. Management have identified an estimated 15pts of incremental margin and 11% of the market cap in excess inventory available from executing on these initiatives. If they can capture two thirds of these benefits, the company would see normalised EBITDA margins of 20%, though I suspect

[3] Fast Moving Consumer Goods.
[4] HOTC has averaged organic revenue growth in the UK market of 13.5% per annum since 2013.

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the CEO believes the business should be doing closer to 25% EBITDA margins and growing at a similar rate to the 12% CAGR it was doing pre pandemic (a period in which it did not have the expanded product range).

In my opinion, our downside is well covered despite the challenging consumer environment in the UK. Looking out 3years, if revenue is down 10% over the period, margins end up 25% below where they were pre-pandemic and we exit at 14x earnings we would get our money back and make a modest return. On the other hand, if management's increased focus delivers modest revenue growth below what it has achieved in the past, EBITDA margins of 25% and we exit at a multiple more in line, but still below its history, we stand to make more than 6x money from our purchase price. On top of this, we retain the option that the velvetiser and alcohol categories are incremental to growth, which would add further upside to our investment. From our acquisition price of £1.35 per share, Hotel Chocolat equity was, in my opinion, the wrong price.

It is worth noting that management's long term incentive program, instituted in 2021, allows for a one-time bonus of 3.3mn shares (worth $47mn) to senior management and executive directors if the share price is at least £12.00 in the next 3-5 years, or a 9x return vs our purchase price[5]. This target which may seem a long way from where we are today but is within the range of outcomes if management execute well in my view. I have had a number of conversations with management and look forward to being an engaged long-term shareholder as they progress toward their targets.

Portfolio Updates

Below is the usual table which summarizes a few key statistics on the portfolio as of December 31st. The portfolio is trading at 45 cents on the dollar of intrinsic value and a median P/E of 10.6x. Median Net Debt is 0.2x EBITDA across the portfolio.

Highwood Value Partners Portfolio						
As of Date	% Invested	Median Price / Est. Intrinsic Value	Median Market Cap, in Mns of USD	Median Net Debt (Cash) / EBITDA	Median EV / Sales	Median P/E
31-Dec-19	41%	0.54x	550	-0.8x	1.6x	15.1x
31-Dec-20	78%	0.69x	713	-0.3x	2.2x	13.1x
31-Dec-21	84%	0.52x	1387	-0.5x	2.0x	13.3x
31-Dec-22	96%	0.45x	1013	0.2x	1.0x	10.6x

Below are the updates on our portfolio holdings in the quarter in alphabetical order.

[5] The minimum price the shares have to be for this award to vest is £4.72, or 3.5x our purchase price.

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Alimak – Core Value

Alimak is our mid-cap, Swedish industrial business which operates an attractive installed base business model. It has a dominant position in the core industrial elevator business which provides a defensive, growing cash flow that management can deploy back into organic growth at high returns, acquisitions to consolidate other niches within vertical access or return to shareholders. The company reported another strong set of results for the quarter ended September 30th. Order intake increased 25%, Revenue +21% and operating profits +26%. The core Alimak business is doing very well. Alimak also closed the acquisition of Tractel in the quarter and announced the new management structure. The former CFO of Tractel, Sylvain Grange, will take over as CFO of the combined entity and the former CEO of Tractel will lead the Façade Access and Height Safety divisions. On a pro-forma basis, we own the new, enlarged group at 9x EBIT and 10x Earnings.

Borr Drilling – Special Situation

Borr Drilling is our mid-cap, Norwegian listed owner of shallow water drilling rigs and is one of two special situations investments for Highwood. The summary thesis on our investment in Borr is available here. During the last quarter of the year, Borr continued to execute well against our thesis. Management re-contracted 5 rigs in the Gulf of Mexico at increased day rates and won a new contract for a previously idle rig at a day rate of $150,000. This day rate is a new high in this cycle for Borr, and especially impressive given it was for a relatively older rig in their fleet. It is further confirmation of the strengthening of the day rate cycle, a core part of our thesis for this investment. Borr also reported Q3 results during the quarter which showed more evidence of the improving environment – day rate revenue was up 57% year over year and the company exited December with 21 out of 22 delivered rigs now contracted. Our shares in Borr were up 85% in the year but are still trading at 2x distributable free cash flow at an average contract rate of $150,000/day which is where the most recent contract was agreed.

Burford Capital – Core Value

Burford Capital is our UK listed global market leader in litigation finance. The company makes money from investing in mis-priced corporate litigation claims by funding the legal costs of the claimant in exchange for a share of the ultimate award. It was a relatively quiet quarter for the company with no significant updates on the core business or on the YPF claim. My research on the company continues to suggest that Burford's returns on capital are sustainable and that the opportunity to grow the business at these attractive rates of return is significant. Yet, the equity is priced at a discount to my estimate of the run-off value of the existing claims on the balance sheet excluding any potential gain from the YPF claim.

GetBusy PLC – Core Value

GetBusy is our small-cap, UK productivity software business with a strong position in the tax and accountancy vertical, good economics and a net cash balance sheet. This continues to be the 'little business that could'. In my last letter to you I outlined how the company was executing ahead of my initial underwriting assumptions. Revenue was up 21% in the first half and management increased guidance for the full year in July. During the most recent quarter, the company gave a further trading update, in which it reported that revenue in the second half of the year was up 27% YoY, which prompted a second upgrade to

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full year guidance. Management re-iterated their ambition to double the revenue of the business from 2021 to 2026, a goal they are on track to exceed at the run rate since 2021. With gross margins of 90% and a relatively fixed cost base, the business will see significant operating leverage and cash flow generation if they can double revenue. Despite this, the shares continue to languish around 62p per share, which values the business at a substantial discount to any realistic estimate of its breakup value. While on a consolidated basis the company looks break-even, and hence the equity is not optically cheap on the basis of static multiples of reported profits, the business is separable into three different assets. At the current price, we own the core cash generative asset – Virtual Cabinet – at a 13% free cash flow yield and get the two remaining assets – SmartVault and Workiro – for free. The business has a net cash balance sheet and management and the board own 30% of the equity. We are happy holders: I believe our downside is well covered and we have a good shot at making an outsized return over the next few years.

JZ Capital Partners – Special Situation

JZ Capital is our small cap, UK listed closed-end private equity fund in liquidation. The price of our shares in the fund was largely unchanged £1.70 per share at year end. During the fourth quarter, the fund made good progress toward its stated goal of liquidating its assets, paying off any remaining debts and returning residual capital to shareholders. JZ sold two large fund assets in the quarter for total proceeds of $108mn at a small discount to NAV and redeemed the zero dividend preference shares when they matured on October 1st. The fund now has net cash of £1 per share and is in a position to start returning capital to shareholders in 2023. The NAV of the fund has also been significantly de-risked. 60% of the price of our shares is now backed by cash in the bank, net of any debts. This means we are well placed to get our money back as long as the remaining assets in the fund are sold at 25 cents on the dollar or better. On the upside, if the remaining assets are sold at NAV, the fund would be in a position to distribute closer to £3.50 per share, which is double the current share price.

Naked Wines – Core Value

Naked wines is our UK listed online direct-to-consumer subscription wine business. The decline in the share price of Naked Wines has been the largest detractor to our performance in 2022 as I made the position too large in June. As a fellow shareholder described it, Naked Wines suffered a 'lollapalloza of non-fatal errors' this year. I couldn't agree more. However, looking forward what remains is a competitively advantaged business model that connects wine drinkers with wine makers where both parties get exceptional value from using Naked Wines as their platform for buying or selling wine. This core offer is unique (and superior) in the industry and as the H1 results showed, the company continues to gain share in the DtC channel. Naked Wines will exit fiscal 2023 with a net cash balance sheet and is on track to generate significant amounts of cash in the year ahead as inventory unwinds. I continue to engage with the management on a regular basis and in my opinion, they are doing a great job of getting the business where it needs to be to capitalize on its competitive advantage in the medium term. It is a core value investment at a net-net price which is an attractive set up for long term shareholders that are willing and able to look through the short-term noise.

Protector Forsikring – Core Value

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Protector is our mid-cap, Norwegian P&C insurer with a cost advantage in underwriting which feeds a large and growing float. The company continues to execute well and the fundamentals are ahead of my initial underwriting assumptions over the past three years despite a pandemic, a war in Europe and the current challenging macro economic environment. Indeed, this has been one of our most successful investments over the past three years having delivered a 48% IRR since our initial purchase in December 2019, with more than two thirds of that being a realized return from capital gains and dividends already received. Such is the power of holding high quality businesses despite the gyrations of macro-economics and geo-politics.

The company reported Q3 results during the quarter, which showed the business is continuing to navigate the inflationary environment well. On the insurance side, Protector grew premiums 12% organically at an 85% combined ratio (15% profit margin). The insurance side of the business has evolved over the past 3 years such that it is now 80% short tail insurance risk – so policies of one year or less. This shift has benefited the business in two ways. Short tail insurance involves fundamentally lower underwriting risk and secondly, it is less negatively affected by inflation as policies are re-priced annually. Meanwhile on the investment side, the float has grown to over 10bn NOK or 1bn USD, roughly the same value as the current market cap. This is a powerful second engine to owner earnings growth. The bond portfolio, which is 84% of the total investment portfolio, is now yielding 5.5% and the remaining 16% of the portfolio is invested in the public shares of 31 companies at an average of 60 cents on the dollar of the Protector team's estimate of their value. Although we do not 'own' the float, we get the income from it and that income is a c.6% yield at today's prices. The outlook for the business is bright and we have a well aligned management team with a clear capital allocation framework at the helm.

Ryanair – Core Value

Ryanair is our large cap, Irish listed discount airline that is able to price its fares at a 30% discount to the costs of competing airlines and still earn a low twenties return on capital in a normalised environment[6]. We added to our position in Q3, which has been a profitable use of our capital so far – the shares are up 50% from our purchase price as of today. Ryanair reported H1 results to September 30th during the quarter. The group delivered a net profit of €1.4bn in the first half of the year and has reduced net debt to €0.5bn. This profitable result was delivered while also expanding the company's economic moat. The gap in cost per passenger between Ryanair and the competition continued to grow over the past six months and the business continued to take share across Europe.

The business is working for customers as well as shareholders. The lowest prices by a country mile, the fewest cancellations of any major airline in Europe over a disrupted summer travel season and 50% lower CO2 emissions per seat kilometer due to newer, more efficient aircraft[7]. Customers are voting with their feet, which has driven Ryanair traffic, load factors and market share growth. Following the H1 results reported in November, traffic and load factors continued to develop strongly which led management to raise their guidance for group profits in the full year to March by 25%, and the shares have moved up accordingly. The other major development during the quarter was that the board of Ryanair extended CEO

[6] Ryanair's return on capital in the ten years prior to the COVID-19 pandemic was 22.4%.
[7] Sustainalytics, a leading independent ESG research firm, has ranked Ryanair the #1 airline in Europe for ESG performance.

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Michael O'Leary's contract to 2028, and with it his incentive package. The vesting of his incentive package requires the company to achieve a share price of €21 or profit after tax 60% above the current level.

Sto SE – Core Value

Sto is our German listed, family run international manufacturer of building coatings with a dominant market position in external wall insulation in Europe trading at 9x earnings. During the quarter, the company reported Q3 revenue and reconfirmed guidance for the full year. Revenues were +12% in Q3 driven by price increases and government initiatives aimed at supporting energy efficient building refurbishment in some markets. The EU's climate goals require that over 35mn homes undertake 'energy efficiency renovations' by 2030 which implies more than a doubling of the renovation rate in this decade over the previous decade. This is a nice tailwind for Sto. Likewise, the invasion of Ukraine and subsequent meteoric rise in the cost to heat buildings brings the incentive to improve energy efficiency forward as it improves the building owner returns on such renovations. That said, I believe we have yet to really see the true benefit in Sto's revenues from either of these tailwinds. It takes time from when the building owner sees their bills or incentives to improve the insulation of their build become available to decide to take action, and from there it is typically 6-12 months before construction begins. It is only at that point that Sto sees demand for its products. I am optimistic on how Sto's business is likely to develop over the next few years. In the meantime, our downside is well covered and at an 11% free cash flow yield we are paid to wait.

Vestas – Core Value

Vestas is the Danish listed, global market leader in wind turbine manufacture, sale and service. The company has an attractive installed base business model with a highly profitable and competitively advantaged service business. Our shares in Vestas regained lost ground in Q4 (up 43%) as the first hints of improving fundamentals in the manufacturing side of the business started to show through. The inflation in major cost inputs for a turbine has reversed and the company has increased prices on new orders by 31% year over year. As the company works through the backlog of orders placed before prices were increased, we should see the profitability of the manufacturing (OEM) business improve. Despite the price increases Vestas has put through, the company is winning contracts to supply significant on shore and offshore projects, notably the 1.5GW project offshore New Jersey and the 1.3GW project offshore South Korea. Meanwhile the aftermarket service business is doing well. In Q3, the service business delivered record profits. Revenue was +32% and margins expanded to 24.5%. 2022 has been a difficult year for all the wind turbine OEMs – Siemens, GE and Vestas – due to a challenging supply chain, disrupted logistics and inflation in the cost to manufacture and deliver turbines. I am hopeful the OEMs, Vestas included, will recapture their fair share of the economic profits in this growing value chain in 2023.

As always, I value your support and welcome your questions and comments.

Sincerely,

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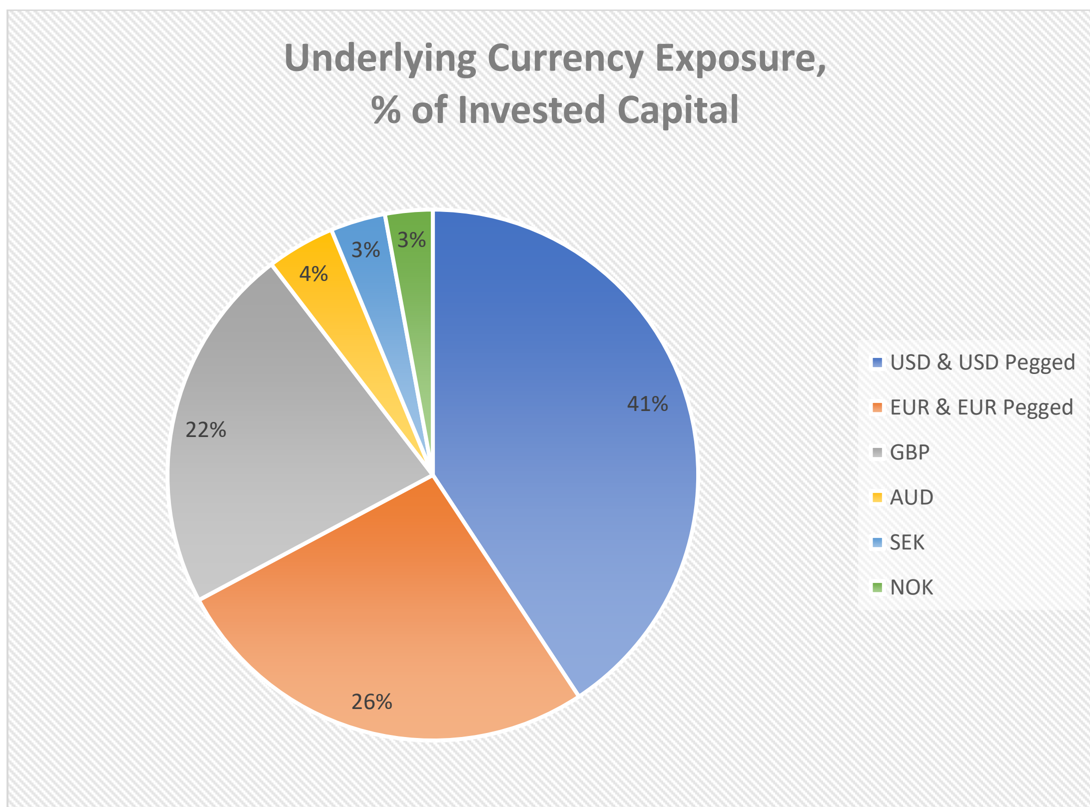
Desmond Kingsford

Appendix 1: Underlying Currency Exposure Split

This is not a breakdown of the listing currency of our holdings. It is the split of the currencies our portfolio companies earn their revenues in. As such, it is the underlying exposure to currencies you have through your partial ownership of these businesses. As investors can choose whether to have their account in USD or CAD and hence their cash balance may be in either USD or CAD, I have expressed the currency exposure as a percent of invested capital.



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Registration Obligations ("NI 31-103"). Desmond Kingsford, the principal of the Firm, is registered as the advising representative of the Firm under NI 31-103 with the Commissions.

The information presented in this Letter is not investment advice, should not be relied on as such, and should not be viewed as an investment recommendation by the Firm or Mr. Kingsford generally, or an offer or a solicitation of an offer for the purchase of any securities. Recipients should not make any investment decisions based on the information contained in this Letter. Only (i) an "accredited investor" as defined under section 1.1 of National Instrument 45-106 - *Prospectus Exemptions*; and (ii) a "permitted client" as defined under section 1.1 of NI 31-103 may invest with the Firm. This Letter is presented solely to illustrate the Firm's investment process and strategies as of the date indicated on the cover page of this Letter and is based on information provided by management of the Firm as of such date and on beliefs, assumptions, expectations and/or opinions of management as of such date. Certain information contained in this Letter may have been obtained by management of the Firm from third parties and, although believed to be reliable, has not been independently verified and its accuracy, timeliness or completeness cannot be guaranteed.

While the Firm's investment mandate is designed to reduce risk the program will inherently entail substantial risks. There can be no assurance that the investment objective of the Firm will be achieved. In fact, the investment techniques that the Firm may employ from time to time may, in certain circumstances, substantially increase the adverse impact on the Firm's investment portfolio. Accordingly, the Firm's activities could result in substantial losses under certain circumstances. A separately managed account managed by the Firm is highly speculative and there can be no assurance that the investment objectives of the Firm will be achieved. Nothing herein is intended to imply that the Firm's investment methodologies may be considered "conservative", "safe", "risk free" or "risk averse". Investors must be prepared to bear the risk of a total loss of their invested capital. Past performance of Mr. Kingsford and his affiliates is not necessarily indicative of the future results and any prospective clients of the Firm will need to be prepared to lose all or substantially all of their investment. The Firm will give no warranty as to the performance or profitability of any client account or that the investment objectives of a client's account will be successfully accomplished.

Certain statements contained in this Letter may be considered "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact included herein, without limitation, statements relating to the Firm's future financial performance and investment returns, are forward-looking statements.

Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. Forward-looking statements in this Letter include, among other things, statements relating to: the desire to generate outstanding investment results with low risk; the proposed timeline for the Firm's investment horizon and Mr. Kingsford's career; the benefits of operating the Firm out of Whistler, British Columbia as opposed to a more traditional investment market; Mr. Kingsford's beliefs regarding the necessary components to investment success; the future operating or financial performance of the Firm and the assets managed by the Firm; the intention to prioritize long-term investment return over short-term results; the intention to take on more capital only where the Firm believes it will not dilute investor returns; the intention to maintain a fee structure that incentivizes manager performance over asset gathering; the intention to maintain the Firm's current strategy and vision as it grows; the potential to provide a fund structure in addition to the SMA approach in the future; the Firm's mission to compound each dollar of invested capital into five dollars over a ten-year period without taking undue risk; the belief that a short term quarterly or annual results focus is harmful to long-term returns; the Firm's beliefs with respect to how risk is properly defined and mitigated; the Firm's beliefs as to how returns may actualize; the beliefs of the Firm and Mr. Kingsford regarding the prospective results of specific investments of the Firm; the theories and beliefs disclosed regarding what makes an investment strategy successful; and the expectation and plans for growth . Actual future results may differ materially. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements reflect the beliefs, opinions and projections on the date of this Letter and are based upon a number of assumptions and estimates that, while considered reasonable by the Firm and Mr. Kingsford, are inherently subject to significant business, economic, competitive, political and social uncertainties, many of which are beyond the control of management. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements and management of the Firm have made assumptions and estimates based on or related to many of these factors. Readers should not place undue reliance on the forward-looking statements and information contained in this Letter concerning these assumptions.

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