ANTARES INVESTMENT MANAGEMENT

VALUE PORTFOLIO

The Antares Value Portfolio focuses on companies that, in our analysis, are underpriced in the stock market relative to their underlying worth as businesses. Our strategy aims first to protect investors' capital by not overpaying for a given company - holding fixed income or cash when bargains cannot be found - and second, to grow that capital through share price appreciation as the company's value gets properly recognized within the equity market.

MANAGER COMMENTARY

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This past quarter has been a busy one. We have taken in a number of investing conferences to uncover potential investments and have also made additions to your portfolio. A favourite quote from Ben Graham—the Dean of value investing who taught Warren Buffett—sums up the current thinking:

> *"In the short run the market is a voting machine, but in the long run it is a weighing machine."*
> *— The Intelligent Investor, 1949*

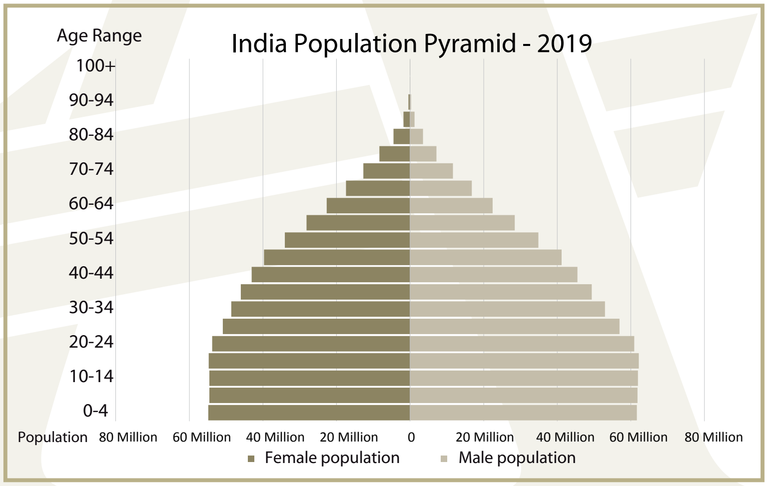
Graham knew that specific stocks can go in and out of favour in the short run but realized that over time the stock price will reflect the underlying economics of the business. "Votes" are cast in the form of bids for stock prices. Today's popular companies have their stock price bid up while unloved companies see their stock price sink. Too often this occurs irrespective of the actual sales and profit performance of the company.

Over time, however, actual company economics will weigh in and the share price tends to reflect how the company is doing financially. The timing is unknown. The greater the disconnect between price and value, the greater the "snap back" can be.

There are few times we have been this optimistic about the future for stock prices of the companies in your portfolio. Quite simply, there are numerous companies with stellar balance sheets and industry leading profit margins with stock prices that have not moved much in several years or in some cases have gone down. This has prompted us to revisit our analysis and conclude that the shares are at bargain levels, so we have added to your ownership stakes in existing companies. On top of that, our research has led us to add a new company to your portfolio at an attractive purchase price.

Fairfax India Holdings is a Canadian company that controls seven other companies that do business almost exclusively in India. These seven companies are in various industries ranging from banking and financial services, food warehousing and distribution, shipping and warehousing, and plastics production. They also run the first privately built airport in India. This airport is the third largest in India and is the second fastest growing in the world. These products and services are things a growing nation will consume in ever-increasing amounts over the coming years.

Fairfax India has a number of tailwinds including population growth, a rapidly expanding middle class and fast growing companies. India's population makes up almost 18% of the world with 1.35 billion people, of which 50% are younger than 25 years old (source: International Monetary Fund). This young cohort is almost double the



Source: United States Census Bureau

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entire population of the United States. In contrast to China, India, has much more favourable demographics.

India currently generates $2,000 of GDP (Gross Domestic Product) per person, a low number that we believe is likely to rise. For reference, it took China six years to grow its per capita GDP from $2,000 to $6,000, and Fairfax India anticipates it will happen even faster in India (source: Fairfax India Annual General Meeting, 2019).

We believe the value of Fairfax India's privately held businesses are understated due to accounting rules that force companies to record their values at purchase prices. Companies that were purchased years ago can be worth multiples of the original price yet are not marked up on the books. This disconnect between price and actual value is precisely what we have been searching for. We are excited about the future of these seven companies.

On a different note, as we have written about in previous years, here are our Top Six learnings from Warren Buffett, Charlie Munger and other value investors from the various seminars and conferences we attended in Omaha.

1. Human nature fights long-term investing and most investors don't have the stomach for it. The focus tends to be on short-term and temporary stock price swings rather than long-term growth of a business. Value investing has been patience-trying over the last few years but we are convinced that the underlying principles used by the most successful investors still apply. Business growth and stock prices don't always move in lock-step.
2. "Don't just do something...sit there." This is a favourite saying of Charlie Munger. The tendency to want to take action due to short-term stock price movements is hard to resist, which is why successful long-term investors put more credence in company financials than current stock market quotations.
3. An investor needs to start with a pool of good companies to buy cheaply, not companies that are merely cheap.
4. Buffett prefers that the stock of a good company goes down...making it cheaper to buy more of the company. He says he will do materially better if prices go down over the next number of years. That is a hard concept to grasp and even harder to implement consistently.
5. Regarding current stock market levels, Buffett says that people in general are willing to pay a much higher price than Berkshire. Many people in the industry are paying with someone else's money, not their own.
6. Since 2008, things have been very different than any other time in history...low interest rates and pace of globalization. Buffett commented that it is easy to see the tech leaders of today but much harder to see who the tech leaders will be in the future.

These principles are not new, nor are they complicated. However, they do require discipline and patience. The businesses you currently own are profitable, have good balance sheets and generate good cash flows. As we find additional companies at prices that are attractive, we will make additional purchases. The key is to recognize that stock prices are not always a good proxy for value.

We wish you a good summer,

Your Portfolio Management Team

VALUE PORTFOLIO

The Antares Value Portfolio is available to investors within a Separately Managed Account ("SMA") that holds securities directly, and through the Antares Value Pool ("Pool") which is held in the accounts of multiple investors. Data presented refer to the Pool. SMAs are customized and therefore their holdings and weights may diverge from those within the Pool. Sources for the data include: Capital IQ, Bloomberg, NDEX, and Antares calculations. Unless otherwise stated, all data are as at quarter end.

814-1661 Portage Ave
Winnipeg, MB R3J 3T7
Canada

P (204) 975 5131
TF (866) 975 3888
F (204) 925 5960

info@antaresinvestment.ca
www.antaresinvestment.ca