

# UNITED CORPORATIONS LIMITED



SECOND QUARTER REPORT

SEPTEMBER 30, 2019



# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2019	As at March 31 2019
Net equity value per Common Share <sup>1</sup>	\$ 147.59	\$ 146.99
Net assets <sup>2</sup>	\$ 1,807,463	\$ 1,800,185
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Six months ended September 30	
	2019	2018
Net investment income per Common Share <sup>1</sup>	\$ 1.63	\$ 1.36
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.60
Additional <sup>3</sup>	\$ 1.05	\$ 0.78
Net income per Common Share	\$ 2.25	\$ 6.12
Net investment income <sup>1,2</sup>	\$ 20,096	\$ 16,756

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

<sup>2</sup> In thousands of Canadian dollars.

<sup>3</sup> 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 accompanying financial statements have been prepared under International Financial Reporting Standards ("IFRS").

### NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditors, PricewaterhouseCoopers LLP, have 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 second quarter of fiscal 2020 should be read in conjunction with: the March 31, 2019 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 quarter of fiscal 2020; 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 November 5, 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.

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 September 30, 2019, \$898,488,000 (March 31, 2019 - \$892,005,000), \$529,534,000 (March 31, 2019 - \$538,322,000) and \$241,277,000 (March 31, 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.

# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In addition, United has two emerging markets mandates with LSV 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 September 30, 2019, \$47,463,000 (March 31, 2019 - \$51,094,000) and \$48,464,000 (March 31, 2019 - \$49,899,000) of equity investments were managed by LSV and Burgundy, respectively. The mandates with Harding Loevner and Causeway also include equity investments within emerging markets at September 30, 2019 totaling \$118,718,000 (March 31, 2019 - \$118,683,000). As of September 30, 2019 the five largest country exposures represented 73% of emerging market investments which includes China (35%), India (14%), South Korea (13%), Brazil (6%) and Taiwan (5%).

### 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 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>September 30 2019</b>	March 31 2019
Net assets	<b>\$ 1,807,463</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>\$ 1,799,716</b>	\$ 1,792,438
Common Shares outstanding	<b>12,194,193</b>	12,194,193
Net equity value per Common Share	<b>\$ 147.59</b>	\$ 146.99

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 September 30		Six months ended September 30	
	2019	2018	2019	2018
Net income	\$ 19,724	\$ 25,494	\$ 27,587	\$ 74,851
Add (deduct):				
Other net fair value changes in investments	(17,014)	(24,630)	(9,988)	(68,027)
Tax on other net fair value changes in investments	1,988	3,177	974	8,838
Net investment income of a limited partnership <sup>1</sup>	827	512	1,523	1,094
Net investment income <sup>2</sup>	5,525	4,553	20,096	16,756
Deduct:				
Dividends paid on Preferred Shares	95	95	189	189
Net investment income, net of dividends paid on Preferred Shares <sup>2</sup>	\$ 5,430	\$ 4,458	\$ 19,907	\$ 16,567
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share <sup>2</sup>	\$ 0.44	\$ 0.37	\$ 1.63	\$ 1.36

<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 Company's net equity value per Common Share increased to \$147.59 at September 30, 2019 compared to \$146.28 at June 30, 2019 and \$146.99 at March 31, 2019.

With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was 1.1% (2019 – 1.5%) and 1.5% (2019 – 4.4%) year to date.

Investments managed by Macquarie had a pre-tax year-to-date total return of 2.8% (2019 – 5.0%). Harding Loevner and Causeway had returns of 1.6% and negative 1.4%, respectively. These managers were appointed December 5, 2018, therefore no comparatives are available for the prior period. Emerging markets mandates had a pre-tax year-to-date total return of negative 2.3% (2019 – negative 7.2%) for Burgundy and negative 6.5% (2019 – negative 11.5%) 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:

	Three months ended September 30	Six months ended September 30
	(%)	
MSCI World Index	1.9	3.9
S&P 500 Index	2.9	5.1
S&P/TSX Composite Index	2.5	5.1
MSCI Emerging Markets	(3.0)	(4.3)

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## 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\*

	<u>NAV per Common Share</u>	<u>Annual Growth (%)</u>
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
2019	146.99	7.7

#### Compound annual growth\*

2010 - 2019 - 10 years	12.0
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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

### Net income

The Company reported net income for the second quarter of fiscal 2020 of \$19,724,000 compared to \$25,494,000 in fiscal 2019. On a year-to-date basis, net income was \$27,587,000 compared to \$74,851,000 in fiscal 2019. The net income per Common Share for the second quarter of fiscal 2020 was \$1.61 compared to \$2.08 for fiscal 2019. On a year-to-date basis, net income per share was \$2.25 compared to \$6.12 per share in fiscal 2019.

Other net fair value changes in investments for the portfolio for the second quarter of fiscal 2020 was \$17,014,000 compared to \$24,630,000 for the same period in fiscal 2019. On a year-to-date basis, the other net fair value changes in investments was \$9,988,000 compared to \$68,027,000 for the six months ended September 30, 2018. During the quarter, positive performance of \$17,157,000 in North America, \$13,383,000 in Japan and \$4,666,000 in Europe was offset by negative investment performance of \$12,247,000 in Emerging Markets and \$5,945,000 in the United Kingdom. On a year-to-date basis, investments in Europe contributed \$12,304,000, North America \$11,150,000 and \$9,277,000 in Japan were offset by negative investment performance of \$17,203,000 in Emerging Markets and \$5,540,000 in the United Kingdom.

The significant contributors to the year-to-date investment performance included KDDI Corporation, Group Danone S.A., and Kimberly-Clark Corporation with fair value investment gains of \$6,492,000, \$6,282,000, and \$5,986,000 respectively. The largest detractors to the year-to-date investment performance included Fresenius Medical Care AG, Baidu, Inc. ADR, and Pfizer Inc. with fair value investment losses of \$5,082,000, \$4,121,000 and \$3,710,000 respectively.

The net realized gain was \$19,101,000 for the second quarter of fiscal 2020 compared to \$42,982,000 for the same period in the prior year. On a year-to-date basis, the net realized gain was \$48,809,000 compared to \$79,817,000 in fiscal 2019. The largest year-to-date contributors to the net realized gain in fiscal 2020 were from the sales of securities in North America for a gain of \$26,234,000, Europe for \$18,788,000, the United Kingdom for \$2,029,000 and Japan for \$1,599,000.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net investment income

The Company's net investment income in the second quarter of fiscal 2020 increased to \$5,525,000 compared to \$4,553,000 for the second quarter of fiscal 2019. On a year-to-date basis, net investment income increased to \$20,096,000 from \$16,756,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.44 in fiscal 2020 compared to \$0.37 in 2019 and on a year-to-date basis increased to \$1.63 in 2020 compared to \$1.36 in 2019.

Foreign dividend income in the second quarter increased to \$9,182,000 from \$7,637,000 for the same quarter in the prior year and on a year-to-date basis increased to \$27,206,000 from \$25,386,000 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 \$827,000 (2019 - \$512,000) for the quarter and \$1,523,000 (2019 - \$1,094,000) on a year-to-date basis of net investment income of a limited partnership.

Canadian dividend income in the second quarter of fiscal 2020 increased to \$376,000 from \$362,000 for the same quarter in the prior year and on a year-to-date basis increased to \$3,495,000 from \$725,000 in fiscal 2019. The year-to-date increase resulted primarily from the Company's receipt of a special dividend from its investment in Algoma totaling \$2,719,000.

Expenses during the quarter increased to \$3,348,000 in fiscal 2020 compared to \$2,652,000 for the same period in the prior year, and on a year-to-date basis increased to \$6,842,000 compared to \$5,203,000 in the prior year. The majority of the increase relates to different investment portfolio manager fees paid compared to the prior year.

### 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):

	Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	March 31 2018	Dec. 31 2017
Investments	\$ 1,815,851	\$ 1,792,192	\$ 1,825,533	\$ 1,698,683	\$ 1,806,525	\$ 1,785,381	\$ 1,747,067	\$ 1,741,035
Net investment income <sup>1</sup>	\$ 5,525	\$ 14,571	\$ 6,461	\$ 4,623	\$ 4,553	\$ 12,203	\$ 5,315	\$ 3,631
Net income (loss)	\$ 19,724	\$ 7,863	\$ 108,512	\$ (54,125)	\$ 25,494	\$ 49,357	\$ 5,828	\$ 98,944
Per Common Share:								
Net investment income <sup>1</sup>	\$ 0.44	\$ 1.19	\$ 0.52	\$ 0.37	\$ 0.37	\$ 0.99	\$ 0.43	\$ 0.29
Net income (loss)	\$ 1.61	\$ 0.64	\$ 8.89	\$ (4.44)	\$ 2.08	\$ 4.04	\$ 0.47	\$ 8.10
NAV	\$ 147.59	\$ 146.28	\$ 146.99	\$ 138.40	\$ 143.15	\$ 141.36	\$ 138.40	\$ 138.23

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

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. During the first fiscal quarter, the Company received a special dividend from its investment in Algoma totaling \$2,719,000. The returns generated by the investment managers may not correlate with benchmark returns.



# UNITED CORPORATIONS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Share Data

As at September 30, 2019, 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 \$1.05 (2019 - \$0.78) 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](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

## STATEMENTS OF FINANCIAL POSITION (Unaudited)

	September 30 2019	March 31 2019
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,967	\$ 43,807
Investments (Note 4)	1,815,851	1,825,533
Receivable in respect of investments sold	1,512	9,360
Dividends and interest receivable	3,448	3,874
Income taxes receivable	3,698	—
Other assets	3,208	4,132
	<b>1,861,684</b>	<b>1,886,706</b>
<b>LIABILITIES</b>		
Accrued expenses	2,165	2,160
Payable in respect of investments purchased	5,994	9,554
Income taxes payable	—	22,977
Dividends payable	3,753	3,753
Deferred tax liabilities	42,309	48,077
	<b>54,221</b>	<b>86,521</b>
<b>NET ASSETS</b>	<b>\$ 1,807,463</b>	<b>\$ 1,800,185</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 541,000	\$ 541,000
Retained earnings	1,266,463	1,259,185
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,807,463</b>	<b>\$ 1,800,185</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended Sept. 30		Six months ended Sept. 30	
	2019	2018	2019	2018
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 9,182	\$ 7,637	\$ 27,206	\$ 25,386
Canadian	376	362	3,495	725
	<b>9,558</b>	7,999	<b>30,701</b>	26,111
Interest and securities lending income	274	290	680	547
Other net fair value changes in investments (Note 5)	17,014	24,630	9,988	68,027
	<b>26,846</b>	32,919	<b>41,369</b>	94,685
<b>EXPENSES</b>				
Investment management and administrative costs	3,004	2,355	6,005	4,507
Transfer, registrar and custody fees	177	125	385	264
Directors' and officer's remuneration	105	114	219	228
Office and miscellaneous	43	38	198	163
Professional fees	19	20	35	41
	<b>3,348</b>	2,652	<b>6,842</b>	5,203
<b>INCOME BEFORE INCOME TAXES</b>	<b>23,498</b>	30,267	<b>34,527</b>	89,482
Provision for income taxes	3,774	4,773	6,940	14,631
<b>NET INCOME</b>	<b>\$ 19,724</b>	\$ 25,494	<b>\$ 27,587</b>	\$ 74,851
<b>EARNINGS PER COMMON SHARE</b>				
<b>- BASIC AND DILUTED</b>	<b>\$ 1.61</b>	\$ 2.08	<b>\$ 2.25</b>	\$ 6.12

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	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>
Net income for the period	—	27,587	27,587
<b>Dividends</b>			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(20,120)	(20,120)
<b>At September 30, 2019</b>	<b>\$ 541,000</b>	<b>\$ 1,266,463</b>	<b>\$ 1,807,463</b>
<b>At April 1, 2018</b>	<b>\$ 541,000</b>	<b>\$ 1,154,470</b>	<b>\$ 1,695,470</b>
Net income for the period	—	74,851	74,851
<b>Dividends</b>			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(16,828)	(16,828)
<b>At September 30, 2018</b>	<b>\$ 541,000</b>	<b>\$ 1,212,304</b>	<b>\$ 1,753,304</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CASH FLOW (Unaudited)

	<b>Six months ended Sept. 30</b>	
	<b>2019</b>	<b>2018</b>
	(000's)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income	\$ 27,587	\$ 74,851
Adjustments for:		
Other net fair value changes in investments	(9,988)	(68,027)
Purchases of investments	(190,797)	(207,458)
Proceeds from sale of investments	214,755	216,027
Dividends and interest receivable	426	(850)
Deferred taxes	(5,768)	(1,739)
Net change in other assets and liabilities	(25,746)	(3,005)
	<b>10,469</b>	<b>9,799</b>
<b>Financing</b>		
Dividends paid to shareholders	(20,309)	(17,017)
<b>Net decrease in cash and cash equivalents</b>	<b>(9,840)</b>	<b>(7,218)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>43,807</b>	<b>19,161</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 33,967</b>	<b>\$ 11,943</b>
<b>Additional information for operating activities:</b>		
Interest received	\$ 259	\$ 143
Dividends received, net of withholding taxes	28,544	21,848
Income taxes paid	35,925	15,995

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## 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 November 5, 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, 2019.

### 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. 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 September 30, 2019, the Company had \$1,719,924,000 (March 31, 2019 - \$1,724,540,000) of Level 1 and \$95,927,000 (March 31, 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 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 investment. The fair value of these investments is based on the net asset values provided by the administrators.

# UNITED CORPORATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

(Unaudited)

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

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

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
	(000's)			
Net realized gain	\$ 19,101	\$ 42,982	\$ 48,809	\$ 79,817
Change in unrealized appreciation	(2,087)	(18,352)	(38,821)	(11,790)
	\$ 17,014	\$ 24,630	\$ 9,988	\$ 68,027

### 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 September 30, 2019 of \$50,216,000 (March 31, 2019 - \$45,357,000). Dividend income from Algoma for the three months and six months ended September 30, 2019 amounted to \$362,000 (2019 - \$362,000) and \$3,444,000 (2019 - \$725,000), respectively.

E-L Financial holds a 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 three months and six months ended September 30, 2019 amounted to \$502,000 (2019 - \$598,000) and \$1,010,000 (2019 - \$1,052,000), 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 November 5, 2019, with a record and payable date of February 5, 2020 and February 14, 2020, 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 SEPTEMBER 30, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>United States</b>				
16,900	3M Co.....	\$ 1,739	\$ 3,679	
66,354	Abbott Laboratories .....	3,813	7,352	
70,242	Alaska Air Group, Inc. ....	5,982	6,038	
9,767	Alphabet Inc. Class A .....	14,589	15,795	
3,623	Amazon, Inc. ....	8,064	8,329	
34,600	Apple Inc. ....	7,997	10,263	
31,186	Bank of America Corporation .....	1,080	1,205	
6,065	Booking Holdings Inc .....	14,799	15,764	
78,311	Brixmor Property Group Inc. ....	1,871	2,104	
34,000	Check Point Software Technologies.....	4,992	4,930	
61,637	Citigroup Inc. ....	4,896	5,639	
110,900	Clorox Company (The).....	13,069	22,304	
63,623	Cognex Corporation.....	3,685	4,140	
55,000	Cognizant Technology Solutions.....	5,086	4,390	
68,716	Colgate-Palmolive Company.....	3,840	6,690	
790,100	ConAgra Brands, Inc. ....	25,179	32,101	
37,200	Disney (Walt) Company .....	5,615	6,420	
102,600	eBay Inc. ....	4,017	5,296	
69,619	Exxon Mobil Corporation.....	7,249	6,510	
26,024	Facebook, Inc. Class A.....	6,080	6,137	
107,100	First Republic Bank.....	13,726	13,715	
69,224	FirstEnergy Corporation .....	3,620	4,421	
37,850	Flowerserve Corporation.....	2,273	2,341	
612,800	General Mills, Inc. ....	31,150	44,732	
214,786	Halliburton Company.....	8,259	5,362	
415,700	Hormel Foods Corporation.....	13,689	24,074	
12,780	Illumina, Inc. ....	5,332	5,149	
25,161	IPG Photonics Corporation .....	4,416	4,518	
250,300	Kimberly-Clark Corporation.....	26,582	47,086	
303,166	Lamb Weston Holdings, Inc. ....	19,266	29,196	
46,328	Leidos Holdings, Inc. ....	3,699	5,269	
83,452	Marathon Petroleum Corporation.....	6,793	6,714	
35,300	MasterCard, Inc. Class A.....	4,457	12,695	
356,581	Merck & Co., Inc. ....	25,840	39,752	
68,524	Microsoft Corporation .....	3,264	12,617	
216,573	Mondelez International Inc. Class A.....	10,497	15,866	
85,400	Nike Inc. Class B.....	8,528	10,622	
32,474	Nvidia Corporation .....	6,733	7,486	
85,503	Oracle Corporation.....	3,560	6,231	
168,579	Paypal Holdings, Inc. ....	18,985	23,126	
408,900	Pfizer Inc. ....	14,372	19,456	
17,969	Regeneron Pharmaceuticals, Inc. ....	9,047	6,601	
34,288	Roper Technologies, Inc. ....	12,986	16,192	
108,025	RPC, Inc. ....	1,739	803	
269,013	Sabre Corporation.....	8,883	7,978	
151,266	Schlumberger Limited .....	8,280	6,845	
63,189	Signet Jewelers Limited .....	3,253	1,402	
20,339	SVB Financial Group.....	5,737	5,628	
46,630	Synnex Corporation .....	5,419	6,972	
14,133	UnitedHealth Group Inc. ....	4,972	4,067	
69,506	Verisk Analytics Inc. Class A.....	4,100	14,556	
60,756	Vertex Pharmaceuticals, Inc. ....	14,647	13,631	
113,230	Viacom Inc. Class B.....	4,478	3,603	
62,824	Walgreen Boots Alliance Inc. ....	3,561	4,602	
91,500	Waste Management Inc. ....	5,066	13,935	
25,100	Waters Corporation .....	6,476	7,420	
40,530	Wells Fargo & Company .....	2,166	2,707	
20,718	Zimmer Biomet Holdings.....	3,120	3,766	
		482,613	636,222	35.0



# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
285,300	ABB Limited .....	\$ 7,348	\$ 7,428	
26,870	Adidas AG .....	4,147	11,055	
199,571	Air Liquide S.A. ....	25,073	37,631	
35,012	Akzo Nobel N.V. ....	3,830	4,135	
59,977	Alcon Inc. ....	4,731	4,630	
595,924	Banco Bilbao Vizcaya Argentaria, S.A. ....	4,302	4,113	
93,086	BASF SE .....	8,669	8,618	
33,087	Bayer AG .....	2,897	3,097	
36,395	Chr.Hansen Holding A/S .....	4,449	4,090	
44,381	Essilorluxottica .....	7,520	8,474	
291,126	Fresenius Medical Care AG .....	29,729	25,892	
97,258	Grifols, S.A. ADR.....	2,549	2,581	
454,951	Group Danone S.A. ....	38,325	53,087	
31,527	ING Groep N.V. ....	421	437	
50,209	Kerry Group plc.....	4,084	7,778	
69,898	Kone Oyj .....	4,501	5,272	
1,404,723	Koninklijke Ahold Delhaize N.V. ....	25,220	46,556	
53,148	Linde Public Limited Company.....	11,151	13,651	
27,988	Lonza Group AG .....	11,693	12,537	
16,300	L'Oréal S.A. ....	5,110	6,046	
324,527	Nestlé S.A. ....	24,280	46,652	
56,428	Nestlé S.A. ADR.....	6,389	8,100	
32,260	Novartis AG .....	3,385	3,706	
500,244	Novo Nordisk A/S .....	29,258	34,052	
1,205,728	Orange S.A. ....	20,884	25,059	
17,000	Prosus N.V. ....	1,370	1,653	
515,498	Publicis Groupe.....	43,678	33,582	
100,612	Roche Holding AG .....	30,371	38,796	
1,127,939	Securitas AB Class B .....	16,688	22,912	
176,524	Sodexo S.A. ....	25,339	26,251	
21,844	Sonova Holding AG.....	4,711	6,728	
50,781	Swatch Group AG (The).....	20,651	17,859	
96,850	Symrise AG .....	10,392	12,467	
71,898	Total S.A. ....	5,432	4,971	
580,077	UniCredit S.p.A. ....	9,588	9,062	
42,000	Volkswagen AG .....	9,200	9,463	
		<u>467,365</u>	<u>568,421</u>	31.3
<b>Japan</b>				
304,900	Asahi Group Holdings Co. ....	13,892	19,982	
40,300	East Japan Railway Company .....	4,913	5,090	
41,900	Fanuc Corporation .....	7,818	10,440	
85,600	Kao Corporation .....	6,167	8,372	
1,058,100	KDDI Corporation.....	31,304	36,617	
11,200	Keyence Corporation .....	1,567	9,179	
301,200	Kirin Holdings Company, Limited .....	5,153	8,442	
283,600	Kubota Corporation.....	5,630	5,678	
218,800	Lawson Inc. ....	18,598	14,822	
425,000	M3, Inc. ....	8,584	13,547	
512,373	Makita Corporation.....	22,770	21,340	
364,100	Mitsubishi Tanabe Pharma Corporation .....	5,926	5,285	
228,300	MonotaRO Co., Ltd. ....	6,754	7,903	
31,300	Nidec Corporation .....	5,483	5,567	
87,700	Secom Co., Ltd. ....	5,150	10,591	
659,600	Seven & i Holdings Co., Ltd. ....	35,155	33,387	
49,100	Shiseido Company, Limited.....	5,264	5,190	
43,900	Sompo Holdings, Inc. ....	2,181	2,429	
74,700	Symex Corporation.....	5,068	6,618	
188,100	Takeda Pharmaceutical Company Ltd. ....	9,269	8,503	
		<u>206,646</u>	<u>238,982</u>	13.2

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Emerging Markets</b>				
582,500	AAC Technologies Holdings Inc. ....	\$ 5,172	\$ 4,083	
1,173,600	AIA Group Limited .....	9,610	14,678	
40,861	Alibaba Group Holding Limited ADR .....	9,145	9,049	
83,814	Baidu, Inc. ADR .....	16,393	11,406	
1,953,735	Burgundy Emerging Markets Equity Fund .....	52,188	48,464	
591,925	China Merchants Holdings Co. Ltd. ....	1,503	1,180	
719,484	China Mobile Ltd. ....	9,164	7,881	
159,668	Ctrip.com ADR .....	7,657	6,193	
73,868	HDFC Bank Ltd. ADR .....	4,978	5,581	
586,451	ICICI Bank Limited ADR .....	7,769	9,459	
498,767	Itau Unibanco Holding S.A. (Pref) ADR .....	6,046	5,555	
202,879	LSV Emerging Markets Small Cap Equity Fund, LP .....	49,080	47,463	
17,000	Naspers Ltd Class N .....	2,951	3,406	
15,322	NetEase, Inc. ADR .....	5,432	5,401	
3,141,700	PT Bank Central Asia Tbk .....	7,556	8,868	
121,093	Samsung Electronics Co., Ltd. ....	5,822	6,557	
3,880	Samsung Electronics Co., Ltd. (Voting) GDR .....	4,706	5,231	
94,900	Sasol Limited .....	3,834	2,097	
18,188	SK Telecom Co., Ltd. ....	6,229	4,849	
156,251	Yandex N.V. ....	5,949	7,244	
		<u>221,184</u>	<u>214,645</u>	11.8
<b>United Kingdom</b>				
284,131	Abcam plc .....	5,210	5,300	
43,637	AstraZeneca plc .....	4,486	5,161	
304,047	Aviva plc .....	1,971	1,978	
2,288,523	Barclays plc .....	6,043	5,607	
139,054	British American Tobacco plc .....	6,527	6,813	
246,882	Diageo plc .....	13,488	13,404	
6,202,237	G4S plc .....	24,770	19,116	
197,529	Micro Focus International plc .....	4,754	3,658	
136,732	Next plc .....	10,267	13,778	
255,193	Prudential plc .....	6,231	6,132	
468,842	Rolls-Royce Holdings plc .....	6,531	6,052	
63,911	Royal Dutch Shell plc .....	2,496	2,495	
185,299	SSE plc .....	3,460	3,760	
585,270	Standard Chartered plc .....	5,911	6,523	
1,582,585	Vodafone Group plc .....	6,013	4,176	
		<u>108,158</u>	<u>103,953</u>	5.7
<b>Canada</b>				
3,625,680	Algoma Central Corporation <sup>1</sup> .....	6,201	50,216	
560,097	Encana Corporation .....	4,889	3,412	
		<u>11,090</u>	<u>53,628</u>	3.0
	<b>Total Investments</b> .....	<u>\$1,497,056</u>	<u>\$1,815,851</u>	<u>100.0</u>

<sup>1</sup> 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  
Harding Loerner LP, Bridgewater  
LSV Asset Management, Chicago  
Macquarie, 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](http://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](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)

