Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

July 11th, 2024

Dear Investors,

During the first half of 2024, our portfolio was up 5.6% in Canadian dollars net of fees[1] which brings our return since inception to +61.2% in Canadian dollars net of fees. This compares to the performance of the most relevant benchmark index, which was up 5.9% in the first half of 2024 and is +24.5% since the date of our inception.

The table below gives you the usual summary of our performance and exposure by strategy bucket for first half of 2024 and the relevant periods since inception.

Time Period	Return, Net of Fees[1]	Exposures by Strategy Bucket			
		Total Equity	**Core Value Equity**	**Special Situations Equity**	**Cash**
FY 2019 [2]	2.0%	41.1%	36.0%	5.1%	58.9%
FY 2020	25.9%	78.1%	70.6%	7.5%	21.9%
FY 2021	7.4%	84.1%	80.8%	3.3%	15.9%
FY 2022	-14.1%	95.6%	79.9%	15.8%	4.4%
FY 2023	28.9%	95.9%	79.2%	16.7%	4.1%
H1 2024	5.6%	94.1%	71.2%	23.0%	5.9%
Total Return, Since Inception	**61.2%**				
Average[3], Since Inception	**11.0%**	**82.3%**	**70.4%**	**11.9%**	**17.7%**

1. Returns presented are the returns of the Highwood Value Partners Client Composite. 2. Inception on December 9, 2019

3. Average Return presented is the Annualized Return of the Highwood Value Partners Client Composite.

This is the first 'semi-annual' letter to you, which is a change from the last four years of quarterly reporting. Happily, this change has freed up more of my time to find attractive returns for our collective capital. My aim is to write a letter that is not double the length of the old quarterly letter while still giving you the information I would want to receive if our roles were reversed, and you were investing my hard-earned capital.

In the paragraphs that follow, I will share the thesis on a new investment, give a brief business update and then provide the usual discussion of the portfolio on a position-by-position basis. As ever, I look forward to all questions you may have about Highwood or the portfolio.

---

[1] Returns presented are those of the *Highwood Value Partners Client Composite*, net of all fees and taxes in CAD. Past performance is not a guarante of future results. Individual client returns will vary. Please see the disclosures at the end of this letter.

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

During the period, I upgraded the Price / Value statistic in the portfolio by redeploying the proceeds from our sale of Hotel Chocolat PLC following its acquisition by Mars Inc in January 2024[2]. That deal left us with helpful proceeds (3.1x our initial invested capital), which are now invested in the shares of Bolloré SE and Compagnie de L'Odet, which are two French-listed companies controlled by Vincent Bolloré and his family.

Through this investment, we own a 21% stake in Universal Music Group, which is a capital light, fast growing royalty on the consumption and monetization of music globally, including all the recorded music by The Beatles, U2, Taylor Swift and many of the most successful artists of all time[3]. We also own a 30% stake in Vivendi, a diversified French media conglomerate plus our share of €6bn in corporate cash all at 30 cents on the dollar of their quoted market value[4]. Our look through free cash flow yield on this investment is c.16%.

The less obvious asset we own is the balance sheet flexibility that €6bn in net cash affords and the masterful ability of Vincent Bolloré for turning one Euro into many Euros through cleverness and patience. Vincent bought back his bankrupt family business from Edmond de Rothschild for a single French franc, aged 30, and has since built it into a €20bn asset using clever deal making and virtually every corporate finance trick in the book. He is now 72 years of age and in the last two years has simplified the 'Bolloré Galaxy'. There are more moves he can make which have the potential to create substantial value, and through our holdings we are as well aligned with him as we can be. We have an unusual margin of safety with a high-quality set of assets, which gives us a low-risk way of seeing how far he might go to leave a bow on his life's work. Please see the appendix for the full investment thesis.

Business Update

Highwood continues to grow and take on new investors on the back of strong relative performance. Highwood's investment result in 2023 was in the top 2% of European focused fund managers globally and the top 9% of that same group since inception, according to Nasdaq eVestment[5]. I try not to let my head be turned by comparisons with other managers, but I am nonetheless pleased that my investors are benefiting from my hard work over the past four and a half years. Indeed, I am focused on generating excellent *absolute* returns, as defined by mission, which is to turn every dollar of investors capital into five dollars over ten years without taking undue risk. The part of Highwood you see less of, but equally important, is the operations and compliance function we serve. I am pleased to report that during the first half of 2024 we completed our first routine operations and compliance audit by the BCSC. This was a root and branch review of our operations and compliance policies and procedures. You can be reassured that the regulator left no stone unturned in this process. I am as pleased with the results from the audit as I am with the investment result. One change you will note is that Highwood is now reporting returns of an asset weighted client 'composite'. This is the weighted average returns achieved by all clients after fees and expenses (including sales tax on management fees and withholding taxes on dividends) weighted by assets

[2] Please see the Q4 2023 letter for detail on this investment and the takeover by Mars.
[3] See the full list of Universal Music Group artists here.
[4] Both UMG and Vivendi are public companies, listed in The Netherlands and France respectively.
[5] Highwood is in the 9th percentile of Nasdaq eVestment's 'All Europe Equity' performance since inception, which is based on a sample of 302 funds/strategies.

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

in each account and expressed in Canadian dollars. Finally, with thanks to Anna, Highwood is also nearly complete with the transition of all accounts to a single custodian, which helps to streamline our operations. Like any of the businesses I invest our collective capital into, I am focused on making Highwood a better operation every day, learning from mistakes and building something I can be proud of.

Portfolio Updates:

Below is the usual table which summarizes key statistics on the portfolio as of June 30th. We are 95% invested in the securities of 12 companies. The portfolio is priced at 50 cents on the dollar of my estimate of intrinsic value, the median P/E is 8.4x and portfolio companies on average have net cash balance sheets (Net Cash/EBITDA of 0.3x).

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
31-Dec-23	95%	0.54x	1027	-0.2x	0.9x	10.7x
30-Jun-24	**94%**	**0.50x**	**1366**	**-0.3x**	**0.9x**	**8.4x**

Below are the updates on our portfolio holdings in order of their contribution during the first half excluding Bolloré SE and Compagnie de L'Odet.

Protector Forsikring – Core Value

Protector is our mid-cap, Norwegian P&C insurer with a cost advantage in underwriting which feeds a large and growing float. My thesis on Protector is playing out well, and we have achieved a (partially realized) 4.5 year 50% IRR on this investment since our purchase. We have twice reduced our position in Protector. While probably the right decision for risk-management, it has hurt our overall returns. Had we kept our entire position, Protector would now be a 24% position in the portfolio and our returns since inception would be…rather better[6]. Such are the kinds of decisions (are they errors?) in hindsight that make investing our collective capital something that gets me excited to come to work every day.

We acquired our shares in Protector when it's management and economic model was viewed with scepticism, and hence the shares were available for purchase at a lower multiple of earnings and book value than they are now. The repricing of the shares to the current multiple of earnings (or book) has contributed a smaller proportion of the return achieved relative to the pure compounding of earnings, book

[6] Contact me if you want to know how much better…I can't quite bring myself to write it!!

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

value and accumulated dividends. Indeed, the accumulated dividends we have received in the past 4.5 years amount to 71% of our purchase price of the shares. Such is the power of Protector's model, if well executed.

Protector continued to deliver strong results during first half of 2024. These results have been driven by market share gains in insurance, particularly in the UK, and higher interest rates which have buoyed the investment result. The insurance result was up 116% in Q4 and 76% in Q1, which are the result of premium growth and higher insurance margins (lower combined ratio). The added premiums feeds a growing investment portfolio and 'float', the income from which belongs to shareholders. Over the past two quarters, the portfolio of premiums available to be invested for the benefit of shareholders has grown 30% from 17bn to 22bn NOK and is now up 2x from when we acquired the shares.

Market share gains in the UK have been the commanding factor driving the growth in premiums. This has been the result of a combination of Protector's cost advantage, good timing and weaker competition following the Grenfell Tower fire, which resulted in a number of competitors cutting their exposure to public sector property insurance. The development of competition in the UK has been the main area of focus for my research in the last quarter. Despite the shares up 4.7x since our purchase, they are still only 12.5x earnings.

Alimak – Core Value

Alimak is our mid-cap, Swedish listed, global industrial business which operates an attractive installed base business model. The company has dominant market positions in a number of geographies worldwide, an experienced management team and long-term shareholder representation on the board of directors. The shares were up c.40% in the first half of the year driven by recognition that this business is worth much more than the 12x earnings it was being priced at in December. Fundamentals continue to chug along with mid single digit organic growth and improving operating margins as CEO Ole Kristian Jodahl and his team execute on the program to drive profitable growth. Following the acquisition of Tractel last year, management are reducing costs by rationalising some of the manufacturing footprint driving revenue by cross selling Alimak's products into the Tractel customer base and vice versa. We own this business at 16x forward earnings which remains a significant discount to my estimate of fair value.

JZ Capital Partners – Special Situation

JZ Capital is our small cap, UK listed closed-end private equity fund in liquidation. Management continue to make progress toward liquidation of the remaining assets in the fund and returning that capital back to shareholders. As a reminder, JZCP owns $200mn in Private Equity assets and $120mn in Cash and has no significant liabilities such that Net Asset Value (NAV) is c.$320mn, or £3.20 per share. Through the equity market we own these assets for c.$210mn, or 67cents on the dollar at the quarter end share price of £2.15. In April, management announced they are ready to start returning excess capital to shareholders – starting with $40mn by the end of July. This capital return will be done by buying back and cancelling 15-20% of the shares in issue. This is good news on a couple of fronts. Firstly, it is further development in line with my investment thesis. Secondly, it is accretive to the value of the remaining shares not bought back as follows: management are paying c.£2.15 to acquire an asset worth c.£3.20. This transfers the difference of £1.05 in value per share bought back to the company and us as the owners of that company (provided we

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

do not tender our shares to the offer). I estimate the value of our shares (not necessarily the price) increase by c.5% in this process and the lower the share price in the short term the more value transfers to remaining shareholders. I look forward to more capital returns in the near future.

Motorpoint Group PLC – Core Value

Motorpoint is our UK listed small cap and the largest independent used car retailer in the UK. Motorpoint has the lowest costs in the industry which allows it to consistently offer lower prices on like for like product in an industry with a high degree of price comparability. This has resulted in steady market share gains in its segment at attractive returns on capital. The business is run by Mark Carpenter, who has most of his net worth invested in the shares of the company. We acquired our shares in Q1 of 2023 and the summary thesis on the investment is available here.

Motorpoint announced a share buy-back program in January, a trading update in April and full year results in June. The operating environment is turning around: volumes were down 18% in the first half of the year, up 9% in the final quarter ended March and up double digit in April and May. Management are showing operational skill, by driving down costs and improving inventory turns. They are also showing capital allocation skill, by initiating a share buyback program in January when the share price was £1/share. These buybacks are benefiting the value of our shares as continuing owners of the company in the same way the management of JZCP are doing. I am pleased to see these developments and believe there is more to come. Motorpoint is a business with a demonstrable economic moat, run by capable and well aligned management, improving operating momentum and still priced at a level that reflects the post COVID hangover.

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. You can read the investment thesis here. Sto reported full year results in April and Q1 results in May. The company continues to face the headwind of reduced investment into refurbishment and new build construction activity in Europe, at least partially the result of higher interest rates. Case in point, external wall insulation volumes in Germany were down c.20% in 2023. Sto is a diversified, global business, it continued to take market share and despite these headwinds, was able to keep profits flat in 2023. Sto manufactures and sells a product with a 55% gross margin. So, despite low growth in 2023, it earned a 17% return on capital, which results in cash piling up on the balance sheet. The company now has over €230mn in net cash and investments plus valuable property across Germany.

The EU Green Deal is the European Commission's plan to achieve 'climate neutrality' in the EU by 2050. Sto's products are integral to the transformation of the building stock required under the EU Green Deal. We are patiently waiting to see if the historic headwinds turn to tailwinds for the business. There is some progress on this: six out of ten major EU countries have enacted subsidy plans and grants in an effort to drive a 'renovation wave' of the building stock to achieve these climate goals. Likely as important is stable interest rates. The potential for Sto in this is substantial. In the meantime, we have a strong margin of safety based on the business quality and the public market valuation for the shares of 0.4x revenue and 8x earnings.

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

GetBusy PLC – Core Value

GetBusy is our small-cap, UK listed productivity software business with a strong position in the tax and accountancy vertical, good economics and a net cash balance sheet. Like the situation with Hotel Chocolat, I believe the public equity market is valuing this business at a significant discount to what rational acquirors in the private market would pay for the asset, and similar to Hotel Chocolat, I believe these acquirors will not sit on their hands forever. GetBusy reported FY results which showed organic recurring revenue growth of 12% at 90% gross margins. Gross profit is being redeployed with a clear return on investment hurdle, either organically to grow the subscriber base at attractive paybacks or to acquire additional product functionality. Additional product functionality can be bundled into the existing offer to improve the customer proposition, which drives higher revenue per user. A case in point is Getbusy's recent acquisiton of SmartPath, which provides software tools for US CPA firms to more efficiently and accurately price the varied work these firms perform for their clients. This functionality will be rolled out to GetBusy's US customer base which will improve the customer proposition on the one hand and drive higher revenue per user on the other. The return on capital of this deal will be attractive if 5% of GetBusy's customers elect to take this new product and outstanding if over 20% take it.

The public equity market is not recognising the value of these developments. Management and the board own 34% of the business and are highly motivated to see this value recognized in time with a clear plan to do so. As minority owners alongside the board and management, I believe we will benefit as well.

Naked Wines – Core Value

Naked Wines is a UK listed online direct-to-consumer subscription wine business. The company has struggled mightily in the post Covid period. Management overcommitted on expansion and demand for their online delivery of wine to your door declined as should have been expected. Revenue is down, the CEO has been fired and most shareholders have left the scene. Price drives narrative and in that regard, it is a 'dog with fleas'. Looked at another way, it offers a differentiated consumer proposition by cutting out significant cost in the supply chain which permits it to sell the same quality wine at a 30% discount to store bought wine, an advantaged distribution channel for small and medium sized wineries and has inventory (of wine) which is worth more than the market cap (after deducting all liabilities). Either the company will start delivering on its potential as an independent company or, I believe the board who collectively own a meaningful portion the shares will force its sale. During the first half of 2024, Naked Wines hired a new CEO, Rodrigo Maza, who is working side by side with the Chairman, Rowan Gormley, who founded the company. Rodrigo comes from AB Inbev, which is known for a fast-paced, meritocratic culture. At AB Inbev, he launched and scaled several on-line delivery businesses such as TaDa and PerfectDraft. Management also gave an update on operations in May which noted improving trading, operating costs down 11% and cash generation at the upper end of expectations, which has strengthened the balance sheet. I look forward to engaging with Rodrigo and the board and continue to believe the shares are worth a multiple of the market price.

Borr Drilling – Special Situation

Borr Drilling is our mid-cap, Norwegian listed owner of shallow water drilling rigs and is one of three special situations investments for Highwood. The summary thesis on our investment in Borr is available

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

here. The business continued to execute well in the first half of the year and is making progress against my thesis which has resulted in an unrealized gain of c.2.5x on the position. Borr reported Q4 results in February and Q1 results in May, both of which show a business that is benefiting from years of industry under-investment on the supply side and growing demand. What is increasingly apparent is that Borr is proving that it has the highest quality assets in the industry and a management team that is out-executing its competition. Borr management are securing the highest day rates in an improving industry. In May, Borr announced that it had contracted one of its rigs at over $200,000/day, which is the new high-water mark in the industry. For context, this is 40% above the current weighted average day rate on the firm's contracted rigs of $140,000/day. At this weighted average day-rate the company is generating run-rate free cash flow of c.12% of the market cap. The cost base is almost 100% fixed. At $200,000/day, the numbers are much improved as every incremental dollar of revenue achieves a near 100% incremental margin.

Perhaps the more important datapoint for our thesis on Borr in the last six months is that Saudi Aramco, which is none other than the 600-pound gorilla in the industry, performed an about face in its contracting for offshore drilling rigs. In January, Aramco announced that it will scale back its growth ambitions and focus capital onshore, which injected a new degree of uncertainty into the equity market and to a lesser degree, the market for contracting shallow water jack up rigs. This is the first real thesis tester since we acquired our shares in Borr back in 2022. As such, my work in the quarter was focused on this question. At this point, I think the growth of the rest of the industry will still outstrip the supply of rigs available and day rates are likely to continue rising. However, it is a curt reminder of the risks in the industry and something my eyes are wide open to.

Ryanair – Core Value

Ryanair is our large-cap, Irish listed discount airline 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[7]. Ryanair reported full year results in May. Profits were up 34% to 1.9bn in the full year to March 2024 while widening its cost advantage over competitors. Operating margins were 15% (up 2%) and return on equity was 29% in the year – this is not your usual airline. The company continues to re-invest a large proportion of its free cash flow at high incremental returns, which is a key part of the formula for long term equity value creation. In the last fiscal year Ryanair generated €3.2bn of operating cash flow and re-invested 75% of this (€2.4bn) – primarily on new planes for routes that it will offer at prices no other airline has been able to match. At the same time, with all debt obligations well covered by cash on the balance sheet, Ryanair announced it will buy back and cancel another 4% of its shares. This is rather reminiscent of its history. Ryanair has grown from 36 aircraft in 2001 to 584 at March 2024 – a sixteen-fold increase – while buying back 30% of its shares at the same time. I am pretty certain other airline in the world can say that! It's industry classification belies its economic productivity as an asset and the oft-quoted heuristic of 'never own airlines' has not served in this case. It is a rare bird and one we are happy to own, especially at the current valuation of 8x earnings.

---

[7] Ryanair's return on capital in the ten years prior to the COVID-19 pandemic was 22.4%.

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

Burford Capital – Core Value

Burford Capital is our UK listed global market leader in litigation finance. The company makes money by funding select commercial litigation claims in exchange for a share of the proceeds and by generating fees on third party capital as the largest asset manager in this attractive niche asset class. Burford reported Q1 results in May. It was a quiet quarter for Burford's core business, with few of the case milestones that drive changes in book value, revenues and profits. Realised gains were down 19% YoY, cash receipts from previously settled or adjudicated cases were up 42% and the company continues to commit and deploy capital into new cases that meet their underwriting thresholds. This is not a widget maker, it is a capital provision business and its results will be variable from quarter to quarter. Our ultimate return in this investment will be determined by how <u>much</u> capital Burford can deploy into these cases and the <u>rate of return</u> it will eventually generate on these assets, less corporate costs.

I continued to do research on some of the individual cases on the Burford balance sheet to test the thesis that Burford is the 'natural home for large corporate litigation'. The outcome of that work is encouraging. I believe there are at least three potential 'billion dollar' claims Burford has funded or continues to fund: Sysco vs Chicken, Beef and Pork suppliers in a price fixing case, a similar price fixing claim brought by owners of diesel trucks against the major manufacturers of those vehicles (which the European Commission has already concluded was operating as an illegal price-fixing cartel), and a claim brought by an Australian mining company versus Congo and Cameroon for expropriation of a mining permit. In these cases, the damages sought by Burford's clients are north of $1bn and Burford's share of them is likely to be material vs its current market cap.

Regarding the 'other' expropriation claim Burfurd is funding – that $16bn one against Argentina for its expropriation of YPF shares from minority owners on the NYSE – progress is slow, but steady. There were no significant milestones in the first half of 2024 to update you on. Argentina is dragging its heels, extending timelines and Burford is continuing to put pressure on Argentina to come to the bargaining table for settlement. In the meantime, the court awarded damages due to plaintiffs and Burford continue to accrue at 8% simple interest, which is $260mn of value from Argentina to Burford ($1.20/ share per year) and the core business ex YPF continues to march along at the cadence of the global court system. The price of the shares was down modestly in H1. On my estimates, we own the shares at 10x normalised earnings excluding any value for the claim against Argentina.

As always, I thank you for your trust and welcome your questions and comments.

Sincerely,

Desmond Kingsford

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

Appendix 1: Bolloré SE and Compagnie de L'Odet Investment Thesis

Our investment in Bolloré SE ("Bolloré") & Compagnie de L'Odet (Odet) is within the special situations bucket for Highwood Value Partners. Bolloré SE and its holding company, Compagnie de L'Odet are Paris-listed holding companies for the investments of Vincent Bolloré and his family, 94% of which are listed shares and cash. I believe our capital is protected by the quality of these assets and the wide discount between our purchase price of these assets and a conservative estimate of fair value, which is 3x our purchase price. We are joined at the hip with an outstanding capital allocator in Vincent Bolloré and I believe he and his family have numerous options to accelerate the per share value of Bolloré SE and Odet which I believe will deliver returns in excess of our hurdle rate and consistent with Highwood's long-term mission.

Vincent Bolloré ("VB") built the company bearing his name from a single French franc in 1981 to a conglomerate of high-quality media assets worth over €20bn today. As shareholders in both Bolloré SE and Compagnie de L'Odet, we are partnered with VB, who is one of the finest capital allocators of a generation in Europe: the history of Bolloré and Odet is one of the most magisterial lessons in the art of shareholder value creation through clever capital allocation I am aware of. He epitomizes the kind of leadership I search for: he thinks like an investor because he is one. He is also 72 years of age, and my sense is he does not want to leave the complications of his life's work to his children to sort out. Simplification of the complex structure would be icing on the cake for us, and even small changes would be highly meaningful given the discounted share price.

I have followed Bolloré for several years without investing because most of the value of the company was tied up in its ownership of a network of African ports and logistics assets, which were opaque, required a higher discount rate and the company had debt on the balance sheet which reduced its ultimate flexibility. This has changed. In the past two years, Bolloré has sold the African ports and logistics business for €10bn, retired all debt and now has €6.1bn of net cash on the balance sheet. Bollore has simplified down to a core of very high quality, liquid assets which either compound at a higher rate of return (UMG) or have significant optionality (Cash and Vivendi) than the previous mix of assets. The main assets are as follows:

- a 21% stake in Universal Music Group (UMG.NA), the publicly listed owner of 1/3rd of recorded music by value, and the largest music label globally which is an effective royalty on the consumption of western music, from Taylor Swift and Beyonce to the Beatles and U2,
- a 30% controlling stake in Vivendi (VIV.PA) excluding it's holding in UMG, which is the Paris listed, dominant french language media company globally,
- a net cash position of €6.1bn.
- a collection of small wholly owned subsidiaries including solid state batteries.

The major assets and their contribution to the Net Asset Value of Bollore, as well as our estimate of NAV are as follows:

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

	% of NAV	Per Share
21% of Universal Music Group, at Market	50%	8.98
30% of Vivendi, at Market	15%	2.63
Cash on Balance Sheet, net of debt	29%	5.15
Wholly owned Subsidiaries	6%	1.04
Total	**100%**	**17.80**
Current Share Price		5.66
Price to Value		0.32x
Discount		68%

Through our shareholding in Bolloré we own these assets at 32 cents on the dollar of their current market value and a 14% look through free cash flow yield. Odet trades at an additional 17% discount to Bolloré, so here we own the same assets at 26 cents on the dollar of their current market value and an 18% free cash flow yield. As our position is split 50/50 between Bolloré and Odet, our combined position is 28 cents on the dollar of fair value and a 16% look through free cash flow yield.

I have structured our position as 50/50 between Bolloré SE and Odet because there is always the risk that VB could exploit public shareholders of Bolloré SE for his family's benefit. I think the likelihood of this scenario is low, but the family have control of both entities with a minority shareholding. As such, public shareholders have no structural ability to block anything he wishes to do between these two companies. If it ever came to a merger between Bolloré SE and Odet, VB can determine the share exchange ratio that maximizes value to one or the other entity. We are well hedged against this risk.

The equity is selling at such a wide discount to fair value, I believe, because of the complex ownership structure of Bolloré and Odet, which has resulted in the majority of analysts over-estimating the true economic shares outstanding, the human tendency to consider that whatever has been cheap, will continue to be cheap in future (anchoring and availability bias), and a small free float, particularly at Odet. These are somewhat 'off the beaten path' holding companies and generally do not appear to merit the time and attention of the vast majority of investors and analysts to understand the complex ownership structure, incentives and assets.

History

The History of Bolloré reads like a combination between an advanced Corporate Finance textbook and *The Count of Monte Cristo*. VB has used every trick in the book to grow the value of his family enterprise and shareholders have benefited mightily over that period.

1. The Bolloré family business was founded in 1822, and for 140 years was a prosperous paper manufacturer based on the Odet River in Brittany and by the 1950's, was the largest cigarette paper manufacturer in the world, owning brands such as Zig-Zag, OCB ("Odet Cascadet Bolloré") and JOB.
2. The Cigarette paper business deteriorated in the 1970's with declining cigarette paper volumes, rising fuel costs and higher interest rates. By the mid 1970's the company was distressed and Vincent Bolloré, aged 23 at the time and the fourth generation of the founder, watched as his father

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

Michel Bolloré lost control of the company. In 1975, the Bolloré group was acquired by Edmond de Rothschild. The trauma of this experience left its mark on Vincent still visible in the 'Breton Pulley' ownership structure of the re-incarnated Bolloré SE. As Napoleon famously said, "to understand the man, learn the story of his father".

3. Vincent started his career at Compagnie Financiere Rothschild, the French branch of the famous noble family originally from Frankfurt, where Edmond de Rothschild became a mentor and friend. During this time, Vincent worked with Edmond de Rothschild by day and took law classes at night, earning a degree from Nanterre while a Deputy Director at Financiere Rothschild.
4. In 1981, Vincent Bolloré, age 30, bought the family company back from Edmond de Rothschild for a single French franc. At this point, it was on the verge of bankruptcy.
5. He restructured the firm, it began to generate cash and Vincent never looked back. When he needed capital to grow wholly owned subsidiaries, he either sold non-voting shares in a holding company above Bolloré to the Agnellis, Picciottos (who remain shareholders), Rothschilds or used his acumen as an operator to buy underpriced public equities and sell them at a profit. It was for this latter source of capital that he was labelled in the media as a 'corporate raider' (ten or twenty years later, he would have been considered a masterful 'activist investor'). In no situation that I can see did he gain control of an asset and strip it for short term gains. He used every trick in the corporate finance playbook to build shareholder value, spinning out under appreciated assets (most recently Universal Media Group in 2021), issuing stock at high prices, buying it back at low prices (most recently in 2023), squeezing out minorities, Reverse Take Overs, IPO'ing assets with good timing and taking over the same asset again when it was underpriced by public markets and notably, a willingness to simplify the ownership structure of his group if it served his family's interests. His record is not without mistakes (nb. Telecom Italia), but it showcases capability, passion and above all, patience. In my view, his track record does not merit a 70% discount to NAV.
6. In 1996, Bolloré acquired Groupe Rivaud, which operated akin to a merchant bank, and as such had stakes in at least 18 small companies with assets ranging from plantations to railways. After the minority interests in these companies were squeezed out or Bollore had full control of the cash flow, he used them to acquire shares in well known, but undermanaged publicly listed businesses in France and the UK, agitate for change and sell the shares at a profit. Through these entities, VB acquired shares in Bouygues (1998), Pathé (1999), Lazard (2000), Vallourec (2002) and Aegis (2005). All of these investments were profitable and in total, netted the Bollore group a total of €2.6bn, which capitalized the Rivaud companies. The next step was crucial and is relevant to the current valuation of Bolloré SE and its parent companies. VB used these well capitalized subsidiaries of Bolloré SE to buy out the non-voting (but dividend paying) shares in the entities above Bolloré SE that he had previously sold to the likes of the Picciotos, Rothschilds and various banks. These were the investors who had previously provided the funding to build his company in its early years. As a result, wholly owned subsidiaries of Bolloré came to own shares in Bolloré indirectly through the parent holding companies of Odet, Sofibol, Financiere V and Omnium Bolloré.

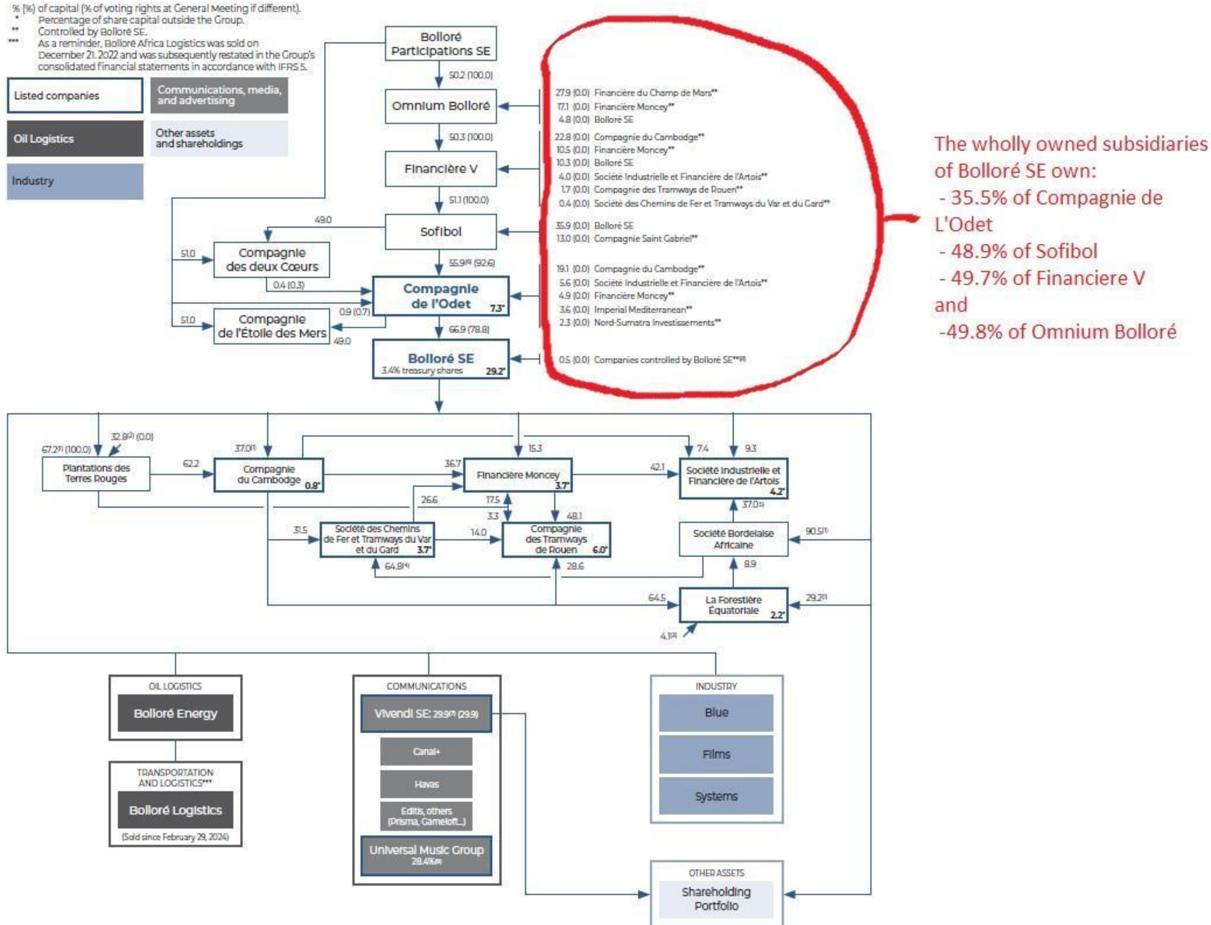
The result is an unwieldy looking corporate structure. Please note, I have circled in red the wholly owned subs of Bolloré which own shares in the companies above Bolloré in the structure:

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com



Ownership Structure/Treasury Shares

The corporate ownership diagram above is unwieldy (which also leaves lots of room for simplification). There are two main points to make about the structure for the thesis:

1. Vincent Bolloré controls Bollore SE by way of the 'Breton Pulley' system of cascading holding companies. Bollore is controlled by Odet; Odet is controlled by Sofibol; Sofibol is controlled by Financiere V; Financiere V is controlled by Omnium Bollore; Omnium Bollore is controlled by Bollore Participations SE. This structure provides 'control leverage' in so far as VB controls Bollore SE with just 12% of the economic rights. This structure is not uncommon in France and I do not expect much change on this aspect of the structure, nor do I think it is an impediment to earning excellent returns on this investment – I consider it scar tissue from when VB was 23 and watched

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

his father lose control of the family business. Importantly, none of these companies have any significant debt (in contrast to the Breton Pulley set up by Jean-Charles Naouri).

2. As noted above, in the late 90's and early 2000's VB used eight cash rich subsidiaries[8] of Bollore to buy out his minority investors in the companies which own Bollore and its parent companies. This is what created the 'treasury share loop', which is where the corporate structure gets unusual. Bolloré SE wholly owns[9] subsidiaries which themselves have a claim on Bolloré SE cash flows which results in the true *economic* shares outstanding being 1.2bn shares rather than the 2.8bn shares in issue. How does this work?
    a. Bolloré has a total of 2.8bn shares in issue. This is the number of shares issued and outstanding as per the Bollore SE annual report, and it is the number of shares most analysts use in any calculation of per share values I have seen.
    b. Bolloré SE's parent company, Compagnie de l'Odet owns 67% of these shares, or 1.88bn shares. However, Bolloré subsidiaries (circled in red) own 35.5% of Odet, and therefore indirectly own 35.5% of Odet's 1.88bn shares in Bolloré, or 667mn (23.7% of 2.8bn issued). Hence, Bolloré SE owns 23.7% of the issued shares in itself through Odet.
    c. One step up the ownership chain, Sofibol owns 56% of Odet, which as noted owns 1.88bn shares in Bolloré SE. Therefore, Sofibol owns 1.05bn shares of Bolloré. Here, Bolloré subsidiaries (circled in red) own 48.9% of Sofibol, and therefore, Bolloré SE owns a further 521mn shares in itself (an 18% stake).
    d. One step further up the chain, Financiere V owns 51.1% of Sofibol, which owns 1.05bn shares of Bolloré, so Financiere V owns 537mn shares in Bolloré. Again, Bolloré subsidiaries (circled in red) own 49.7% of Financiere V and therefore 49.7% of the 537mn shares in Bollore, or 267mn shares (a 9.5% stake).
    e. Finally, Omnium Bolloré owns 50.3% of Financiere V, which owns 537mn shares in Bollore SE. So, Omnium Bolloré owns 270mn shares in Bolloré SE. Again, Bollore subsidiaries own 49.8% of Omnium Bollore, so indirectly own 134mn shares in Bollore SE (a 5% stake).

Add up the shares of Bolloré SE owned by its subsidiaries and it comes to c.1.8bn shares, or 60% of the 2.8bn shares outstanding. What this means is that for every Euro of dividends Bolloré SE pays, 60 cents of that dividend ends up back in the company, undistributed, and 40 cents are distributed to outside shareholders. The public shareholders of Bollore SE own 0.9bn shares (30% of the 2.8bn) and public shareholders of Odet own 145mn shares in Bollore indirectly (ie 7.4% of Odet, which owns 67% of Bollore, so 5% of Bollore) and the Bollore family own the other 145mn shares (5% of Bollore SE) indirectly through the unlisted TopCo. Therefore, the number of economically outstanding shares, ie those not 'in treasury' is 1.19bn (0.9bn + 0.145bn +0.145bn).

By definition, the common stock we own in Bolloré SE is a claim on the cash flow distributed by the company to owners. As we have established, for every 1 euro in dividends paid by Bolloré SE, 40 cents

[8] Compagnie du Cambodge, Societe Industrielle et Financiere de L'Artois, Financiere Moncey, Imperial Mediterranean, Compagnie Saint Gabriel, Societe des Chemis de Fer et Tramways du Var et du Gard, Compagnie des Tramways de Rouen, Financire du Champ de Mars.

[9] Between 99% and 95% ownership; there is some leakage which is causes some errors in the rounding..

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

ends up with the public shareholders and Bolloré family, while 60 cents is paid to wholly owned subsidiaries of Bolloré. *These proceeds remain an asset of Bolloré SE*. In its current complex structure, it would take a number of iterations[10] of dividend distributions for this 'treasury asset' to be fully distributed to the Bolloré family and public shareholders, but the relevant and indisputable point is that the public shareholders of Bollore SE own a 75% stake of these distributions, the public shareholders of Odet own 12.5% and the Bollore family own 12.5%. In a liquidation of Bolloré SE, that is how the proceeds would be split. Likewise, If the share structure were collapsed, that is how the new ownership would be split. That is the economic reality, as far as I can tell.[11]

Ultimately, the process would be vastly simplified if Bolloré SE were to absorb the subsidiaries that indirectly own shares in Bolloré. If this were to happen, it would be the icing on the cake. In early July 2024, Bolloré announced the merger of two of these subsidiaries with a third and fourth, which will consolidate four subsidiaries into two[12]. Simplification of the ownership structure is clearly on the cards. My view is that further simplification will result in the economic reality noted above becoming more obvious to investors.

The Assets

Bollore SE has been simplified over the past two years such that now 94% of the value of the company is listed shares in UMG, Vivendi and Cash. The other 6% of value is subsidiaries of Bollore involved in oil logistics, battery storage and assorted other industrial activities. The next section summarizes these businesses:

€6.1bn of Net Cash (29% of NAV)

Following the sale of the African Ports and Logistics business for a combined €10bn, Bollore has €6.1bn of cash on the balance sheet earning c.3% interest. In the hands of VB, I believe this is worth more than face value. A few options that I think would do the trick:

- Buying back more shares in Bolloré at 30 cents on the dollar. Last year, Bollore SE tendered for 10% of the shares. For every share Euro spent doing this it creates c.€3 in value per share for continuing shareholders.
- Bolloré could merge with or buy Vivendi, sell some of the UMG stake (eg to a larger US tech company) and then split Vivendi into four separate units, which would unlock the conglomerate discount – more on this later.
- Vivendi could sell some of its UMG stake and buy back the stub of Vivendi at c.1x EBIT, which would result in a significant uplift in Bollore SE's NAV.

Universal Music Group (UMG.NA; 50% of NAV)

[10] I estimate c.25 iterations.

[11] And thank-you to Carson Block of Muddy Waters, Andrew Brown of E72 and Patrick McNulty of Emmoni Partners for providing some help in this calculation through some of the writings they have shared. They would all agree with this claim.

[12] Tramway du Var et du Gard is merging with Compagnie du Cambodge; Tramway de Rouen is merging with Financiere Moncey.

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

Universal Music Group is a capital-light, fast growing royalty on the global consumption and monetization of music. The company is publicly listed in The Netherlands with a market capitalization of €50bn. Bolloré owns a 21% stake in UMG worth €10bn at market and has one board seat. Other major shareholders are Tencent (10%) and Pershing Square/Bill Ackman (10%).

UMG is the largest owner of recorded music globally ahead of the two other major labels, Sony Music and Warner. The company owns 13 major record labels, including EMI, Virgin, Island and Decca which collectively own 3.2mn recordings of artists from Taylor Swift and Beyonce to the Beatles and U2 – in total, 9 of the top 10 global recording artists in 2023 and approximately 34% of music by value globally. A full list of UMG's signed artists is available here. This is a high-quality asset that is almost impossible to replicate.

The business model for any record label is to pay an upfront fee to sign an artist to one of its labels, for which it gets the copyright to that artist's recorded music for a certain period of time and undertakes to promote the artist. UMG then monetizes this value by entering into licensing agreements with all forms of music distribution such that every time a recording it owns is purchased (eg CDs, Records, digital downloads) or played (eg on Streaming platforms, Social Media, YouTube) UMG receives a fee. A portion of this fee is paid back to artists, covers costs of manufacturing and distribution for physical product, artist promotional costs and signing fees (A&R) and SG&A, which is largely fixed. After all operating costs, margins are c.17% at UMG and returns on capital are 40-50%.

The consumer preference for music consumption through streaming platforms such as Spotify, and the growth of those platforms has turbo charged UMG's growth in recent years. It has also transformed the economics of UMG's business. Licensing revenue from streaming services is nearly double the gross margin of revenue from CDs and Records because it has no manufacturing or distribution cost. As such the growth of streaming is widening UMG's margins with no incremental capital requirement. Returns on capital at UMG have increased from 32% 5yrs ago to 47% as a result.

Streaming is also a much-improved consumer proposition versus the previous model of physical music sales. Consider that a smartphone and a streaming subscription puts more than 100 million songs in your pocket available to be played anywhere, anytime for the price of half a CD per month. As a result, streaming subscriptions across Spotify, Apple, Amazon, Google and Tencent have increased 10-fold since 2015 and continue to grow low double digit per annum.

Streaming is now two thirds of UMG's recorded music revenue, but it is not the only game in town. Increasingly, UMG is also monetizing the value of its catalogue across other digital channels such as TikTok, Video Games (Eg Roblox), Youtube and any new application using music (Peleton etc). The fragmentation of music distribution from what was just physical sales, to multiple digital platforms and means of listening is benefiting UMG and its shareholders.

UMG is run by a deep bench of experienced management led by Lucian Grainge who has stewarded the company through the transition from CDs and records to digital music. He has led the group for 13 years and was instrumental in negotiating distribution partnerships with Facebook, YouTube, Tencent, Apple and personally oversaw the license agreement between UMG and Spotify. Over his 13 year leadership, UMG has increased per share value by c.7x or a 7yr 20% IRR.

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

Not surprisingly, UMG is valued at relatively high multiples of earnings and free cash flow in the public market. We own it through Bolloré and Odet at much more attractive look through multiples. It trades at 4.5x Revenue and 30x Free Cash Flow on the public market. Through Bollore however we own this stream of cash flows at a price / value of 0.3x this, so 1.4x revenue and 9x Earnings and Free Cash Flow.

Finally, it is worth noting that Tencent negotiated the purchase of 10% of UMG when VB orchestrated the spin off from Vivendi in 2021. Tencent is reliant on UMG for its music streaming business in China – it is a strategic asset in this regard. Facebook, Alphabet and Apple are reliant on UMG for music content in the same way Tencent is. These are some of the most well capitalized businesses globally and I dare say, they would like a seat on UMG's board that would come with a 10% stake if Bollore decided to monetize part or all of this investment.

Vivendi ex UMG (VIV.PA; 15% of NAV)

Vivendi is a diversified media company with assets in Pay-TV, advertising, publishing, travel retail and public equity stakes in a range of media and telecom companies across Europe. Vivendi is publicly listed in Paris with a market capitalization of €10bn. Bollore owns a 30% stake in Vivendi worth 3.1bn at market and considerably more if the company was broken up. Vivendi equity trades at 55 cents on the dollar of any reasonable sum of the parts analysis, and therefore, through Bollore we own a discount on a discount and a look through earnings yield of 26% per annum.

Vincent Bollore began acquiring Vivendi shares in 2012 and by June 2014 Bollore had a 5% stake and was elected as President of the Supervisory Board. From 2016, Vivendi was fully consolidated in Bollore's accounts due to the control that Bollore had of the board and by that time, 30% ownership of the group. Vivendi is now chaired by Vincent's son Yannick Bollore.

Vivendi has four broad business lines:

- Audiovisual & Cinema. This unit comprises Canal + which is a French language pay-tv business with 26mn subscribers across Europe, Africa and Asia Pacific and MultiChoice which is the leader in pay-TV in Portuguese and English-speaking Africa. This unit has margins of 9% and has grown profits by 7% annually over the past 5 years.
- Havas, which is a diversified global advertising agency with operations in 100 countries. It has limited capital needs, margins of 11% and has grown profits at a 4% CAGR over the past 5yrs.
- Publishing and Travel Retail. This unit is Vivendi's 60% stake in Lagardere, which owns the third largest book publisher in the world, Hachette, and the third largest travel retail business in the world with over 5,000 points of sale in transit hubs such as airports and train stations. Combined this unit has margins of 7% and has grown profits at a 10% CAGR over the past 5 years with limited returns on capital in the mid-teens.
- Vivendi investments ex UMG. Listed investments in Telecom Italia, FL group, Telefonica, Prisa and Media for Europe (broadcasting).

Appendix 2: Returns on Exited Investments Since Inception

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

The following table presents the returns on realized investments since inception[13].

Realized Investments	Holding Period (years)	Money Mulitple (in CAD)	IRR (in CAD)
Standard Drilling	1.8	1.2x	8%
Vestas Wind Systems	3.2	1.8x	20%
Hotel Chocolat	1.5	3.1x	113%
Average	**2.2**	**2.0x**	**47%**

Appendix 3: 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.

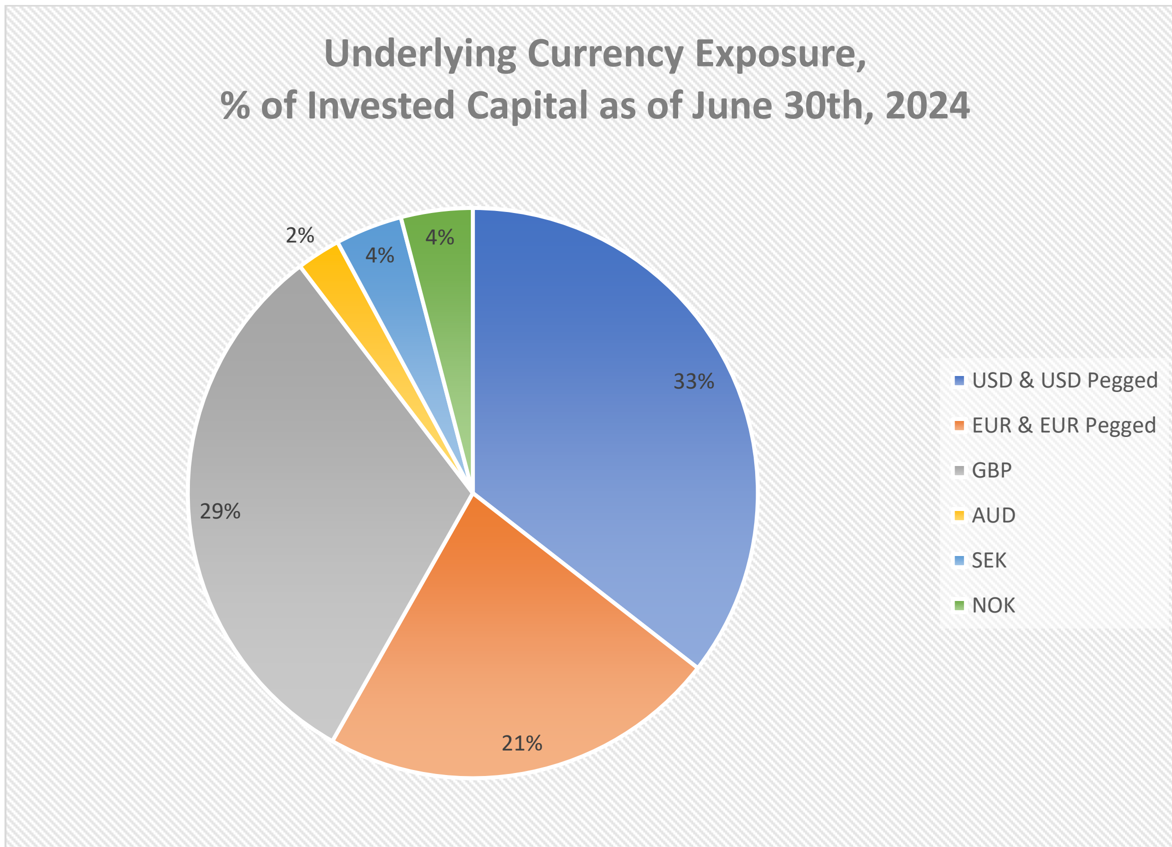
[13] Returns are presented in CAD from the date of original acquisition of these shares. Individual investor's results will differ depending on when they invested.

Highwood
VALUE PARTNERS

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com



Disclosures:

This letter ("Letter") provides a general description of Highwood Value Partners, Inc. (the "Firm"). The Firm is registered with the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission (the "Commissions") as a portfolio manager under National instrument 31-103 - *Registration Requirements, Exemptions and Ongoing 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

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

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.

None of the Firm or Mr. Kingsford or their respective affiliates, associates, shareholders, directors, officers, employees, agents or representatives (collectively, the "Representatives"), as applicable, makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein or any other information (whether communicated in written or oral form) transmitted or made available to recipients, and the Representatives expressly disclaim any and all liability relating to or resulting from the use of this Letter or such other information by a recipient or any of its affiliates, associates or representatives. The Representatives will not be liable for any errors (as a result of negligence or otherwise, to the fullest extent permitted by law in the absence of fraud) in the information, beliefs, assumptions, expectations and/or opinions included in this Letter, or, as noted above, for the consequences of relying on such information, beliefs, assumptions, expectations and/or opinions and further the Representatives disclaim any obligation or undertaking to provide any updates or revisions to any information contained herein to reflect any change in beliefs, opinions, expectations, assumptions or estimates with respect thereto or any change in events, conditions or circumstances on which any statement in this Letter is based.

The Highwood Value Partners Client Composite ("The Composite") is the asset-weighted return of all Client Accounts managed by the Firm according to Highwood's Investment Mandate and meet the inclusion criteria of the composite. Highwood's Investment Mandate is fundamental value investing with an opportunistic, concentrated and long-term approach, focused on International public equities. For inclusion in the Composite client accounts must have a net asset value of at least $100,000 CAD and be

Suite 338B, 4370 Lorimer Road
Whistler BC Canada V8E 1A6

T. UK +447760137089
T. North America +1 (604) 388-9933

E. dk@highwoodvaluepartners.com
highwoodvaluepartners.com

managed with full discretion. Client accounts meeting these requirements are included in the Composite after the first full month of discretionary management. The Composite returns are stated after all fees paid to Highwood, withholding taxes, transaction expenses and sales taxes in Canadian Dollars.

The Firm's chosen benchmark index is the MSCI Europe SMID Cap Index in Canadian dollars. This is the market capitalisation weighted index of 1,110 European companies with market capitalisations from $35bn USD to $100mn across 15 developed countries in Europe. Where the Firm references the performance of this index, it is expressed as total return (ie including dividends), net of fees in Canadian Dollars. Full details of the methodology used by MSCI in the calculation of returns of this index is available here.