

UNITED CORPORATIONS LIMITED



THIRD QUARTER REPORT

DECEMBER 31, 2018

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at Dec. 31 2018	As at March 31 2018
Net equity value per Common Share ¹	\$ 138.40	\$ 138.40
Net assets ²	\$ 1,695,426	\$ 1,695,470
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Nine months ended December 31	
	2018	2017
Net investment income per Common Share ¹	\$ 1.73	\$ 1.55
Dividends per Common Share		
Quarterly	\$ 0.90	\$ 0.90
Additional ³	\$ 0.78	\$ 1.12
Net income per Common Share	\$ 1.68	\$ 7.93
Net investment income ^{1,2}	\$ 21,379	\$ 19,187

¹ See Management's Discussion and Analysis for Use of Non-GAAP Measures.

² In thousands of Canadian dollars.

³ This additional dividend represents the annual distribution of the prior year's annual net investment income after payment of Preferred Share dividends and quarterly Common Share dividends.

The financial statements have been prepared under International Financial Reporting Standards ("IFRS").

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditor, PricewaterhouseCoopers LLP, has not performed a review of these interim financial statements of United Corporations Limited.

UNITED CORPORATIONS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited interim condensed financial performance and financial condition of United Corporations Limited ("United" or the "Company") for the third quarter of fiscal 2019 should be read in conjunction with: the March 31, 2018 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the Company's MD&A and unaudited interim condensed financial statements and notes for the previous quarters of fiscal 2019; and the unaudited interim condensed financial statements and notes contained in this report. These unaudited interim condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Chartered Professional Accountants of Canada. The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars. This MD&A is dated as of February 12, 2019.

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 and has never bought back its Common Shares. The Common Shares have historically traded at a discount to their net asset value, ranging from approximately a 40% discount to a 15% 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.

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.

On December 5, 2018, the Company appointed two investment managers, Harding Loevner LP ("Harding Loevner") and Causeway Capital Management LLC ("Causeway"), both established global portfolio managers, to provide portfolio management services for a portion of its assets, replacing Jarislowsky Fraser Limited ("Jarislowsky").

Approximately 92% of the Company's investment portfolio is actively managed by Macquarie Investment Management Europe S.A. ("Macquarie"), Harding Loevner and Causeway. Each of these managers has a global equity mandate. As of December 31, 2018, \$847,338,000 (March 31, 2018 - \$825,610,000), \$474,064,000 (March 31, 2018 - \$nil) and \$233,527,000 (March 31, 2018 - \$nil) of equity investments were managed by Macquarie, Harding Loevner, and Causeway, respectively.

During the first fiscal quarter, Macquarie Group acquired ValueInvest Asset Management SA and subsequently changed the company's name to Macquarie. 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.

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Harding Loevner is a global investment manager that was founded in 1989. The firm 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 that was founded in 2001. The firm 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.

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 December 31, 2018, \$48,692,000 (March 31, 2018 - \$55,266,000) and \$49,088,000 (March 31, 2018 - \$53,109,000) 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 totalling \$75,128,000, as of December 31, 2018. As of December 31, 2018, the five largest country exposures represented 71% of emerging market investments which includes China (30%), India (15%), South Africa (9%), South Korea (9%), and Brazil (8%).

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. Further related party information is provided in Note 11 to the financial statements in the March 31, 2018 Annual Report.

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 both 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 on its Preferred Shares from net investment income.

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

	December 31 2018	March 31 2018
Net assets	\$ 1,695,426	\$ 1,695,470
Deduct:		
Cost of redemption		
First Preferred Shares	1,567	1,567
1959 and 1963 Series Second Preferred Shares	6,180	6,180
	7,747	7,747
Net equity value	\$ 1,687,679	\$ 1,687,723
Common Shares outstanding	12,194,193	12,194,193
Net equity value per Common Share	\$ 138.40	\$ 138.40

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 December 31		Nine months ended December 31	
	2018	2017	2018	2017
Net income (loss)	\$ (54,125)	\$ 98,944	\$ 20,726	\$ 97,009
Add (deduct):				
Other fair value changes in investments	66,800	(110,237)	(1,227)	(90,075)
Tax on other fair value changes in investments	(8,908)	14,548	(70)	11,877
Net investment income of a limited partnership ¹	856	376	1,950	376
Net investment income ²	4,623	3,631	21,379	19,187
Deduct:				
Dividends paid on Preferred Shares	95	95	284	284
Net investment income, net of dividends paid on Preferred Shares ²	\$ 4,528	\$ 3,536	\$ 21,095	\$ 18,903
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share ¹	\$ 0.37	\$ 0.29	\$ 1.73	\$ 1.55

¹ Represents allocation of dividends net of expenses.

² On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share decreased to \$138.40 at December 31, 2018 compared to \$143.15 at September 30, 2018 and remains unchanged from the Company's net equity value per Common Share of \$138.40 at March 31, 2018.

With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was negative 3.1% compared to a positive return of 6.2% for the same period in 2018. On a year-to-date basis the net equity value return was 1.2% compared to 6.2% in the prior year period.

Investments managed by Macquarie had a pre-tax fiscal year-to-date total return of 5.8% (2018 – 4.2%). The new investment managers, Harding Loevner and Causeway, since their appointment in mid-December, had negative returns of 2.4% and 2.1%, respectively. Emerging markets mandates had a pre-tax fiscal year-to-date total negative returns of 6.7% for Burgundy and 11.0% for LSV.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 change in unrealized appreciation of investments.

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

	Three months ended December 31	Nine months ended December 31
		(%)
MSCI World Index	(8.6)	(1.7)
S&P 500 Index	(8.9)	1.9
S&P/TSX Composite Index	(10.1)	(4.6)
MSCI Emerging Markets	(2.4)	(10.6)

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
		(%)
2009	\$ 54.81	(28.1)
2010	67.33	24.4
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
Compound annual growth*		
2009 - 2018 - 10 years		7.6

*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

Net income

The Company reported a net loss for the third quarter of fiscal 2019 of \$54,125,000 compared to net income of \$98,944,000 in fiscal 2018. On a year-to-date basis, net income was \$20,726,000 compared to \$97,009,000 in fiscal 2018. The net loss per Common Share for the third quarter of fiscal 2019 was \$4.44 compared to net income of \$8.10 for fiscal 2018. On a year-to-date basis, net income per share was \$1.68 compared to \$7.93 per share in fiscal 2018.

The Company's other fair value changes in investments for the third quarter of fiscal 2019 was a loss of \$66,800,000 compared to a gain of \$110,237,000 for the same period in fiscal 2018. On a year-to-date basis, the other fair value changes in investments was a gain of \$1,227,000 compared to \$90,075,000 for the nine months ended December 31, 2017.

During the quarter, global markets retreated resulting in a net fair value loss for the investment portfolio. Investment losses were partly offset by foreign currency movements resulting from a weaker Canadian dollar. During the quarter, the global portfolios experienced negative returns, U.S. investments declined \$25,101,000, Japan \$15,049,000, Europe \$10,725,000, the United Kingdom \$10,372,000, and emerging markets \$3,146,000. On a year-to-date basis, U.S. investments increased \$68,048,000 offset by declines in Japan of \$19,909,000, emerging markets \$15,546,000, Europe \$14,979,000, the United Kingdom \$8,441,000, and Canada \$6,476,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Significant contributors to the year-to-date investment performance included Merck & Co., Inc., Hormel Foods Corporation, and The Clorox Company with fair value investment gains of \$12,607,000, \$11,374,000 and \$9,386,000 respectively. Significant detractors to the year-to-date investment performance included ConAgra Brands, Inc., G4S plc, and LSV Emerging Markets Small Cap Equity Fund, LP with fair value investment losses of \$13,489,000, \$6,232,000 and \$6,067,000 respectively.

The net realized gain was \$186,260,000 for the third quarter of fiscal 2019 compared to \$23,254,000 for the same period in the prior year. On a year-to-date basis, the net realized gain was \$266,077,000 compared to \$94,244,000 in fiscal 2018. During the quarter, the appointment of Harding Loevner and Causeway replacing Jarislowsky as global investment manager, resulted in changes to the composition of the investment portfolio. This transition contributed to the significant increase in the sale of investments during the quarter and higher net realized gains and income taxes payable. The largest year-to-date contributors to the net realized gain in fiscal 2019 were from the sales of securities in the U.S. for a gain of \$222,704,000, Europe for \$25,441,000, and Japan for \$13,813,000.

Net investment income

The Company's net investment income in the third quarter of fiscal 2019 increased to \$4,623,000 compared to \$3,631,000 for the third quarter of fiscal 2018. On a year-to-date basis, net investment income increased to \$21,379,000 from \$19,187,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.37 in fiscal 2019 compared to \$0.29 in 2018 and on a year-to-date basis increased to \$1.73 in 2019 compared to \$1.55 in 2018.

Foreign dividend income in the third quarter increased to \$7,189,000 from \$6,239,000 for the same quarter in the prior year and on a year-to-date basis increased to \$32,575,000 from \$30,677,000 in fiscal 2018. 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 \$856,000 (2018 - \$376,000) for the quarter and \$1,950,000 (2018 - \$376,000) of net investment income of a limited partnership.

Canadian dividend income in the third quarter increased to \$363,000 from \$327,000 for the same quarter in the prior year and on a year-to-date basis increased to \$1,088,000 from \$907,000 in fiscal 2018. The increase occurred as a result of dividend increases by Algoma.

Expenses during the quarter increased to \$2,581,000 in fiscal 2019 compared to \$2,334,000 for the same period in the prior year, and on a year-to-date basis increased to \$7,784,000 compared to \$6,786,000 in the prior year. The majority of the increase relates to an increase in investment management and administrative costs resulting from year-to-date average growth in the investment portfolio. In addition, the management fees for the emerging markets mandates are higher, which were allocated to these mandates on September 29, 2017.

Quarterly Results

The following table summarizes various financial results on a quarterly basis for the eight most recent quarters (in thousands of dollars, except per Common Share amounts):

	Dec. 31 2018	Sept. 30 2018	June 30 2018	March 31 2018	Dec. 31 2017	Sept. 30 2017	June 30 2017	March 31 2017
Investments	\$ 1,698,683	\$ 1,806,525	\$ 1,785,381	\$ 1,747,067	\$ 1,741,035	\$ 1,642,607	\$ 1,672,747	\$ 1,673,802
Net investment income ¹	\$ 4,623	\$ 4,553	\$ 12,203	\$ 5,315	\$ 3,631	\$ 3,941	\$ 11,615	\$ 5,196
Net income (loss)	\$ (54,125)	\$ 25,494	\$ 49,357	\$ 5,828	\$ 98,944	\$ (22,652)	\$ 20,717	\$ 75,146
Per Common Share:								
Net investment income ¹	\$ 0.37	\$ 0.37	\$ 0.99	\$ 0.43	\$ 0.29	\$ 0.32	\$ 0.94	\$ 0.41
Net income (loss)	\$ (4.44)	\$ 2.08	\$ 4.04	\$ 0.47	\$ 8.10	\$ (1.86)	\$ 1.69	\$ 6.15
NAV	\$ 138.40	\$ 143.15	\$ 141.36	\$ 138.40	\$ 138.23	\$ 130.43	\$ 132.59	\$ 132.32

¹ On an after-tax basis.

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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.

Share Data

As at December 31, 2018, 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 12,194,193 Common Shares.

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.

During the first fiscal quarter, the Company paid an additional cash dividend of \$0.78 (2018 - \$1.12) per Common Share representing the balance of net investment income for the previous fiscal year.

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

Additional Information

Additional information relating to United, including the Company's Annual Information Form, is available at www.sedar.com.

United's website, 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

STATEMENTS OF NET ASSETS (Unaudited)

	December 31 2018	March 31 2018
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 53,073	\$ 19,161
Investments (Note 4)	1,698,683	1,747,067
Dividends and interest receivable	1,983	2,149
Other assets	3,815	3,474
	1,757,554	1,771,851
LIABILITIES		
Accrued expenses	1,176	1,330
Payable in respect of investments purchased	2,792	—
Income taxes payable	22,038	3,331
Dividends payable	3,753	3,753
Deferred tax liabilities	32,369	67,967
	62,128	76,381
NET ASSETS	\$ 1,695,426	\$ 1,695,470
SHAREHOLDERS' EQUITY		
Share capital	\$ 541,000	\$ 541,000
Retained earnings	1,154,426	1,154,470
TOTAL SHAREHOLDERS' EQUITY	\$ 1,695,426	\$ 1,695,470

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended Dec. 31		Nine months ended Dec. 31	
	2018	2017	2018	2017
	(000's)			
INCOME				
Dividends				
Foreign	\$ 7,189	\$ 6,239	\$ 32,575	\$ 30,677
Canadian	363	327	1,088	907
	7,552	6,566	33,663	31,584
Interest and securities lending income	256	160	803	642
Other fair value changes in investments (Note 5)	(66,800)	110,237	1,227	90,075
	(58,992)	116,963	35,693	122,301
EXPENSES				
Investment management and administrative costs	2,263	2,073	6,770	5,853
Transfer, registrar and custody fees	166	143	430	414
Directors' and officer's remuneration	96	80	324	270
Office and miscellaneous	39	23	202	200
Professional fees	17	15	58	49
	2,581	2,334	7,784	6,786
INCOME (LOSS) BEFORE INCOME TAXES	(61,573)	114,629	27,909	115,515
Provision for (recovery of) income taxes	(7,448)	15,685	7,183	18,506
NET INCOME (LOSS)	\$ (54,125)	\$ 98,944	\$ 20,726	\$ 97,009
EARNINGS (LOSS) PER COMMON SHARE				
BASIC AND DILUTED	\$ (4.44)	\$ 8.10	\$ 1.68	\$ 7.93

(See accompanying notes)

UNITED CORPORATIONS LIMITED

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
At April 1, 2018	\$ 541,000	\$ 1,154,470	\$ 1,695,470
Net income for the period	—	20,726	20,726
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(20,486)	(20,486)
At December 31, 2018	\$ 541,000	\$ 1,154,426	\$ 1,695,426
At April 1, 2017	\$ 541,000	\$ 1,080,302	\$ 1,621,302
Net income for the period	—	97,009	97,009
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(24,632)	(24,632)
At December 31, 2017	\$ 541,000	\$ 1,152,395	\$ 1,693,395

(See accompanying notes)

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STATEMENTS OF CASH FLOW (Unaudited)

Nine months ended Dec. 31

	2018	2017
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 20,726	\$ 97,009
Adjustments for:		
Other fair value changes in investments	(1,227)	(90,075)
Purchases of investments	(871,093)	(308,716)
Proceeds from sale of investments	920,704	331,558
Dividends and interest receivable	166	1,337
Deferred taxes	(35,598)	(1,054)
Net change in other assets and liabilities	21,004	(3,530)
	54,682	26,529
Financing		
Dividends paid to shareholders	(20,770)	(24,916)
Net increase in cash and cash equivalents	33,912	1,613
Cash and cash equivalents at beginning of the period	19,161	17,938
Cash and cash equivalents at end of the period	\$ 53,073	\$ 19,551
Additional information for operating activities:		
Interest received	\$ 224	\$ 108
Dividends received, net of withholding taxes	29,363	28,505
Income taxes paid	19,945	15,050

(See accompanying notes)

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NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

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 interim condensed financial statements are presented in Canadian dollars which is the functional and presentation currency. These interim condensed financial statements were approved by the Company’s Board of Directors on February 12, 2019.

2. Basis of presentation

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed financial statements do not include all of the disclosures required under International Financial Reporting Standards for annual financial statements and should be read in conjunction with the notes to the Company’s audited financial statements for the year ended March 31, 2018.

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 are dependent on an assumption as to when a deferred tax liability is expected to be realized.

4. Classification of fair value measurements

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 December 31, 2018, the Company had \$1,600,903,000 (March 31, 2018 - \$1,638,692,000) of Level 1 and \$97,780,000 (March 31, 2018 - \$108,375,000) 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 investments are represented by units in the Burgundy Emerging Markets Equity Fund and the LSV Emerging Markets Small Cap Fund, LP. The Company has the right to redeem its units in these investments within a 30-to-90-day period depending on the fund. The fair value of these investments is based on the net asset values provided by the administrators.

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NOTES TO FINANCIAL STATEMENTS

(Unaudited)

5. Other fair value changes in investments

The fair value change in investments is comprised as follows:

	Three months ended December 31		Nine months ended December 31	
	2018	2017	2018	2017
	(000's)			
Net realized gain	\$ 186,260	\$ 23,254	\$ 266,077	\$ 94,244
Change in unrealized appreciation	(253,060)	86,983	(264,850)	(4,169)
	\$ (66,800)	\$ 110,237	\$ 1,227	\$ 90,075

6. Related party transactions

Included in the Company's Schedule of Investment Portfolio is Algoma Central Corporation ("Algoma"), a related party, with a fair value at December 31, 2018 of \$45,974,000 (March 31, 2018 - \$51,847,000). Dividend income from Algoma for the three months and nine months ended December 31, 2018 amounted to \$363,000 (2018 - \$327,000) and \$1,088,000 (2018 - \$907,000), respectively.

E-L Financial holds a 52.2% (March 31, 2018 - 52.0%) 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 three months and nine months ended December 31, 2018 amounted to \$494,000 (2018 - \$473,000) and \$1,546,000 (2018 - \$1,378,000), respectively.

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

7. Subsequent event

Common Share dividends of \$0.30 per Common Share, and \$0.375 per Preferred Share for First Preferred Shares, Second Preferred Shares, 1959 Series and Second Preferred Shares, 1963 Series, were declared by the Board of Directors at its meeting on February 12, 2019, with a record and payable date of May 3, 2019 and May 15, 2019, respectively.

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

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2018 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
United States				
16,900	3M Co.....	\$ 1,739	\$ 4,393	
67,100	Abbott Laboratories	3,856	6,621	
14,022	Advance Auto Parts, Inc.....	3,262	3,012	
50,430	Alaska Air Group, Inc.....	4,630	4,186	
3,700	Amazon, Inc.....	8,235	7,581	
46,532	Amerisourcebergen Corporation.....	5,276	4,723	
34,600	Apple Inc.....	7,997	7,446	
146,675	Bank of America Corporation	5,081	4,930	
5,112	Booking Holdings Inc.....	12,341	12,012	
34,000	Check Point Software T.....	4,992	4,761	
97,890	Citigroup Inc.....	7,724	6,952	
177,700	Clorox Company (The).....	20,942	37,366	
81,700	Cognex Corporation.....	4,732	4,310	
55,000	Cognizant Technology Solutions.....	5,086	4,763	
69,297	Colgate-Palmolive Company.....	3,872	5,627	
743,100	ConAgra Brands, Inc.....	23,456	21,653	
37,200	Disney (Walt) Company	5,615	5,565	
102,600	eBay Inc.....	4,017	3,929	
43,800	Exxon Mobil Corporation.....	4,552	4,075	
5,388	FedEx Corporation.....	1,141	1,186	
107,100	First Republic Bank.....	13,726	12,697	
74,345	FirstEnergy Corporation.....	3,842	3,808	
95,799	Flowserve Corporation.....	5,746	4,969	
797,900	General Mills, Inc.....	40,559	42,386	
185,721	Halliburton Company.....	7,410	6,734	
556,500	Hormel Foods Corporation.....	18,326	32,402	
26,100	IPG Photonics Corporation.....	4,580	4,034	
285,900	Kimberly-Clark Corporation.....	30,362	44,439	
125,366	Lamb Weston Holdings, Inc.....	3,081	12,581	
37,762	Leidos Holdings, Inc.....	2,992	2,716	
37,483	Marathon Petroleum Corporation.....	3,123	3,017	
35,600	MasterCard, Inc. Class A.....	4,495	9,162	
398,800	Merck & Co., Inc.....	27,396	41,570	
72,500	Microsoft Corporation	3,454	10,046	
267,300	Mondelez International Inc. Class A.....	12,955	14,597	
85,400	Nike Inc. - Class B.....	8,528	8,638	
57,300	Nvidia Corporation	11,880	10,436	
112,300	Oracle Corporation.....	4,494	6,917	
171,500	Paypal Holdings, Inc.....	19,314	19,674	
549,500	Pfizer Inc.....	19,314	32,721	
49,000	Qualcomm Inc.....	3,717	3,804	
18,100	Regeneron Pharmaceuticals, Inc.....	9,113	9,222	
42,800	Roper Technologies, Inc.....	16,210	15,562	
126,900	RPC, Inc.....	2,068	1,709	
217,400	Sabre Corporation.....	7,387	6,417	
116,400	Schlumberger Limited	6,607	5,729	
63,189	Signet Jewelers Limited	3,253	2,739	
15,700	SVB Financial Group.....	4,558	4,068	
24,800	Synnex Corporation	2,567	2,735	
84,100	Verisk Analytics Inc. Class A.....	4,960	12,510	
94,258	Viacom Inc. Class B.....	3,791	3,305	
46,300	Wabco Holdings, Inc.....	6,815	6,780	
63,700	Walgreen Boots Alliance Inc.....	3,611	5,938	
109,400	Waste Management Inc.....	6,057	13,281	
25,100	Waters Corporation.....	6,476	6,460	
40,100	Wells Fargo & Company.....	2,138	2,521	
21,200	Zimmer Biomet Holdings.....	3,151	3,000	
		<u>476,602</u>	<u>584,415</u>	34.4

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2018 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Europe, excluding United Kingdom				
228,423	ABB Limited	\$ 5,882	\$ 5,915	
29,060	Adidas AG	4,485	8,276	
234,515	Air Liquide S.A.	29,463	39,709	
53,129	Akso Nobel N.V.	5,785	5,840	
607,100	Banco Bilbao Vizcaya Argentaria, S.A.	4,382	4,394	
66,058	BASF SE	6,160	6,229	
37,700	Bayerische Motoren Werke AG	4,167	4,161	
57,613	Chr. Hansen Holding A/S	7,043	6,956	
777,289	Davide Campari-Milano S.p.A.	3,048	8,962	
72,100	EssilorLuxottica	12,217	12,433	
253,800	Grifols, S.A. ADR	6,653	6,357	
453,879	Group Danone S.A.	38,070	43,589	
138,100	Intrum AB	4,766	4,341	
91,360	Kerry Group plc	7,431	12,338	
108,600	Kone Oyj	6,993	7,060	
1,283,816	Koninklijke Ahold Delhaize N.V.	21,632	44,248	
73,381	Linde Public Limited Company	15,435	15,874	
28,224	Lonza Group AG	11,894	9,958	
16,300	L'Oréal S.A.	5,110	5,120	
383,754	Nestlé S.A.	28,711	42,420	
56,904	Nestlé S.A. ADR	6,443	6,285	
32,700	Novartis AG	3,909	3,807	
418,945	Novo Nordisk A/S	23,978	26,134	
83,900	Novozymes A/S	5,104	5,111	
1,205,728	Orange S.A.	20,884	26,647	
515,498	Publicis Groupe	43,678	40,307	
115,471	Roche Holding AG	34,857	38,932	
972,768	Securitas AB Class B	13,102	21,144	
136,844	Sodexo S.A.	19,574	19,122	
22,028	Sonova Holding AG	4,751	4,900	
39,352	Swatch Group AG (The)	16,179	15,628	
109,887	Symrise AG	11,791	11,066	
100,400	Tenaris S.A. ADR	3,167	2,920	
486,826	UniCredit S.p.A.	8,257	7,520	
42,000	Volkswagen AG	9,201	9,110	
		<u>454,202</u>	<u>532,813</u>	31.4
Japan				
152,200	Asahi Group Holdings Co.	5,043	8,063	
37,500	East Japan Railway Company	4,534	4,519	
54,800	Fanuc Corporation	9,753	11,337	
85,600	Kao Corporation	6,167	8,662	
1,113,300	KDDI Corporation	32,882	36,253	
11,300	Keyence Corporation	1,581	7,808	
242,300	Kirin Holdings Company, Limited	3,478	6,911	
482,600	Kubota Corporation	9,581	9,352	
192,700	Lawson Inc.	16,792	16,620	
251,300	M3, Inc.	4,999	4,597	
492,100	Makita Corporation	21,493	23,848	
382,900	Mitsubishi Tanabe Pharma Corporation	6,078	7,513	
3,880	Samsung Electronics Co., Ltd.	4,706	4,589	
87,700	Secom Co., Ltd.	5,150	9,919	
566,100	Seven & i Holdings Co., Ltd.	30,665	33,602	
81,600	Sompo Holdings, Inc.	4,056	3,779	
74,700	Symex Corporation	5,068	4,891	
163,600	Takeda Pharmaceutical Company Ltd.	8,010	7,522	
182,000	ZOZO, Inc.	5,297	4,540	
		<u>185,333</u>	<u>214,325</u>	12.6

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2018 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Emerging Markets				
582,500	AAC Technologies Holdings Inc.	\$ 5,172	\$ 4,612	
1,185,800	AIA Group Limited	9,710	13,427	
29,764	Alibaba Group Holding Limited ADR	6,702	5,565	
43,800	Baidu, Inc. ADR	10,568	9,477	
3,168,300	Bank Central Asia Tbk	7,620	7,826	
1,970,149	Burgundy Emerging Markets Equity Fund	51,411	49,088	
628,000	China Merchants Holdings Co. Ltd.	1,595	1,543	
549,000	China Mobile Ltd.	7,128	7,203	
262,100	Grupo Televisa, S.A.B.	4,756	4,498	
37,419	HDFC Bank Ltd. ADR	5,043	5,288	
591,403	ICICI Bank Limited ADR	7,835	8,302	
498,767	Itau Unibanco Holding S.A.	6,046	6,219	
204,815	LSV Emerging Markets Small Cap Equity Fund, LP	49,549	48,692	
44,700	Naspers Ltd. N Shares	11,719	12,256	
94,900	Sasol Limited	3,834	3,824	
18,300	SK Telecom Co., Ltd.	6,294	6,037	
668,000	WuXi Biologics Co. Ltd.	7,348	5,836	
158,600	Yandex N.V.	6,038	5,918	
		<u>208,368</u>	<u>205,611</u>	12.1
United Kingdom				
231,800	Abcam plc	4,217	4,406	
55,000	AstraZeneca plc	5,656	5,633	
265,177	Aviva plc	1,747	1,736	
2,290,300	Barclays plc	6,071	6,012	
135,800	British American Tobacco plc	6,372	5,921	
6,202,237	G4S plc	24,770	21,302	
295,140	GlaxoSmithKline plc	7,484	7,675	
230,200	Micro Focus International plc	5,900	5,552	
190,957	Next plc	14,339	13,290	
277,461	Prudential plc	6,770	6,784	
55,400	Reckitt Benckiser Group plc	5,953	5,809	
342,900	Rolls-Royce Holdings plc	4,719	4,963	
62,000	Royal Dutch Shell plc	2,488	2,530	
269,300	SSE plc	5,012	5,079	
771,800	Standard Chartered plc	7,795	8,201	
1,239,500	Vodafone Group plc	5,215	3,305	
		<u>114,508</u>	<u>108,198</u>	6.4
Canada				
3,625,680	Algora Central Corporation ¹	6,201	45,974	
339,000	Encana Corporation	2,926	2,673	
241,300	Manulife Financial Corporation	5,024	4,674	
		<u>14,151</u>	<u>53,321</u>	3.1
Total Investments		<u>\$1,453,164</u>	<u>\$1,698,683</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

HEAD OFFICE

Tenth Floor, 165 University Avenue
Toronto, Ontario, M5H 3B8
Tel: 416-947-2578
Fax: 416-362-2592

EXTERNAL INVESTMENT MANAGERS

Burgundy Asset Management Ltd., Toronto
Causeway Capital Management LLC, Los Angeles, California
Harding Loevner LP, Bridgewater, New Jersey
LSV Asset Management, Chicago
Macquarie Investment Management Europe S.A., Luxembourg

AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor & Treasury Services

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Toll Free: 1-800-564-6253
www.computershare.com

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
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

