

UNITED CORPORATIONS LIMITED



THIRD QUARTER REPORT

DECEMBER 31, 2019

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at Dec. 31 2019	As at March 31 2019
Net equity value per Common Share ¹	\$ 154.24	\$ 146.99
Net assets ²	\$ 1,888,562	\$ 1,800,185
Number of Common Shares outstanding at period end	12,194,193	12,194,193

	Nine months ended December 31	
	2019	2018
Net investment income per Common Share ¹	\$ 1.83	\$ 1.73
Dividends per Common Share		
Quarterly	\$ 0.90	\$ 0.90
Additional ³	\$ 1.05	\$ 0.78
Net income per Common Share	\$ 9.20	\$ 1.68
Net investment income ^{1,2}	\$ 22,545	\$ 21,379

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 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 quarters 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 February 11, 2020.

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 December 31, 2019, \$918,615,000 (March 31, 2019 - \$892,005,000), \$566,865,000 (March 31, 2019 - \$538,322,000) and \$265,680,000 (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.

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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 December 31, 2019, \$50,940,000 (March 31, 2019 - \$51,094,000) and \$49,060,000 (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 December 31, 2019 totaling \$135,479,000 (March 31, 2019 - \$118,683,000). As of December 31, 2019 the five largest country exposures represented 74% of emerging market investments which includes China (37%), India (14%), South Korea (13%), Brazil (5%) and Taiwan (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. Further related party information is provided in Note 11 to the financial statements in the March 31, 2019 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.

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 2019	March 31 2019
Net assets	\$ 1,888,562	\$ 1,800,185
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	\$ 1,880,815	\$ 1,792,438
Common Shares outstanding	12,194,193	12,194,193
Net equity value per Common Share	\$ 154.24	\$ 146.99

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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	
	2019	2018	2019	2018
Net income (loss)	\$ 84,852	\$ (54,125)	\$ 112,439	\$ 20,726
Add (deduct):				
Other net fair value changes in investments	(95,490)	66,800	(105,478)	(1,227)
Tax on other net fair value changes in investments	12,594	(8,908)	13,568	(70)
Net investment income of a limited partnership ¹	493	856	2,016	1,950
Net investment income ²	2,449	4,623	22,545	21,379
Deduct:				
Dividends paid on Preferred Shares	95	95	284	284
Net investment income, net of dividends paid on Preferred Shares ²	\$ 2,354	\$ 4,528	\$ 22,261	\$ 21,095
Common Shares outstanding	12,194,193	12,194,193	12,194,193	12,194,193
Net investment income per Common Share ²	\$ 0.20	\$ 0.37	\$ 1.83	\$ 1.73

¹ Represents allocation of dividends net of expenses of a limited partnership.

² On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$154.24 at December 31, 2019 compared to \$147.59 at September 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 4.7% (2019 – negative 3.1%) and 6.3% (2019 – 1.2%) year to date.

Investments managed by Macquarie had a pre-tax year-to-date total return of 3.1% (2019 – 5.8%). Harding Loevner and Causeway had returns of 10.7% and 7.4%, 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 0.8% (2019 – negative 6.7%) for Burgundy and 0.6% (2019 – negative 11.0%) 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.

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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	6.6	10.8
S&P 500 Index	7.0	12.5
S&P/TSX Composite Index	3.2	8.5
MSCI Emerging Markets	9.8	5.1

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 (%)
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 third quarter of fiscal 2020 of \$84,852,000 compared to a net loss of \$54,125,000 in fiscal 2019. On a year-to-date basis, net income was \$112,439,000 compared to \$20,726,000 in fiscal 2019. The net income per Common Share for the third quarter of fiscal 2020 was \$6.95 compared to a net loss of \$4.44 for fiscal 2019. On a year-to-date basis, net income per share was \$9.20 compared to \$1.68 per share in fiscal 2019.

Other net fair value changes in investments for the portfolio for the third quarter of fiscal 2020 was \$95,490,000 compared to a loss of \$66,800,000 for the same period in fiscal 2019. On a year-to-date basis, the other net fair value changes in investments was \$105,478,000 compared to \$1,227,000 for the nine months ended December 31, 2018. During the quarter, there was positive performance of \$32,179,000 in North America, \$22,178,000 in Emerging Markets, \$13,824,000 in the United Kingdom, \$17,848,000 in Europe, and \$9,461,000 in Japan. On a year-to-date basis, investments in North America contributed \$43,329,000, Europe \$30,152,000, Japan \$18,738,000, the United Kingdom \$8,283,000, and Emerging Markets \$4,976,000 in the United Kingdom to the investment performance.

The significant contributors to the year-to-date investment performance included KDDI Corporation, Air Liquide S.A., and M3, Inc. with fair value investment gains of \$11,035,000, \$6,746,000, and \$6,671,000 respectively. The largest detractors to the year-to-date investment performance included Publicis Groupe, Koninklijke Ahold Delhaize N.V., and Orange S.A. with fair value investment losses of \$6,571,000, \$3,611,000 and \$3,325,000 respectively.

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The net realized gain was \$16,776,000 for the third quarter of fiscal 2020 compared to \$186,260,000 for the same period in the prior year. On a year-to-date basis, the net realized gain was \$65,585,000 compared to \$266,077,000 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 \$32,199,000, Europe for \$24,682,000, Japan for \$4,549,000, and the United Kingdom for \$3,917,000. During the prior year's quarter, the appointment of Harding Loevner and Causeway, replacing Jarislowsky Fraser Limited as global investment managers, 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.

Net investment income

The Company's net investment income in the third quarter of fiscal 2020 decreased to \$2,449,000 compared to \$4,623,000 for the third quarter of fiscal 2019. On a year-to-date basis, net investment income increased to \$22,545,000 from \$21,379,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter decreased to \$0.20 in fiscal 2020 compared to \$0.37 in 2019 and on a year-to-date basis increased to \$1.83 in 2020 compared to \$1.73 in 2019.

Foreign dividend income in the third quarter decreased to \$5,415,000 from \$7,189,000 for the same quarter in the prior year and on a year-to-date basis increased to \$32,621,000 from \$32,575,000 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 \$493,000 (2019 - \$856,000) for the quarter and \$2,016,000 (2019 - \$1,950,000) on a year-to-date basis of net investment income of a limited partnership.

Canadian dividend income in the third quarter of fiscal 2020 increased to \$399,000 from \$363,000 for the same quarter in the prior year and on a year-to-date basis increased to \$3,894,000 from \$1,088,000 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.

Expenses during the quarter increased to \$3,504,000 in fiscal 2020 compared to \$2,581,000 for the same period in the prior year, and on a year-to-date basis increased to \$10,346,000 compared to \$7,784,000 in the prior year. The majority of the increase relates to fees payable to different investment portfolio managers 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):

	Dec. 31 2019	Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	March 31 2018
Investments	\$ 1,898,439	\$ 1,815,851	\$ 1,792,192	\$ 1,825,533	\$ 1,698,683	\$ 1,806,525	\$ 1,785,381	\$ 1,747,067
Net investment income ¹	\$ 2,449	\$ 5,525	\$ 14,571	\$ 6,461	\$ 4,623	\$ 4,553	\$ 12,203	\$ 5,315
Net income (loss)	\$ 84,852	\$ 19,724	\$ 7,863	\$ 108,512	\$ (54,125)	\$ 25,494	\$ 49,357	\$ 5,828
Per Common Share:								
Net investment income ¹	\$ 0.20	\$ 0.44	\$ 1.19	\$ 0.52	\$ 0.37	\$ 0.37	\$ 0.99	\$ 0.43
Net income (loss)	\$ 6.95	\$ 1.61	\$ 0.64	\$ 8.89	\$ (4.44)	\$ 2.08	\$ 4.04	\$ 0.47
NAV	\$ 154.24	\$ 147.59	\$ 146.28	\$ 146.99	\$ 138.40	\$ 143.15	\$ 141.36	\$ 138.40

¹ On an after-tax basis.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of fiscal 2020, 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.

Share Data

As at December 31, 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.

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.

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STATEMENTS OF FINANCIAL POSITION (Unaudited)

	December 31 2019	March 31 2019
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 37,712	\$ 43,807
Investments (Note 4)	1,898,439	1,825,533
Receivable in respect of investments sold	1,076	9,360
Dividends and interest receivable	1,699	3,874
Income taxes receivable	5,681	—
Other assets	3,209	4,132
	1,947,816	1,886,706
LIABILITIES		
Accrued expenses	2,276	2,160
Payable in respect of investments purchased	910	9,554
Income taxes payable	—	22,977
Dividends payable	3,753	3,753
Deferred tax liabilities	52,315	48,077
	59,254	86,521
NET ASSETS	\$ 1,888,562	\$ 1,800,185
SHAREHOLDERS' EQUITY		
Share capital	\$ 541,000	\$ 541,000
Retained earnings	1,347,562	1,259,185
TOTAL SHAREHOLDERS' EQUITY	\$ 1,888,562	\$ 1,800,185

(See accompanying notes)

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STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended Dec. 31		Nine months ended Dec. 31	
	2019	2018	2019	2018
	(000's)			
INCOME				
Dividends				
Foreign	\$ 5,415	\$ 7,189	\$ 32,621	\$ 32,575
Canadian	399	363	3,894	1,088
	5,814	7,552	36,515	33,663
Interest and securities lending income	234	256	914	803
Other net fair value changes in investments (Note 5)	95,490	(66,800)	105,478	1,227
	101,538	(58,992)	142,907	35,693
EXPENSES				
Investment management and administrative costs	3,140	2,263	9,145	6,770
Transfer, registrar and custody fees	194	166	579	430
Directors' and officer's remuneration	105	96	324	324
Office and miscellaneous	47	39	245	202
Professional fees	18	17	53	58
	3,504	2,581	10,346	7,784
INCOME (LOSS) BEFORE INCOME TAXES	98,034	(61,573)	132,561	27,909
Provision for (recovery of) income taxes	13,182	(7,448)	20,122	7,183
NET INCOME (LOSS)	\$ 84,852	\$ (54,125)	\$ 112,439	\$ 20,726
EARNINGS (LOSS) PER COMMON SHARE BASIC AND DILUTED				
	\$ 6.95	\$ (4.44)	\$ 9.20	\$ 1.68

(See accompanying notes)

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STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
At April 1, 2019	\$ 541,000	\$ 1,259,185	\$ 1,800,185
Net income for the period	—	112,439	112,439
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(23,778)	(23,778)
At December 31, 2019	\$ 541,000	\$ 1,347,562	\$ 1,888,562
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	\$ 1,693,426

(See accompanying notes)

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STATEMENTS OF CASH FLOW (Unaudited)

Nine months ended Dec. 31

	2019	2018
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 112,439	\$ 20,726
Adjustments for:		
Other fair value changes in investments	(105,478)	(1,227)
Purchases of investments	(286,916)	(871,093)
Proceeds from sale of investments	319,128	920,704
Dividends and interest receivable	2,175	166
Deferred taxes	4,238	(35,598)
Net change in other assets and liabilities	(27,619)	21,004
	17,967	54,682
Financing		
Dividends paid to shareholders	(24,062)	(20,770)
Net increase (decrease) in cash and cash equivalents	(6,095)	33,912
Cash and cash equivalents at beginning of the period	43,807	19,161
Cash and cash equivalents at end of the period	\$ 37,712	\$ 53,073
Additional information for operating activities:		
Interest received	\$ 341	\$ 224
Dividends received, net of withholding taxes	35,285	29,363
Income taxes paid	40,225	19,945
Income tax refunds	10	—

(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 11, 2020.

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. 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, 2019, the Company had \$1,798,439,000 (March 31, 2019 - \$1,724,540,000) of Level 1 and \$100,000,000 (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 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 net fair value changes in investments

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

	Three months ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
	(000's)			
Net realized gain	\$ 16,776	\$ 186,260	\$ 65,585	\$ 266,077
Change in unrealized appreciation	78,714	(253,060)	39,893	(264,850)
	\$ 95,490	\$ (66,800)	\$ 105,478	\$ 1,227

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, 2019 of \$47,279,000 (March 31, 2019 - \$45,357,000). Dividend income from Algoma for the three months and nine months ended December 31, 2019 amounted to \$399,000 (2019 - \$363,000) and \$3,843,000 (2019 - \$1,088,000), 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 nine months ended December 31, 2019 amounted to \$524,000 (2019 - \$494,000) and \$1,534,000 (2019 - \$1,546,000), 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 11, 2020, with a record and payable date of May 5, 2020 and May 15, 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 DECEMBER 31, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
United States				
16,900	3M Co.....	\$ 1,739	\$ 3,872	
66,354	Abbott Laboratories	3,813	7,486	
23,927	Alaska Air Group, Inc.	2,038	2,105	
9,767	Alphabet Inc. Class A	14,589	16,991	
34,600	Apple Inc.	7,997	13,196	
61,350	Arconic Inc.	2,201	2,452	
27,896	Ashland Global Holdings Inc.	2,720	2,773	
6,065	Booking Holdings Inc	14,799	16,178	
53,261	Citigroup Inc.	4,231	5,526	
110,900	Clorox Company (The).....	13,069	22,115	
63,623	Cognex Corporation	3,685	4,631	
55,000	Cognizant Technology Solutions	5,086	4,430	
108,765	Colgate-Palmolive Company.....	7,366	9,725	
838,200	ConAgra Brands, Inc.	26,983	37,276	
37,200	Disney (Walt) Company	5,615	6,988	
102,600	eBay Inc.	4,017	4,812	
45,400	Exelon Corporation	2,698	2,688	
69,619	Exxon Mobil Corporation	7,249	6,310	
26,024	Facebook, Inc. Class A.....	6,080	6,937	
20,938	FedEx Corporation	4,230	4,112	
107,100	First Republic Bank	13,726	16,337	
69,224	FirstEnergy Corporation	3,620	4,370	
356,704	General Electric Company	4,325	5,170	
600,400	General Mills, Inc.	30,520	41,766	
225,209	Halliburton Company.....	8,514	7,158	
384,600	Hormel Foods Corporation.....	12,665	22,533	
12,780	Illumina, Inc.	5,332	5,506	
235,600	Kimberly-Clark Corporation.....	25,020	42,090	
303,166	Lamb Weston Holdings, Inc.	19,266	33,874	
46,328	Leidos Holdings, Inc.	3,699	5,890	
77,928	Marathon Petroleum Corporation.....	6,343	6,098	
35,300	MasterCard, Inc. Class A.....	4,457	13,690	
356,581	Merck & Co., Inc.	25,840	42,121	
68,524	Microsoft Corporation	3,264	14,035	
160,100	Mondelez International Inc. Class A.....	7,760	11,453	
85,400	Nike Inc. Class B	8,528	11,237	
32,474	Nvidia Corporation	6,733	9,924	
89,718	Oracle Corporation	3,873	6,173	
168,579	Paypal Holdings, Inc.	18,985	23,684	
446,800	Pfizer Inc.	16,175	22,736	
17,969	Regeneron Pharmaceuticals, Inc.	9,047	8,763	
34,288	Roper Technologies, Inc.	12,986	15,775	
272,108	Sabre Corporation	8,976	7,931	
27,947	Salesforce.com, Inc.....	5,639	5,903	
151,266	Schlumberger Limited	8,280	7,898	
84,447	Signet Jewelers Limited	3,707	2,384	
20,339	SVB Financial Group.....	5,737	6,632	
46,630	Synnex Corporation	5,419	7,801	
14,133	UnitedHealth Group Inc.....	4,972	5,396	
69,506	Verisk Analytics Inc. Class A	4,100	13,482	
60,756	Vertex Pharmaceuticals, Inc.....	14,647	17,277	
97,061	ViacomCBS Inc. Class B.....	5,967	5,291	
62,824	Walgreen Boots Alliance Inc.	3,561	4,811	
74,000	Waste Management Inc.	4,097	10,953	
25,100	Waters Corporation	6,476	7,617	
40,530	Wells Fargo & Company	2,166	2,832	
31,968	WestRock Company	1,439	1,782	
25,974	Workday, Inc.	5,698	5,548	
		<u>481,764</u>	<u>664,524</u>	35.0

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Europe, excluding United Kingdom				
285,300	ABB Limited	\$ 7,348	\$ 8,959	
22,341	Adidas AG	3,448	9,442	
178,346	Air France-KLM S.A.	2,708	2,581	
219,528	Air Liquide S.A.	25,073	40,401	
28,959	Akzo Nobel N.V.	3,168	3,828	
69,008	Alcon Inc.	5,418	5,070	
595,924	Banco Bilbao Vizcaya Argentaria, S.A.	4,302	4,330	
93,086	BASF SE	8,669	9,143	
46,018	Bayer AG	4,131	4,886	
36,395	Chr. Hansen Holding A/S	4,449	3,757	
44,381	Essilorluxottica	7,520	8,789	
332,768	Fresenius Medical Care AG	33,366	32,009	
392,269	Group Danone S.A.	33,045	42,274	
169,675	Ing Groep N.V.	2,260	2,645	
50,209	Kerry Group plc	4,084	8,135	
69,898	Kone Oyj	4,501	5,941	
1,404,723	Koninklijke Ahold Delhaize N.V.	25,220	45,671	
50,703	Linde Public Limited Company	10,630	14,082	
27,988	Lonza Group AG	11,693	13,283	
16,300	L'Oréal S.A.	5,110	6,275	
293,415	Nestlé S.A.	21,953	41,311	
56,428	Nestlé S.A. ADR	6,389	7,934	
43,812	Novartis AG	4,790	5,410	
513,280	Novo Nordisk A/S	30,150	38,700	
1,291,164	Orange S.A.	22,684	24,704	
515,498	Publicis Groupe	43,678	30,341	
102,954	Roche Holding AG	31,269	43,439	
1,173,539	Securitas AB Class B	17,588	26,412	
37,653	Siemens AG	5,644	6,399	
195,446	Sodexo S.A.	28,050	30,112	
21,844	Sonova Holding AG	4,711	6,501	
56,123	Swatch Group AG (The)	22,467	20,361	
96,850	Symrise AG	10,392	13,248	
71,898	Total S.A.	5,432	5,159	
497,971	UniCredit S.p.A.	8,231	9,455	
44,174	Volkswagen AG	9,761	11,353	
		<u>479,332</u>	<u>592,340</u>	31.2
Emerging Markets				
582,500	AAC Technologies Holdings Inc.	5,172	6,607	
1,173,600	AIA Group Limited	9,610	16,013	
40,861	Alibaba Group Holding Limited ADR	9,145	11,256	
96,333	Baidu, Inc. ADR	18,137	15,815	
1,948,097	Burgundy Emerging Markets Equity Fund	52,345	49,060	
786,465	China Mobile Ltd.	9,880	8,592	
73,868	HDFC Bank Ltd. ADR	4,978	6,080	
586,451	ICICI Bank Limited ADR	7,769	11,494	
498,767	Itau Unibanco Holding S.A.	6,046	5,927	
202,262	LSV Emerging Markets Small Cap Equity Fund, LP	48,931	50,940	
15,322	NetEase, Inc. ADR	5,432	6,102	
3,141,700	PT Bank Central Asia Tbk	7,556	9,871	
123,402	Samsung Electronics Co., Ltd.	5,961	7,747	
3,880	Samsung Electronics Co., Ltd. (Voting) GDR	4,706	6,012	
94,900	Sasol Limited	3,834	2,670	
18,188	SK Telecom Co., Ltd.	6,229	4,870	
174,393	Trip.com Group Ltd.- ADR	8,238	7,597	
156,251	Yandex N.V.	5,949	8,826	
		<u>219,918</u>	<u>235,479</u>	12.4

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2019 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Japan				
304,900	Asahi Group Holdings Co.....	\$ 13,892	\$ 18,171	
43,400	Fanuc Corporation	8,189	10,552	
120,700	Kao Corporation	9,775	13,028	
1,037,600	KDDI Corporation	30,697	40,369	
22,400	Keyence Corporation	1,567	10,312	
301,200	Kirin Holdings Company, Limited	5,153	8,610	
283,600	Kubota Corporation	5,630	5,854	
218,800	Lawson Inc.	18,598	16,198	
269,000	M3, Inc.	5,433	10,633	
560,173	Makita Corporation.....	24,622	25,526	
89,100	MonotaRO Co., Ltd.	2,636	3,115	
31,300	Nidec Corporation	5,483	5,617	
80,200	Secom Co., Ltd.	4,710	9,378	
659,600	Seven & i Holdings Co., Ltd.	35,155	31,579	
49,100	Shiseido Company, Limited.....	5,264	4,570	
43,900	Sompo Holdings, Inc.	2,181	2,258	
74,700	Sysmex Corporation.....	5,068	6,655	
188,100	Takeda Pharmaceutical Company Ltd.	9,269	9,745	
		<u>193,322</u>	<u>232,170</u>	12.2
United Kingdom				
367,222	Abcam plc	6,790	8,527	
36,723	AstraZeneca plc	3,775	4,798	
310,787	Aviva plc	2,002	2,235	
1,897,275	Barclays plc.....	5,010	5,853	
139,054	British American Tobacco plc	6,527	7,717	
379,281	Diageo plc	20,749	20,847	
6,202,237	G4S plc	24,770	23,221	
197,529	Micro Focus International plc	4,754	3,609	
618,779	Network International Holdings plc.....	5,482	6,812	
99,893	Next plc.....	7,501	12,040	
189,510	Prudential plc	3,988	4,716	
525,364	Rolls-Royce Holdings plc	7,227	6,164	
82,894	Royal Dutch Shell plc	3,222	3,188	
95,427	SSE plc	1,782	2,358	
585,270	Standard Chartered plc.....	5,911	7,161	
1,582,585	Vodafone Group plc	6,013	3,989	
		<u>115,503</u>	<u>123,235</u>	6.5
Canada				
3,625,680	Algoma Central Corporation ¹	6,201	47,279	
560,097	Encana Corporation	4,889	3,412	
		<u>11,090</u>	<u>50,691</u>	2.7
Total Investments		<u>\$1,500,929</u>	<u>\$1,898,439</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

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Causeway Capital Management LLC, Los Angeles
Harding Loevner LP, Bridgewater
LSV Asset Management, Chicago
Macquarie, 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
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

