Business Owners Lending to Businesses™

EDGEPOINT'S WORST-KEPT SECRET – OUR CREDIT FRANCHISE

Business owners lending to businesses

When you think of EdgePoint, we hope the first thing that comes to mind is "Business Owners Buying Businesses." It's the deceptively simple foundation of our investment approach.

Our worst-kept secret is that we've always approached fixed income as "Business Owners Lending to Businesses." When we started EdgePoint in 2008, we launched four Portfolios – the EdgePoint Global and Canadian Portfolios (predominantly equities) and our Global and Canadian Growth & Income Portfolios (an equity/fixed income mix). Investing in fixed income isn't unique in our industry, but our not-so-secret weapons, our investment approach and the team structure, set us apart.

Since-inception fixed income snapshot[i]

- $21B invested in credit
- Twelve different sectors
- 700+ unique fixed income securities (bonds, loans, preferreds, convertibles)
- Deal issue sizes from $5M to $5B
- Six defaults (only two impairments)

As at December 31, 2023. All figures in C$.

The non-siloed structure of our Investment Team means there's a constant flow of valuable information between the fixed income and equity teams. Looking at the entirety of a business's capital structure allows us to identify opportunities and avoid risks that wouldn't be possible if we worked as distinct teams. This typically doesn't happen in our industry – many teams view the other side as competitors and aren't incented to share ideas. It's another advantage that EdgePoint has and our end clients benefit from the team's collaborative work.

Our Investment Team's structure is built (and thrives) on collaboration. Although we have individual focuses, we're a team of generalists working together to apply a single investment approach across the Portfolios. Sharing research generated over many years on thousands of companies across various sectors allows the team to act quickly when the market presents an opportunity. It also means they can leverage information to find multiple ways to invest across the capital structure – a good business to buy can also be a good business to lend to, and vice versa.

Our credit-centric approach to fixed income investing

When buying a stock, we're buying a business, not just a piece of paper. We take ownership stakes in businesses by conducting fundamental analysis and developing proprietary insights – views about the business that aren't shared by others. We use the very same approach when investing in bonds or, as we like to view it, lending money to businesses.

The EdgePoint fixed income investment approach looks for bonds where our opinion differs from the market. Said another way, we're finding proprietary insights that the market hasn't yet priced into the security. Can we find a bond that yields 10%, where we have a thesis on why it'll increase its levels of free cash and pay down its debt? Does it have a valuable asset that we think can be sold to ensure that our principal is paid back? This is the value of true active credit management and we're firm believers that it's the most sensible way to invest in credit.

Over the years, we've developed a reputation for creativity with fixed income deals. Rolling up our sleeves and doing our own credit analysis makes us more willing to work with a business and take a leadership position in their new issue. Our input can result in a tighter security package and covenants, with the goal of earning outsized returns while better protecting our downside. Since inception we've provided guidance on many deals, which means working diligently with each borrowing business and providing our clients with access to deals that wouldn't be possible without our heavy lifting.

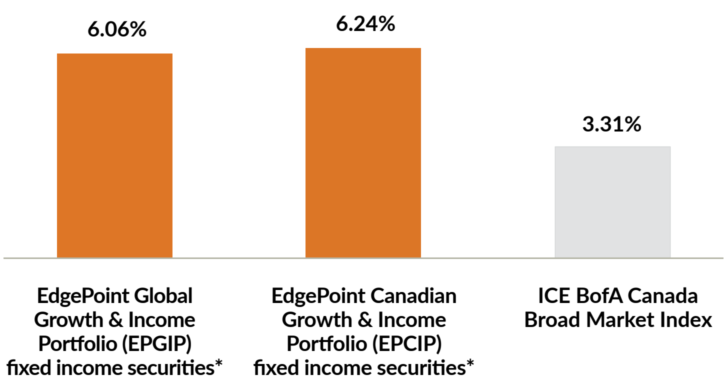
Two sides of a coin

Returns & risks

Of course, all the credit work we do would be pointless if we didn't deliver on performance. Since inception, we're pleased with the returns from the fixed income portion of our Growth & Income Portfolios.

Total annualized returns (local currency)[ii]
Nov. 17, 2008 to Jan. 31, 2024

***Hypothetical returns for fixed income only returns. They are not investible. They're a best-estimate of EdgePoint Growth & Income Portfolios' fixed-income performance.**



Analyzing returns is one side of the coin, but the other side that tends to garner less attention is analyzing the risk taken to achieve those returns. Risk management is paramount in fixed income. We view risk as the likelihood of permanent loss of capital, and we weigh any potential return against the risk of making that investment. We only make an investment if we think the expected return adequately compensates us for the risk taken. Our down-to-earth, business-centric approach to fixed income has helped us avoid many risks that hurt the average fixed income portfolio.

Low-interest rate world

A rising tide lifts all boats

Let's analyze the track record a little closer. We'll start with the post-Global Financial Crisis world of declining interest rates acting as a tailwind to asset prices. Even though it's not rocket science for a fixed income investor to fare well in such a favourable environment, it's valid to ask, "How did you achieve your returns – what was the risk you took?"

It's not surprising that many fixed income funds across the country bet that rates would stay lower for longer. That was a tailwind they enjoyed for many years. These funds were investing in long-duration bonds (duration is a measure of a debt instrument's sensitivity to interest rates – the higher the duration, the more sensitive its price is to interest rate changes). As rates kept falling, a long duration was seen as the safe option.

Performance as at February 29, 2024
Annualized total returns, net of fees (excluding advisory fees), in C$

EdgePoint Global Growth & Income Portfolio - Series F
YTD: 3.35%; 1-year: 10.40%; 3-year: 7.11%; 5-year: 6.46%; 10-year: 8.40%; 15-year: 11.95%; Since inception (Nov. 17, 2008): 11.47%

EdgePoint Canadian Growth & Income Portfolio - Series F
YTD: 4.43%; 1-year: 13.17%; 3-year: 14.04%; 5-year: 11.51%; 10-year: 8.87%; 15-year: 11.66%; Since inception (Nov. 17, 2008): 11.41%

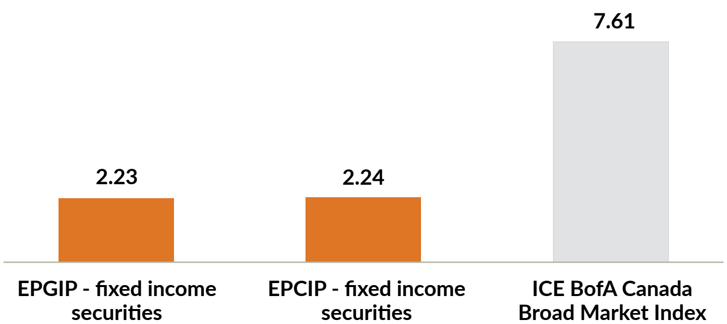
ICE BofA Canada Broad Market Index
YTD: -1.75%; 1-year: 3.64%; 3-year: -2.02%; 5-year: 0.60%; 10-year: 1.94%; 15-year: 3.12%; Since inception (Nov. 17, 2008): 3.27%

Source: Morningstar Direct. Returns shown for illustrative purposes only and aren't indicative of future performance. The EPGIP and EPCIP fixed income returns are in local currency, net of fees and approximations calculated based on end-of-day holdings data (actual trading prices not captured). Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. The ICE BofA Canada Broad Market was chosen as the benchmark for the fixed income portion of the EPGIP and EPCIP because it is representative of fixed income opportunities consistent with the Portfolios' fixed income mandate. The index is not investible. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic/sector allocations may impact comparability and could result in periods when our performance differs materially from the index. Additional factors such as credit quality, issuer type and yield may impact fixed income comparability from the index. See *Important information – benchmarks and indexes and Important information – EdgePoint Growth & Income Portfolio fixed income returns* for additional details.

We don't have an edge in predicting macroeconomic factors like interest rate movements and think few do. We didn't want to make a bet on interest rates as the risk to being wrong was simply too great. We felt minimizing our exposure to interest rates and sticking to what we do best, credit analysis would pay off over the long term.

Duration comparison (years)[iii]

August 2020



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The average investor was taking on the most duration risk they had in 40 years – a duration over seven years to earn the smallest yield they'd ever gotten – approximately 2%. That's what tends to happen in a yield-starved world. In our view, the significant returns that investors of long-dated bonds were earning would reverse if rates began to rise and the low yields failed to compensate for this risk.

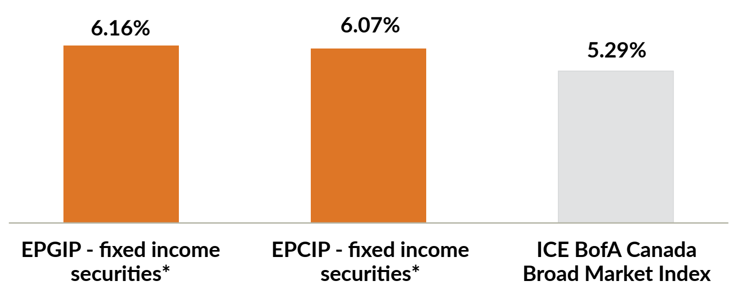
Consequently, the duration of our Growth & Income Portfolios was less than a third of the index. Through our credit analysis, we strive to identify borrowers that are paying attractive yields compared to their underlying business fundamentals. We only allocate capital when we're comfortable with the cash flow and asset base of a particular issue, preferring a concentrated portfolio of well-researched ideas. Our strict adherence to our approach paid off for EdgePoint clients.

The following returns reflect our credit-centric approach since inception to early-August 2020 – which was the end of the low-rate era.

Annualized total returns (local currency)

Nov. 17, 2008 to Aug. 4, 2020

***Hypothetical returns for fixed income only returns. They are not investible. They're a best-estimate of EdgePoint Growth & Income Portfolios' fixed-income performance.**



Source: Morningstar Direct. August 2020 was selected because it included the date of the 10-year U.S. Government Bond's lowest yield and marked the start of a rising interest rate environment. Returns shown for illustrative purposes only and aren't indicative of future performance. The EPGIP and EPCIP fixed income returns are in local currency, net of fees and approximations calculated based on end-of-day holdings data (actual trading prices not captured). Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. See *Important information – benchmarks and indexes and Important information – EdgePoint Growth & Income Portfolio fixed income returns* for additional details.

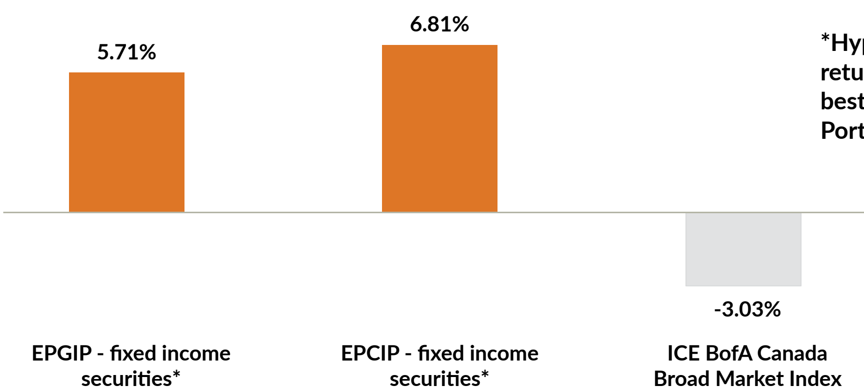
When credit matters, it's the only thing that matters

In an almost-perfect environment for fixed income investors, the proverbial rising tide lifted all boats. Simply owning the index generated pleasing returns. But what if there's a sea change and investors have to do actual credit work to earn a return instead of getting participation awards? After 12 years of warning investors about the dangers of making an all-in bet on interest rates, we were beginning to sound like a broken record. But the sea did change…

As rates rose, the average fixed income investor suffered from making bad macro calls that erased over a decade of performance.

Our investment approach doesn't bet on macroeconomic factors or rely on the direction of interest rates to deliver pleasing returns. When interest rates were low, we think we did well for our clients without exposing them to interest-rate risk, but how have we performed since rates started rising in mid-2020?

Annualized total returns (local currency)
Aug. 4, 2020 to Jan. 31, 2024



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The last few years showed how we can mitigate the risk of rising rates by focusing on credit and taking a duration that's still less than a third of the index.[iv] At this time, we're in a unique position compared to the index because we have more flexibility to invest into higher yields, given that roughly 20% of the fixed income securities in the Growth & Income Portfolios will mature within a year, with almost half maturing over the next two.[v] We don't think investors need to time their entry into fixed income markets today if they partner with a manager like us who avoids duration risk and focuses on analyzing and lending to good businesses.

Our "margin of safety" is our ability to analyze a business. Disciplined and comprehensive credit analysis helps position us well regardless of where rates are heading. This is evident based on our 15-year track record managing fixed income within our Growth & Income Portfolios.

Even better, our pipeline for new deals today is incredibly robust. Lending from banks has dried up, which means companies need to look elsewhere. This has created a unique set of opportunities, and we believe that today is an attractive entry point and a great time to add to the fixed income sleeve of your book.

The role in your client portfolios going forward

When it comes to credit, our secret is out

While the environment in which we operate will change, our investment approach never will. We believe consistency of returns across the cycle and risk-first credit analysis should enable us to continue generating pleasing returns. If your clients have owned any of our fixed income Portfolios, they've benefitted from the significant relative outperformance to our benchmark that we've generated since our inception.

Our Investment Team is focused on bottom-up fundamental credit analysis with an expertise in finding high-quality businesses with mispriced bonds paying attractive coupons. With historically higher yields and shorter durations, looking different from the index has given us an edge in this space.

We believe all our fixed income Portfolios are nimble, flexible and well-positioned to take advantage of the new market environment. Most bond investors fear rising interest rates, while we feel excited. No matter which way rates go, our commitment to remaining "business owners lending to businesses" means that we will only buy bonds where we believe we're being compensated for any potential risk we take. We don't need declining rates to earn a decent return over the next five years, and investors in our fixed income Portfolios should join us in welcoming the potential for a "higher for longer" interest rate environment.

Ways to access EdgePoint credit

The role of fixed income isn't universal for all investors. While our process of lending to businesses remains the same, we have four EdgePoint Portfolios that hold different types of credit to potentially help clients meet some of their needs.

- **EdgePoint Monthly Income Portfolio**

  A collection of predominantly high-quality Canadian fixed income securities that provides a combination of income growth and capital appreciation.

  We look at the borrower's (bond issuer's) ability to meet its debt obligations, specifically through the payment of periodic coupons and the return of the principal at maturity. The Portfolio invests predominantly in investment grade bonds, with up to maximum 20% weight in high yield bonds.

  Novel fee structure

  Fees also serve as a major impediment to generating attractive returns. The Portfolio has a novel fee structure that allows us to charge a tiered management fee depending on the interest rate environment. This fee structure puts our unitholders' interests at the forefront, ensuring that our investors capture the yield we can earn in any interest rate environment.

  The series' annual management fee is a percentage of the series' value and is determined at the beginning of each calendar quarter in accordance with the schedule of management fee tiers set out in the table below.

Fee tier	Reference rate (%) FTSE Canada Bond Universe Index yield-to-maturity	Management fee - series F/F(N)	Management fee - series A/A(N)
1	< 0.76	0.07%	0.67%
2	0.76 to 1.75	0.10%	0.70%
3	1.76 to 2.50	0.20%	0.80%
4	2.51 to 3.00	0.30%	0.90%
5	3.01 to 3.50	0.40%	1.00%
6	3.51 to 4.00	0.50%	1.10%
7	> 4.00	0.60%	1.20%

EdgePoint decided to temporarily waive a portion of the applicable management fee such that the series' management fee for 2024 will not exceed 0.10% for Series F Units/Series F(N) Units and 0.70% for Series A Units/Series A(N) Units of the EdgePoint Monthly Income Portfolio, despite changes to the daily average yield to maturity of the FTSE Canada Universe Bond Index.

Inception	Nov. 2, 2021
Category	Canadian Fixed Income
Distribution frequency	
Income	Monthly
Capital gains	Annually
Volatility risk profile	Low ● • • • • High

The FTSE Canada Universe Bond Index was chosen for comparison as it is a widely used benchmark of the Canadian fixed income market. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings, credit quality, issuer type and yield may impact fixed-income comparability from the index. Yield-to-maturity is the total return anticipated on a bond if it's held until it matures and coupon payments are reinvested at the yield-to-maturity. Yield-to-maturity is expressed as an annual rate of return. See *Important information – benchmarks and indexes* for additional details.

A management fee reduction applies to those investors who have been invested in an EdgePoint Portfolio for 10 or more consecutive years and are currently invested in a qualifying Portfolio and series. Read about our 10-year Partner Program to find out more.

Qualifying Portfolios are limited to EdgePoint Canadian Portfolio, EdgePoint Canadian Growth & Income Portfolio, EdgePoint Global Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Monthly Income Portfolio. Qualifying series are limited to A, A(N), F and F(N), along with their respective T4/T6 versions.

- **EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio**
  Balanced portfolios concentrated in quality businesses from around the world or Canada with growth potential, and also investments in fixed income securities

  The Portfolios can invest in a company's debt, equity or a combination of both depending on our view of the risk-return opportunity. We look across a company's corporate structure to determine the best opportunities. If we feel the yield compensates us for the business's inherent risk, we'll invest in several parts of a company's corporate structure (i.e., in the debt and equity). We actively manage the Portfolio's asset allocation based on where we're finding the best opportunities. The fixed income portion can range from 25% to 60%, providing plenty of flexibility.

Inception	Nov. 17, 2008
Category	Global Equity Balanced/ Canadian Equity Balanced
Asset mix	
Equity	~60%
Fixed Income	~40%
Distribution frequency	
Income	Quarterly
Capital gains	Annually
Volatility risk profile	Low ◄ • ● • • • ► High

  We apply the research we do on our equity investments to fixed income. Many of the bonds we hold are issued by companies whose equity we also own. The in-depth analysis we perform for equities means we can gain a thorough understanding of a company's credit profile and contrast the yield with our estimated risk level.

  We view shares as ownership stakes in businesses, meaning we want to buy interests in quality companies. We look for businesses with strong competitive positions, defendable barriers to entry, long-term growth prospects and competent management teams, then acquire ownership stakes in these companies at prices below our assessment of their true value.

  The Portfolios' credit investments provide a return through coupon payments, dividend payments, interest and capital appreciation. We look at the borrower's (bond issuer's) ability to meet its debt obligations, specifically through the payment of periodic coupons and the return of the principal at maturity. We have the flexibility to invest globally, from government and corporate investment-grade bonds, preferred shares and convertible debt, to high yield and non-rated bonds.

- **EdgePoint Opportunistic Credit Portfolio**
  For investors who qualify via a prospectus exemption

  See the *EdgePoint Opportunistic Credit Portfolio offering memorandum* for more information.

Important information – benchmarks and indexes

The indexes are not investible.

We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic/sector allocations may impact comparability and could result in periods when our performance differs materially from the index. Additional factors such as yield, duration and credit quality may also impact comparability.

ICE BofA Canada Broad Market Index (EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio fixed income benchmark) – An index that tracks the performance of investment-grade debt publicly issued in the Canadian domestic market. The index was chosen as the benchmark for the fixed income portion of the EdgePoint Growth & Income Portfolios because it's a widely used benchmark of the Canadian fixed income market.

FTSE Canada Universe Bond Index (EdgePoint Monthly Income Portfolio benchmark) – An index that tracks the performance of investment-grade debt denominated in Canadian dollars and issued by Canadian government and corporations. The index was chosen as it is a widely used benchmark of the Canadian fixed income market.

Important information – EdgePoint Growth & Income Portfolio fixed income returns

The EdgePoint Global Growth & Income Portfolio (EPGIP) and EdgePoint Canadian Growth & Income Portfolio (EPCIP) fixed income returns are hypothetical, local currency and net of fee approximations calculated based on end-of-day holdings data (actual trading prices not captured). A hypothetical management expense ratio (MER) of 0.62% was applied to EPGIP and EPCIP fixed income returns and prorated daily. The fixed income MER was calculated based on the average MER for EPGIP and EPCIP (0.84% and 0.85%, respectively), relative to the EdgePoint Global and Canadian Portfolios' MER (0.97%), then scaled to reflect the average fixed income weight of EPGIP and EPCIP (35%).

[i] Source: Bloomberg LP. As at December 31, 2023 in C$. Total dollar value of credit investments represents the total of all fixed income security purchases within the EdgePoint Global and Canadian Growth & Income Portfolios, EdgePoint Opportunistic Credit Portfolio and the EdgePoint Monthly Income Portfolio since their inception dates on November 17, 2008, March 16, 2018 and November 2, 2021 respectively. Number of sectors, unique fixed income securities, issue size and defaults were calculated based on the same four EdgePoint Portfolios since their respective inceptions. Bloomberg Industry Classification Standard (BICS) and Global Industry Classification Standard (GICS) were used for sector classifications, which includes the 11 sectors plus government bonds. Defaults occur when the issuer of a bond fails to make interest or principal payments on their debt securities. EdgePoint Opportunistic Credit Portfolio is only available via prospectus exemption to qualified investors. Please see the EdgePoint Opportunistic Credit Portfolio offering memorandum for additional details.

[ii] Returns were calculated from November 17, 2008, the inception date of the EdgePoint Global Growth & Income Portfolio (EPGIP) and EdgePoint Canadian Growth & Income Portfolio (EPCIP) to January 31, 2024

[iii] August 31, 2020 duration data as at February 29, 2024. Duration is a measure of a debt instrument's price sensitivity to a change in interest rates. The higher the duration, the more sensitive a bond's price is to changes in interest rates.

[iv] As at February 29, 2024, the durations were: EdgePoint Global Growth & Income Portfolio (1.30 years), EdgePoint Canadian Growth & Income Portfolio (1.37 years) and the ICE BofA Canada Broad Market Index (7.23 years).

[v] As at February 29, 2024.