

UNITED CORPORATIONS LIMITED

ANNUAL REPORT

**2020**





**THE FISCAL YEAR AT A GLANCE**

Year ended March 31	2020	2019
Net equity value per Common Share <sup>1</sup>	\$ <b>137.95</b>	\$ 146.99
Net investment income per Common Share <sup>1</sup>	\$ <b>2.29</b>	\$ 2.25
Net income (loss) per Common Share	\$ <b>(7.15)</b>	\$ 10.57
Cash dividends paid per Common Share		
Quarterly	\$ <b>1.20</b>	\$ 1.20
Additional <sup>2</sup>	\$ <b>1.05</b>	\$ 0.78
Net assets <sup>3</sup>	\$ <b>1,680,040</b>	\$ 1,800,185
Net investment income <sup>1,3</sup>	\$ <b>28,272</b>	\$ 27,840
Number of Common Shares outstanding at year end	<b>12,122,893</b>	12,194,193

<sup>1</sup> See Management's Discussion and Analysis for Use of Non-GAAP measures.

<sup>2</sup> This additional dividend represents the annual distribution of the prior year's annual net investment income after payment of Preferred Share dividends and after payment of quarterly dividends.

<sup>3</sup> In thousands of Canadian dollars.

**ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting of Shareholders will be held at 165 University Avenue, 10th Floor, Toronto, Ontario on Wednesday, June 17, 2020 at 11:30 a.m.

The health and well-being of our shareholders, employees and community is our number one priority. Considering the directives from public health officials on group settings, the Board of Directors believes the safest way to participate in the upcoming annual meeting is remotely. United has organized a live webinar to support public health efforts in managing COVID-19 and is urging its shareholders to vote by proxy and asking interested stakeholders and shareholders to remain at home and not attend the annual meeting in person. Please check United's website ([www.ucorp.ca](http://www.ucorp.ca)) where further details will be provided on how to attend the live webinar.

This is not a virtual meeting. Shareholders cannot vote as part of the webinar and are strongly encouraged to vote by proxy in advance of the meeting by one of the methods described in the following Management Information Circular. The deadline to vote your proxy in advance of the meeting is Monday, June 15, 2020 at 11:30 a.m. Eastern Time.

# UNITED CORPORATIONS LIMITED

## **BOARD OF DIRECTORS**

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DUNCAN N. R. JACKMAN  
Chairman and President  
United Corporations Limited

CHRISTOPER A. ALEXANDER  
Chairman and CEO  
Globestage Partners Inc.

DAVID J. DAWSON  
Managing Director  
Protiviti

FAHAD KHAN  
Vice-President, Investments  
E-L Financial Corporation Limited

KIM SHANNON  
President and Co-Chief Investment Officer  
Sionna Investment Managers Inc.

MARK M. TAYLOR  
Canadian Northern Prairie Lands Company Inc.

MICHAEL J. WHITE  
Chairman of the Board  
Addenda Capital Inc.

DAVID R. WINGFIELD  
Partner  
Strosberg Sasso Sutts LLP

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## **HONORARY DIRECTOR**

THE HONOURABLE HENRY N. R. JACKMAN  
Honorary Chairman  
The Empire Life Insurance Company

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## **OFFICERS**

DUNCAN N. R. JACKMAN  
Chairman and President

RICHARD B. CARTY  
Corporate Secretary

SCOTT F. EWERT  
Vice-President

FRANK J. GLOSNEK  
Treasurer

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial performance and financial condition for the years ended March 31, 2020 and 2019. This MD&A should be read in conjunction with the March 31, 2020 year-end financial statements of United Corporations Limited ("United" or the "Company") which form part of this Annual Report dated May 5, 2020. These financial statements have been prepared in compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars.

This MD&A may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

### The Company

United is a closed-end investment corporation that trades on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The Company has been a closed-end investment corporation since 1929. The Common Shares have persistently traded at a discount to their net asset value, ranging from approximately a 40% discount to a 20% discount over the past 10 years. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value. On March 4, 2020, the Company announced its intention to commence a normal course issuer bid. Further information is included on page 9 of this annual report.

Closed-end investment corporations have the following benefits: they often allow investors the opportunity to purchase assets at a discounted price; they have management expense ratios which are generally much lower than those for actively-managed open-ended funds; and the management of a closed-end investment corporation's portfolio is not impacted by shareholder subscription or redemption activities.

United has no plans to become an open-ended investment fund.

The majority of the Company's investment portfolio is actively managed by Macquarie Investment Management Europe S.A. ("Macquarie"), Harding Loevner LP ("Harding Loevner") and Causeway Capital Management LLC ("Causeway"). Each of these managers has a global equity mandate. As of March 31, 2020, \$844,967,000 (2019 \$892,005,000), \$510,802,000 (2019 - \$538,322,000) and \$181,151,000 (2019 - \$248,856,000) of equity investments were managed by Macquarie, Harding Loevner, and Causeway, respectively.

Macquarie is a global investment manager whose head office is in the Grand Duchy of Luxembourg. Macquarie provides portfolio advisory services to Canadian clients through Pier 21 Asset Management Inc., a registered portfolio manager based in Montreal, Quebec. Macquarie's investment objective is to provide long-term growth primarily through capital appreciation, by investing in a portfolio of common stocks and equivalent securities of major companies around the world. The investment philosophy rests on its core conviction that long-term preservation and accumulation of wealth can best be achieved through a combination of attractive valuations and thorough assessment of the quality of the businesses. There is no target geographic mix for the portfolio. The portfolio normally consists of 30 - 80 companies.

Harding Loevner is a global investment manager and is based out of Bridgewater, New Jersey, USA. The investment philosophy emphasizes the merits of long-term investment in high-quality, growing businesses, and the investment approach relies on in-depth fundamental research including analysis of the competitive structure of global industries and the competitive position of individual companies. The portfolio will generally hold between 35 – 75 companies.

Causeway Capital is a global investment manager and is based out of Los Angeles, California, USA. The investment philosophy emphasizes the merits of value investing and combines both fundamental and quantitative research to identify investment opportunities in equity markets around the world. The portfolio will generally hold between 40 – 60 companies.

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In addition, United has two emerging markets mandates with Emerging Markets Small Cap Equity Fund, LP ("LSV") and Burgundy Emerging Markets Equity Fund ("Burgundy"). The LSV mandate is managed by LSV Asset Management, a value equity manager whose head office is in Chicago, Illinois. The Burgundy mandate is managed by Burgundy Asset Management Ltd., a fundamental value-driven investment manager whose head office is in Toronto. The risks of foreign investments are generally higher in emerging markets. As of March 31, 2020, \$38,195,000 (2019 - \$51,094,000) and \$39,646,000 (2019 - \$49,899,000) of equity investments were managed by LSV and Burgundy, respectively. In addition, the mandates with Harding Loevner and Causeway also include equity investments within emerging markets totaling \$93,074,000 (2019 - \$118,683,000), as of March 31, 2020. As of March 31, 2020, the five largest country exposures representing 76% of emerging market investments were China (41%), India (14%), South Korea (11%), Taiwan (5%) and Indonesia (5%).

The Company also has a long-term investment in Algoma Central Corporation ("Algoma"), a public shipping company. Algoma is a related party and is a reporting issuer which trades on the Toronto Stock Exchange with a profile on SEDAR. The investment in Algoma is consistent with the Company's investment strategy and contributes to achieving the investment objective of the Company.

### Investment Strategy

The objective of the Company is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. Short-term volatility is expected and tolerated. Management remains confident that the Company's investment strategy will reward shareholders over the long term.

The investment portfolio of the Company comprises primarily foreign equities. Net equity value and net investment income may vary significantly from period to period depending on the economic environment and market conditions.

### Use of Non-GAAP Measures

This MD&A contains references to "net equity value per Common Share" and "net investment income per Common Share". These terms do not have any standardized meanings in GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide information useful to our shareholders in evaluating the Company's financial results.

Net equity value per Common Share is used by investors and management as a comparison to the market price of its Common Shares to determine the discount or premium at which the Company's Common Shares are trading, relative to the net equity value per Common Share. In order to determine its net equity value per Common Share, the Company deducts the cost of redemption of its Preferred Shares from its net assets.

Net investment income per Common Share is used by investors and management to assess the approximate amount of dividends to be distributed on Common Shares. In order to determine its net investment income per Common Share, the Company deducts the dividends paid and accrued on its Preferred Shares from net investment income.

Net equity value per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	<b>March 31 2020</b>	March 31 2019
Net assets	<b>\$ 1,680,040</b>	\$ 1,800,185
Deduct:		
Cost of redemption		
First Preferred Shares	<b>1,567</b>	1,567
1959 and 1963 Series Second Preferred Shares	<b>6,180</b>	6,180
	<b>7,747</b>	7,747
Net equity value	<b>\$ 1,672,293</b>	\$ 1,792,438
Common Shares outstanding	<b>12,122,893</b>	12,194,193
Net equity value per Common Share	<b>\$ 137.95</b>	\$ 146.99

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Use of Non-GAAP Measures (continued)

Net investment income per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	Three months ended March 31		Year ended March 31	
	2020	2019	2020	2019
Net income (loss)	\$ (199,189)	\$ 108,512	\$ (86,750)	\$ 129,238
Add (deduct):				
Other net fair value changes in investments	235,864	(118,077)	130,386	(119,304)
Tax on other net fair value changes in investments	(31,294)	15,791	(17,726)	15,721
Net investment income of a limited partnership <sup>1</sup>	346	235	2,362	2,185
Net investment income <sup>2</sup>	5,727	6,461	28,272	27,840
Dividends paid on Preferred Shares	94	94	378	378
Net investment income, net of dividends paid on Preferred Shares <sup>2</sup>	\$ 5,633	\$ 6,367	\$ 27,894	\$ 27,462
Weighted average Common Shares outstanding	12,183,152	12,194,193	12,191,448	12,194,193
Net investment income per Common Share <sup>2</sup>	\$ 0.46	\$ 0.52	\$ 2.29	\$ 2.25

<sup>1</sup> Represents allocation of dividends net of expenses of a limited partnership.

<sup>2</sup> On an after-tax basis.

### Net Equity Value per Common Share

The international emergence and spread of the novel coronavirus (or COVID-19) have negatively impacted global stock markets, affecting the valuation of the Company's investment portfolio and consequently the net equity value of United.

The Company's net equity value per Common Share decreased to \$137.95 at March 31, 2020 from \$146.99 at the prior year end.

With dividends reinvested at month-end net equity values, the net equity value return was negative 4.7% in fiscal 2020, compared to a return of 7.7% in fiscal 2019.

Investments managed by Macquarie had a pre-tax fiscal year-to-date total return of negative 1.0% (2019 – 10.8%). Harding Loevner and Causeway, in their first full year as investment managers, had returns of 1.2% and negative 23.5%, respectively. Emerging markets mandates had pre-tax fiscal year-to-date total negative returns of 19.4% for Burgundy and negative 24.0% for LSV.

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a current income tax provision on net investment income and net realized gains on investments, and net of a deferred income tax provision on its unrealized appreciation of investments.

In Canadian dollar terms, total returns (capital gains plus dividends) for stock market indices, were as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
	(%)	
MSCI World Index	(4.3)	8.4
S&P 500 Index	(1.3)	13.5
S&P/TSX Composite Index	(14.2)	8.1
MSCI Emerging Markets	(12.3)	(3.7)

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Growth in Net Equity Value ("NAV")

Set out below is a table that shows annual growth in NAV in each of the past 10 fiscal years:

Annual growth in NAV*	NAV per Common Share	Annual Growth %
2011	\$ 71.82	7.9
2012	72.32	1.9
2013	82.03	15.7
2014	99.50	23.2
2015	117.86	20.2
2016	120.66	4.0
2017	132.32	11.6
2018	138.40	6.4
2019	146.99	7.7
2020	137.95	(4.7)

### Compound annual growth\*

2011 - 2020 - 10 years	9.1
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\*This chart was drawn from the individual annual reports and any NAV amounts prior to 2014 have not been restated for any subsequent changes in accounting policies.

### Operating Results - Fiscal 2020

#### Net Income

The Company's net income for fiscal 2020 was a loss of \$86,750,000 compared to net income of \$129,238,000 in the prior year. On a per Common Share basis, net income decreased to a net loss of \$7.15 from a net income amount of \$10.57 in the prior year.

During the fiscal year, United was significantly impacted by the global stock market losses occurring during March of 2020. Other net fair value changes in investments for the portfolio decreased to a net loss of \$130,386,000 for the current fiscal year compared to a net gain of \$119,304,000 for the prior year. Other net fair value losses in emerging markets of \$40,031,000, North America of \$37,673,000, Europe of \$33,163,000 and \$30,902,000 in the United Kingdom were offset by other net fair value gains of \$11,383,000 in Japan.

Significant contributors to the other net fair value investment losses for the current fiscal year included Publicis Groupe, Algoma Central Corporation, and LSV Emerging Markets Small Cap Equity Fund, LP with other net fair value investment losses of \$15,928,000, \$12,472,000 and \$12,274,000 respectively. The investments with the highest other net fair value investment gains included KDDI Corporation, Roche Holding AG, and Novo Nordisk A/S with gains of \$13,843,000, \$9,416,000 and \$7,982,000 respectively.

The net realized gain was \$76,690,000 for the current fiscal year compared to \$272,057,000 for the prior year. In the prior year, the appointment of Harding Loevner and Causeway replacing Jarislowsky Fraser Limited as global investment manager, resulted in changes to the composition of the investment portfolio and contributed to the significant increase in the sale of investments. The largest contributors to the net realized gain in fiscal 2020 were from the sales of U.S. securities for a gain of \$38,798,000, Europe for \$24,802,000, and Japan for \$11,657,000.

#### Net investment income

The Company's net investment income for fiscal 2020 increased to \$28,272,000 compared to \$27,840,000 for the prior year. On a per Common Share basis, net investment income increased to \$2.29 in 2020 compared to \$2.25 in 2019.

During the year, foreign dividend income decreased to \$42,398,000 from \$43,153,000 in fiscal 2019. Foreign dividend income is impacted by changes in the composition of the investment portfolio, variability in foreign exchange rates and dividend yields. Net investment income includes \$2,362,000 (2019 - \$2,185,000) of net investment income of a limited partnership.

Canadian dividend income increased to \$4,343,000 from \$1,526,000 in fiscal 2019. The increase resulted primarily from the Company's receipt of a special dividend from its investment in Algoma totaling \$2,719,000.

Interest and securities lending income decreased to \$1,151,000 compared to \$1,223,000 in the prior year.



# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses of the Company for the year increased to \$13,587,000 compared to \$11,177,000 in the prior year. The majority of the increase relates to an higher investment management and administrative costs resulting from a higher average value in the investment portfolio throughout fiscal 2020, along with the impact of higher investment management fees associated with changes in investment portfolio managers which occurred in December of 2018. The Company's management expense ratio ("MER") increased in fiscal 2020 to 0.75% of average net assets versus 0.64% in the prior year.

The effective tax rate for United is impacted by the amount of other net fair value changes in investments, which are subject to a lower tax rate. The Company's effective income tax rate decreased during the year by 6.4% due primarily to the impact of other net fair value changes in investments in the current year compared to the prior year.

### Operating Results - Fourth Quarter, Fiscal 2020

The Company's net equity value per Common Share decreased to \$137.95 at March 31, 2020 from \$154.24 at December 31, 2019. With dividends reinvested at month-end net equity values, the Company's net equity value return was negative 10.4% in the fourth quarter of fiscal 2020.

On a pre-tax basis, investments managed by Macquarie had a pre-tax total return of negative 6.9%, Harding Loevner negative 8.9% and Causeway negative 28.8%. Emerging markets returns were negative 18.9% for Burgundy and 24.7% for LSV. Negative contributors to the investment performance for the fourth quarter included G4S plc, LSV Emerging Markets Small Cap Equity Fund, LP, and Sodexo S.A. During the fourth quarter, the positive contributors to the portfolio were Novo Nordisk A/S, The Clorox Company and Roche Holding AG.

In Canadian dollar terms, in the fourth quarter of fiscal 2020 total returns for stock market indices were MSCI World Index negative 13.8%, S&P 500 Index negative 12.2%, S&P/TSX Composite Index negative 20.9% and MSCI Emerging Markets negative 16.5%.

### Three-Year Results

A summary of various financial data for each of the last three fiscal years is as follows (in thousands of dollars, except per share amounts):

	2020	2019	2018
Other net fair value changes in investments <sup>1</sup>	\$ (115,022)	\$ 101,398	\$ 78,335
Other net fair value changes in investments per Common Share <sup>1</sup>	(9.44)	8.32	6.42
Total assets	1,709,455	1,886,706	1,771,851
Net investment income <sup>1,2</sup>	28,272	27,840	24,502
Net investment income per Common Share <sup>2</sup>	2.29	2.25	1.98
Cash dividends paid per Common Share:			
Quarterly	1.20	1.20	1.20
Additional	1.05	0.78	1.12
Cash dividends paid per Preferred Share	1.50	1.50	1.50

<sup>1</sup> On an after-tax basis and after reallocation of net investment income of a limited partnership to net investment income.

<sup>2</sup> See Use of Non-GAAP Measures.

United's investment portfolio is affected by equity markets, stock selection and currency movements. In fiscal year 2020, the performance of United was significantly impacted by the global stock market losses occurring during March of 2020.

In fiscal years 2018 and 2019, the performance of United was favourably affected by strong investment returns in global equity markets.

The fluctuations in net investment income are due primarily to changes in dividend income that is earned by the Company, net of management fees, and due to the receipt of special dividends that occur from time to time. Dividend income is determined by the dividend policies of the corporations that are held as investments in the Company's total investment portfolio.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Quarterly Review - Fiscal 2020 and 2019

The following tables summarize various financial results on a quarterly basis for the current and prior fiscal years:

	2020 Fiscal Year			
	Quarter ended			
	June 30	Sept. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except per share amounts)			
<b>Investments</b>	<b>\$ 1,792,192</b>	<b>\$ 1,815,851</b>	<b>\$ 1,898,439</b>	<b>\$ 1,647,646</b>
<b>Net investment income</b> <sup>1,2</sup>	<b>14,571</b>	<b>5,525</b>	<b>2,449</b>	<b>5,727</b>
<b>Other net fair value changes in investments</b> <sup>1</sup>	<b>(6,708)</b>	<b>14,199</b>	<b>82,403</b>	<b>(204,916)</b>
<b>Per Common Share:</b>				
<b>Net investment income</b> <sup>1,2</sup>	<b>\$ 1.19</b>	<b>\$ 0.44</b>	<b>\$ 0.20</b>	<b>\$ 0.46</b>
<b>Other net fair value changes in investments</b> <sup>1</sup>	<b>(0.55)</b>	<b>1.17</b>	<b>6.75</b>	<b>(16.81)</b>
<b>Net income (loss)</b>	<b>\$ 0.64</b>	<b>\$ 1.61</b>	<b>\$ 6.95</b>	<b>\$ (16.35)</b>

	2019 Fiscal Year			
	Quarter ended			
	June 30	Sept. 30	Dec. 31	Mar. 31
	(in thousands of dollars, except per share amounts)			
<b>Investments</b>	<b>\$ 1,785,381</b>	<b>\$ 1,806,525</b>	<b>\$ 1,698,683</b>	<b>\$ 1,825,533</b>
<b>Net investment income</b> <sup>1,2</sup>	<b>12,203</b>	<b>4,553</b>	<b>4,623</b>	<b>6,461</b>
<b>Other net fair value changes in investments</b> <sup>1</sup>	<b>37,154</b>	<b>20,941</b>	<b>(58,748)</b>	<b>102,051</b>
<b>Per Common Share:</b>				
<b>Net investment income</b> <sup>1,2</sup>	<b>\$ 0.99</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.52</b>
<b>Other net fair value changes in investments</b> <sup>1</sup>	<b>3.05</b>	<b>1.71</b>	<b>(4.81)</b>	<b>8.37</b>
<b>Net income (loss)</b>	<b>\$ 4.04</b>	<b>\$ 2.08</b>	<b>\$ (4.44)</b>	<b>\$ 8.89</b>

<sup>1</sup> On an after-tax basis.

<sup>2</sup> See Use of Non-GAAP Measures.

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay regular quarterly dividends, investments outside of North America often pay less frequently. In general, dividends earned on investments outside of North America peak in the first quarter of the fiscal year. From time to time, the Company receives additional one-time dividends arising from significant corporate transactions. There is no guarantee that the Company will receive dividend income on its investments at current dividend payout levels.

Overall returns are determined by the performance of the investment managers of the portfolio and may fluctuate significantly as illustrated by the past eight quarters. The returns generated by the investment managers may not correlate with benchmark returns.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the specified time periods, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. Under the supervision of management, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as of March 31, 2020. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at March 31, 2020.

### Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Under the supervision of management, an evaluation of the Company's internal control over financial reporting was carried out as at March 31, 2020. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at March 31, 2020. No changes were made in the Company's internal control over financial reporting during the year ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Risks

As the Company is a closed-end investment corporation, United faces various risks arising from its investments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. Note 4 to the March 31, 2020 financial statements provides disclosures surrounding risks arising from its financial instruments. These risks include market, liquidity, and credit risks.

#### *Market risk*

The most significant risk that is faced by United is market risk which represents exposures to changes in the fair value of its investment portfolio. As the Company's investment portfolio is represented primarily by global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities.

As of March 31, 2020, 44% (2019 – 42%) of the investment portfolio and cash and cash equivalents was denominated in U.S. dollars, 19% (2019 – 19%) in euros, 12% (2019 – 12%) in Japanese yen, 4% (2019 – 6%) in British pounds, and 8% (2019 – 7%) in Swiss francs.

#### *Liquidity risk*

Sufficient liquidity is maintained by regular monitoring of cash flow requirements. All liabilities, other than deferred tax liabilities, settle within three months of the year end.

#### *Credit risk*

United participates in securities lending which could expose the Company to the risk of counterparty failure. RBC Investor & Treasury Services ("RBCITS"), the Company's custodian, acts as lending agent. RBCITS is responsible to return the borrowed securities to the Company when required, and RBCITS indemnifies the Company in the event of borrower default. The Company has recourse to the Royal Bank of Canada in the event of a failure by RBCITS to discharge its obligations to the Company.

The Company's exposure to risks is also addressed in the Company's Annual Information Form.

### Share Data

As at March 31, 2020, the following shares were issued and outstanding: 52,237 First Preferred Shares, 80,290 1959 Series Second Preferred Shares, 119,710 1963 Series Second Preferred Shares and 12,122,893 (2019 - 12,194,193) Common Shares.

### Normal Course Issuer Bid

On March 9, 2020, the Company commenced its first Normal Course Issuer Bid ("NCIB"). The NCIB is to be transacted through the facilities of the Exchange or through alternative Canadian trading systems. The NCIB provides that the Company may, during the 12-month period commencing March 9, 2020 and ending March 8, 2021, purchase up to 609,709 Common Shares in the capital of the Company in total, being approximately 5% of the total number of 12,194,193 Common Shares outstanding as at March 2, 2020. The price which the Company will pay for any such Common Shares will be the prevailing market price at the time of acquisition. The actual number of Common Shares which may be purchased pursuant to the Bid will be determined by management of the Company. Any Common Shares purchased pursuant to the Bid will be cancelled. During the quarter, the Company purchased and cancelled 71,300 Common Shares.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and Capital Resources

The Company's dividend policy is to distribute annual net investment income, after payment of Preferred Share dividends, in the form of Common Share dividends.

The Company pays quarterly dividends on its Common and Preferred Shares together with an additional Common Share dividend representing the balance of net investment income for the previous fiscal year. The quarterly dividend is \$0.30 per Common Share and \$0.375 per Preferred Share.

On June 28, 2019, the Company paid an additional cash dividend of \$1.05 per Common Share. An additional dividend of \$1.09 per Common Share payable in the first quarter of fiscal 2021 was declared by the Board of Directors on May 5, 2020.

The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

### Related Party Information

Included in the Company's Schedule of Investment Portfolio is Algoma, a related party, with a fair value at March 31, 2020 of \$32,885,000 (2019 - \$45,357,000). Dividend income from Algoma for the fiscal year ended March 31, 2020 amounted to \$4,278,000 (2019 - \$1,450,000).

E-L Financial holds a 52.6% (2019 - 52.2%) interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment managers and are paid monthly. The total fees for the year ended March 31, 2020 amounted to \$2,041,000 (2019 - \$2,036,000).

The ultimate controlling party of the Company and these related parties is The Honourable Henry N. R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

### Critical Accounting Estimates

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and earnings. Note 2 to the financial statements describes the significant accounting policies and note 3 contains critical accounting estimates and judgments.

### Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets, is expected to have a material impact on all equity portfolios during the first half of 2020, and potentially beyond. We continue to monitor developments in equity markets generally, and in connection with the Company's investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

### Additional Information

Additional information relating to United, including the Company's Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

United's website, [www.ucorp.ca](http://www.ucorp.ca), also provides further information on the Company, including historical information on the net equity value per Common Share which is updated weekly.

# UNITED CORPORATIONS LIMITED

## FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended March 31, 2020:

	2020	2019	2018	2017	2016
	(Per Common Share)				
NET EQUITY VALUE, beginning of year <sup>1</sup>	<b>\$ 146.99</b>	\$ 138.40	\$ 132.32	\$ 120.66	\$ 117.86
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income <sup>1</sup>	<b>2.29</b>	2.25	1.98	1.92	2.13
Other net fair value changes in investments <sup>2</sup>	<b>(9.44)</b>	8.32	6.42	12.17	2.47
	<b>(7.15)</b>	10.57	8.40	14.09	4.60
CASH DIVIDENDS TO COMMON SHAREHOLDERS					
Quarterly <sup>3</sup>	<b>(1.20)</b>	(1.20)	(1.20)	(1.10)	(0.80)
Additional	<b>(1.05)</b>	(0.78)	(1.12)	(1.33)	(1.00)
	<b>(2.25)</b>	(1.98)	(2.32)	(2.43)	(1.80)
ACQUISITION OF COMMON SHARES	<b>0.36</b>	—	—	—	—
NET EQUITY VALUE, end of year <sup>1</sup>	<b>\$ 137.95</b>	\$ 146.99	\$ 138.40	\$ 132.32	\$ 120.66

<sup>1</sup> Net equity value and net investment income per Common Share are Non-GAAP measures. See Management's Discussion and Analysis on page 4.

<sup>2</sup> After reallocation of net investment income of a limited partnership to net investment income.

<sup>3</sup> The quarterly Common shareholder dividend for fiscal 2017 includes \$0.30 of declared dividends payable in fiscal 2018.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS") and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Company are described in Note 2 to the financial statements. Financial information disclosed elsewhere in the Annual Report is consistent with the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors carries out its responsibilities principally through its Audit Committee. The Audit Committee reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditor prior to recommending the audited financial statements and related disclosure for approval by the Board of Directors.

The shareholders of the Company appointed the external auditor, PricewaterhouseCoopers LLP. The external auditor audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.



Duncan N.R. Jackman  
Chairman and President  
May 5, 2020



Frank J. Glosnek  
Treasurer

# UNITED CORPORATIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of United Corporations Limited:

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### Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Corporations Limited (the Company) as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### *What we have audited*

The Company's financial statements comprise:

- the statements of financial position as at March 31, 2020 and 2019;
  - the statements of comprehensive income (loss) for the years then ended;
  - the statements of changes in shareholders' equity for the years then ended;
  - the statements of cash flows for the years then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- 

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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# UNITED CORPORATIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT (Continued)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert D'Arolfi.

*PricewaterhouseCoopers LLP*

May 5, 2020  
Toronto, Ontario

Chartered Professional Accountants, Licensed Public Accountants

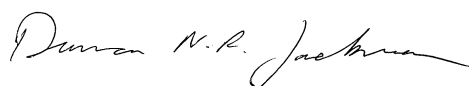


# UNITED CORPORATIONS LIMITED

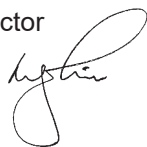
## STATEMENTS OF FINANCIAL POSITION

	<b>March 31 2020</b>	March 31 2019
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	<b>\$ 43,904</b>	\$ 43,807
Investments (Notes 4 and 11)	<b>1,647,646</b>	1,825,533
Receivable in respect of investments sold	<b>6,980</b>	9,360
Dividends and interest receivable	<b>3,574</b>	3,874
Income taxes receivable	<b>3,760</b>	—
Other assets	<b>3,591</b>	4,132
	<b><u>1,709,455</u></b>	<u>1,886,706</u>
<b>LIABILITIES</b>		
Accrued expenses	<b>2,042</b>	2,160
Payable in respect of investments purchased	<b>3,782</b>	9,554
Income taxes payable	<b>—</b>	22,977
Dividends payable (Note 10)	<b>3,731</b>	3,753
Deferred tax liabilities (Note 7)	<b>19,860</b>	48,077
	<b><u>29,415</u></b>	<u>86,521</u>
<b>NET ASSETS</b>	<b><u>\$ 1,680,040</u></b>	<u>\$ 1,800,185</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	<b>\$ 537,873</b>	\$ 541,000
Retained earnings	<b>1,142,167</b>	1,259,185
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>\$ 1,680,040</u></b>	<u>\$ 1,800,185</u>

APPROVED BY THE BOARD



DUNCAN N.R. JACKMAN  
Director



MICHAEL J. WHITE  
Director

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	<b>Year ended March 31</b>	
	<b>2020</b>	<b>2019</b>
	(000's)	
<b>INCOME</b>		
Dividends		
Foreign	<b>\$ 42,398</b>	\$ 43,153
Canadian (Note 11)	<b>4,343</b>	1,526
	<b>46,741</b>	44,679
Interest and securities lending income	<b>1,151</b>	1,223
Other net fair value changes in investments (Note 8)	<b>(130,386)</b>	119,304
	<b>(82,494)</b>	165,206
<b>EXPENSES</b>		
Investment management and administrative costs (Note 11)	<b>11,948</b>	9,785
Transfer, registrar and custody fees	<b>796</b>	596
Directors' and officer's remuneration	<b>436</b>	424
Office and miscellaneous	<b>332</b>	290
Professional fees	<b>75</b>	82
	<b>13,587</b>	11,177
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(96,081)</b>	154,029
Provision for (recovery of) income taxes (Note 7)	<b>(9,331)</b>	24,791
<b>NET INCOME (LOSS)</b>	<b>\$ (86,750)</b>	\$ 129,238
<b>EARNINGS (LOSS) PER COMMON SHARE</b>		
- BASIC AND DILUTED (Note 12)	<b>\$ (7.15)</b>	\$ 10.57

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Retained Earnings	Total
	(000's)		
<b>At April 1, 2019</b>	<b>\$ 541,000</b>	<b>\$1,259,185</b>	<b>\$1,800,185</b>
<b>Net loss for the year</b>	—	<b>(86,750)</b>	<b>(86,750)</b>
<b>Dividends (Note 10)</b>	—	<b>(27,794)</b>	<b>(27,794)</b>
<b>Repurchase and cancellation of Common Shares (Note 10)</b>	<b>(3,127)</b>	<b>(2,474)</b>	<b>(5,601)</b>
<b>At March 31, 2020</b>	<b>\$ 537,973</b>	<b>\$1,142,167</b>	<b>\$1,680,040</b>
At April 1, 2018	\$ 541,000	\$1,154,470	\$1,695,470
Net income for the year	—	129,238	129,238
Dividends (Note 10)	—	(24,523)	(24,523)
At March 31, 2019	\$ 541,000	\$1,259,185	\$1,800,185

## STATEMENTS OF CASH FLOWS

	Year ended March 31	
	2020	2019
	(000's)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income (loss)	\$ (86,750)	\$ 129,238
Adjustments for:		
Other net fair value changes in investments	130,386	(119,304)
Purchases of investments	(429,685)	(956,746)
Proceeds from sale of investments	473,795	997,778
Dividends and interest receivable	300	(1,725)
Deferred taxes	(28,217)	(19,890)
Net change in other assets and liabilities	(26,316)	19,818
	<b>33,513</b>	<b>49,169</b>
<b>Financing</b>		
Dividends paid to shareholders	(27,815)	(24,523)
Repurchase of Common Shares	(5,601)	—
	<b>(33,416)</b>	<b>(24,523)</b>
<b>Net increase in cash and cash equivalents</b>	<b>97</b>	<b>24,646</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>43,807</b>	<b>19,161</b>
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<b>\$ 43,904</b>	<b>\$ 43,807</b>
Additional information for operating activities:		
Interest received	\$ 410	\$ 391
Dividends received, net of withholding taxes	42,142	37,030
Income taxes paid, net of refunds	40,215	19,767

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 1. Description of business

United Corporations Limited ("United" or the "Company") is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

United trades on the Toronto Stock Exchange under the symbols UNC, UNC.PR.A, UNC. PR.B and UNC.PR.C. United is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The financial statements are presented in Canadian dollars which is the functional and presentation currency. These financial statements were approved by the Company's Board of Directors on May 5, 2020.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

These financial statements have been prepared in compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss ("FVTPL").

#### *Investment entity*

The Company has determined that it meets the definition of investment entity. An investment entity is an entity that (i) obtains funds from one or more investors for the purposes of providing them with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

#### *Financial instruments*

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The collection of contractual cash flows is only incidental to achieving the Company's business model objective. Consequently, all investments are classified and measured at FVPTL.

All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The cost of each investment and realized and unrealized gains and losses from investment transactions are determined on an average cost basis. Realized and unrealized gains and losses from investments are presented in the Statement of Comprehensive Income (Loss) within Other net fair value changes in investments in the period in which they arise.

The Company has invested in units of a pooled fund trust and limited partnership which have investment objectives to gain exposure to emerging markets or developing countries. These investments are considered structured entities as defined by IFRS, given that decision making about these investments' activities is not governed by voting or similar rights held by the Company, but through contractual arrangements. The fair value of these investments is determined based on the net asset values provided by the administrators. The Company does not have any further capital funding commitments for these investments other than payment of investment management fees.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Interest income from short-term investments is recognized at the effective interest rate. Dividends are recognized as income on the ex-dividend date.

Purchases and sales of financial assets are recognized at their trade date. Receivables in respect to investments sold and payables in respect to investments purchased represent unsettled investment transactions.

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 2. Summary of significant accounting policies (continued)

#### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For publicly listed investments, the Company uses the last traded market price where this price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

#### *Foreign currency translation*

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to financial assets and liabilities are included as a component of the "Other net fair value changes in investments" in the Statement of Comprehensive Income (Loss).

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand and short term, highly liquid instruments with maturities of three months or less from the date of acquisition.

#### *Securities lending income*

Securities lending income is recognized as earned.

#### *Comprehensive income (loss)*

The Company does not have any other comprehensive income (loss) and therefore comprehensive income (loss) equals net income (loss) which it reports in its statement of comprehensive income (loss).

#### *Earnings per Common share ("EPS")*

Basic and diluted EPS is calculated by dividing the net income (loss), less preferred dividends, by the weighted average number of Common Shares outstanding for the period. Refer to Note 12 for the calculation.

#### *Income taxes*

Income tax comprises both current and deferred tax. Income tax is recognized in the statement of comprehensive income (loss).

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the statements or income tax returns.

Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date of the enactment or substantive enactment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

The Company currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded on a gross basis and the related withholding taxes are reflected within the provision for (recovery of) income taxes in the statement of comprehensive income (loss).

#### *Future accounting changes*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after April 1, 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements.

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Company has made in preparing the financial statements:

#### *Deferred taxes*

Estimates and assumptions are used primarily in the determination of the Company's deferred tax liabilities, as the income tax rates used in determining the liability is dependent on an assumption as to when a deferred tax liability is expected to be realized.

### 4. Risks associated with financial instruments

The Company faces various risks arising from its financial instruments. Under the supervision of the Board of Directors, management has developed policies to identify, measure and monitor these risks. These risks and their management are described below:

#### *Credit risk*

Credit risk is the risk of financial loss resulting from a counterparty's failure to discharge an obligation. The Company has a securities lending agreement with its custodian, RBC Investor & Treasury Services ("RBCITS"), whereby RBCITS lends securities to borrowers for a fee, which is shared with the Company. RBCITS receives fixed income securities and equities as collateral from borrowers, of at least 105% of the value of the securities loaned. In the event that the loaned securities are not returned to the Company by the borrower, RBCITS is responsible to restore the securities or pay to the Company the market value of the loaned securities. If the collateral is not adequate to pay the market value to the Company, RBCITS indemnifies the Company for the difference. The Company has recourse to the Royal Bank of Canada should RBCITS fail to discharge its obligations to the Company. At March 31, 2020 the Company had loaned securities with a fair value of approximately \$576,318,000 (2019 - \$616,530,000) and RBCITS received approximately \$605,134,000 (2019 - \$647,357,000) in collateral. There was no significant exposure to credit risk to other receivable balances because of their short-term nature.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. All liabilities, other than deferred tax liabilities, settle within three months of the year end.

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which includes interest rate risk, foreign currency risk and other price risk.

The Company is not subject to significant interest rate risk, as its only fixed-interest investments are short term in nature.

Currency risk arises from financial instruments denominated in foreign currencies. IFRS 7 - "Financial Instrument Disclosures" considers the foreign exchange exposures relating to non-monetary financial instruments to be a component of other price risk. The Company's distribution of underlying currency exposure of investments is as follows:

	<u>2020</u>	<u>2019</u>
		(000's)
U.S. dollar	\$ 740,104	\$ 788,604
European Union euro	322,173	362,569
Japanese yen	197,372	214,371
Swiss franc	142,348	130,483
British pound sterling	74,856	104,791
Canadian dollar	72,531	99,783
Other	98,262	124,932
	<u>\$ 1,647,646</u>	<u>\$ 1,825,533</u>

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 4. Risks associated with financial instruments (continued)

The Company is exposed to other price risk through its investment in equity securities. These risks are mitigated by investing in a diversified portfolio of securities. The following is a summary of the concentrations of investments by geographic region:

	2020	2019
United States	38.0%	36.2%
Europe, Excluding United Kingdom	33.1%	31.3%
Japan	12.0%	11.7%
Emerging Markets	10.4%	12.0%
United Kingdom	4.5%	5.8%
Canada	2.0%	3.0%
	<u>100.0%</u>	<u>100.0%</u>

Investments are categorized by geographic location of headquarters.

A 10% fluctuation in market risk, assuming all other factors are constant, would have an after-tax impact of approximately \$142,933,000 (2019 - \$158,365,000) on net income.

### 5. Financial instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted unadjusted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At March 31, 2020, the Company had \$1,569,805,000 (2019 - \$1,724,540,000) of Level 1 and \$77,841,000 (2019 - \$100,993,000) of Level 2 equity investments. There were no year-to-date transfers between Level 1, 2 or 3 equity investments.

The Company's Level 2 equity investments are represented by units in the Burgundy Emerging Markets Equity Fund ("Fund") and the LSV Emerging Markets Small Cap Fund, LP ("Partnership"). The Company has the right to redeem its units in these investments within a 30-to-90-day period depending on the investment. The fair value of these investments is based on the net asset values provided by the administrators. The Company's ownership percentage share of the Fund and Partnership were approximately 5.4% (2019 - 4.8%) and 6.9% (2019 - 7.1%) respectively.

The other net fair value changes in financial instruments at FVTPL by category for the year end March 31, 2020 was a net loss of \$130,386,000 (2019 - a net gain of \$119,304,000) on financial assets at FVTPL.

Cash equivalents are Level 2 financial instruments. The carrying values of cash and cash equivalents, receivable in respect of investments sold, dividends and interest receivable, accrued expenses, payable in respect of investments purchased, and dividends payable approximate their fair values due to their short-term nature.

### 6. Cash and cash equivalents

Components of cash and cash equivalents for purposes of the statements of cash flows are as follows:

	2020	2019
	(000's)	
Cash	\$ 43,904	\$ 20,699
Cash equivalents	—	23,108
	<u>\$ 43,904</u>	<u>\$ 43,807</u>

The following table presents cash and cash equivalents classified by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	(000's)			
<b>March 31, 2020</b>	<b>\$ 43,904</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 43,904</b>
March 31, 2019	\$ 20,699	\$ 23,108	\$ —	\$ 43,807

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS March 31, 2020

### 7. Income taxes

The Company is a public corporation under the Income Tax Act and is subject to tax at normal corporate rates on its taxable net realized gains (Note 9) and on investment income other than taxable dividends received from corporations resident in Canada. Income taxes are assessed on income before income taxes. The current enacted corporate tax rates as they impact the Company in fiscal 2020 stand at 26.5%. The effective tax rate varies from the combined statutory rate as follows:

	<u>2020</u>	<u>2019</u>
	(000's)	
Income taxes at statutory rate	<b>\$ (25,461)</b>	\$ 40,818
Variance as a result of:		
Non-taxable portion of other net fair value changes in investments	<b>17,276</b>	(15,808)
Tax-paid dividends	<b>(1,151)</b>	(404)
Other	<b>5</b>	185
Provision for income taxes	<b><u>\$ (9,331)</u></b>	<b><u>\$ 24,791</u></b>

The Company's provision for (recovery of) income taxes includes provisions (recoveries) for current and deferred income taxes as follows:

	<u>2020</u>	<u>2019</u>
	(000's)	
Current	<b>\$ 18,886</b>	\$ 44,681
Deferred	<b>(28,217)</b>	(19,890)
Provision for income taxes	<b><u>\$ (9,331)</u></b>	<b><u>\$ 24,791</u></b>

Deferred tax liabilities arise primarily from differences between the carrying value and the tax cost of the investments as well as from the timing of the inclusion of accrued dividends for income tax purposes. Details of the deferred tax liabilities as at March 31 are as follows:

	<u>2020</u>	<u>2019</u>
	(000's)	
Unrealized appreciation of investments	<b>\$ 18,913</b>	\$ 47,059
Accrued dividends	<b>947</b>	1,018
Deferred tax liabilities	<b><u>\$ 19,860</u></b>	<b><u>\$ 48,077</u></b>

Deferred tax expense included in net income represents movements related to the following items:

	<u>2020</u>	<u>2019</u>
	(000's)	
Investments	<b>\$ (28,146)</b>	\$ (20,346)
Accrued dividends	<b>(71)</b>	456
Deferred tax liabilities	<b><u>\$ (28,217)</u></b>	<b><u>\$ (19,890)</u></b>

During the year ended March 31, 2020, the Company paid tax instalments and assessments totaling \$40,225,000 (2019 - \$19,945,000) and received income tax refunds totaling \$10,000 (2019 - \$178,000). These items are classified as cash flows from operating activities in the cash flow statement.



# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS March 31, 2020

### 8. Other net fair value changes in investments

The other net fair value changes in investments is comprised as follows:

	<u>2020</u>	<u>2019</u>
	(000's)	
Net realized gains	\$ 76,690	\$ 272,057
Net change in unrealized appreciation	(207,076)	(152,753)
	<u>\$ (130,386)</u>	<u>\$ 119,304</u>

### 9. Net realized gain

The following are the details of the net realized gain for the years ended March 31:

	<u>2020</u>	<u>2019</u>
	(000's)	
Proceeds on sales of investments	\$ 471,415	\$ 1,007,138
Cost of investments, beginning of the year	1,467,917	1,236,698
Cost of investments purchased during the year	423,914	966,300
	<u>1,891,831</u>	<u>2,202,998</u>
Cost of investments, end of the year	1,497,106	1,467,917
Cost of investments sold during the year	394,725	735,081
Net realized gain	<u>\$ 76,690</u>	<u>\$ 272,057</u>

### 10. Share capital

The classes of shares and, where applicable, the maximum number of shares that the Company is authorized to issue are as follows:

- (a) 52,237 First Preferred Shares without nominal or par value redeemable at the option of the Company at \$30.00 each;
- (b) 200,000 Second Preferred Shares without nominal or par value, issuable in series, of which: 80,290 shares are designated 1959 Series Second Preferred Shares, redeemable at the option of the Company at \$30.00 each and 119,710 shares are designated 1963 Series Second Preferred Shares, redeemable at the option of the Company at \$31.50 each;
- (c) Third Preferred Shares without nominal or par value, issuable in series. The maximum number of Third Preferred Shares that may be outstanding at any time shall be that number for which the aggregate stated value does not exceed \$15,000,000; and
- (d) an unlimited number of Common Shares.

The capital stock of the Company is as follows:

	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>2020</u>	<u>2019</u>
	(000's)			
First Preferred Shares	52,237	52,237	\$ 119	\$ 119
Second Preferred Shares	200,000	200,000	6,000	6,000
Common Shares	unlimited	12,122,893		
		(2019 - 12,194,193)	<u>531,754</u>	<u>534,881</u>
			<u>\$ 537,873</u>	<u>\$ 541,000</u>

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS March 31, 2020

### 10. Share capital (Continued)

On March 9, 2020, the Company commenced its first Normal Course Issuer Bid ("NCIB"). The NCIB provides that the Company may, during the 12-month period commencing March 9, 2020 and ending March 8, 2021, purchase up to 609,709 Common Shares in the capital of the Company in total, being approximately 5% of the total number of 12,194,193 Common Shares outstanding as at March 2, 2020. The price which the Company will pay for any such Common Shares will be the prevailing market price at the time of acquisition. The actual number of Common Shares which may be purchased pursuant to the Bid will be determined by management of the Company. Any Common Shares purchased pursuant to the Bid will be cancelled. During the year end March 31, 2020, the Company purchased 71,300 Common Shares.

Cash dividends paid during the year were as follows:

	2020	2019
	(000's)	
On Preferred Shares:		
52,237 First Preferred Shares - \$1.50 per share	\$ 78	\$ 78
200,000 Second Preferred Shares - \$1.50 per share	300	300
	<u>378</u>	<u>378</u>
On Common Shares:		
Quarterly - \$0.30 quarterly per share	14,633	14,633
Additional - \$1.05 (2019 - \$0.78) per share	12,804	9,512
	<u>27,437</u>	<u>24,145</u>
	<u>\$ 27,815</u>	<u>\$ 24,523</u>

The Company's current dividend policy is to distribute annual net investment income, after payment of Preferred Share dividends. The fiscal 2020 distributions are composed of quarterly dividends of \$0.30 (2019 - \$0.30) together with an additional dividend representing the balance of net investment income for the previous fiscal year, subject to the Board of Directors approval. This additional dividend is paid in the first quarter following the fiscal year end.

Common Share dividends of \$1.09 per Common Share were declared by the Board of Directors at its meeting on May 5, 2020, with a record and payable date of June 15, 2020 and June 30, 2020, respectively.

The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

### 11. Related party information

Included in the Company's Schedule of Investment Portfolio is Algoma Central Corporation ("Algoma"), a related party, with a fair value at March 31, 2020 of \$32,885,000 (2019 - \$45,357,000). Dividend income from Algoma for the fiscal year ended March 31, 2020 amounted to \$4,278,000 (2019 - \$1,450,000).

E-L Financial holds a 52.6% (2019 - 52.2%) interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment managers and are paid monthly. The total fees for the year ended March 31, 2020 amounted to \$2,041,000 (2019 - \$2,036,000).

The ultimate controlling party of the Company and these related parties is The Honourable Henry N. R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

#### *Compensation of key management personnel*

Key management personnel comprise the Chairman and President and directors of the Company and their remuneration is as follows:

	2020	2019
	(000's)	
Chairman and President's and directors' compensation	\$ 436	\$ 424

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

### 12. Earnings per Common Share (“EPS”)

#### *Basic and diluted EPS*

EPS is calculated by dividing the net income (loss), less preferred dividends, by the weighted average number of Common Shares outstanding for the period.

EPS is calculated as follows (in thousands of dollars, except for weighted average number of Common Shares outstanding and per Common Share amounts):

	<u>2020</u>	<u>2019</u>
Net income (loss)	\$ (86,750)	\$ 129,238
Less: Preferred dividends	378	378
Net income attributed to common shareholders	<u>\$ (87,128)</u>	<u>\$ 128,860</u>
Weighted average number of Common shares outstanding	<u>12,191,448</u>	<u>12,194,193</u>
Basic and diluted earnings (loss) per Common Share	<u>\$ (7.15)</u>	<u>\$ 10.57</u>

### 13. Capital

The Company’s capital comprises shareholders’ equity, which is invested primarily in managed diversified portfolios of common shares of publicly-traded global companies. The Company’s strategy is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. Short-term volatility is expected and tolerated. Management remains confident that the Company’s investment strategy will reward shareholders over the long term. The Company monitors its capital via its assessment of shareholders’ equity.

### 14. Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets, is expected to have a material impact on all equity portfolios during the first quarter of fiscal 2021, and potentially beyond. We continue to monitor developments in equity markets generally, and in connection with the Company’s investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2020

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>United States</b>				
16,461	3M Co.....	\$ 1,694	\$ 3,188	
64,679	Abbott Laboratories .....	3,717	7,241	
18,899	Align Technology, Inc. ....	5,677	4,664	
9,521	Alphabet Inc. Class A .....	14,222	15,695	
33,672	Apple Inc. ....	7,782	12,148	
103,555	Arconic Inc. ....	3,422	2,359	
54,794	Ashland Global Holdings Inc. ....	5,185	3,892	
5,912	Booking Holdings Inc .....	14,426	11,284	
9,500	Broadcom Inc. ....	2,781	3,196	
82,261	Citigroup Inc. ....	6,435	4,916	
71,700	Clorox Company (The) .....	8,450	17,623	
46,353	Cognex Corporation .....	2,685	2,776	
53,671	Cognizant Technology Solutions .....	4,963	3,538	
56,129	Colgate-Palmolive Company .....	3,801	5,284	
796,500	ConAgra Brands, Inc. ....	25,640	33,154	
32,314	Deere & Company .....	7,396	6,334	
46,201	Disney (Walt) Company .....	6,889	6,332	
99,153	eBay Inc. ....	3,882	4,228	
6,499	EPAM Systems, Inc. ....	1,699	1,712	
23,983	Estée Lauder Companies Inc. (The) .....	5,230	5,421	
30,200	Exelon Corporation .....	1,795	1,577	
163,566	Exxon Mobil Corporation .....	12,016	8,811	
52,752	Facebook, Inc. Class A .....	11,833	12,483	
28,638	FedEx Corporation .....	5,650	4,927	
104,121	First Republic Bank .....	13,345	12,154	
143,200	Freeport-McMoran Inc. ....	1,876	1,371	
453,004	General Electric Company .....	5,591	5,103	
536,200	General Mills, Inc. ....	27,256	40,143	
36,500	Hormel Foods Corporation .....	11,871	23,854	
34,177	Illumina, Inc. ....	13,158	13,243	
235,600	Kimberly-Clark Corporation .....	25,020	42,740	
350,166	Lamb Weston Holdings, Inc. ....	22,577	28,366	
39,828	Leidos Holdings, Inc. ....	3,180	5,179	
34,409	MasterCard, Inc. Class A .....	4,345	11,792	
347,481	Merck & Co., Inc. ....	25,180	37,929	
59,858	Microsoft Corporation .....	2,851	13,393	
24,281	Moelis & Company .....	911	968	
160,100	Mondelez International Inc. Class A .....	7,760	11,375	
83,178	Nike Inc. Class B .....	8,306	9,764	
150,535	Norwegian Cruise Line Holdings Ltd. ....	4,354	2,341	
31,654	Nvidia Corporation .....	6,563	11,838	
77,118	Oracle Corporation .....	3,329	5,288	
66,900	Parker-Hannifin Corporation .....	14,087	12,313	
164,324	Paypal Holdings, Inc. ....	18,506	22,320	
427,500	Pfizer Inc. ....	15,477	19,796	
44,913	Proto Labs, Inc. ....	5,992	4,851	
21,300	Reinsurance Group of America, Incorporated .....	3,697	2,543	
33,413	Roper Technologies, Inc. ....	12,655	14,781	
342,708	Sabre Corporation .....	9,959	2,883	
27,333	Salesforce.com, Inc. ....	5,515	5,583	
65,998	Schlumberger Limited .....	3,613	1,263	
74,182	Spirit AeroSystems Holdings, Inc. ....	4,359	2,518	
19,934	SVB Financial Group .....	5,622	4,273	
46,230	Synnex Corporation .....	5,372	4,794	
30,994	Synopsys, Inc. ....	5,747	5,663	
17,890	Trade Desk, Inc. (The) .....	4,581	4,898	
13,777	UnitedHealth Group Inc. ....	4,847	4,874	
67,732	Verisk Analytics Inc. Class A .....	3,995	13,393	
59,518	Vertex Pharmaceuticals, Inc. ....	14,349	20,092	
111,861	ViacomCBS Inc. Class B .....	6,559	2,223	
61,238	Walgreen Boots Alliance Inc. ....	3,471	3,975	
24,345	Waters Corporation .....	6,281	6,288	
42,530	Wells Fargo & Company .....	2,294	1,732	
25,419	Workday, Inc. ....	5,576	4,696	
		<u>517,297</u>	<u>625,376</u>	38.0

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2020

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
250,905	ABB Limited .....	\$ 6,462	\$ 6,275	
50,732	Adidas AG .....	11,178	16,018	
425,895	Air France-KLM S.A. ....	5,674	3,384	
218,984	Air Liquide S.A. ....	25,011	39,809	
31,834	Akzo Nobel N.V. ....	3,498	2,977	
97,666	Alcon Inc. ....	7,680	7,042	
1,065,640	Banco Bilbao Vizcaya Argentaria, S.A. ....	7,583	4,842	
92,034	BASF SE .....	8,572	6,188	
46,745	Bayer AG .....	4,214	3,818	
35,276	Chr. Hansen Holding A/S .....	4,313	3,733	
45,811	Compagnie Financière Richemont SA .....	4,300	3,575	
33,116	EssilorLuxottica .....	5,611	5,072	
349,626	Fresenius Medical Care AG .....	35,084	32,419	
392,269	Group Danone S.A. ....	33,045	35,847	
297,422	Ing Groep N.V. ....	3,693	2,216	
157,034	Infineon Technologies AG .....	4,179	3,219	
50,209	Kerry Group plc .....	4,084	8,231	
67,784	Kone Oyj .....	4,365	5,453	
1,355,243	Koninklijke Ahold Delhaize N.V. ....	24,332	44,954	
47,895	Linde Public Limited Company .....	10,037	11,922	
27,282	Lonza Group AG .....	11,398	16,138	
15,898	L'Oréal S.A. ....	4,984	5,919	
293,415	Nestlé S.A. ....	21,953	42,915	
55,003	Nestlé S.A. ADR .....	6,227	8,037	
52,933	Novartis AG .....	5,943	6,216	
491,711	Novo Nordisk A/S .....	28,883	41,846	
1,246,367	Orange S.A. ....	21,897	21,628	
515,498	Publicis Groupe .....	43,678	20,984	
99,163	Roche Holding AG .....	30,117	45,801	
1,173,539	Securitas AB Class B .....	17,588	17,918	
44,141	Siemens AG .....	6,650	5,225	
195,446	Sodexo S.A. ....	28,050	18,774	
21,292	Sonova Holding AG .....	4,592	5,461	
56,123	Swatch Group AG (The) .....	22,467	15,967	
94,406	Symrise AG .....	10,130	12,505	
578,569	UniCredit S.p.A. ....	9,330	6,444	
44,879	Volkswagen AG .....	9,870	7,472	
		<u>496,672</u>	<u>546,244</u>	33.1
<b>Japan</b>				
304,900	Asahi Group Holdings Co .....	13,892	14,062	
40,500	Fanuc Corporation .....	7,646	7,799	
120,700	Kao Corporation .....	9,775	14,004	
804,400	KDDI Corporation .....	23,798	33,718	
21,900	Keyence Corporation .....	1,532	10,023	
301,200	Kirin Holdings Company, Limited .....	5,152	8,460	
276,400	Kubota Corporation .....	5,487	5,017	
218,800	Lawson Inc. ....	18,598	17,049	
557,273	Makita Corporation .....	24,495	24,274	
61,000	Nidec Corporation .....	5,343	4,494	
80,200	Secom Co., Ltd. ....	4,710	9,457	
659,600	Seven & i Holdings Co., Ltd. ....	35,155	30,994	
48,100	Shiseido Company, Limited .....	5,157	4,034	
73,600	Sysmex Corporation .....	4,993	7,588	
147,200	Takeda Pharmaceutical Company Ltd. ....	7,254	6,398	
		<u>172,987</u>	<u>197,371</u>	12.0

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2020

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Emerging Markets</b>				
1,144,000	AIA Group Limited .....	\$ 9,367	\$ 14,686	
39,829	Alibaba Group Holding Limited ADR .....	8,914	10,989	
95,149	Baidu, Inc. ADR .....	17,914	13,605	
1,942,662	Burgundy Emerging Markets Equity Fund .....	52,318	39,646	
358,965	China Mobile Ltd. ....	4,510	3,787	
72,337	HDFC Bank Ltd. ADR .....	4,875	3,947	
571,648	ICICI Bank Limited ADR .....	7,573	6,894	
482,106	Itau Unibanco Holding S.A. (Pref) ADR .....	5,844	3,071	
201,564	LSV Emerging Markets Small Cap Equity Fund, LP .....	48,762	38,195	
14,850	NetEase, Inc. ADR .....	5,264	6,762	
3,062,400	PT Bank Central Asia Tbk .....	7,365	7,360	
95,176	Samsung Electronics Co., Ltd .....	4,597	5,290	
17,678	SK Telecom Co., Ltd. ....	5,841	3,642	
170,844	Trip.com Group Ltd.- ADR .....	8,070	5,684	
152,307	Yandex N.V. ....	5,798	7,357	
		<u>197,012</u>	<u>170,915</u>	10.4
<b>United Kingdom</b>				
359,979	Abcam plc .....	6,656	7,243	
25,955	AstraZeneca plc .....	2,668	3,297	
2,183,070	Barclays plc .....	5,551	3,617	
123,759	British American Tobacco plc .....	5,809	6,011	
41,788	Compass Group plc .....	736	930	
379,281	Diageo plc .....	20,749	17,270	
7,552,312	G4S plc .....	26,903	12,271	
208,494	Micro Focus International plc .....	4,966	1,468	
605,346	Network International Holdings plc .....	5,363	4,151	
99,893	Next plc .....	7,501	7,160	
633,148	Rolls-Royce Holdings plc .....	8,403	3,796	
570,497	Standard Chartered plc .....	5,762	4,477	
1,590,464	Vodafone Group plc .....	5,870	3,164	
		<u>106,937</u>	<u>74,855</u>	4.5
<b>Canada</b>				
3,625,680	Algom Central Corporation <sup>1</sup> .....	6,201	32,885	2.0
	<b>Total investments</b> .....	<u>\$ 1,497,106</u>	<u>\$ 1,647,646</u>	<u>100.0</u>

<sup>1</sup> This company and United are related parties.

# UNITED CORPORATIONS LIMITED

## **COMPANY BACKGROUND (Unaudited)**

Consolidated Investment Corporation of Canada was incorporated in February 1929 and its bonds and preferred shares were offered for sale to the public. The Company was capitalized with \$15,000,000 4½% First Collateral Trust Gold Bonds due 1959, and \$10,000,000 (\$100 par) of 5% Cumulative Preferred Shares. 1,375,000 Common Shares (no par value) were issued of which 375,000 were deposited in trust or reserved for sale to the Company's senior security holders. The Company's securities were sold for \$32,000,000 plus accrued interest and organizational expenses.

The trust deed securing the First Collateral Trust Gold Bonds covenanted that assets pledged with the trustee should at all times be equal to 125% of the principal amount of bonds outstanding. With the decline in security values beginning in late 1929, the Company attempted to satisfy this covenant by purchasing the Company's bonds for cancellation at discount prices. The continued deterioration of security markets into 1932 made the continuation of this policy impracticable. The Company therefore defaulted under its covenants and the Company was reorganized.

Under the February 13, 1933 arrangement, the Company's remaining \$6,427,000 4½% Gold Bonds (\$8,573,000 out of the original \$15,000,000 had been purchased for cancellation) received 70% of their face value in a new issue of 5% "Income" Bonds due 1953, and 30% of their face value in Class "A" 5% "Preferred" Shares. The bondholders were also given 53.61% of the common equity (Class "B" Shares) with the old preferred shareholders and common shareholders receiving 41.70% and 4.69% of the new equity respectively.

Under the February 13, 1933 reorganization, the Company's name was changed to United Corporations Limited.

On December 23, 1959, United Corporations Limited acquired all of the assets of London Canadian Investment Corporation for \$7,925,483. Consideration was satisfied by issuing \$2,408,700 par value of 5% Preferred Shares (1959 Series) and Common (Class B) Shares equal to 15.7% of the total Common Shares to be outstanding after the completion of this transaction.

# UNITED CORPORATIONS LIMITED

## FINANCIAL RECORD: 1929 - 2020 (Unaudited)

Year	Total Net Assets * (000's)	Funded Debt (000's)	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Investment Income Available for Common Shares (000's)	Net Investment Income per Common Share**
Consolidated Investment Corporation of Canada							
Feb 1929	\$ 32,000	\$ 15,000	\$ 10,000	\$ 7,000	\$ N/A	\$ N/A	\$ N/A
Dec 1931	9,616	7,161	10,000	(7,545)	N/A	N/A	N/A
1932	4,726	6,427	10,000	(11,701)	N/A	N/A	N/A
United Corporations Limited							
1933	6,120	4,499	2,000	(379)	(0.04)	—	—
1934	8,147	4,499	2,097	1,551	0.16	(95)	(0.01)
1935	9,378	4,499	2,161	2,718	0.28	(13)	—
1936	12,892	4,499	2,097	6,296	0.64	49	0.01
1937	9,542	4,499	1,928	3,115	0.32	109	0.01
1938	9,485	3,779	1,620	4,087	0.41	44	0.01
1939	9,844	3,705	1,588	4,550	0.46	58	0.01
1940	8,676	3,705	1,588	3,383	0.34	48	0.01
1941	8,175	3,599	1,588	2,988	0.30	82	0.01
1942	8,712	3,499	1,580	3,633	0.37	108	0.01
1943	9,746	3,000	1,580	5,166	0.52	78	0.01
1944	11,298	2,900	1,580	6,818	0.69	155	0.02
1945	14,444	2,800	1,580	10,064	1.02	173	0.02
1946	14,059	2,700	1,580	9,779	0.99	243	0.03
1947	13,668	2,600	1,580	9,489	0.96	339	0.03
1948	13,443	2,500	1,567	9,376	0.95	370	0.04
1949	14,772	2,400	1,567	10,805	1.10	385	0.04
1950	17,410	2,300	1,567	13,543	1.37	564	0.06
1951	20,392	2,200	1,567	16,625	1.69	578	0.06
1952	19,360	2,000	1,567	15,793	1.60	614	0.06
1953	19,130	1,900	1,567	15,663	1.59	639	0.07
1954	25,101	1,800	1,567	21,734	2.21	699	0.07
1955	29,015	1,700	1,567	25,748	2.62	732	0.07
1956	28,054	1,316	1,567	25,171	2.56	779	0.08
1957	24,447	879	1,567	22,001	2.24	834	0.09
1958	30,381	—	1,567	28,814	2.93	898	0.09
1959	38,197	—	3,976	34,221	2.93	900	0.08
1960	37,600	—	3,976	33,624	2.88	1,110	0.10
1961	44,352	—	3,976	40,376	3.44	1,117	0.10
1962	41,868	—	3,976	37,893	3.22	1,141	0.10
1963	52,321	—	7,747	44,574	3.75	1,179	0.10
1964	62,861	—	7,747	55,114	4.64	1,348	0.11
1965	66,117	—	7,747	58,370	4.91	1,503	0.13
1966	63,156	—	7,747	55,409	4.66	1,583	0.13
1967	74,757	—	7,747	67,010	5.59	1,741	0.15
1968	84,930	—	7,747	77,174	6.43	1,714	0.14
1969	78,769	—	7,747	71,022	5.90	1,866	0.16
1970	71,202	—	7,747	63,456	5.28	1,981	0.17
1971	73,401	—	7,747	65,655	5.46	1,669	0.14
1972	86,757	—	7,747	79,010	6.57	1,724	0.14
1973(a)	83,758	—	7,747	76,012	6.32	374	0.03
1974	82,457	—	7,747	74,711	6.21	1,996	0.17
1975	71,674	—	7,747	63,928	5.31	2,791	0.23
1976	80,075	8,000	7,747	64,544	5.36	2,522	0.21



# UNITED CORPORATIONS LIMITED

## FINANCIAL RECORD: 1929 - 2020 (Unaudited)

Year	Total Net Assets * (000's)	Funded Debt (000's)	Preferred Shares = (000's)	Net Equity Value (000's)	Net Equity Value per Common Share**	Net Investment Income Available for Common Shares (000's)	Net Investment Income per Common Share**
1977	\$ 78,614	\$ 8,000	\$ 7,747	\$ 63,083	\$ 5.24	\$ 2,116	\$ 0.18
1978	82,829	8,000	7,747	67,298	5.59	2,335	0.19
1979	116,793	9,506	7,747	100,285	8.32	1,478	0.12
1980	141,700	9,657	7,747	129,232	10.60	3,703	0.30
1981	197,143	8,000	7,747	194,350	15.94	4,808	0.39
1982	127,643	8,000	7,747	121,412	9.95	4,437	0.36
1983	182,227	8,000	7,747	174,692	14.31	4,468	0.37
1984	201,172	8,000	7,747	191,984	15.73	3,934	0.32
1985	247,596	8,000	7,747	234,514	19.22	4,788	0.39
1986	327,327	8,000	7,747	319,783	26.21	4,816	0.40
1987	370,718	—	7,747	371,437	30.44	4,841	0.40
1988	316,009	—	7,747	322,434	26.43	6,785	0.56
1989	329,082	—	7,747	321,668	26.37	8,778	0.72
1990	340,980	—	7,747	343,482	28.16	16,989	1.39
1991	311,586	—	7,747	304,079	24.93	9,339	0.77
1992	308,237	—	7,747	300,992	24.68	7,880	0.65
1993	314,603	—	7,747	308,617	25.30	7,617	0.63
1994	359,673	—	7,747	363,496	29.80	7,192	0.59
1995	355,050	—	7,747	352,874	28.94	7,963	0.65
1996	396,725	—	7,747	399,853	32.79	7,969	0.65
1997	478,172	—	7,747	475,416	38.99	8,960	0.74
1998	649,802	—	7,747	667,137	54.71	9,174	0.75
1999	612,872	—	7,747	620,107	50.85	9,635	0.79
2000	774,519	—	7,747	784,932	64.37	8,403	0.69
2001	723,950	—	7,747	718,712	58.94	10,640	0.87
2002	758,055	—	7,747	750,308	61.53	11,606	0.95
2003	609,269	—	7,747	601,522	49.33	11,772	0.97
2004	755,491	—	7,747	747,744	61.32	11,041	0.91
2005	826,344	—	7,747	818,597	67.13	12,462	1.02
2006	940,068	—	7,747	932,321	76.46	12,676	1.04
2007	1,056,872	—	7,747	1,049,125	86.03	15,121	1.24
2008	948,929	—	7,747	941,182	77.18	15,909	1.30
2009	676,149	—	7,747	668,402	54.81	15,420	1.26
2010	828,840	—	7,747	821,093	67.33	14,155	1.16
2011	883,576	—	7,747	875,829	71.82	14,987	1.23
2012	889,646	—	7,747	881,899	72.32	17,412	1.43
2013	1,008,012	—	7,747	1,000,265	82.03	17,414	1.43
2014	1,220,612	—	7,747	1,212,865	99.46	18,686	1.53
2015	1,444,951	—	7,747	1,437,204	117.86	21,971	1.80
2016	1,479,121	—	7,747	1,471,374	120.66	25,967	2.13
2017	1,621,302	—	7,747	1,613,555	132.32	23,463	1.92
2018	1,695,470	—	7,747	1,687,723	138.40	24,124	1.98
2019	1,800,185	—	7,747	1,792,438	146.99	27,462	2.25
2020	1,680,040	—	7,747	1,672,293	137.95	27,894	2.29

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

= Preferred Shares at the cost of redemption, including dividend arrears in 1933 - 1936.

\* Total assets less liabilities exclusive of short-term debt.

\*\* Includes the impact of historical stock dividends.

(a) For three months ended March 31, 1973. Figures in this table are for fiscal years ended December 31 prior to 1973 and March 31 thereafter.

# UNITED CORPORATIONS LIMITED

## FINANCIAL RECORD: 1929 - 2020 (Unaudited)

### Historical Stock Dividends

<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>
1953	4 for 1	Split	1988	1 for 15	\$ 65.46	1998	1 for 33.1645	\$ 76.61
1964	3 for 1	Split	1989	1 for 8	54.53	1999	1 for 13.5404	78.67
1982	1 for 6.4725	\$ 38.81	1989	1 for 55	48.30	2000	1 for 20.9744	69.74
1984	1 for 10	40.41	1991	1 for 16	50.72	2001	1 for 20.94286	80.63
1985	1 for 10	40.93	1993	1 for 38	42.18	2001	1 for 7.9472	76.77
1986	1 for 30	46.53	1995	1 for 16.42525	49.44	2002	1 for 15.3238	64.36
1987	1 for 13	60.52	1997	1 for 14.47926	62.84			

# UNITED CORPORATIONS LIMITED

## CORPORATE INFORMATION

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### EXTERNAL INVESTMENT MANAGERS

Burgundy Asset Management Ltd., Toronto  
Causeway Capital Management LLC, Los Angeles  
Harding Loevner LP, Bridgewater  
LSV Asset Management, Chicago  
Macquaire, Luxembourg

### AUDITOR

PricewaterhouseCoopers LLP, Toronto

### CUSTODIAN

RBC Investor & Treasury Services

### TRANSFER AGENT AND REGISTRAR

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### TORONTO STOCK EXCHANGE LISTINGS

	<u>Ticker Symbol</u>
Common	UNC
First Preferred	UNC.PR.A
Second Preferred, 1959 Series	UNC.PR.B
Second Preferred, 1963 Series	UNC.PR.C

### NET EQUITY VALUE

The Company's Net Equity Value per Common Share is published on the Company's website.

### REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. Michael J. White  
Chairman of the Audit Committee  
United Corporations Limited  
165 University Avenue, 10th Floor  
Toronto, Ontario  
M5H 3B8  
Email: [michaeljwhite@sympatico.ca](mailto:michaeljwhite@sympatico.ca)  
Phone: 416-505-2677

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with the Company's policy for reporting accounting or auditing matters.

### WEBSITE

[www.ucorp.ca](http://www.ucorp.ca)

