

UNITED CORPORATIONS LIMITED



THIRD QUARTER REPORT

DECEMBER 31, 2020

UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



THE PERIOD AT A GLANCE (Unaudited)

	As at Dec. 31 2020	As at March 31 2020
Net equity value per Common Share ¹	\$ 169.99	\$ 137.95
Net assets ²	\$ 2,064,429	\$ 1,680,040
Number of Common Shares outstanding at period end	12,098,493	12,122,893

	Nine months ended December 31	
	2020	2019
Net investment income per Common Share ¹	\$ 1.91	\$ 1.83
Dividends per Common Share		
Quarterly	\$ 0.90	\$ 0.90
Additional ³	\$ 1.09	\$ 1.05
Net income per Common Share	\$ 33.92	\$ 9.20
Net investment income ^{1,2}	\$ 23,396	\$ 22,545

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 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 quarters 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 February 9, 2021.

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 December 31, 2020, \$940,609,000 (March 31, 2020 - \$844,967,000), \$697,095,000 (March 31, 2020 - \$510,802,000) and \$268,753,000 (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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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, 2020, \$53,665,000 (March 31, 2020 - \$38,195,000) and \$50,231,000 (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 December 31, 2020 totaling \$146,483,000 (March 31, 2020 - \$93,074,000). As of December 31, 2020 the five largest country exposures represented 74% of emerging market investments which includes China (30%), India (18%), South Korea (13%), Brazil (8%) 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 Management Change

After the quarter end, the Company announced that it appointed Comgest Asset Management International Limited, ("CAMIL"), an international asset manager, to provide portfolio management services for a portion of its assets in their Comgest Global Equity Strategy.

Macquarie will no longer provide portfolio management services to United.

As part of the transition in portfolio management services, the Macquarie portfolio was allocated to Comgest, Harding Loevner, and Causeway.

Additionally, during the month of January, United's investments in the Burgundy Emerging Markets Equity Fund and the LSV Emerging Markets Small Cap Equity Fund were redeemed.

Upon completion of these transitions, Comgest will manage approximately 40% of United's third-party investments, Harding Loevner 40%, and Causeway 20%.

CAMIL is part of the Comgest group which is an independent, international asset management group, with headquarters in Paris and offices in Amsterdam, Boston, Brussels, Dublin, Düsseldorf, Hong Kong, Milan, Singapore, Tokyo and a representative office in London. Since inception in 1985, Comgest has pursued a long-term 'Quality Growth' investment style with the objective of selecting quality companies with solid prospects for sustainable growth. With more than 180 employees of 30 different nationalities, Comgest serves a diverse global client base and manages assets of over \$39 billion (estimated data as of December 31, 2020).

Investment Strategy

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

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

Use of Non-GAAP Measures

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

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

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

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

	December 31 2020	March 31 2020
Net assets	\$ 2,064,429	\$ 1,680,040
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	\$ 2,056,682	\$ 1,672,293
Common Shares outstanding	12,098,493	12,122,893
Net equity value per Common Share	\$ 169.99	\$ 137.95

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	
	2020	2019	2020	2019
Net income	\$ 162,961	\$ 84,852	\$ 411,025	\$ 112,439
Add (deduct):				
Other net fair value changes in investments	(174,074)	(95,490)	(448,430)	(105,478)
Tax on other net fair value changes in investments	23,007	12,594	59,229	13,568
Net investment income of a limited partnership ¹	478	493	1,572	2,016
Net investment income ²	12,372	2,449	23,396	22,545
Deduct:				
Dividends paid on Preferred Shares	95	95	284	284
Net investment income, net of dividends paid on Preferred Shares ²	\$ 12,277	\$ 2,354	\$ 23,112	\$ 22,261
Weighted average Common Shares outstanding	12,099,245	12,194,193	12,108,007	12,194,193
Net investment income per Common Share ²	\$ 1.02	\$ 0.20	\$ 1.91	\$ 1.83

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 \$169.99 at December 31, 2020 compared to \$156.82 at September 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 8.6% (2020 – 4.7%) and 24.8% (2020 – 6.3%) year to date.

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Year to date, investments managed by Macquarie had a pre-tax total return of 14.0% (2020 – 3.1%), Harding Loevner 40.8% (2020 – 10.7%), and Causeway 48.0% (2020 - 7.4%). Emerging markets mandates had pre-tax total returns of positive 27.6% (2020 – negative 0.8%) for Burgundy and 41.6% (2020 – 0.6%) 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 December 31	Nine months ended December 31
	(%)	
MSCI World Index	8.9	32.2
S&P 500 Index	7.1	32.2
S&P/TSX Composite Index	9.0	33.5
MSCI Emerging Markets	14.3	39.4

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

*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 2021 of \$162,961,000 compared to \$84,852,000 in fiscal 2020. On a year-to-date basis, net income was \$411,025,000 compared to \$112,439,000 in fiscal 2020. The net income per Common Share for the third quarter of fiscal 2021 was \$13.46 compared to \$6.95 for fiscal 2020. On a year-to-date basis, net income per share was \$33.92 compared to \$9.20 per share in fiscal 2020.

Other net fair value changes in investments for the portfolio for the third quarter of fiscal 2021 was \$174,074,000 compared to \$95,490,000 for the same period in fiscal 2020. On a year-to-date basis, the other net fair value changes in investments was \$448,430,000 compared to \$105,478,000 for the nine months ended December 31, 2019. During the quarter, there was positive performance of \$74,119,000 in North America, \$30,768,000 in Emerging Markets, \$28,114,000 in Europe, \$25,034,000 in the United Kingdom, and \$16,039,000 in Japan. On a year-to-date basis, investments in North America contributed \$224,231,000, Europe \$102,558,000, Emerging Markets \$63,217,000, the United Kingdom \$37,763,000 and \$20,661,000 in Japan.

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The significant contributors to the year-to-date investment performance included Paypal, Holdings, Inc., G4S plc, and Publicis Groupe with fair value investment gains of \$22,434,000, \$22,278,000, and \$11,336,000 respectively. The largest detractors to the year-to-date investment performance included Lawson Inc. Groupe Danone, and KDDI Corporation, with fair value investment losses of \$4,064,000, \$3,369,000 and \$3,364,000 respectively.

The net realized gain was \$58,637,000 for the third quarter of fiscal 2021 compared to \$16,776,000 for the same period in the prior year. On a year-to-date basis, the net realized gain was \$117,462,000 compared to \$65,585,000 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 \$74,351,000, Europe for \$29,669,000, Japan for \$16,219,000, Emerging Markets for \$3,579,000, partly offset by a net loss from the United Kingdom for \$6,356,000.

Net investment income

The Company's net investment income in the third quarter of fiscal 2021 increased to \$12,372,000 compared to \$2,449,000 for the third quarter of fiscal 2020. On a year-to-date basis, net investment income increased to \$23,396,000 from \$22,545,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$1.02 in fiscal 2021 compared to \$0.20 in 2020 and on a year-to-date basis increased to \$1.91 in 2021 compared to \$1.83 in 2020.

Foreign dividend income in the third quarter increased to \$6,334,000 from \$5,415,000 for the same quarter in the prior year and on a year-to-date basis decreased to \$26,158,000 from \$32,621,000 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. Year to date, certain companies within the global investment portfolio temporarily suspended or reduced dividends contributing to the decline in foreign dividend income.

Net investment income includes \$478,000 (2020 - \$493,000) for the quarter and \$1,572,000 (2020 - \$2,016,000) on a year-to-date basis of net investment income of a limited partnership.

Canadian dividend income in the third quarter of fiscal 2021 increased to \$10,079,000 from \$399,000 for the same quarter in the prior year and on a year-to-date basis increased to \$10,986,000 from \$3,894,000 in fiscal 2020. During the third fiscal quarter of 2021, the Company recorded a special dividend of \$9,608,000 from its investment in Algoma. 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 \$3,817,000 in fiscal 2021 compared to \$3,504,000 for the same period in the prior year, and on a year-to-date basis increased to \$10,893,000 compared to \$10,346,000 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, and additional directors' meetings that took place year to date.

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 2020	Sept. 30 2020	June 30 2020	March 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	March 31 2019
Investments	\$ 2,060,823	\$ 1,905,299	\$ 1,852,730	\$ 1,647,646	\$ 1,898,439	\$ 1,815,851	\$ 1,792,192	\$ 1,825,533
Net investment income ¹	\$ 12,372	\$ 4,493	\$ 6,531	\$ 5,727	\$ 2,449	\$ 5,525	\$ 14,571	\$ 6,461
Net income (loss)	\$ 162,961	\$ 65,556	\$ 182,508	\$ (199,189)	\$ 84,852	\$ 19,724	\$ 7,863	\$ 108,512
Per Common Share:								
Net investment income ¹	\$ 1.02	\$ 0.36	\$ 0.53	\$ 0.46	\$ 0.20	\$ 0.44	\$ 1.19	\$ 0.52
Net income (loss)	\$ 13.46	\$ 5.41	\$ 15.05	\$ (16.35)	\$ 6.95	\$ 1.61	\$ 0.64	\$ 8.89
NAV	\$ 169.99	\$ 156.82	\$ 151.66	\$ 137.95	\$ 154.24	\$ 147.59	\$ 146.28	\$ 146.99

¹ On an after-tax basis.

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

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

Share Data

As at December 31, 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 12,098,493 (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 nine-month period ended December 31, 2020, 24,400 shares were purchased under the NCIB at an average price of \$92.46 per share for a total consideration of \$2,256,000.

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.

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.

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. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

The Company continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular.

To date, the Company has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees. Processes supporting ongoing systems availability, stability and security are operating effectively and the Company continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Company's financial results.

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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 2020	March 31 2020
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 67,290	\$ 43,904
Investments (Note 4)	2,060,823	1,647,646
Receivable in respect of investments sold	965	6,980
Dividends and interest receivable	11,130	3,574
Income taxes receivable	—	3,760
Other assets	4,044	3,591
	2,144,252	1,709,455
LIABILITIES		
Accrued expenses	2,993	2,042
Payable in respect of investments purchased	154	3,782
Income taxes payable	9,833	—
Dividends payable	3,724	3,731
Deferred tax liabilities	63,119	19,860
	79,823	29,415
NET ASSETS	\$ 2,064,429	\$ 1,680,040
SHAREHOLDERS' EQUITY		
Share capital	\$ 536,803	\$ 537,873
Retained earnings	1,527,626	1,142,167
TOTAL SHAREHOLDERS' EQUITY	\$ 2,064,429	\$ 1,680,040

(See accompanying notes)

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STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended Dec. 31		Nine months ended Dec. 31	
	2020	2019	2020	2019
	(000's)			
INCOME				
Dividends				
Foreign	\$ 6,334	\$ 5,415	\$ 26,158	\$ 32,621
Canadian	10,079	399	10,986	3,894
	16,413	5,814	37,144	36,515
Interest and securities lending income	213	234	594	914
Other net fair value changes in investments (Note 5)	174,074	95,490	448,430	105,478
	190,718	101,538	486,168	142,907
EXPENSES				
Investment management and administrative costs	3,335	3,140	9,542	9,145
Transfer, registrar and custody fees	257	194	623	579
Directors' and officer's remuneration	162	105	418	324
Office and miscellaneous	44	47	247	245
Professional fees	19	18	63	53
	3,817	3,504	10,893	10,346
INCOME BEFORE INCOME TAXES	186,901	98,034	475,275	132,561
Provision for income taxes	23,940	13,182	64,250	20,122
NET INCOME	\$ 162,961	\$ 84,852	\$ 411,025	\$ 112,439
EARNINGS PER COMMON SHARE BASIC AND DILUTED	\$ 13.46	\$ 6.95	\$ 33.92	\$ 9.20

(See accompanying notes)

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STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Retained earnings	Total
		(000's)	
At April 1, 2020	\$ 537,873	\$ 1,142,167	\$ 1,680,040
Net income for the period	—	411,025	411,025
Dividends			
First Preferred Shares	—	(59)	(59)
Second Preferred Shares	—	(225)	(225)
Common Shares	—	(24,096)	(24,096)
Repurchase and cancellation of Common Shares (Note 7)	(1,070)	(1,186)	(2,256)
At December 31, 2020	\$ 536,803	\$ 1,527,626	\$ 2,064,429
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

(See accompanying notes)

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STATEMENTS OF CASH FLOW (Unaudited)

Nine months ended Dec. 31

	2020	2019
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 411,025	\$ 112,439
Adjustments for:		
Other net fair value changes in investments	(448,430)	(105,478)
Purchases of investments	(445,666)	(286,916)
Proceeds from sale of investments	483,305	319,128
Dividends and interest receivable	(7,556)	2,175
Deferred taxes	43,259	4,238
Net change in other assets and liabilities	14,092	(27,619)
	50,029	17,967
Financing		
Dividends paid to shareholders	(24,387)	(24,062)
Repurchase of Common Shares (Note 7)	(2,256)	—
Net increase (decrease) in cash and cash equivalents	23,386	(6,095)
Cash and cash equivalents at beginning of the period	43,904	43,807
Cash and cash equivalents at end of the period	\$ 67,290	\$ 37,712
Additional information for operating activities:		
Interest received	\$ 21	\$ 341
Dividends received, net of withholding taxes	25,000	35,285
Income taxes paid	8,770	40,225
Income tax refunds	5,520	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 9, 2021.

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. 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, 2020, the Company had \$1,956,927,000 (March 31, 2020 - \$1,569,805,000) of Level 1 and \$103,896,000 (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 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.

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 December 31		Nine months ended December 31	
	2020	2019	2020	2019
	(000's)			
Net realized gain	\$ 58,637	\$ 16,776	\$ 117,462	\$ 65,585
Change in unrealized appreciation	115,437	78,714	330,968	39,893
	\$ 174,074	\$ 95,490	\$ 448,430	\$ 105,478

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, 2020 of \$50,470,000 (March 31, 2020 - \$32,885,000). Dividend income from Algoma for the three months and nine months ended December 31, 2020 amounted to \$9,942,000 (2020 - \$399,000) and \$10,986,000 (2020 - \$3,843,000), respectively.

E-L Financial holds a 52.7% 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, 2020 amounted to \$550,000 (2020 - \$524,000) and \$1,594,000 (2020 - \$1,534,000), 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 nine-month period ended December 31, 2020, 24,400 shares were purchased under the NCIB at an average price of \$92.46 per share for a total consideration of \$2,256,000. 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 events

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 9, 2021, with a record and payable date of May 5, 2021 and May 14, 2021, respectively.

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

After the quarter end, the Company announced that it appointed Comgest Asset Management International Limited, ("CAMIL"), an international asset manager, to provide portfolio management services for a portion of its assets in their Comgest Global Equity Strategy.

UNITED CORPORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

8. Subsequent events (continued)

Macquarie Investment Management Europe S.A. (“Macquarie”) will no longer provide portfolio management services to United.

As part of the transition in portfolio management services, the Macquarie portfolio was allocated to Comgest, Harding Loevner LP (“Harding Loevner”), and Causeway Capital Management LLC (“Causeway”).

Additionally, during the month of January, United’s investments in the Burgundy Emerging Markets Equity Fund and the LSV Emerging Markets Small Cap Equity Fund were also redeemed.

Upon completion of these transitions, Comgest will manage approximately 40% of United’s third-party investments, Harding Loevner 40%, and Causeway 20%.

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
	United States		(000's)	
69,430	Aflac Inc.	\$ 3,338	\$ 3,931	
40,427	Alaska Air Group, Inc.	1,965	2,677	
12,500	Alexandria Real Estate Equities, Inc.	2,731	2,836	
18,549	Align Technology, Inc.	5,572	12,620	
9,344	Alphabet Inc. Class A.....	13,958	20,851	
3,131	Alphabet Inc. Class C.....	6,353	6,984	
2,755	Amazon.com, Inc.	8,393	11,424	
132,190	Apple Inc.	7,638	22,332	
75,710	Ashland Global Holdings Inc.	7,234	7,634	
1,946	Booking Holdings Inc.	4,429	5,518	
9,740	Broadcom Inc.	3,440	5,430	
55,930	Carrier Global Corporation.....	2,685	2,686	
68,455	Citigroup Inc.	5,102	5,374	
25,730	Clorox Company (The).....	3,032	6,615	
43,915	CME Group Inc.	9,803	10,179	
52,675	Cognizant Technology Solutions.....	4,871	5,496	
546,434	ConAgra Brands, Inc.	17,590	25,227	
43,739	Concentrix Corporation.....	3,549	5,496	
85,636	ConocoPhillips.....	4,054	4,360	
31,696	Deere & Company.....	7,255	10,858	
66,275	Disney (Walt) Company.....	10,149	15,288	
97,314	eBay Inc.	3,810	6,226	
66,614	Edwards Lifesciences Corporation.....	7,348	7,738	
20,580	EPAM Systems, Inc.	5,569	9,390	
79,482	Essent Group Ltd.	3,999	4,372	
23,538	Estée Lauder Companies Inc. (The).....	5,133	7,977	
50,745	Etsy, Inc.	8,625	11,495	
86,321	Exelon Corporation.....	4,565	4,640	
160,476	Exxon Mobil Corporation.....	11,789	8,422	
51,774	Facebook, Inc. Class A.....	11,613	18,006	
102,189	First Republic Bank.....	13,097	19,117	
36,825	Fiserv, Inc.	5,476	5,338	
213,553	General Electric Company.....	2,417	2,936	
354,747	General Mills, Inc.	18,033	26,558	
74,796	Genpact Ltd.....	3,629	3,939	
20,700	Hill-Rom Holdings, Inc.	2,619	2,582	
242,407	Hormel Foods Corporation.....	7,982	14,385	
42,104	Illumina, Inc.	16,333	19,835	
236,395	Ingredion Inc.	26,817	23,678	
7,225	Intuitive Surgical, Inc.	7,032	7,526	
20,604	Jones Lang Lasalle Inc.	2,838	3,892	
199,510	Kimberly-Clark Corporation.....	21,188	34,249	
405,378	Lamb Weston Holdings, Inc.	27,487	40,640	
64,067	Las Vegas Sands Corporation.....	4,004	4,862	
52,456	Leidos Holdings, Inc.	4,887	7,021	
33,725	MasterCard, Inc. Class A.....	4,258	15,327	
310,061	Merck & Co., Inc.	22,524	32,292	
37,597	Microsoft Corporation.....	1,791	10,647	
160,100	Mondelez International Inc. Class A.....	7,760	11,918	
81,635	Nike Inc. Class B.....	8,152	14,704	
12,861	Nvidia Corporation.....	2,667	8,551	
49,549	Oracle Corporation.....	2,163	4,081	
66,900	Parker-Hannifin Corporation.....	14,087	23,203	
97,131	Paypal Holdings, Inc.	10,939	28,963	
346,600	Pfizer Inc.	11,880	16,244	
40,980	Proto Labs, Inc.	5,467	8,004	
39,387	Reinsurance Group of America, Incorporated.....	5,422	5,812	
11,865	Roper Technologies, Inc.	4,494	6,512	
433,842	Sabre Corporation.....	10,962	6,639	
26,826	Salesforce.com, Inc.	5,412	7,601	
74,013	Spirit AeroSystems Holdings, Inc.	3,134	3,684	
19,564	SVB Financial Group.....	5,518	9,660	
75,963	Synchrony Financial.....	2,841	3,357	
8,077	Synnex Corporation.....	394	838	
30,419	Synopsys, Inc.	5,640	10,040	
17,558	Thermo Fisher Scientific.....	8,407	10,412	
88,720	Tradeweb Markets Inc.	6,411	7,054	
40,693	Verisk Analytics Inc. Class A.....	2,400	10,755	
58,414	Vertex Pharmaceuticals, Inc.	14,082	17,577	
65,911	VF Corporation.....	5,874	7,167	
138,875	Wells Fargo & Company.....	5,540	5,336	
24,947	Workday, Inc.	5,473	7,611	
		543,123	782,629	38.0

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Europe, excluding United Kingdom				
108,107	ABB Limited	\$ 2,810	\$ 3,858	
58,890	Adidas AG	13,885	27,382	
209,181	Air Liquide S.A.	23,891	43,831	
40,658	Airbus SE	3,619	5,697	
95,854	Alcon Inc.	7,537	8,052	
178,207	Axa S.A.	4,788	5,427	
1,465,667	Banco Bilbao Vizcaya Argentaria, S.A.	8,889	9,231	
68,930	BASF SE	6,420	6,963	
29,910	Bayer AG	2,614	2,248	
41,938	Compagnie Financière Richemont SA	3,837	4,850	
83,876	Compagnie Financière Richemont SA - Warrant	-	28	
466,614	Essity Aktiebolag Class B	19,094	19,192	
349,626	Fresenius Medical Care AG	35,084	37,216	
16,483	Genmab A/S	6,521	6,951	
514,913	Group Danone S.A.	43,773	43,206	
628,806	Hennes & Mauritz AB-B SHS	11,644	16,818	
446,524	Ing Groep N.V.	4,904	5,325	
115,062	Infineon Technologies AG	3,080	5,637	
840,683	International Consolidated Airlines Group S.A.	2,049	2,335	
66,526	Kone Oyj	4,284	6,901	
920,388	Koninklijke Ahold Delhaize N.V.	16,525	33,198	
18,197	Linde Public Limited Company	3,791	6,050	
15,461	Lonza Group AG	6,428	12,700	
15,603	L'Oréal S.A.	4,892	7,569	
275,716	Nestlé S.A.	20,628	41,512	
53,878	Nestlé S.A. ADR	6,100	8,081	
65,960	Novartis AG	7,460	7,968	
387,267	Novo Nordisk A/S	22,748	34,582	
1,721,366	Orange S.A.	28,770	26,152	
492,978	Publicis Groupe	41,770	31,362	
123,304	Roche Holding AG	41,923	55,022	
51,449	RWE AG	2,732	2,776	
31,395	Sanofi S.A.	4,078	3,856	
94,387	SAP AG	14,462	15,796	
42,404	Schneider Electric SE	6,341	7,830	
1,488,135	Securitas AB Class B	23,459	30,719	
23,628	Siemens AG	3,389	4,334	
212,020	Sodexo S.A.	29,715	22,906	
21,024	Sonova Holding AG	4,504	6,983	
71,522	Swatch Group AG (The)	26,957	24,943	
53,867	Symrise AG	5,780	9,114	
33,041	TeamViewer AG	2,196	2,260	
592,296	UniCredit S.p.A.	8,805	7,070	
39,428	Volkswagen AG	8,671	9,380	
		<u>550,847</u>	<u>673,311</u>	32.7
Emerging Markets				
737,200	AIA Group Limited	6,036	11,500	
470,568	Alibaba Group Holding Limited	16,549	17,972	
15,176	Baidu, Inc. ADR	2,824	4,178	
1,925,432	Burgundy Emerging Markets Equity Fund	52,919	50,231	
67,574	CD Projekt S.A.	9,481	6,356	
311,800	DBS Group Holdings Ltd	7,355	7,523	
33,950	ENN Energy Holdings Limited	610	634	
161,102	HDFC Bank Ltd. ADR	10,275	14,822	
561,044	ICICI Bank Limited ADR	7,433	10,615	
2,167,105	Itau Unibanco Holding S.A. (Pref) ADR	14,990	16,803	
199,779	LSV Emerging Markets Small Cap Equity Fund, LP	48,330	53,665	
320,650	NetEase, Inc. ADR	5,126	7,771	
3,005,600	PT Bank Central Asia Tbk	7,228	9,258	
103,513	Samsung Electronics Co., Ltd.	5,326	9,810	
42,335	SK hynix Inc.	3,986	5,870	
101,000	Tencent Holdings Limited	7,519	9,353	
167,675	Trip.com Group Ltd. ADR	7,921	7,201	
76,956	Yandex N.V.	2,930	6,817	
		<u>216,838</u>	<u>250,379</u>	12.1

UNITED CORPORATIONS LIMITED

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2020 (Unaudited)

Number of Shares/Units		Cost	Carrying value	% of Carrying value
		(000's)		
Japan				
304,900	Asahi Group Holdings Co.....	\$ 13,892	\$ 15,981	
26,500	Fanuc Corporation	5,046	8,300	
105,900	Kao Corporation	8,577	10,424	
777,700	KDDI Corporation.....	23,008	29,448	
11,000	Keyence Corporation	769	7,879	
301,200	Kirin Holdings Company, Limited	5,153	9,054	
271,300	Kubota Corporation	5,386	7,542	
218,800	Lawson Inc.	18,598	12,983	
109,973	Makita Corporation.....	4,834	7,022	
79,800	MISUMI Group Inc.	3,240	3,336	
27,600	Murata Manufacturing Co., Ltd.	2,241	3,177	
80,200	Secom Co., Ltd.	4,710	9,426	
659,600	Seven & i Holdings Co., Ltd.	35,155	29,806	
83,100	Shiseido Company, Limited.....	8,053	7,324	
72,200	Systemex Corporation.....	4,898	11,057	
150,900	Takeda Pharmaceutical Company Ltd.	7,371	6,998	
		<u>150,931</u>	<u>179,757</u>	8.7
United Kingdom				
353,301	Abcam plc	6,533	9,518	
1,566,724	Barclays plc.....	3,820	3,994	
627,104	Diageo plc	31,962	31,369	
8,036,322	G4S plc	27,805	35,451	
513,412	Network International Holdings plc.....	4,549	2,915	
146,639	Next plc	10,925	18,060	
5,247,760	Rolls-Royce Holdings plc.....	13,021	10,147	
989,404	Standard Chartered plc.....	8,816	8,012	
		<u>107,431</u>	<u>119,466</u>	5.8
Canada				
211,300	Air Canada	3,945	4,811	
3,625,680	Algom Central Corporation.....	6,201	50,470	
		<u>10,146</u>	<u>55,281</u>	2.7
	Total Investments	<u>\$1,579,316</u>	<u>\$2,060,823</u>	<u>100.0</u>

¹ This company and United are related parties.

UNITED CORPORATIONS LIMITED

CORPORATE INFORMATION

HEAD OFFICE

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

EXTERNAL INVESTMENT MANAGERS

Burgundy Asset Management Ltd., Toronto
Causeway Capital Management LLC, Los Angeles
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

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

