CYMBRIA®

The Cymbria option

CYMBRIA®

BUYERS OF YOUR EXCEPTIONAL BUSINESS

You've put the proverbial blood, sweat and tears into building an enduring business. The time has now come to sell it in whole or in part. We may be the buyer you're looking for if your business meets the following criteria:

1. It's somewhat easy to understand. If an advanced degree in biochemistry or electrical engineering is needed to understand your business, then we're not right for each other.

2. It has history of generating consistently pleasing returns on capital. We'll pass on highly cyclical businesses that make a lot of money once every 10 years, and lose money the other nine. It may be the case that money made in profitable years more than offsets the money lost in the unprofitable years, but in our experience it's usually the other way around.

3. It comes with management in place. We'd prefer you, but understand that everyone needs to retire at some point.

4. It comes with an asking price. We're not interested in participating in auctions. If your plan is to get the highest price for your business before walking away from it and never looking back, you should look elsewhere.

5. You can explain your business in one page or less touching on all of the above points.

Still reading? Then you may be interested in what we can offer:

1. Confidentiality.

2. A quick answer. We won't delay letting you know whether we want to learn more about you and your business.

3. Autonomy. If your business proves to be as described, we'll be as close to absentee owners as you can find. We understand that you have an exceptional business that you've built up over many years. It's exceptional because of the way you and your team run it. We have no desire to send in a squad of overzealous and inexperienced MBAs to tell you how to change things.

We're not interested in levering up your business, firing half your staff and flipping it for a profit 24 months later. Our goal is to provide the best possible operating environment for your business to flourish in forever.

Got a business that sounds like a good fit? Please contact us at *ihaveagreatbusiness@cymbria.com.*

CYMBRIA

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WHAT IS CYMBRIA?

Cymbria was founded by entrepreneurs and currently has over $1 billion in capital. Its founders are responsible for investing the money in order to achieve the best possible return for Cymbria shareholders. Since Cymbria's inception in 2008, cumulative Class A adjusted net asset value returns have amounted to 594% as at December 31, 2023 with no leverage (i.e., debt) used to achieve these results. Cymbria is currently invested in approximately 50 businesses from around the world, the vast majority of which are public. Its largest holding today, a private company called EdgePoint Wealth, has appreciated by 500 times as at December 31, 2023 since Cymbria's original investment of $509,585. EdgePoint Wealth was created and continues to be operated by the same founders who created Cymbria.

When you say that "entrepreneurs" created Cymbria, what does that mean?
Cymbria's four founding partners have a long history of starting and building businesses, from blueberry farms to real estate organizations to wealth managers. Their efforts have resulted in the creation of three businesses that in total have generated in excess of $3 billion for their shareholders. This passion for business and investing is what continues to drive Cymbria's founders to grow their business, as well as businesses like yours.

Why would Cymbria be a good choice for your business?
Cymbria may not be the right fit for everyone; however, we believe our collection of attributes provides a unique offering relative to other options you may be considering.

- **Stability**. Cymbria can act as a permanent home for your company – we're not interested in buying your business and flipping it for a profit 24 months later. As entrepreneurs, Cymbria's founders understand the importance of stability for a company's culture and the benefits it can have for management's ability to plan.

- **Additional resource**. Cymbria's founders would be happy to act as a resource for your team, *if asked*. The founders have spent their lives investing in other people's businesses as well as building their own. As such, the Cymbria team can be a great resource if your organization is looking for someone to give feedback on an idea.

- **Strong network**. We've also built up a strong network of business associates and partners over the years who might prove helpful to you in a multitude of ways.

- **Source of growth capital**. Cymbria can be a great source of growth capital for your business. We have permanent capital, and have been able to grow that capital at an attractive rate through careful allocation. If your business can earn good returns on the capital it uses, Cymbria will be an eager supplier of that capital.

What does "hands off" really mean?

We have no desire to interfere with your business's day-to-day operations, but would like to have input on profit allocation.

Do Cymbria's founders eat their own cooking?

Yes, they put their money where their mouth is. Collectively, Cymbria's four founding partners own approximately 10% of the shares outstanding, amounting to over $157 million. Additionally, they've been net buyers of shares since Cymbria's inception.

Learn more about Cymbria in the following pages, including founding partner biographies and information on EdgePoint Wealth, the mutual fund company also created by the founders in 2008 that they still operate.

As at December 31, 2023.

CYMBRIA®

HOW WE'RE STRUCTURED

Tye Bousada, Patrick Farmer, Robert Krembil, Geoff MacDonald

↓

EdgePoint Investment Group Inc.

↙ ↘

Cymbria Corp.

Investment corporation listed on the TSX
Launched November 3, 2008
$1.6 billion in assets under management
Invests in approximately 50 global businesses, one of which is EdgePoint Wealth
20.7% ownership stake in EdgePoint Wealth

↓

Your business would reside here

EdgePoint Wealth Management Inc.

- Investment fund manager for EdgePoint Portfolios
- Open-ended mutual fund company
- Launched four funds on November 17, 2008
- $30.9 billion in assets under management
- 20.7% owned by Cymbria
- 60.5% owned by EdgePoint Investment Group
- 18.8% owned by or for the benefit of EdgePoint Wealth internal partners (employees)

As at December 31, 2023.

ROBERT C. KREMBIL, CFA

Robert C. Krembil is President of Chiefswood Holdings Ltd. and associated companies, including Chiefswood Investment Management Inc. Also, he is Chairman of The Krembil Foundation, a director of SOS Personal Learning Solutions Ltd. and The Toronto General and Western Hospital Foundation, and a member of the Dean's Advisory Council for the Schulich School of Business.

Prior to July 2000, Robert served as Chairman and Chief Executive Officer of Trimark Financial Corporation, which he co-founded in 1981. Trimark became one of Canada's leading mutual fund companies before being sold in 2000 to AMVESCAP PLC. Robert has over 40 years' experience as an investment analyst and portfolio manager.

In November 2008, Robert co-founded EdgePoint Investment Group where he maintains a silent management presence and an active mentoring role with partners Patrick Farmer, Geoff MacDonald and Tye Bousada.

Robert remains engaged in philanthropy and investment management on behalf of Chiefswood and The Krembil Foundation.

He was appointed a Member of the Order of Canada in 2005.

PATRICK FARMER, CFA

Patrick Farmer is a founding partner and Chief Operating Officer of EdgePoint Investment Group Inc. Also, he is Chairman of the Board of Cymbria Corp. and Chief Executive Officer of EdgePoint Wealth Management.

Prior to founding EdgePoint, Patrick was head of North American retail investments at Invesco Ltd. from January 2007 to October 2007, where he was responsible for overseeing approximately $90 billion in equity investments and over 70 investment professionals at U.S.-based Invesco AIM, a division of Invesco Ltd. In addition, he oversaw approximately $43 billion in equity and fixed-income assets and a team of 23 investment professionals at Invesco Trimark (formerly Trimark Investment Management), also a division of Invesco Ltd.

From October 2000 to January 2007, Patrick was executive vice president and Chief Investment Officer, and from April 1993 to June 2001 head of fixed-income investments, at Invesco Trimark.

Patrick began his career in June 1985 as an investment analyst at Ontario Municipal Retirement System working in the economics, equity and fixed-income departments until June 1987. He then joined Crown Life Insurance Company/Crown Life Investment Management Company, where he held various positions until April 1993, including investment analyst, corporate bond trader, mortgage-backed securities trader and fixed-income portfolio manager.

Patrick earned a BA in Economics from the University of Western Ontario in 1985 and became a CFA charterholder in 1988.

TYE BOUSADA, CFA

Tye Bousada is a founding partner, President and co-Chief Executive Officer of EdgePoint Investment Group Inc. Also, Tye is a Portfolio Manager at EdgePoint Investment Group Inc. and a Director of EdgePoint Wealth Management Inc.

Prior to founding EdgePoint, Tye was vice-president and portfolio manager at Invesco Canada Ltd. (formerly Trimark Investment Management). Tye joined the company in April 1999 as a portfolio manager on the Canadian equity team. He was promoted to co-manager of Trimark Fund in 2000 and to lead manager in 2004, a position he held until his departure in January 2008. Under his management, Trimark Fund was recognized numerous times for investment achievement. Prior to joining Trimark, Tye spent three years at Ontario Teachers' Pension Plan Board, from April 1996 to April 1999, where he progressed from junior analyst to portfolio manager. Before joining Ontario Teachers', Tye worked at Procter & Gamble from September 1993 to April 1996.

Tye earned an Honours Business Administration (HBA) degree from the University of Western Ontario in 1993 and became a CFA charterholder in 1999.

Tye is also co-founder of Timbercreek Investment Management, one of Canada's leading private real-estate companies with assets under management of approximately $1 billion.

Funds managed at Invesco Trimark

Fund	Start date	End date	Position
Trimark Fund	Mar-00	May-04	Co-manager
	May-04	Jan-08	Lead manager
Trimark Select Growth Fund	Mar-00	Apr-04	Co-manager
Trimark Select Growth Class	Mar-00	Apr-04	Co-manager
AIM Trimark Fund*	Nov-03	May-04	Co-manager
	May-04	Jan-08	Lead manager

*Distributed by Houston-based Invesco AIM.

GEOFF MACDONALD, CFA

Geoff MacDonald is a founding partner and co-Chief Executive Officer of EdgePoint Investment Group Inc. Also, Geoff is a Portfolio Manager at EdgePoint Investment Group Inc. and a Director of EdgePoint Wealth Management Inc.

Prior to founding EdgePoint, Geoff was vice-president and portfolio manager at Invesco Canada Ltd. (formerly Trimark Investment Management), a division of Invesco Ltd., until August 2007. Geoff joined the company in February 1998 and was integral to the launch of Trimark Canadian Small Companies Fund and Trimark Canadian Resources Fund. Following this, Geoff managed a broad range of mandates for Trimark during his 10-year tenure, including Canadian small-cap, Canadian natural resources, Canadian large-cap, Canadian balanced, global small/mid-cap, and
U.S. mid-cap mandates. While managing these funds, Geoff's investment achievements were recognized by a number investment awards. Prior to joining Trimark, Geoff was an investment analyst and portfolio manager at Ontario Teachers' Pension Plan Board from August 1994 to February 1998.

Geoff earned his BBA from Bishop's University in 1992 and his MBA from the University of Windsor in 1994. He became a CFA charterholder in 1997.

Geoff was selected by the World Economic Form as a Young Global Leader in March 2009. The World Economic Forum identifies annually 200 to 300 extraordinary individuals who share a commitment to shaping the global future. He was also recognized by his alma mater, Bishop's University, in its Top 10 After 10 program.

Funds managed at Invesco Trimark

Fund	Start date	End date	Position
Trimark Global Endeavour Fund	Aug-02	Feb-07	Lead manager
	Feb-07	Aug-2007	Co-manager
Trimark Canadian Endeavour Fund	Sep-98	Jun-00	Co-manager
	Jun-00	Aug-2007	Lead manager
Trimark Income Growth Fund	Apr-03	Aug-2007	Lead manager (equity)
Trimark Canadian Resources Fund	May-98	Jun-00	Co-manager
	Jun-00	Sep-02	Lead manager
Trimark Canadian Small Companies Fund	May-98	Jun-00	Co-manager
AIM Trimark Endeavour Fund*	Nov-03	Aug-07	Lead manager

*Distributed by Houston-based Invesco AIM.

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IS THIS THE BEST TIME TO BUY EVER?

The guys at EdgePoint think so. These Trimark defectors are launching a mutual fund in the middle of the worst market in 75 years-and they couldn't be happier.

Sean Silcoff
2559 Words
Friday, January 30, 2009
Page 26

It is the "where were you?" moment of the financial crisis. At 9 a.m. on Sept. 15, 2008, denizens of the world's capital markets hovered nervously around their Bloomberg terminals, watching the price of futures slide. The day before, Merrill Lynch had entered a shotgun wedding with Bank of America, while Lehman Brothers filed for bankruptcy. It was going to be one ugly day on the markets-a precursor to one ugly autumn.

For Tye Bousada, it was the moment of truth. Over the past eight months, he and two other star fund managers had put together a plan to launch their own mutual fund company. Toronto-based EdgePoint Wealth Management would aim to recapture the magic of their former employer, mutual fund giant Trimark Financial Corp., by offering simple, value-style funds that invest only in solid, growing-and inexpensive-public companies. Their plan was to raise a permanent pool of capital (called Cymbria Corp.) in an initial public offering and invest the proceeds in the market, giving shareholders a stake in EdgePoint as a bonus. Sept. 15 was day one of their 35-day, 40-city, 255-meeting IPO road show.

With North American markets poised to open sharply down (both the Dow Jones Industrial Average and the TSX/S&P composite index would drop by more than 500 points by day's end), Bousada, former lead manager of the flagship Trimark Fund, walked into a broker presentation at a CIBC World Markets office in London, Ontario. With him was EdgePoint's CEO, former Trimark investments chief Patrick Farmer. Both were worried nobody would show up. To their relief, 15 did. But the audience was obviously distracted and quickly filed out after the presentation. "I had mixed emotions," says Bousada. "I knew it would be difficult to raise money."

Meanwhile, Geoff MacDonald-who will manage EdgePoint's funds along with Bousada and who once managed $12 billion for Trimark-was facing a roomful of worried faces at BMO Capital

Markets in Oshawa. "Picture it: Going into an office, the market is down 500 points, and you're trying to sell an investment to brokers," says MacDonald, laughing at the memory. Roman Dubczak, vice-chairman of CIBC World Markets, which co-led the offering, recalls watching as the brokers they met with looked anxiously at their watches. "They would say, 'I have to get back to my desk because the world is falling apart,'" says Dubczak. "This was as gruelling a road show as I've ever seen."

No kidding. So, what were these guys thinking, launching a fund company at one of the bleakest financial times in generations? They were asking investors who were fleeing the market-and mutual funds in particular-for hundreds of millions of dollars to put *back* into equities. Plus, boutique firms similar to EdgePoint were struggling in a market increasingly dominated by banks and big fund companies. The week before, Winnipeg's Sarbit Asset Management had sold out after raising just $130 million from investors in three years.

The EdgePoint plan was either crazy or brilliant. What was it that Warren Buffett said-be fearful when others are greedy, and greedy when others are fearful? For a company founded on the principle of buying well-managed, growing companies at bargain prices-the value style touted by some of the best investors in history, including Buffett-there arguably couldn't be a better time to start. They just needed the attention of brokers. "Invariably they would say, 'I can't believe you're going public in this market,'" Farmer says during an interview at EdgePoint's office in midtown Toronto.

"Well, when *should* we do it?" MacDonald chimes in. "When the markets are a few thousand points higher? Would that be better for your clients?"

Bousada adds, "You end up with investors and advisers who fundamentally believe in the long-term value proposition."

You also end up with the biggest-indeed, one of the few-Canadian IPOs of 2008, raising $234 million for Cymbria to invest during the best buying opportunity in decades. Value managers are notorious for never timing the market just right. This time, Bousada and his gang nailed it-even if, he admits, "it was luck."

It's early December, one month after the Cymbria IPO closed, and Malcolm King, one of EdgePoint's three fund sales managers, is wolfing down a piece of coffee cake, hungrily eyeing the rest of the breakfast buffet at the back of the room. "Geoff, eat as much as you can-get your money's worth," says the 6-foot-4 ex-soldier through a full mouth.

MacDonald walks about the empty meeting room at the Fairmont Château Laurier in Ottawa, scooping up hotel-issue notepads and pens. "They charge us for those, so we're taking them," he says. Farmer, for his part, still can't believe the hotel dinged them $320 to rent a projector when their own machine wouldn't work. "So much for saving money," he says.

When your business is value investing, it makes sense not to let good money go to waste. The scrounging is also consistent with the message that King, MacDonald and Farmer have just delivered to 18 financial planners and advisers.

It is the start of a weeklong blitz of meetings with 300 investment advisers across Ontario and the Maritimes. Now, EdgePoint is relying on these advisers to sell their clients-individual investors-on its four newly launched mutual funds: one Canadian and one global stock portfolio, plus two balanced funds. The biggest selling point is that the funds will be managed by two of the best investing brains in Canada. During his seven years running the flagship Trimark Fund, Bousada increased its value by 72.1%, while its comparable MSCI World Index dropped by 5.6%. MacDonald, meanwhile, was named one of the 50 best fund managers of 2007 by *Barron's*. Plus, EdgePoint's management fees are 10% to 15% lower than those of most of their peers (less than 1.8% of assets), and the company will keep costs down by forgoing standard industry frills like glossy brochures, sports sponsorships and fancy TV ads (like those slick Dynamic Funds ads featuring Mike Weir and his caddy). Their modest office on Yonge Street has the look of a start-up that doesn't expect to impress based on appearances.

More to the point, EdgePoint looks like Trimark Redux. Fifteen of its 17 employees are ex-Trimarkers, and that doesn't include the biggest name of all: Trimark co-founder and former CEO Bob Krembil.

Krembil is one of EdgePoint's largest shareholders, a key adviser-and one of its biggest draws. During the presentation at the Château Laurier, Farmer puts up a slide titled "The Krembil Approach," which lists each employee's pedigree, measured in Krembil (i.e. Trimark) years. It adds up to 153.

Krembil is a legend in the business. In the 1970s, he co-managed Bolton Tremblay's Taurus Fund, posting double-digit returns and soundly beating the market. In 1981, he, Arthur Labatt and Michael Axford founded Trimark, creating a culture that put investor interests first by focusing on long-term fund returns and providing strong customer service. His portfolio managers didn't consider themselves stock pickers who traded in and out, but rather, long-term owners of great businesses. Krembil only launched funds when they made sense. In 1998, for instance, as rival companies were launching funds loaded with frothy tech firms, he lured MacDonald away from the Ontario Teachers' Pension Plan Board to co-manage two new funds specializing in small companies and resources, both of which were unpopular. It was a wise move: In the four years MacDonald managed the Canadian Resources Fund, for example, it increased by 75%.

MacDonald stresses the fund's success during his presentation. Most fund companies, he says, shill trendy products-last year, it was India and commodities. Their priority is to compile assets that please shareholders, rather than produce returns to satisfy customers. "The relationship between you and the average fund company is, 'I have funds to sell you,'" the 38-year-old MacDonald tells the crowd. Several advisers nod in agreement.

"I don't need to see those ads on TV all the time," Kevin Smiley, one of the advisers in the audience, says later. "We should be the sales and marketing teams for fund companies."

Smiley and the rest of the advisers EdgePoint is courting all have long associations with Trimark. Ted Thomson, a 65-year-old adviser with Assante Capital Management in North Bay, Ontario, is a prime example. He first put clients into the Taurus Fund 30 years ago and was an early Trimark supporter. When he read that Krembil was backing EdgePoint, he says, "I was so ecstatic, I e-mailed him immediately and said I wanted to get involved." Thomson put 330 of his 1,000 clients into the Cymbria IPO and bought some himself, cutting "the biggest cheque I've ever written personally for an investment." He expects to place more than 10% of his $100-million-plus book into EdgePoint funds. "You get in on the ground floor with Bob Krembil," Thomson says, "and you're laughing."

Krembil didn't always enjoy such vaunted praise. Like many value managers, he was lost during the Internet bubble, opting to stay out of tech altogether. For 30 straight months, fund holders pulled money out of Trimark-$6.6 billion in all. Net assets declined to $24.8 billion, and Trimark's stock price tumbled. In 2000, Atlanta-based Amvescap PLC (now Invesco) bought the company for $2.7 billion. As the ink on the deal dried, the tech bubble popped, and Trimark funds rebounded, accounting for 75% of industry net sales in 2002.

By then, Krembil was gone. Gradually, Farmer-Krembil's choice for CIO-along with MacDonald and Bousada, grew disenchanted with Invesco, a global company that suffered from leadership problems and redemptions. Though Invesco Trimark, as the Canadian division is called, remains a value manager, it sells other Invesco products, too. "It wasn't the company I joined in 1998," Bousada says of his decision to leave in January, 2008, a few months after Farmer and MacDonald quit.

Pondering his future, the 37-year-old Bousada-who sold Ecuadorean sweaters at university and co-founded a real estate company in 1999 that owns 8,000 units-felt "there was a better way" to run a fund company.

"The industry was using language that existed at Procter & Gamble-shelf space and market share," says Bousada, who was a P&G salesman early in his career. "We're not selling diapers or soap. We're selling products to feed and shelter and clothe people's families for decades." MacDonald and Farmer agreed to join Bousada, and Krembil and Farmer put up the venture capital. It was the first investment management company Krembil had invested in since leaving Trimark (despite many entreaties).

The partners approached more than 75 advisers across Canada to ask what they wanted in a fund company. The answer: a strong "investment culture" like the one they left behind at Trimark, and close relations with advisers, who felt lost in a universe of thousands of Canadian funds. "We heard so many times that in the old days, when they called a fund company, people recognized them," says 46-year-old Farmer. "That was missing." Also, the simpler and less expensive the funds, the better, reflecting long-standing complaints that Canadian funds have the most expensive management fees in the developed world.

To avoid a common trap at fund firms led by star managers, Farmer will focus on administration, leaving MacDonald and Bousada to do what they do best: manage money. The Cymbria IPO sidesteps another stumbling block-convincing reticent advisers that EdgePoint is here to stay-by establishing a permanent pool of capital that, unlike mutual funds, holders cannot redeem. "It will allow us to keep the lights on at EdgePoint forever," Farmer says. And with a 23% stake in EdgePoint (Krembil, Farmer, MacDonald and Bousada own the rest), Cymbria is an even more compelling investment, says CIBC's Dubczak: "With that added feature, the catchphrase among dealers was, 'If investors will buy anything, they'll buy this.'"

Value managers require patient investors. They typically buy stocks that are falling and sell those that are rising. It's the 10-year averages that matter, not one-year returns. Try telling that to fickle investors.

EdgePoint hopes to keep costs low-not to mention weed out the fickle-by requiring a minimum $15,000 investment, with penalties for early redemptions. And they're only targeting 1% of the 75,000 financial advisers in Canada, to become "the select partners to the few, and service them better than they've been serviced in the past 10 years," says MacDonald. The partners are vague about their goals for growth. "You can't set an asset target," says MacDonald. "That shows everybody what you're about already. We're here to create something we think people will want."

Krembil says that for EdgePoint to reach billions of dollars in assets under management (which would still place it well below the top 10 fund companies in Canada) "will be highly unlikely. Our ambition is to produce a good rate of return. That was our ambition in the early days of Trimark. If we focus on taking care of investors, everything will take care of itself."

This may be a golden opportunity for value investors-but in a down economy, they'll have to be wary of traps, something that Bill Miller, the legendary Legg Mason portfolio manager, was not: He ended a 15-year run of above-average returns when he made a heavy, premature bet on U.S. financials last year, with calamitous results. "There are a lot of things that are cheap out there that will go to zero," MacDonald cautions. His strategy: Concentrate on 20 or 30 names, sticking to quality. "This is a time for those with a skill for identifying great businesses that can grow and steal share." One example is Moody's Corp. The stock has been hit hard-credit rating firms have been disgraced by their role in the U.S. subprime mortgage fiasco. "But people still need corporate debt rated," MacDonald says, so that business will continue to grow and generate cash.

Another favourite is Ryanair. The European discount airline "simply blows away the competition." It keeps costs controlled, buys planes during recessions, and continues to fill its growing number of seats at low prices. "In a recession, people will still fly," he says. "They'll fly less; they'll fly more Ryanair. We'll make money on Ryanair the old-fashioned way, by participating in the growth of value in that business."

And that's the plan for EdgePoint, as well. By Dec. 31, the company had raised $41.7 million through 101 advisers. It's a start, but the EdgePoint principals are in no rush. All of them plan to stick around until they retire-and Bousada and MacDonald aren't even 40 yet. "We'll have young kids kicking us out 30 or 40 years from now," says MacDonald. "This is it."

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Phillip Crawley, Publisher

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Fund veteran backs new venture

Investor Robert Krembil has put his faith in Tye Bousada, Trimark's former lead manager

DEREK DeCLOET
540 Words
Wednesday, February 20, 2008
Page B13

Robert Krembil doesn't think too highly of what the mutual fund industry has become. And he thinks there's room for someone to try to change it.

"If I had to look at the business today, the observation I'd make is I'm amazed at the way it's developed," the co-founder and former chairman of Trimark Financial Corp. said in an interview. "For whatever reason, the focus by everybody, from the leaders to the client, has become very short term.

"Whether they admit it or not ... [the game is] protect your backside so you don't lose your client. And they say, 'Okay, how do I protect it? I don't deviate too far from the index.' That's not the way to get a good long-term result."

Mr. Krembil clarified weeks of rumours by announcing he will back Tye Bousada, who quit as lead manager of the $5-billion Trimark Fund last month, in a new investment management company. Mr. Krembil will buy a significant stake - between 25 and 51 per cent - in a holding company that will own **EdgePoint Capital Partners Inc.**

The 65-year-old investor said the aim isn't to create another Trimark, which was one of the largest publicly traded fund companies in Canada before it was sold in 2000 to Amvescap PLC, now called Invesco Ltd., for $2.7-billion. Rather, it's to start an investment management firm that will appeal to customers with a long-term view, "that allows a good manager to take a proper time horizon and do what he or she thinks is right."

Mr. Krembil was one of three employees of Bolton Tremblay Inc. who tried to buy the fund management company from its parent. Spurned, they left to form Trimark in 1981, where Mr. Krembil became chairman and one of its most important stock pickers.

Some people believe Trimark's sale eight years ago was an illustration of the short-sightedness Mr. Krembil is talking about. In the late 1990s, the firm's performance suffered as it refused to ride the technology bubble and stuck to its value-investing orientation. Its assets under management grew only 4.3 per cent in 1999 when every other major fund company was reporting double-digit growth, and Mr. Krembil ultimately bowed to the pressure to sell.

If he could do it again, Mr. Krembil said, "I wouldn't go public. That puts another level of pressure on the organization," leading to excessive focus on quarterly results and higher-than-necessary fees. "Fees have to come down."

Mr. Bousada said he could not reveal what the new company is planning to offer because its registration with the Ontario Securities Commission has not been approved. But he suggested it would be different that the current standard. "We believe the industry is ready for change."

Despite his ownership position, Mr. Krembil said he will not take a role in the operations of EdgePoint and will not be managing funds for it. He spends his time managing his own money and that of a charitable foundation.

"I'm backing Tye. I have a high regard for his ability, obviously, or I wouldn't be putting money behind it."

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Philip Crawley, Publisher

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Edgepoint takes page from Trimark

Former executives to continue stock-picking tradition in new investment boutique

SHIRLEY WON
644 Words
Wednesday, April 23, 2008
Page B19
FUNDS REPORTER

It may not be the rebirth of former fund giant Trimark Financial Corp., but the firm's offspring are intent on carrying on its investment philosophy.

Patrick Farmer, former chief investment officer with AIM Funds Management Inc., has teamed up with two key departed AIM managers in a new company that will continue the Trimark stock-picking tradition.

He has joined Tye Bousada, Geoff MacDonald and also Robert Krembil, who co-founded Trimark, as founding partners in **Cymbria Capital Corp.** - a holding company for Edgepoint Capital Partners.

The four ran money together at Toronto-based Trimark before it was bought in 2000 by global asset manager Invesco Ltd., which owns AIM Funds.

"We are endeavouring to have a product for the retail community that will be sold through the advisory channel in the fall," said Mr. Farmer, chairman and chief operating officer of Toronto-based Cymbria.

Peter Loach, managing director of fund research at BMO Nesbitt Burns Inc., expects this investment boutique with "powerhouse investment managers" will appeal to advisers familiar with the old Trimark.

Mr. Farmer, who joined Trimark in 1993 to head its fixed-income team and resigned from AIM Funds last summer, said he will spend time with financial advisers explaining Edgepoint's investment philosophy of analyzing and buying quality businesses led by strong management teams.

"We first got introduced to it [the philosophy] with Bob Krembil launching Trimark," he said in an interview yesterday.

While it won't be easy for a startup company to compete against AIM Funds, which is also marketing the same investment philosophy, "we have the founder on our side," he quipped.

Mr. Farmer, 45, became CIO at AIM Funds in 2000, and resigned last year without a job in mind. "I needed a break and to recharge my batteries," he said.

His workload became demanding after he was asked to take on additional responsibilities for overseeing the managers and analysts in another Invesco unit in Houston, which had about $100-billion in assets, in addition to the people who ran $40-billion in assets in Toronto.

"That started off with me flying down there two days a week for six months," he recalled. "Let me tell you. I didn't get a lot of sleep. I was extremely tired, my wife wasn't happy and the kids missed me."

Mr. Farmer chose to join Cymbria even though he was courted by other Canadian fund companies. He said he is "excited" to be part of a company with an investment culture as opposed to the sales and asset-gathering orientation of many fund outfits - typically publicly traded companies. Mr. Krembil will not run money, but has a significant investment stake in Cymbria.

In addition to Mr. Farmer, Mr. Bousada and Mr. MacDonald, Richard Jenkins - former manager of the $5.9-billion Trimark Select Growth Fund - left AIM Funds in January. He teamed up with colleague Bill Kanko at his private investment firm to run money for Toronto-based Hartford Investments Canada Corp.

AIM Funds, meanwhile, has suffered from net outflows partly because of the departures and the fact that the Trimark value-oriented investment philosophy is currently out of favour. AIM Funds saw about $1.8-billion in net redemptions in the first three months of this year.

Dan Hallett, a Windsor, Ont.-based independent fund analyst, said it's tough to say how Edgepoint will fare until it starts launching its products.

The boutique firm will have a "good story" with Mr. Krembil as a founding shareholder and three senior people familiar to advisers from some of the biggest funds they have been using for the past five to 15 years, Mr. Hallett said.

"They will have a fresh start without some of the legacy issues that people associate with AIM-Trimark" because of the poor shorter-term returns of the Trimark funds, he added.

NATIONAL POST

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Their secret: Survive & thrive; Edgepoint Investment Management launched near the bottom of the bear market and now almost $1B

As its first anniversary approaches, Canada's most promising mutual fund start-up is within hailing distance of $1-billion in assets. EdgePoint Investment Management Inc. has $550-million in its four mutual funds, plus $300-million from the initial public offering in sister firm Cymbria Corp. With 750 financial advisors onside, more market growth could put them over the top.

Co-CEOs and portfolio managers Tye Bousada and Geoff MacDonald launched the firm near the bottom of the bear market. "EdgePoint has been successful in getting a toehold in the Canadian retail fund market during very difficult market conditions," says Rudy Luukko, investment funds editor for Morningstar Canada.

However, as Luukko points out, since the funds won't have one-year data until after the Nov. 17 anniversary, "the former Trimark managers will still be citing their achievements at their former employer as a model of what they hope to accomplish."

Fund analyst Dan Hallett recommends EdgePoint's pure equity funds and retains Bousada's old Trimark Fund on his list, albeit a notch down from top-pick status.

EdgePoint's principals enjoy a not-so-secret weapon: seed-capital investor Robert Krembil (co-founder of Trimark). Krembil is available as an occasional sounding board for their stock picks, as well as a source of wisdom in growing their business.

A primary Krembil investing tenet has been to avoid timing the market. "Because half the time, you'll be right and half the time wrong," Bousada says. Instead, MacDonald says he focuses on finding businesses that will survive and emerge stronger.

An example is Research in Motion Ltd. Looking out three years, "not only is it going to survive, but it could be two or three times the size," MacDonald says. (Disclosure: I have a small position in RIM) "They have a 15% share of the smartphone market, but the smartphone market is only about 15% of cellphones in the world." MacDonald is sure that more than 15% of people with phones will eventually have smartphones.

How about banks? It's clear Canadian banks are survivors, MacDonald says. But he adds: "I don't think you can point to a thesis that they will be two or three times the size within a reasonable investment horizon."

Another survivor is U.S. auto insurer The Progressive Corp., which has 8% market share and is positioned to grab more at the expense of higher-cost insurers like State Farm and All State. "We all have cars, need auto insurance and if we renew, we want to save money and go with the lower price."

In EdgePoint's Global Portfolio, the pair cite Dublin-based Ryanair Holdings PLC as a likely survivor. Now one of the largest European carriers, it has a cost structure that can't be replicated.

"You must own survivors, but not the obvious survivors," MacDonald says. "In a bear market, people flock to safety -- consumer staples, utilities, pipelines. I call those the obvious survivors, but that's not where you want to be."

It's a risk to flock to safety, particularly the big safe names making up the Dow Jones average. They're big and obvious survivors, but the Dow has done very little compared to many other indexes around the world."

As active managers, the pair dig deeper to find stocks priced as if they will not survive. They attend investment conferences, where they uncover finds like Interface Inc., maker of modular carpet tile. It has a third of the office market and has just entered the residential market. EdgePoint bought it at $2 a share in March, the stock has since tripled.

Investors Rule

Upstart firm, owned and operated by investors, says it values advisor feedback

INTERVIEW BY MARK NOBLE

> You can't control what the markets are going to do in the short term but you can build a good culture for this business.
>
> **Tye Bousada (right)**

There are only a few new players in the Canadian mutual fund industry, and even fewer who've made an immediate impact.

Since its inception—by a trio of former star fund managers—the industry has had its eye on upstart EdgePoint Investment Group. The firm's founding partners and primary money managers, Tye Bousada and Geoff MacDonald, could have easily rushed into the market with a firm focused on gathering assets. Instead, the former Trimark managers took their time to build a business intensely focused on working with clients serious about long-term investment performance.

Their motto—Owned and Operated by Investors—tells the full story. Investing is all that matters for MacDonald and Bousada, and they refuse to institute anything into their firm's model that will undermine that philosophy even if it costs them assets. And by doing so, EdgePoint is already challenging the underlying fabric of the Canadian mutual fund industry.

Q Describe the transition from being portfolio managers employed by a large mutual fund company to running a larger business.

TYE BOUSADA It was interesting. Initially, it was a blend of both managing money and managing the business. But fortunately, we're back to being money managers. Patrick Farmer, EdgePoint's CEO, will focus on the day-to-day operation of the business.

One of the most common mistakes portfolio managers in the mutual fund industry make is to assume that because they understand businesses, they'll be able to manage a company as well [and do so unsuccessfully].

We've watched people make those mistakes in the past, and didn't want to be one of them. That's where Pat Farmer fits in. He put all of the infrastructure in place, and everybody apart from the investment department reports to him. This lets us focus on managing money, which is exactly what we used to do.

We were also fortunate because initially we had Bob Krembil's [former Trimark founder] backing and capital, which allowed us to really sit back and figure out how best to approach this business. We weren't forced to come **Continued on page 6**

Investors Rule

Continued from page 1

out of the gate with a product right away. We were able to spend the first nine months of the operation determining how best to approach the market.

We went across the country—quite literally from Halifax to Vancouver—talking to a number of financial advisors who have built successful businesses, and asked them what they wanted to see in the industry; what they liked in the marketplace; what they didn't like; where they thought the industry was going to be in five years; and what product attributes they thought attracted assets.

The feedback we received was remarkably consistent and in line with our beliefs about what the industry needed.

We also spent a lot of time thinking about the people we'd like to bring on as partners. You can't control what the markets are going to do in the short term but you can build a good culture for this business.

Q How big is your firm now?

GEOFF MACDONALD We are a team of 21 now. Just recently, we brought on a lot of sales and operations people.

Q Have you found this a good market to hire?

TB We mostly hired people we've worked with in the past. Out of the 21 people we hired, we worked with about 15. That's actually a real luxury because you're able to eliminate the risk of not knowing what you're getting. That's a hurdle we've been able to avoid [as a new business].

Q Pat Farmer was a well-respected money manager in his own right. Do you think it helps to have someone with an investment background run the company?

GM He managed a lot of people as the CIO of AIM Trimark for eight years. He was actually our boss. He was the CIO for all of North America by the time he left, and oversaw something like $120 billion in assets with a couple hundred people reporting to him.

Q Did you have any unforeseen challenges as a start-up?

TB The markets. Although in hindsight it proved to be a good thing.

GM There are always challenges, but knock on wood, things have been good so far. We were advised by a lot of people that there was no room for another mutual fund company in Canada. For one, it's capital-intensive. People told us we don't know anything about managing a business. But we knew how to manage money, and we're sort of Monday-morning quarterbacks because we study businesses for a living. We can give a lot of valuable input, but we don't necessarily have the skill set to run the business.

MacDonald

Bousada

The key was to bring in the right people who have an incredible amount of experience and have done this before. We have other people take care of the nuts and bolts, while we manage the money.

It also did not cost nearly as much money as people said it would. This is actually not a very capital-intensive business, that's for sure.

Q From a stock market perspective, do you think it ended up being a good time to launch new funds?

TB Absolutely. We're actually very excited to start the funds at the current market valuations. We're a blend of value and growth investment styles and that made us even more excited because we're able to buy great businesses that grow over the long term at pretty depressed prices. Those types of stocks were not in short supply.

We launched on November 17, 2008, and thought the possibilities were pretty exciting, but we didn't know how low the markets could go. By the time March 9 rolled around they plummeted even lower and frankly we became more excited about the long-term possibilities.

This stems from the fact that we tend to focus on longer time horizons to make an investment. We're not focused on the next month or the next quarter. We realize a disproportionate number of managers have a short-term focus—one month, three months or a year. We've partnered with advisors who understand we're trying to build wealth for investors over a five-year time period. Three- to five-year returns are what we focus on.

GM One of our [definitions of success] is to be at the top of our peer group over a 10-year timeframe. There are no asset targets within that definition of success. You see fund companies operating a business and they are talking about asset targets and how big they want to be.

That's not one of our key success factors; it's not one of our goals. Our goal is to create value for our clients over the long term. With that goal in mind, starting out where we did [in the market cycle] puts us in a pretty good situation to achieve it.

Q You were veterans of the Trimark part of Invesco Trimark, where the "Trimark Discipline," is still practised rather reverentially. Assuming you would have been students of that discipline, can you tell advisors how your management style would be different?

GM The term we've been using around here is the "Krembil Approach" (named after Trimark co-founder Bob Krembil). Tye and I are going to invest the same way we've always invested—the same investment approach we learned from Bob. I don't see why any of that would possibly change.

We're lucky to have a small asset base, which allows us to put that investment approach in very flexible formats, and in companies of all sizes around the world.

TB I don't think Bob would have partnered with us if we said we were going to change our investment format. And nothing speaks to the fact more that we will follow the "Krembil Approach" than the fact that Bob Krembil is one of our partners.

Q So will this be a complete departure from what Trimark does?

TB I wouldn't say what we're doing is a conscious departure from what Trimark does. As far as managing money goes, there's no change at all to what Geoff and I have done in the past.

EdgePoint has a different culture and a different environment than what existed at Trimark. That should be expected because we're looking at different groups of people.

Q What sort of feedback did advisors give you and how have you responded to that?

TB A lot of what we've done reflects the comments of advisors. There's nothing preventing senior management of fund companies from going across the country and asking advisors their opinions. The problem is many senior managers don't want to hear the feedback.

They're actually afraid of the feedback because they won't be able to implement it.

For example, some of the feedback we heard involved higher minimum [investments].

Another big piece of feedback we got from advisors is they don't really care about going golfing with you. What they care about is good investment performance. Some even suggested spending more money on the investment department rather than the marketing department.

Q As investors, where do you see the market going over the next 12 months?

GM We rarely answer questions like that definitively. We piece together a global portfolio, for example, with about 25 to 30 ideas. There's no overall theme. Let's say we love [the outlook] for orthopedic companies, we still don't buy them all. We buy one stock, and that will be one idea. If we love the oil and gas sector, there will be one oil and gas company in the portfolio and we have the whole world to choose it from.

One of the things we learned from Bob is to piece together a proper portfolio and diversify it, not just make one or two big bets on one or two sectors.

> There's a possibility banks will resemble regulated utilities a few years from now
>
> *Geoff MacDonald*

I don't think there are any themes. The general theme we talked about since we launched six months ago is where the market is today and the valuations associated with that.

There are a couple of traps we have warned investors about. One of them is the flock-to-safety mentality. The place to hide in the market was not the place to be. It's going to take a long time to get your money back owning the Campbell Soups of the world.

There's a wonderful opportunity to dig beneath the [companies] everybody knows are going to survive. You have a once-in-a-generation opportunity to buy great companies at silly prices. That was one theme we've talked about.

The other theme is to be careful of value traps. In an economy that's shrinking, we're not growing. There are a lot of low-quality businesses that will decline. Those sub-par businesses with weak competitive positions may look cheap but stay away unless you know when the economy's going to turn.

Q What are your long-term earnings expectations for return on equity considering leverage has been taken out of the market?

GM Banking is the main industry that will have its return on equity prospects affected. It's reasonable to say many banks around the world will hold on to a lot more capital than they have in the past. In some cases, they'll be forced to. There's a possibility banks will resemble regulated utilities a few years from now. We don't know at this point. In terms of broader returns on equity I don't see a big change in other industries.

Q What's the earnings potential of corporate bonds versus equities over your three- to five-year time horizon?

TB Looking back, they were both very attractive in November and December. That was reflected in our growth and income portfolios, where we were 70% invested in equity and 30% invested in fixed income. The fixed income was all in corporate bonds because that is where all the opportunities were. We weren't hiding anything in governments, like the majority of the world seemed to be doing.

GM Simply put, I think there were a lot of people excited about corporate bonds and the yields that were there. You could see a lot more talk in the industry about high-yield bond climbs. We took some advantage of that.

We avoided government bonds. Not many balanced funds across the country did that. Not sure why.

Q Do you have any asset targets in mind? Is there a point where you would close off mandates to new investors in order to preserve performance?

TB We are going to have to be true to our objectives. We'll close off if size impedes our ability to be at the top of our peer group or have strong relationships with our advisors. If it means we have to hire so many employees that they can't think and act like owners, we'll stop.

The nice thing is we have a track record of doing it right. The process is in place to make tough decisions that are right for the investors. It's an example of something we're going to have to be held accountable for as an investment-led organization versus an asset-gathering organization.

GM You have two fiduciaries as a public mutual fund company—the public shareholder who wants to see asset growth, and the unitholder that wants returns. You have the shareholders demanding asset growth. The professional management team with limited investment background will want to satisfy the demands of those shareholders.

The ownership of our fund is pretty strong, and we've set it up so that it will be employee-controlled forever. We have a shareholder agreement that makes it impossible to sell your stake to anyone other than another employee. I think if you can keep the employee ownership intact, you can keep the investment ownership intact, and consequently you can keep the investment-focused model in place longer. We've seen that. We've seen private employee-owned firms maintain an investment c8ure longer and stronger.

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