

DEANS KNIGHT

CAPITAL MANAGEMENT LTD

*Investing can be extraordinarily complex.
The genius is in keeping it simple.*

As of September 30, 2017

About Deans Knight Capital Management

- Deans Knight was established in 1992 by Wayne Deans & Doug Knight; the firm is based in Vancouver and employee-owned.
- Deans Knight is focused on individuals, families, foundations & other institutions. Assets under management of approximately \$900 million as of September 30, 2017.
- Our philosophy is “Investing can be extraordinarily complex. The genius is in keeping it simple.”

Income

- Provide a high level of income by investing in high yield corporate debt.

Capital Growth

- Grow your capital by investing in 20-25 unique publicly traded businesses.

Experienced Investment Team

Investment Team: Over 135 years of combined industry experience

➤ **Wayne Deans, MBA**
45 years investment experience
• Co-founder and CEO of Deans Knight

➤ **Patrick Wilson, MBA, CFA**
10 years investment experience
• Joined Deans Knight in 2008

➤ **Ken deRegt**
39 years industry experience
• Former Chief Risk Officer and Managing Director at Morgan Stanley, guiding the firm through the Financial Crisis

➤ **Dillon Cameron, CFA**
18 years investment experience
• Portfolio Manager for the DK Income strategy, joined in 2000

➤ **Kelsey Dunwoodie, CA**
10 years industry experience
• Joined Deans Knight in 2010

➤ **Jon Muller, CFA**
17 years investment experience
• Joined Deans Knight in 2017

Strategic Advisors: Over 100 years of combined industry experience

➤ **Doug Knight, CFA**
45 years investment experience
• Co-founder & Advisor of Deans Knight
• Pioneer of high yield debt market in Canada, well known specialist in Income products

➤ **Peter Brown, OBC, LL.D, LittD, C.B.H.F.**
over 50 years investment experience
• Advisor of Deans Knight
• Founder of Canaccord Financial and Canaccord Genuity Group

➤ **Philip Hampson, M.Sc.**
29 years investment experience
• President of NGPI Canada Inc., a Toronto based merchant banking firm
• Previously Senior Director and Investment Banker with CIT, Bankers Trust Company and Deutsche Bank

All Deans Knight Employees and Advisors are Owners of our business and committed to our client's success.

Deans Knight Equity Strategy

" A company is not merely a business plan. It is a living organism that represents the sum of the personal qualities, talents, and values of the individuals that comprise it.

Monique Leroux, Former Chairperson, President & CEO of Desjardins Group

What we look for when buying a business

We are business owners, not stock traders.

- ✓ As owners we focus on the business and operations, not on stock quotes
- ✓ Buy a business we can understand
- ✓ Buy a business with competitive advantage
- ✓ Buy a business that can endure the destructive forces of competition
- ✓ Buy a business where we can identify hidden assets or any form of unrealized value
- ✓ Buy a business with barriers to entry
- ✓ Buy a business with free cash flow for owners, or has a strong probability of free cash flow in the near future
- ✓ Buy a business with financial strength and flexibility to withstand adversity
- ✓ Buy at a 'reasonable' price, preferably when others are 'fearful'
- ✓ Buy a business where management has skin in the game

✓ **Most important:** Buy businesses that are run by experienced individuals who share our core human values.

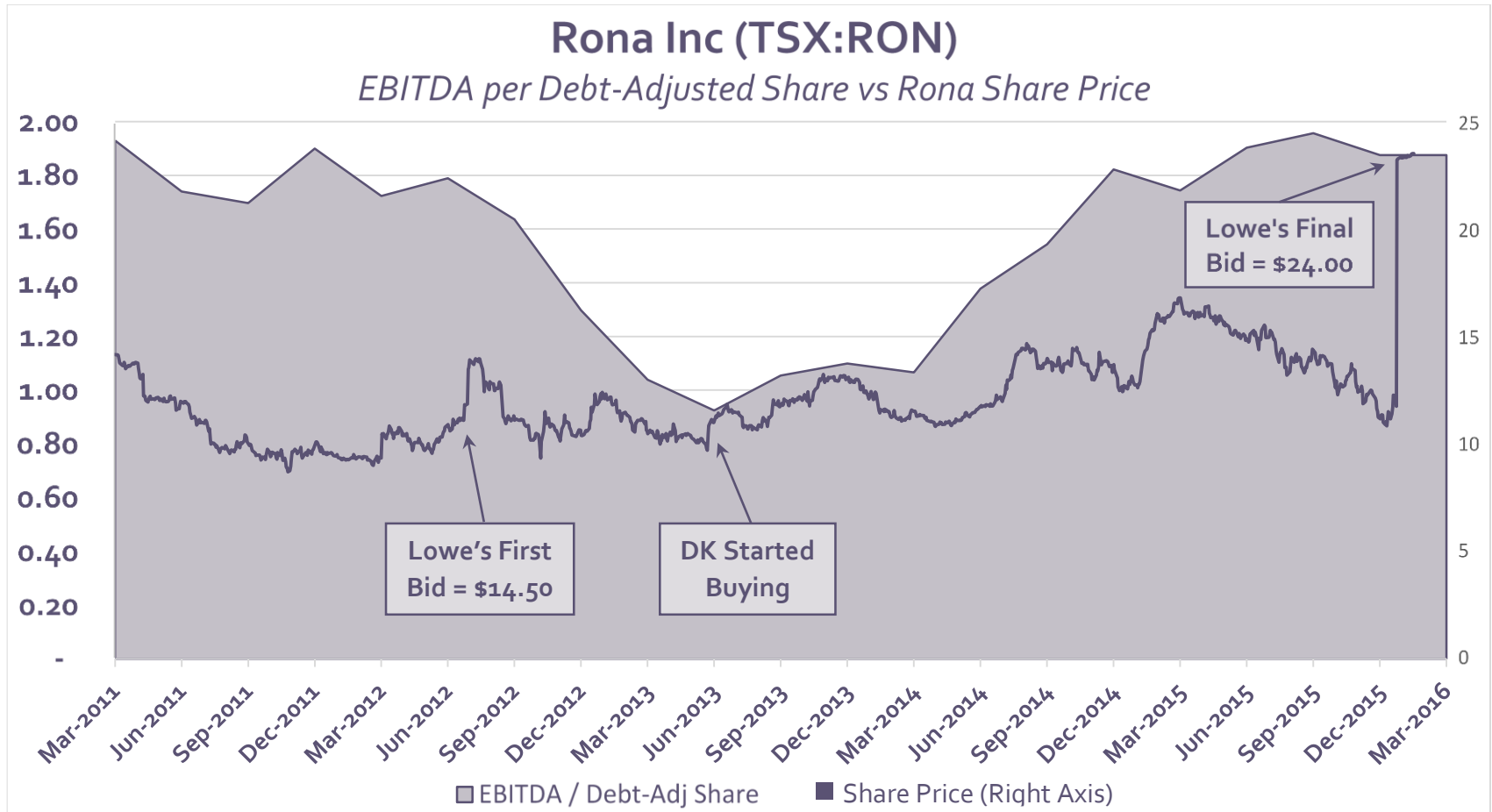
Our Way of Thinking Recognizes Future Value

Validation: Our approach has resulted in over 40 investments sold to takeout offers in our history, the majority at substantial premiums.

Aber Diamonds	E3 Energy	Paramount Resources*
Algoma Steel	Electrohome Broadcast	Phoenix International Life
Amber Energy	Emergis Inc	Premdor
Arequipa Resources	Encal Energy	Prudential Steel
Aventura Energy	First Marathon	Rona
Blackrock Ventures	Gulf Canada Resources	Sherwood Copper
Canstar Sports	Heroux Devtek*	Sure Energy
CGA Mining	International Musto Exploration	Taiga Forest Products
Contrans Group	Kereco Energy	TriTech Precision
Cott Corp*	Lionore Nickel Corp	Triumph Energy
Daylight Resources	Menu Foods	Unican Securities
Diamond Fields	Mantra Resources	UniSelect*
Duvernay Oil Corp	Northrock Resources	West Energy
DY 4 Systems	OSF Inc	Western Star Trucks
	Pacalta Resources	

* Major division of the company sold.

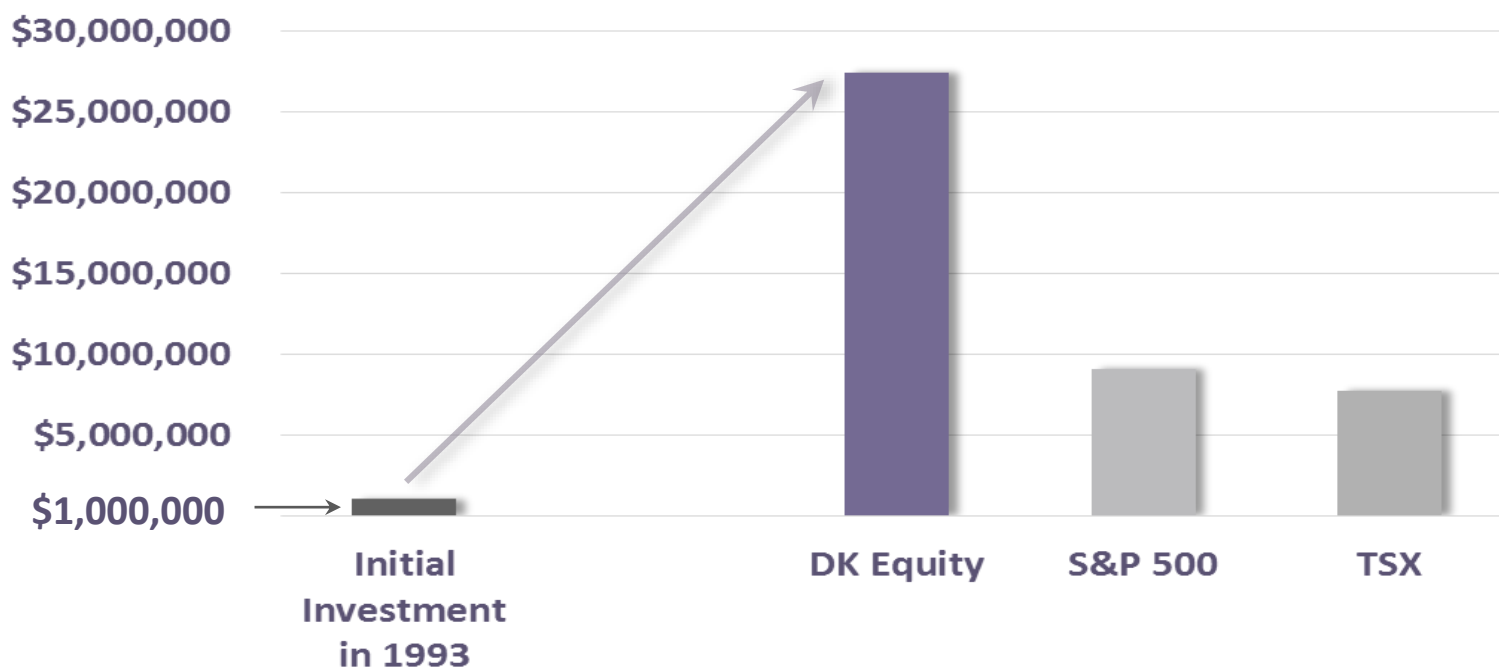
An Example



24 Year Compound History

Deans Knight Equity Strategy provides exceptional growth

A \$1,000,000 investment in 1993 would be worth **\$27,400,000** in our DK Equity Strategy (*gross of fees*), compared to \$7,700,000 if invested in the TSX Composite and \$9,070,000 if invested in the S&P 500.

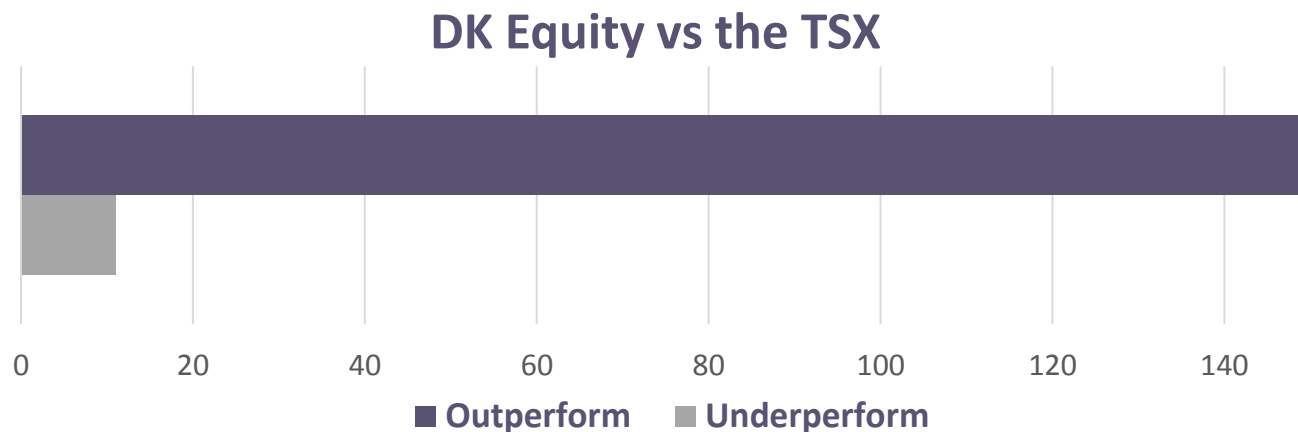


Note: Past returns are not a guarantee of future returns.
Returns calculated are gross of our management fee as at September 30, 2017.

Deans Knight Equity Strategy

Since our inception in 1993, we have recorded **175 monthly rolling periods** of 10 year annualized returns.

When comparing these 10 year rolling returns to the TSX, the Deans Knight Equity Strategy has out performed the index more than **90%** of the time! *(Gross of fees)*



* Returns calculated gross of fees. Rolling 10 year annualized return, measured monthly.

Deans Knight Income Strategy

Provide a high level of income by investing in high yield corporate debt.

High Income Stream

Historically between 7-10% annually.

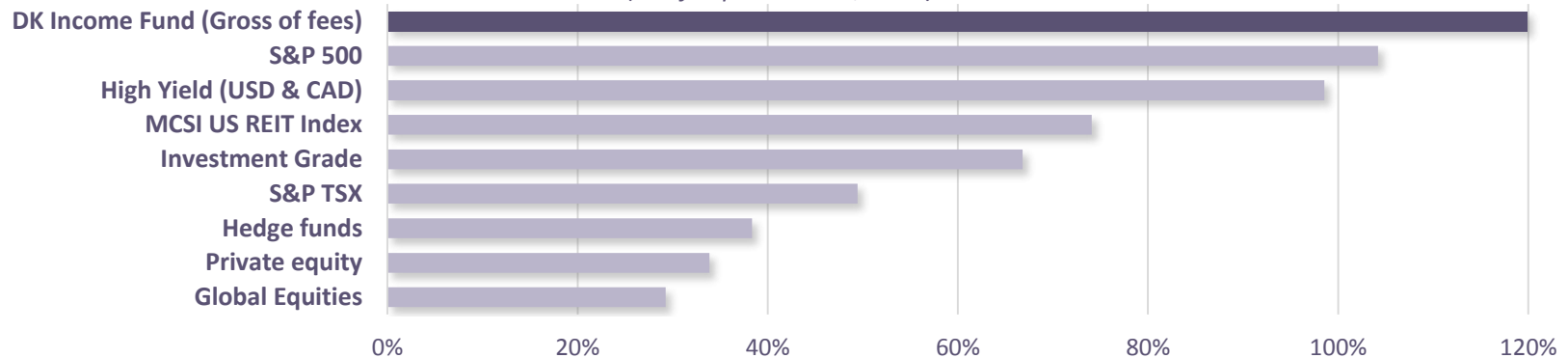
Capital Protection

Emphasizing our own internal credit research.

High-Yield Bonds: Best performing asset class

Cumulative 10 Year Return

(as of September 30, 2017)



Best Risk Reward Tradeoff

Return / Standard Deviation



Income Drives Total Return

Long-Term Returns: Income + Price Return

Since June 1993



It's All About the Coupon!

* Emerging Markets Corporate Plus Index data only back to Dec 31, 1998

Bonds Don't "Perform" - They Earn Income!

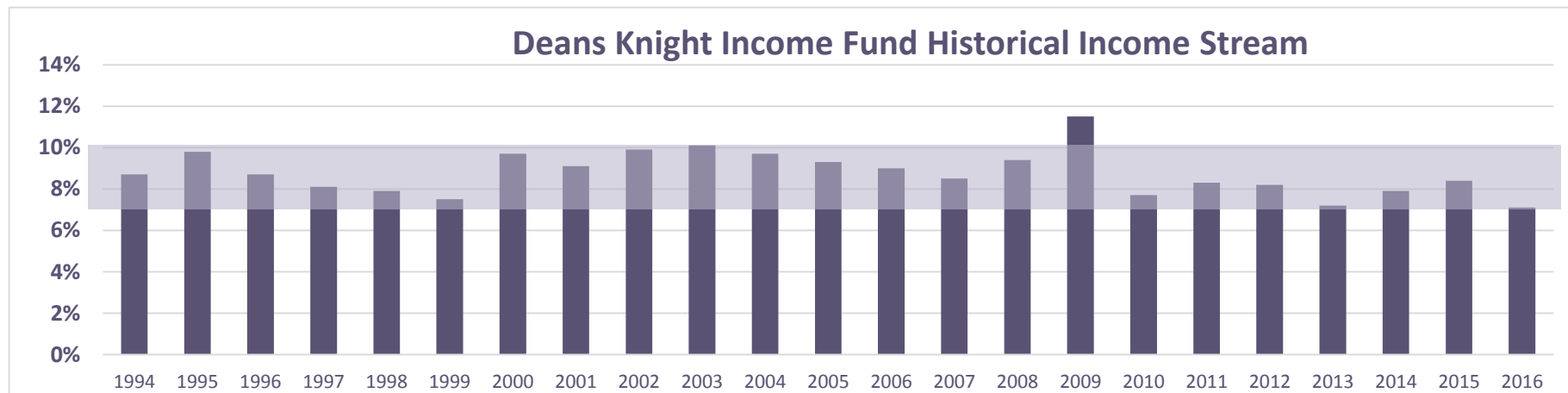
Research shows that long-term returns from a bond fund are determined by the income earned...

...Not bond price movements.

Deans Knight Income Fund Annualized Return <i>(Since Inception June 1993)</i>	
Income Return	8.8%
Price Return	1.6%
Total Return	10.4%

DK Income Fund since inception:

- The annualized income generates almost **90%** of the long-term return.
- Annual Income consistently between **7 – 10%**.
- Bond prices can be volatile as they trade in the market, but they always trend back to par value as they approach maturity.



Note: Past returns are not a guarantee of future returns. Returns calculated are gross of our management fee as of September 30, 2017.

Focus on the Credit Quality = Focus on the Business

The best case scenario for a loan is earning the coupon and getting repaid.

We loan to:

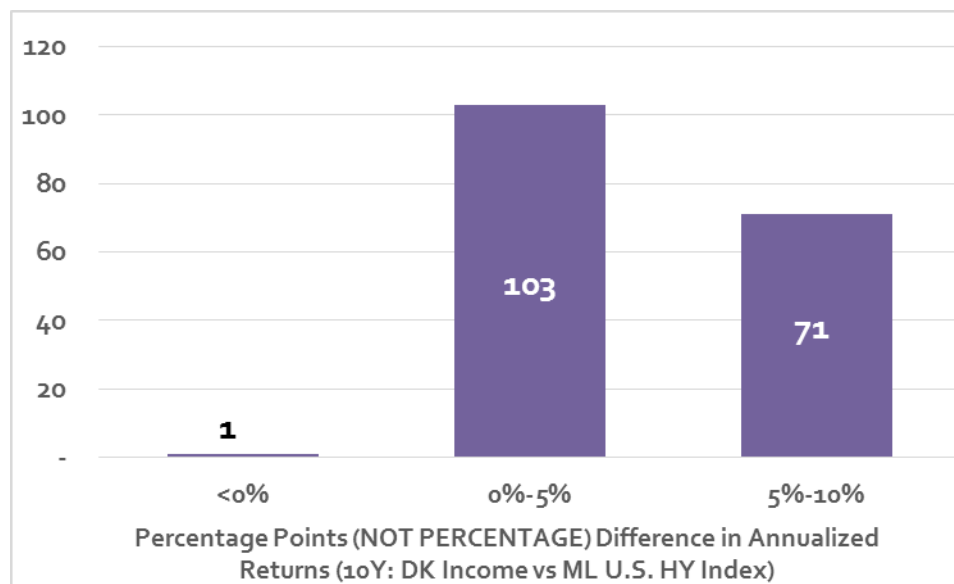
- ✓ Businesses we can understand.
- ✓ Businesses with financial strength and flexibility to withstand adversity.
- ✓ Businesses with competitive advantage.
- ✓ Businesses with barriers to entry.
- ✓ Businesses with free cash flow to pay interest in all cycles.
- ✓ Businesses with hard assets to provide security.

✓ **Most important:** Use our expert credit knowledge to evaluate the legal contract between a company and its lenders to ensure principal is protected.

Equity-like returns without equity risk

	Annualized Return Since June 1993
<i>(DK Returns displayed Gross of Fees)</i>	
DK Income Fund	10.4%
Merrill Lynch US High Yield Index	7.5%
Merrill Lynch Corporate Bond Index	6.7%
TSX Composite	8.3%

*When comparing the 10 year rolling returns, DK Income Fund has outperformed the index almost **100%** of the time!*

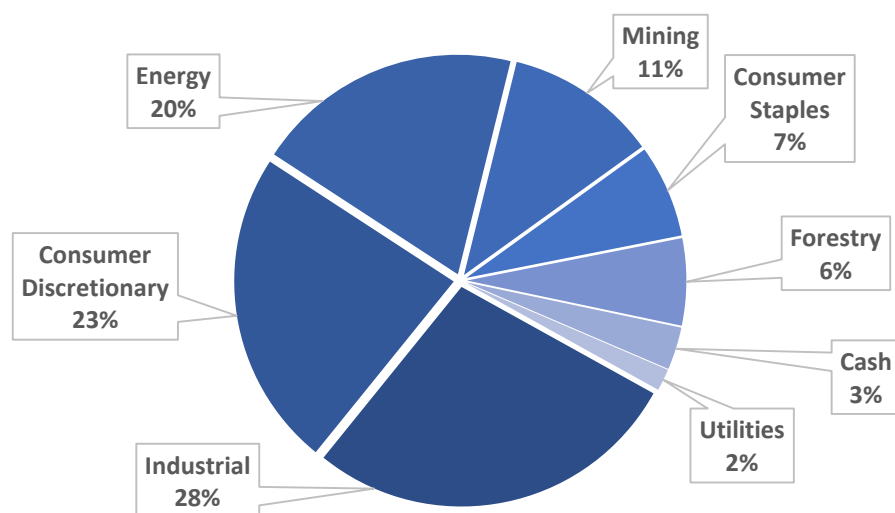


Note: Compared to the Merrill Lynch US High Yield Index. Past returns are not a guarantee of future returns. Returns calculated are gross of our management fee at September 30, 2017.

Additional info...

DK Equity – Fund Information

DK Equity Sector Allocations (as of September 30, 2017)



Portfolio Characteristics *(as of September 30, 2017)*

- Average Market Cap: ~**\$1 billion**
TSX Composite Average Market Cap: ~\$8 billion
- Number of holdings: **23**
TSX Composite number of holdings: 240
- Average Management/Board Ownership: ~**20%**
- Average Hold Period: Roughly **5 years**
- No leverage used.

DK Income – Fund Information

Top Ten Holdings *(as of September 30, 2017)*

Company	Industry	Maturity	Coupon	Portfolio Weight
Garda World Security	Security Services	2021	7.25%	5.4%
Seven Generations Energy	Oil & Gas	2023	6.875%	5.2%
Gateway Casinos	Casinos	2024	8.25%	5.1%
Western Energy Services	Drilling	2019	7.785%	4.6%
Clean Energy Services	Oil & Gas	2018	5.25%	4.5%
Newalta Corp.	Environmental Services	2019, 2021	7.75%, 5.875%	4.5%
Black Press Group	Publishing	2018	6.7%, 10.0%	4.4%
HRG Group Inc.	Consumer Goods	2022	5.375%	4.2%
Cott Beverages	Consumer Goods	2022	5.375%	4.0%
Cascades Inc.	Paper Packaging	2022	5.5%	3.9%

Sector Breakdown *(as of September 30, 2017)*

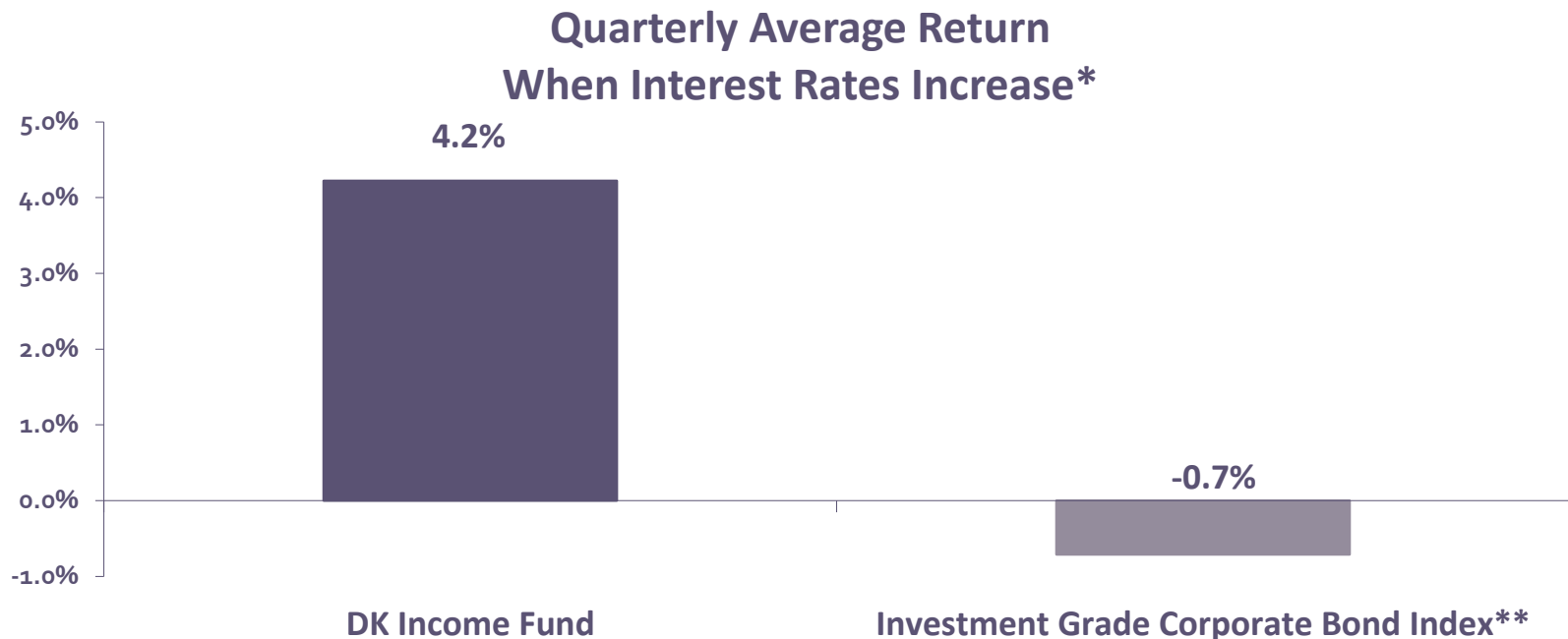
Energy	29%
Consumer Discretionary	18%
Services	11%
Consumer Staple	10%
Mining	9%
Cash	7%
Financial Services	7%
Forestry Paper & Packaging	4%
Real Estate	3%
Industrial	2%

Portfolio Characteristics *(as of September, 2017)*

- Cash Yield: **7.0%** *(before fees)*
- Average Term to Maturity: **3.7 years**
- Number of Holdings: **39**
- Average Bond Rating: **B**
- No Leverage Used.

Interest Rate Sensitivity

- Our strategy has generated significantly better returns in a rising interest rate environment than government and investment grade bonds.



*Interest increases are defined as a greater than 0.1% rise in average yields on 5 to 10 Year Government of Canada Marketable Bonds during a quarter.

**Source: Bank of Canada, Deans Knight Capital Management Ltd. and FTSE/TMX.

- The main reasons our returns are higher:
 - Our maturity is shorter: Current for the DK Income Fund is 3.8 years versus 10.7 years for the government & investment grade broad market index
 - Our yield is higher: 7.0% vs 2.5%

Credit Expertise Matters

- ✓ **Most important:** Defaults will happen, credit expertise at the outset maximizes our investors recovery in receivership.

We are experts in assessing a business including loan restrictions, covenants and liens.

A recent example of why our upfront credit research matters:

- January 2017, Shoes.com, shut down all businesses and websites
- We were a senior lender to the business, behind a Bank
- Deans Knight took a leadership role with lawyers and receivers to protect our investors' interests
- In less than 3 months, the assets have been sold to maximize value
- **Fully recovered in July 2017**

Since inception Deans Knight has returned 10.4% annually, greater than our income earned, demonstrating the immaterial impact of defaults.