

# UNITED CORPORATIONS LIMITED



SECOND QUARTER REPORT

SEPTEMBER 30, 2020



# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2020	As at March 31 2020
Net equity value per Common Share <sup>1</sup>	\$ 156.82	\$ 137.95
Net assets <sup>2</sup>	\$ 1,905,512	\$ 1,680,040
Number of Common Shares outstanding at period end	12,101,893	12,122,893

	Six months ended September 30	
	2020	2019
Net investment income per Common Share <sup>1</sup>	\$ 0.89	\$ 1.63
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.60
Additional <sup>3</sup>	\$ 1.09	\$ 1.05
Net income per Common Share	\$ 20.46	\$ 2.25
Net investment income <sup>1,2</sup>	\$ 11,024	\$ 20,096

<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 2021 should be read in conjunction with: the March 31, 2020 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 2021; 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 4, 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. The Common Shares have persistently traded at a discount to their net asset value, ranging from approximately a 40% discount to a 20% discount over the past 10 years. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value. On March 4, 2020, the Company announced its intention to commence a normal course issuer bid. Further information is included on page 7 of this interim report.

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

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

The majority of the Company's investment portfolio is actively managed by Macquarie Investment Management Europe S.A. ("Macquarie"), Harding Loevner LP ("Harding Loevner") and Causeway Capital Management LLC ("Causeway"). Each of these managers has a global equity mandate. As of September 30, 2020, \$909,000,000 (March 31, 2020 - \$844,967,000), \$659,714,000 (March 31, 2020 - \$510,802,000) and \$209,171,000 (March 31, 2020 - \$181,151,000) 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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## 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, 2020, \$46,686,000 (March 31, 2020 - \$38,195,000) and \$44,217,000 (March 31, 2020 - \$39,646,000) 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, 2020 totaling \$115,849,000 (March 31, 2020 - \$93,074,000). As of September 30, 2020 the five largest country exposures represented 75% of emerging market investments which includes China (35%), India (17%), South Korea (11%), Brazil (7%) 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, 2020 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 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 2020</b>	March 31 2020
Net assets	<b>\$ 1,905,512</b>	\$ 1,680,040
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>\$ 1,897,765</b>	\$ 1,672,293
Common Shares outstanding	<b>12,101,893</b>	12,122,893
Net equity value per Common Share	<b>\$ 156.82</b>	\$ 137.95

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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	
	2020	2019	2020	2019
Net income	\$ 65,556	\$ 19,724	\$ 248,064	\$ 27,587
Add (deduct):				
Other net fair value changes in investments	(71,042)	(17,014)	(274,356)	(9,988)
Tax on other net fair value changes in investments	9,341	1,988	36,222	974
Net investment income of a limited partnership <sup>1</sup>	638	827	1,094	1,523
Net investment income <sup>2</sup>	4,493	5,525	11,024	20,096
Deduct:				
Dividends paid on Preferred Shares	95	95	189	189
Net investment income, net of dividends paid on Preferred Shares <sup>2</sup>	\$ 4,398	\$ 5,430	\$ 10,835	\$ 19,907
Weighted average Common Shares outstanding	12,107,185	12,194,193	12,112,412	12,194,193
Net investment income per Common Share <sup>2</sup>	\$ 0.36	\$ 0.44	\$ 0.89	\$ 1.63

<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 \$156.82 at September 30, 2020 compared to \$151.66 at June 30, 2020 and \$137.95 at March 31, 2020.

With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was 3.6% (2020 – 1.1%) and 14.9% (2020 – 1.5%) year to date.

Year to date, investments managed by Macquarie had a pre-tax total return of 10.1% (2020 – 2.8%), Harding Loevner 29.8% (2020 – 1.6%), and Causeway 15.9% (2020 - negative 1.4%). Emerging markets mandates had pre-tax total returns of 12.2% (2020 – negative 2.3%) for Burgundy and 22.9% (2020 – negative 6.5%) 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	5.8	21.4
S&P 500 Index	6.6	23.5
S&P/TSX Composite Index	4.7	22.5
MSCI Emerging Markets	7.4	21.9

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

### Compound annual growth\*

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

## Operating Results

### Net income

The Company reported net income for the second quarter of fiscal 2021 of \$65,556,000 compared to \$19,724,000 in fiscal 2020. On a year-to-date basis, net income was \$248,064,000 compared to \$27,587,000 in fiscal 2020. The net income per Common Share for the second quarter of fiscal 2021 was \$5.41 compared to \$1.61 for fiscal 2020. On a year-to-date basis, net income per share was \$20.46 compared to \$2.25 per share in fiscal 2020.

Other net fair value changes in investments for the portfolio for the second quarter of fiscal 2021 was \$71,042,000 compared to \$17,014,000 for the same period in fiscal 2020. On a year-to-date basis, the other net fair value changes in investments was \$274,356,000 compared to \$9,988,000 for the six months ended September 30, 2019. During the quarter, positive performance of \$33,617,000 in North America, \$22,218,000 in Europe, \$9,397,000 in Emerging Markets and \$7,064,000 in the United Kingdom was offset by negative investment performance of \$1,254,000 in Japan. On a year-to-date basis, investments in North America contributed \$150,113,000, Europe \$74,444,000, Emerging Markets \$32,449,000, the United Kingdom \$12,729,000 and \$4,622,000 in Japan.

The significant contributors to the year-to-date investment performance included Paypal, Holdings, Inc., G4S plc, and Makita Corporation with fair value investment gains of \$18,235,000, \$14,512,000, and \$10,224,000 respectively. The largest detractors to the year-to-date investment performance included KDDI Corporation, Orange S.A., and Rolls-Royce Holdings plc with fair value investment losses of \$6,703,000, \$4,320,000 and \$3,534,000 respectively.

The net realized gain was \$48,818,000 for the second quarter of fiscal 2021 compared to \$19,101,000 for the same period in the prior year. On a year-to-date basis, the net realized gain was \$58,825,000 compared to \$48,809,000 in fiscal 2020. The largest year-to-date contributors to the net realized gain in fiscal 2021 were from the sales of securities in North America for a gain of \$45,342,000, Europe for \$11,080,000, Japan for \$5,307,000, Emerging Markets for \$1,725,000, offset by the United Kingdom for \$4,632,000.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net investment income

The Company's net investment income in the second quarter of fiscal 2021 decreased to \$4,493,000 compared to \$5,525,000 for the second quarter of fiscal 2020. On a year-to-date basis, net investment income decreased to \$11,024,000 from \$20,096,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter decreased to \$0.36 in fiscal 2021 compared to \$0.44 in 2020 and on a year-to-date basis decreased to \$0.89 in 2021 compared to \$1.63 in 2020.

Foreign dividend income in the second quarter decreased to \$8,161,000 from \$9,182,000 for the same quarter in the prior year and on a year-to-date basis decreased to \$19,824,000 from \$27,206,000 in fiscal 2020. In general, foreign dividend income is impacted by changes in the composition of the investment portfolio, variability in foreign exchange rates and dividend yields. During the quarter and year to date, certain companies within the global investment portfolio temporarily suspended or reduced dividends contributing to the decline in foreign dividend income for the quarter.

Net investment income includes \$638,000 (2020 - \$827,000) for the quarter and \$1,094,000 (2020 - \$1,523,000) on a year-to-date basis of net investment income of a limited partnership.

Canadian dividend income in the second quarter of fiscal 2021 increased to \$472,000 from \$376,000 for the same quarter in the prior year and on a year-to-date basis decreased to \$907,000 from \$3,495,000 in fiscal 2020. In the prior year, the Company received a special dividend from its investment in Algoma totaling \$2,719,000.

Expenses during the quarter increased to \$3,384,000 in fiscal 2021 compared to \$3,348,000 for the same period in the prior year, and on a year-to-date basis increased to \$7,076,000 compared to \$6,842,000 in the prior year. The majority of the year-to-date increase relates primarily to an increase in investment management and administrative costs resulting from a higher investment portfolio 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 2020	June 30 2020	March 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018
Investments	\$ 1,905,299	\$ 1,852,730	\$ 1,647,646	\$ 1,898,439	\$ 1,815,851	\$ 1,792,192	\$ 1,825,533	\$ 1,698,683
Net investment income <sup>1</sup>	\$ 4,493	\$ 6,531	\$ 5,727	\$ 2,449	\$ 5,525	\$ 14,571	\$ 6,461	\$ 4,623
Net income (loss)	\$ 65,556	\$ 182,508	\$ (199,189)	\$ 84,852	\$ 19,724	\$ 7,863	\$ 108,512	\$ (54,125)
Per Common Share:								
Net investment income <sup>1</sup>	\$ 0.36	\$ 0.53	\$ 0.46	\$ 0.20	\$ 0.44	\$ 1.19	\$ 0.52	\$ 0.37
Net income (loss)	\$ 5.41	\$ 15.05	\$ (16.35)	\$ 6.95	\$ 1.61	\$ 0.64	\$ 8.89	\$ (4.44)
NAV	\$ 156.82	\$ 151.66	\$ 137.95	\$ 154.24	\$ 147.59	\$ 146.28	\$ 146.99	\$ 138.40

<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. The returns generated by the investment managers may not correlate with benchmark returns.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Share Data

As at September 30, 2020, the following shares were issued and outstanding: 52,237 First Preferred Shares, 80,290 1959 Series Second Preferred Shares, 119,710 1963 Series Second Preferred Shares and 12,101,893 (12,122,893 in share number for March 31, 2020) Common Shares.

### Normal Course Issuer Bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 609,709 common shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the six-month period ended September 30, 2020, 21,000 shares were purchased under the NCIB at an average price of \$92.14 per share for a total consideration of \$1,935,000.

### 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 \$1.09 (2020 - \$1.05) 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.

### Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and domestic and international equity markets. Although United's investment valuations have recovered at the current quarter end to prior year-end levels, the Company has experienced a decline in its net investment income per common share as a result of global investments that have temporarily suspended or reduced dividends. We continue to monitor developments in equity markets generally, and in connection with the Company's investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

### Additional Information

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

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

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF FINANCIAL POSITION (Unaudited)

	September 30 2020	March 31 2020
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,430	\$ 43,904
Investments (Note 4)	1,905,299	1,647,646
Receivable in respect of investments sold	3,145	6,980
Dividends and interest receivable	2,848	3,574
Income taxes receivable	2,969	3,760
Other assets	4,132	3,591
	<b>1,961,823</b>	<b>1,709,455</b>
<b>LIABILITIES</b>		
Accrued expenses	2,961	2,042
Payable in respect of investments purchased	1,169	3,782
Dividends payable	3,725	3,731
Deferred tax liabilities	48,456	19,860
	<b>56,311</b>	<b>29,415</b>
<b>NET ASSETS</b>	<b>\$ 1,905,512</b>	<b>\$ 1,680,040</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 536,952	\$ 537,873
Retained earnings	1,368,560	1,142,167
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,905,512</b>	<b>\$ 1,680,040</b>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended Sept. 30		Six months ended Sept. 30	
	2020	2019	2020	2019
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 8,161	\$ 9,182	\$ 19,824	\$ 27,206
Canadian	472	376	907	3,495
	<b>8,633</b>	9,558	<b>20,731</b>	30,701
Interest and securities lending income	173	274	363	680
Other net fair value changes in investments (Note 5)	71,042	17,014	274,356	9,988
	<b>79,848</b>	26,846	<b>295,450</b>	41,369
<b>EXPENSES</b>				
Investment management and administrative costs	2,978	3,004	6,207	6,005
Transfer, registrar and custody fees	193	177	366	385
Directors' and officer's remuneration	115	105	256	219
Office and miscellaneous	82	43	203	198
Professional fees	16	19	44	35
	<b>3,384</b>	3,348	<b>7,076</b>	6,842
<b>INCOME BEFORE INCOME TAXES</b>	<b>76,464</b>	23,498	<b>288,374</b>	34,527
Provision for income taxes	10,908	3,774	40,310	6,940
<b>NET INCOME</b>	<b>\$ 65,556</b>	\$ 19,724	<b>\$ 248,064</b>	\$ 27,587
<b>EARNINGS PER COMMON SHARE</b>				
<b>- BASIC AND DILUTED</b>	<b>\$ 5.41</b>	\$ 1.61	<b>\$ 20.46</b>	\$ 2.25

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
<b>At April 1, 2020</b>	<b>\$ 537,873</b>	<b>\$ 1,142,167</b>	<b>\$ 1,680,040</b>
Net income for the period	—	248,064	248,064
<b>Dividends</b>			
First Preferred Shares	—	(39)	(39)
Second Preferred Shares	—	(150)	(150)
Common Shares	—	(20,468)	(20,468)
Repurchase and cancellation of Common Shares	(921)	(1,014)	(1,935)
<b>At September 30, 2020</b>	<b>\$ 536,952</b>	<b>\$ 1,368,560</b>	<b>\$ 1,905,512</b>
<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>

(See accompanying notes)

# UNITED CORPORATIONS LIMITED

## STATEMENTS OF CASH FLOW (Unaudited)

Six months ended Sept. 30

	2020	2019
	(000's)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income	\$ 248,064	\$ 27,587
Adjustments for:		
Other net fair value changes in investments	(274,356)	(9,988)
Purchases of investments	(293,939)	(190,797)
Proceeds from sale of investments	311,864	214,755
Dividends and interest receivable	726	426
Deferred taxes	28,596	(5,768)
Net change in other assets and liabilities	1,169	(25,746)
	<b>22,124</b>	<b>10,469</b>
<b>Financing</b>		
Dividends paid to shareholders	(20,663)	(20,309)
Repurchase of Common Shares	(1,935)	—
<b>Net decrease in cash and cash equivalents</b>	<b>(474)</b>	<b>(9,840)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>43,904</b>	<b>43,807</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 43,430</b>	<b>\$ 33,967</b>
Additional information for operating activities:		
Interest received	\$ 10	\$ 259
Dividends received, net of withholding taxes	17,816	28,544
Income taxes paid	7,841	35,925

(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 4, 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, 2020.

### 3. Critical accounting estimates and judgments

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

#### *Deferred taxes*

Estimates and assumptions are used primarily in the determination of the Company’s deferred tax liabilities, as the income tax rates used in determining the liability 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, 2020, the Company had \$1,814,396,000 (March 31, 2020 - \$1,569,805,000) of Level 1 and \$90,903,000 (March 31, 2020 - \$77,841,000) 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	
	2020	2019	2020	2019
	(000's)			
Net realized gain	\$ 48,818	\$ 19,101	\$ 58,825	\$ 48,809
Change in unrealized appreciation	22,224	(2,087)	215,531	(38,821)
	\$ 71,042	\$ 17,014	\$ 274,356	\$ 9,988

### 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, 2020 of \$36,511,000 (March 31, 2020 - \$32,885,000). Dividend income from Algoma for the three months and six months ended September 30, 2020 amounted to \$471,000 (2020 - \$362,000) and \$906,000 (2020 - \$3,444,000), respectively.

E-L Financial holds a 52.6% 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, 2020 amounted to \$537,000 (2020 - \$502,000) and \$1,044,000 (2020 - \$1,010,000), 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. Normal Course Issuer Bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 609,709 common shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the six-month period ended September 30, 2020, 21,000 shares were purchased under the NCIB at an average price of \$92.14 per share for a total consideration of \$1,935,000. The total amount paid to purchase the shares is allocated to share capital and retained earnings in the statements of changes in equity. The amount allocated to share capital is based on the average cost per common share and amounts paid above the average cost are allocated to retained earnings.

### 8. 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 4, 2020, with a record and payable date of February 3, 2021 and February 12, 2021, respectively.

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>United States</b>				
16,086	3M Co.....	\$ 1,655	\$ 3,437	
63,479	Abbott Laboratories .....	3,648	9,215	
69,430	Aflac Inc. ....	3,338	3,366	
67,500	Alaska Air Group, Inc. ....	3,281	3,298	
18,549	Align Technology, Inc. ....	5,572	8,100	
9,344	Alphabet Inc. Class A .....	13,958	18,267	
3,027	Alphabet Inc. Class C.....	6,111	5,934	
2,755	Amazon.com, Inc. ....	8,393	11,571	
132,190	Apple Inc. ....	7,638	20,421	
67,860	Ashland Global Holdings Inc. ....	6,458	6,420	
1,946	Booking Holdings Inc. ....	4,429	4,441	
19,100	Boston Properties, Inc. ....	2,196	2,046	
7,519	Broadcom Inc. ....	2,206	3,654	
93,296	Citigroup Inc. ....	6,954	5,365	
25,730	Clorox Company (The).....	3,032	7,213	
43,915	CME Group Inc. ....	9,803	9,801	
52,675	Cognizant Technology Solutions .....	4,871	4,878	
546,434	ConAgra Brands, Inc. ....	17,590	26,029	
52,314	ConocoPhillips .....	2,685	2,292	
31,696	Deere & Company.....	7,255	9,370	
64,283	Disney (Walt) Company .....	9,823	10,639	
97,314	eBay Inc. ....	3,810	6,763	
20,580	EPAM Systems, Inc. ....	5,569	8,875	
64,930	Essent Group Ltd. ....	3,185	3,205	
23,538	Estée Lauder Companies Inc. (The) .....	5,133	6,852	
50,745	Etsy, Inc. ....	8,625	8,233	
69,395	Exelon Corporation .....	3,664	3,310	
160,476	Exxon Mobil Corporation.....	11,789	7,349	
51,774	Facebook, Inc. Class A.....	11,613	18,087	
11,852	FedEx Corporation .....	2,339	3,976	
102,189	First Republic Bank.....	13,097	14,866	
648,162	General Electric Company .....	7,341	5,386	
449,810	General Mills, Inc. ....	22,865	37,008	
44,600	Genpact Ltd. ....	2,164	2,317	
242,407	Hormel Foods Corporation.....	7,982	15,808	
42,104	Illumina, Inc. ....	16,333	17,359	
236,395	Ingredion Inc. ....	26,817	23,864	
31,520	Jones Lang Lasalle Inc. ....	4,342	4,022	
221,277	Kimberly-Clark Corporation.....	23,499	43,584	
405,378	Lamb Weston Holdings, Inc. ....	27,487	35,834	
70,549	Las Vegas Sands Corporation .....	4,413	4,391	
48,355	Leidos Holdings, Inc. ....	4,343	5,750	
33,725	MasterCard, Inc. Class A.....	4,258	15,213	
310,061	Merck & Co., Inc. ....	22,524	34,307	
37,597	Microsoft Corporation .....	1,791	10,548	
38,981	Moelis & Company .....	1,580	1,827	
160,100	Mondelez International Inc. Class A.....	7,760	12,269	
81,635	Nike Inc. Class B.....	8,152	13,670	
12,861	Nvidia Corporation .....	2,667	9,285	
49,549	Oracle Corporation.....	2,163	3,946	
66,900	Parker-Hannifin Corporation .....	14,087	18,056	
118,453	Paypal Holdings, Inc. ....	13,340	31,132	
346,600	Pfizer Inc. ....	12,548	16,968	
44,080	Proto Labs, Inc. ....	5,881	7,614	
44,036	Reinsurance Group of America, Incorporated.....	6,062	5,591	
32,793	Roper Technologies, Inc. ....	12,420	17,283	
404,549	Sabre Corporation.....	10,555	3,513	
26,826	Salesforce.com, Inc. ....	5,412	8,993	
149,419	Spirit AeroSystems Holdings, Inc. ....	6,401	3,769	
19,564	SVB Financial Group.....	5,518	6,279	
33,528	Synnex Corporation .....	3,899	6,264	
30,419	Synopsys, Inc. ....	5,640	8,682	
17,558	Thermo Fisher Scientific .....	8,407	10,341	
88,720	Tradeweb Markets Inc. ....	6,412	6,864	
60,115	Verisk Analytics Inc. Class A.....	3,546	14,860	
58,414	Vertex Pharmaceuticals, Inc. ....	14,082	21,203	
65,911	VF Corporation.....	5,874	6,176	
138,875	Wells Fargo & Company .....	5,540	4,355	
24,947	Workday, Inc. ....	5,473	7,159	
		<u>549,298</u>	<u>758,763</u>	39.8

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
110,011	ABB Limited .....	\$ 2,859	\$ 3,736	
58,890	Adidas AG .....	13,885	25,535	
209,181	Air Liquide S.A. ....	23,891	44,305	
38,440	Airbus SE .....	3,403	3,730	
95,854	Alcon Inc. ....	7,537	7,282	
146,759	Axa S.A. ....	4,014	3,619	
1,614,924	Banco Bilbao Vizcaya Argentaria, S.A. ....	9,794	5,988	
74,740	BASF SE .....	6,961	6,073	
26,180	Bayer AG .....	2,360	2,092	
46,459	Compagnie Financière Richemont SA .....	4,250	4,151	
349,626	Fresenius Medical Care AG .....	35,084	39,446	
13,094	Genmab A/S .....	6,330	6,318	
421,865	Group Danone S.A. ....	35,837	36,413	
628,806	Hennes & Mauritz AB-B SHS .....	11,644	14,460	
500,488	Ing Groep N.V. ....	5,497	4,738	
119,872	Infineon Technologies AG .....	3,209	4,512	
1,560,855	International Consolidated Airlines Group S.A. ....	3,824	2,551	
44,788	Kerry Group plc .....	3,643	7,666	
66,526	Kone Oyj .....	4,284	7,805	
1,090,977	Koninklijke Ahold Delhaize N.V. ....	19,587	43,059	
34,419	Linde Public Limited Company .....	7,171	10,862	
26,776	Lonza Group AG .....	11,133	22,047	
15,603	L'Oréal S.A. ....	4,892	6,770	
275,716	Nestlé S.A. ....	20,628	43,656	
53,878	Nestlé S.A. ADR .....	6,100	8,571	
54,861	Novartis AG .....	6,199	6,348	
454,082	Novo Nordisk A/S .....	26,672	41,855	
1,246,367	Orange S.A. ....	21,897	17,308	
492,978	Publicis Groupe .....	41,770	21,252	
93,413	Roche Holding AG .....	28,371	42,631	
42,404	Schneider Electric SE .....	6,341	7,029	
1,488,135	Securitas AB Class B .....	23,459	30,351	
18,303	Siemens AG .....	2,513	3,091	
9,152	Siemens Energy AG .....	245	331	
212,020	Sodexo S.A. ....	29,715	20,223	
21,024	Sonova Holding AG .....	4,504	7,112	
71,522	Swatch Group AG (The) .....	26,957	22,257	
92,655	Symrise AG .....	9,942	17,090	
667,281	UniCredit S.p.A. ....	10,066	7,348	
39,428	Volkswagen AG .....	8,671	8,468	
		<u>505,139</u>	<u>618,079</u>	32.4
<b>Emerging Markets</b>				
737,200	AIA Group Limited .....	6,036	9,630	
139,984	Alibaba Group Holding Limited .....	3,916	6,640	
17,398	Alibaba Group Holding Limited ADR .....	3,894	6,822	
21,554	Baidu, Inc. ADR .....	4,012	3,640	
1,930,972	Burgundy Emerging Markets Equity Fund .....	52,829	44,217	
51,391	CD Projekt S.A. ....	7,676	7,321	
161,102	HDFC Bank Ltd. ADR .....	10,275	10,736	
561,044	ICICI Bank Limited ADR .....	7,433	7,357	
2,167,105	Itau Unibanco Holding S.A. (Pref) ADR .....	14,990	11,505	
200,337	LSV Emerging Markets Small Cap Equity Fund, LP .....	48,465	46,686	
9,990	NetEase, Inc. ADR .....	3,541	6,059	
3,005,600	PT Bank Central Asia Tbk .....	7,228	7,331	
103,513	Samsung Electronics Co., Ltd. ....	5,326	6,892	
27,487	SK hynix Inc. ....	2,460	2,641	
177,000	Tencent Holdings Limited .....	13,177	15,581	
167,675	Trip.com Group Ltd. ADR .....	7,921	6,965	
77,308	Yandex N.V. ....	2,943	6,729	
		<u>202,122</u>	<u>206,752</u>	10.9

# UNITED CORPORATIONS LIMITED

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
<b>Japan</b>				
304,900	Asahi Group Holdings Co.....	\$ 13,892	\$ 14,090	
31,100	Fanuc Corporation .....	5,921	7,909	
105,900	Kao Corporation .....	8,577	10,557	
777,700	KDDI Corporation .....	23,008	26,109	
21,500	Keyence Corporation .....	1,504	13,311	
301,200	Kirin Holdings Company, Limited .....	5,153	7,513	
271,300	Kubota Corporation .....	5,386	6,438	
218,800	Lawson Inc. ....	18,598	13,883	
336,273	Makita Corporation .....	14,781	21,337	
27,600	Murata Manufacturing Co., Ltd. ....	2,241	2,363	
80,200	Secom Co., Ltd. ....	4,710	9,738	
659,600	Seven & i Holdings Co., Ltd. ....	35,155	27,096	
83,100	Shiseido Company, Limited.....	8,053	6,339	
72,200	Systemex Corporation.....	4,898	9,153	
130,000	Takeda Pharmaceutical Company Ltd. ....	6,415	6,152	
		<u>158,292</u>	<u>181,988</u>	9.6
<b>United Kingdom</b>				
353,301	Abcam plc .....	6,533	7,437	
1,996,717	Barclays plc.....	4,869	3,352	
577,111	BP plc.....	3,022	2,235	
100,539	British American Tobacco plc .....	4,718	4,803	
627,104	Diageo plc .....	31,963	28,582	
8,036,322	G4S plc .....	27,805	27,685	
32,697	Micro Focus International plc .....	779	138	
589,441	Network International Holdings plc.....	5,222	2,770	
146,639	Next plc .....	10,925	15,006	
1,219,136	Rolls-Royce Holdings plc .....	10,866	2,726	
989,404	Standard Chartered plc.....	8,816	6,060	
		<u>115,518</u>	<u>100,794</u>	5.3
<b>Canada</b>				
153,700	Air Canada .....	2,657	2,412	
3,625,680	Algoma Central Corporation.....	6,201	36,511	
		<u>8,858</u>	<u>38,923</u>	2.0
	<b>Total Investments</b> .....	<u>\$1,539,227</u>	<u>\$1,905,299</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 Loevner 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)

