

LESTER ASSET MANAGEMENT

Responsible Growth

Report to SSMU Council
September 2018

I. FIRM PROFILE

- Lester Asset Management (LAM) is a Montreal-based portfolio management firm founded in 1988, licensed and registered with the AMF, OSC, BCSC and ASC.
- 60% owned by management; 40% by Tony Boeckh, a financial industry veteran.
- CAD \$325M Assets Under Management (AUM) as at September 30th 2018.
- AUM approximately 80% Segregated and 20% Pooled (Canadian Equity Fund). High Net Worth plus select Institutions (Foundations, Non-Profits).
- Focus on Canadian equities and Canadian corporate bonds.
- Value-based approach seeking absolute returns without regards to main indices.
- Current focus and investment strategy in place since July 1, 2006.

ASSETS UNDER MANAGEMENT

Total AUM: Approximately CAD \$325 Million as at September 30th, 2018

Segregated (Managed) Accounts: CAD \$265 Million (roughly 200 portfolios)

Canadian Equities: \$170 Million

Canadian Fixed Income: \$95 Million

Clients: High Net Worth Individuals, Select Institutions (Foundations, Non-Profits)

Lester Canadian Equity Fund: CAD \$60 Million (launched in January 2012)

Same stocks as are held in Segregated Accounts.

II. INVESTMENT PHILOSOPHY

**Aim for higher than market returns with lower than market risk.
To accomplish this, our guiding principles are:**

Act like a Shareholder

- Invest for the long term like a business owner would
- Building real wealth requires patience
- Be “active” if necessary

Exercise Price Discipline

- Buy at a discount to company’s true worth
- Sell or trim when overvalued
- Low valuations = Downside protection

Focus on Company Fundamentals

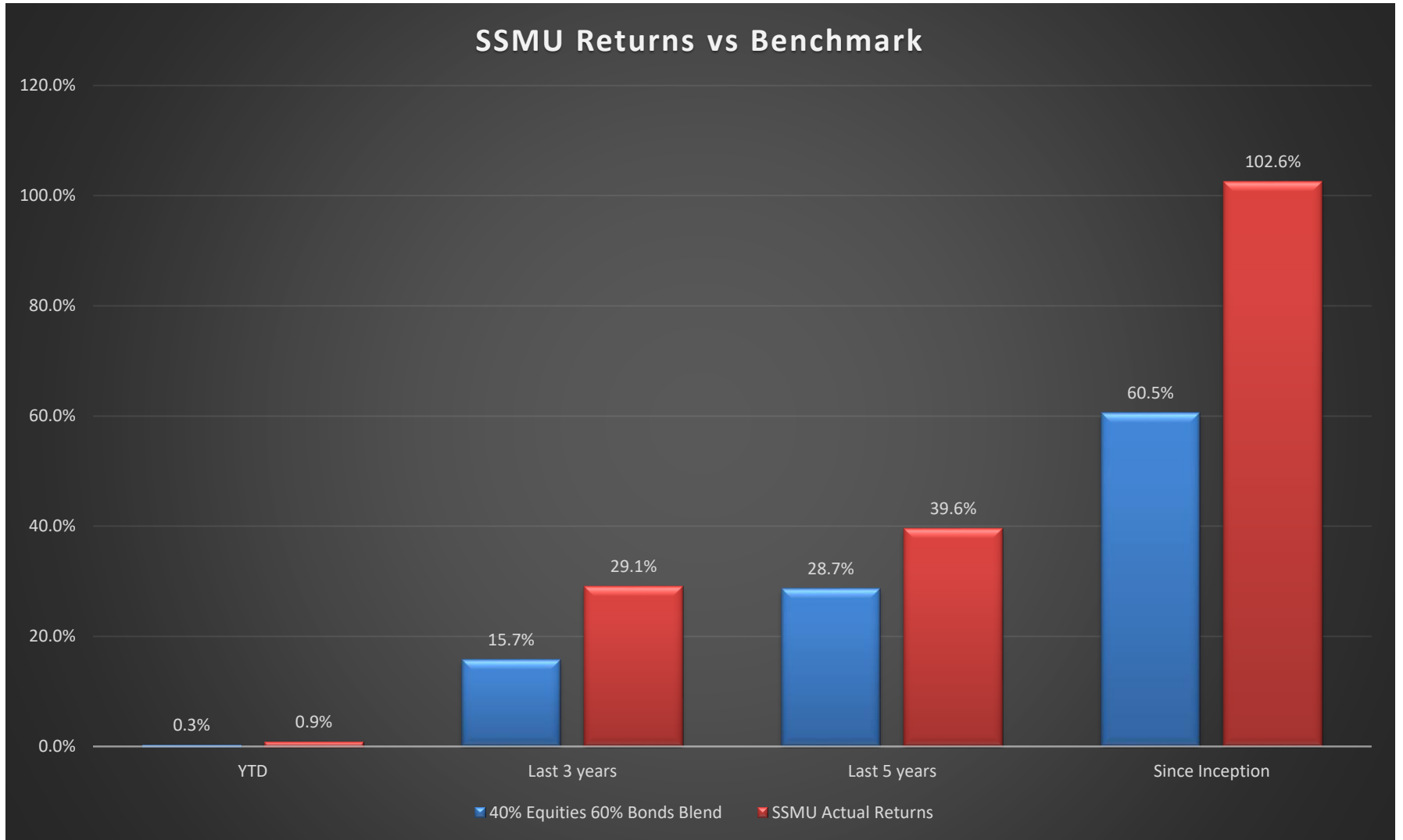
- Concentrate on company results
- Don’t let “noise” dictate decisions
- Keep fear and greed at bay

PORTFOLIO CONSTRUCTION & RISK MANAGEMENT

Portfolio structure and risk mitigation includes:

- Industry diversification through 40 to 50 companies
- Focus on Canadian companies (listed and managed in Canada)
- 2% to 5% stock weightings (disciplined trimming when overweight)
- Low exposure to volatile index sectors (i.e. financials, energy, materials)
- Maximum single industry exposure 20% of portfolio
- Low market correlation/Low Beta/Low volatility
- Balanced yet flexible mix between small, mid and large cap equities
- Bias toward small/mid cap value stocks (best sub-asset class for over 40 years)
- Maximum exposure of 30% micro cap under \$500M mkt cap and 15% under \$100M
- Maximum exposure of 70% micro + small cap under \$2.5B
- Large caps provide “industry exposure”, liquidity and yield
- Yield is an important part of returns and buffers downside
- Low portfolio turnover (management efficiency)
- Rigid application of investment strategy (no style drift)

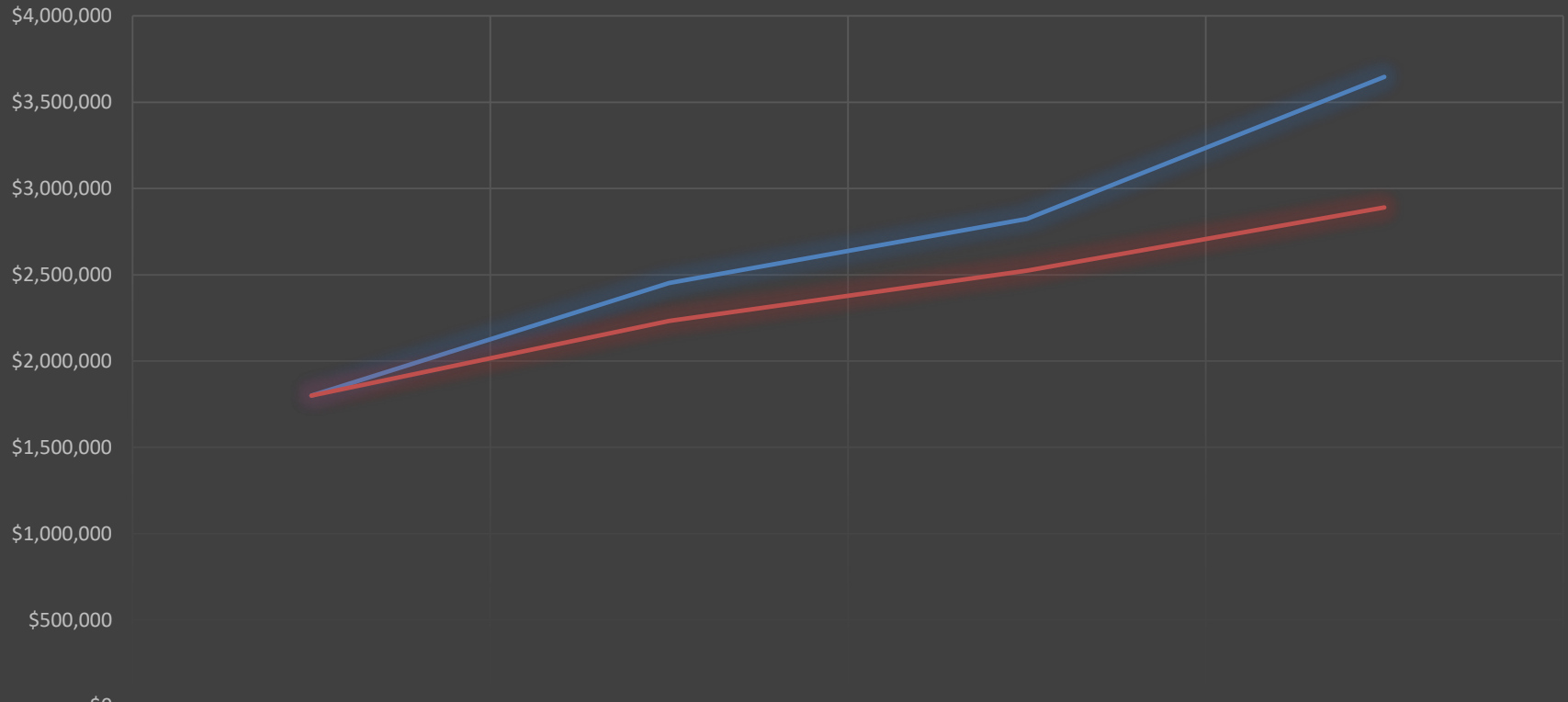
Total Returns for SSMU Portfolio



Total Returns for SSMU Portfolio

Actual SSMU Performance

SSMU Benchmark



	Start	After 5 years	After 8 Years	Total
SSMU	\$1,800,210	\$2,452,537	\$2,824,431	\$3,646,732
Benchmark	\$1,800,210	\$2,233,161	\$2,523,736	\$2,890,173

SSMU Holdings - Bonds



Account Position Report

As of September 28, 2018

For: STUDENTS' SOCIETY OF MCGILL UNIVERSITY
(491KML)

Currency: CAD

Advisor: Q102

Created on October 9, 2018

Exchange rate: 1.00 USD = 1.29265 CAD

% of Total	Position	Quantity	Average Cost	Book Value	Close Price	Market Value	Accrued Interest	Income on Current Positions YTD	Yield At Purchase**	Yield At Last Closing**
Totals (Including Cash Balance)				3,262,460.16		3,627,626.97	19,104.57	73,346.51		
0.4%	Cash balance			15,392.65		15,392.65				
0.4%	Canadian Cash Balance			15,392.65		15,392.65				
0.0%	U.S. Cash Balance			0.00		0.00				
51.5%	Fixed income securities			1,874,740.62		1,869,543.41	19,104.57	47,032.46	4.23%	4.07%
51.5%	Canadian fixed income			1,874,740.62		1,869,543.41	19,104.57	47,032.46	4.23%	4.07%
0.7%	5N PLUS CV RED5.75%30JN19	24,000	89.1872	21,404.93	101.00	24,240.00	339.34	3,467.28	10.23%	4.40%
0.8%	AGT FOOD RD 5.875% 21DC21	30,000	101.125	30,337.50	99.50	29,850.00	476.74	881.25	5.62%	6.04%
2.0%	AIMIA SER-4 6.85% 17MY19	70,000	102.80	71,960.00	101.50	71,050.00	1,746.01	2,397.50	5.64%	4.45%
1.9%	ALGONQUIN PWR 4.09%17FB27	70,000	101.00	70,700.00	99.338	69,536.60	326.76	2,863.00	3.97%	4.18%
0.2%	BAYLIN E23 CV 6.5% 15AG18	6,000	100.00	6,000.00	122.00	7,320.00	0.00	0.00	6.50%	
1.4%	BELL CANADA 3.25% 17JN20	50,000	100.02	50,010.00	100.689	50,344.50	457.31	812.50	3.25%	2.84%
2.8%	BRKFLD REN RD 4.25%15JA29	100,000	100.432	100,432.00	99.699	99,699.00	145.30	0.00	4.20%	4.29%
2.4%	C.N.R. CB 3.2% 31JL28	90,000	99.542	89,587.80	98.362	88,525.80	461.74	0.00	3.25%	3.39%
2.4%	COMINAR REIT 4.941%27JL20	85,000	102.9253	87,486.50	101.72	86,462.00	718.99	4,199.86	4.46%	3.97%
1.6%	CROMBIE-D CB 4.066%21NV22	60,000	100.00	60,000.00	99.088	59,452.80	861.82	1,226.48	4.07%	4.31%
2.2%	ELEMNT E19 CV5.125%30JN19	80,000	100.125	80,100.00	99.00	79,200.00	1,008.20	4,100.00	5.06%	6.48%
2.1%	EQUITABLE BK FL/RT 17AP19	75,000	100.00	75,000.00	99.876	74,907.00	405.57	1,634.14	2.73%	2.95%
2.1%	FIRST CAP-K 4.95% 30NV18	75,000	103.6718	77,753.82	100.451	75,338.25	1,220.69	1,856.25	4.25%	2.33%
4.0%	LBC SR DEP NT 2.5% 23JA20	146,000	99.0718	144,644.88	99.28	144,948.80	664.54	3,640.00	2.73%	3.06%
0.5%	MACS C19 7.405%FR31DC2108	18,000	102.18	18,392.40	105.262	18,947.16	327.76	1,332.90	7.30%	7.16%
2.7%	METRO INC CB 3.39% 6DC27	100,000	96.7195	96,719.50	96.071	96,071.00	1,055.90	-538.69	3.80%	3.89%
0.8%	MORGUARD 4.099% 10DC18	30,000	102.4333	30,730.00	100.263	30,078.90	369.58	614.85	3.23%	2.78%
1.1%	MORGUARD-B 4.013% 18NV20	40,000	100.30	40,120.00	100.283	40,113.20	580.14	802.60	3.93%	3.88%
1.7%	QUE 144A RST 6.625%15JA23	58,000	102.0086	59,164.99	107.00	62,060.00	1,102.36	1,921.25	6.35%	4.83%
2.1%	RUSSEL MTLs RST 6% 19AP22	75,000	103.125	77,343.75	101.25	75,937.50	1,991.80	2,250.00	5.27%	5.61%
1.4%	SHAW COMM 3.15% 19FB21	50,000	100.45	50,225.00	100.129	50,064.50	171.20	1,575.00	3.05%	3.09%
2.0%	SHAW COMM C23 4.35%31JA24	70,000	106.44	74,508.00	103.604	72,522.80	488.19	1,576.73	3.18%	3.61%

SSMU Holdings Bonds/Equities



Account Position Report

As of September 28, 2018

For: STUDENTS' SOCIETY OF MCGILL UNIVERSITY
(491KML)

Currency: CAD

Advisor: Q1O2


Created on October 9, 2018

Exchange rate: 1.00 USD = 1.29265 CAD

% of Total	Position	Quantity	Average Cost	Book Value	Close Price	Market Value	Accrued Interest	Income on Current Positions YTD	Yield At Purchase**	Yield At Last Closing**
1.9%	SMARTCTR-S CB3.834%21DC27	70,000	96.37	67,459.00	95.721	67,004.70	725.95	275.73	4.29%	4.39%
2.0%	SOBEYS CB-23 4.7% 8AG23	70,000	101.9371	71,356.00	103.00	72,100.00	455.95	3,290.00	4.38%	4.02%
0.8%	SUPERIOR RED 5.125%27AG25	30,000	95.00	28,500.00	94.50	28,350.00	133.70	233.78	5.97%	6.09%
1.3%	SUPERIOR RED 5.25% 27FB24	50,000	101.125	50,562.50	97.25	48,625.00	228.26	1,017.64	5.03%	5.84%
2.2%	TELUS-CQ C24 3.75% 17JA25	80,000	104.14	83,312.00	100.775	80,620.00	595.11	3,000.00	3.11%	3.61%
2.2%	VERESEN SR-4 3.06% 13JN19	78,000	98.2113	76,604.80	100.255	78,198.90	697.78	1,193.40	3.68%	2.70%
1.4%	VIDEOTRN C25 5.625%15JN25	50,000	96.113	48,056.50	103.50	51,750.00	1,275.61	1,406.25	6.07%	5.10%
1.0%	VIDEOTRON RGS 5.75%15JA26	35,000	103.625	36,268.75	103.50	36,225.00	72.27	2.76	5.16%	5.26%
8.3%	Mutual funds			301,557.41		301,532.41		1,152.41		
8.3%	Canadian mutual funds			301,557.41		301,532.41		1,152.41		
8.3%	EQB HIGH ISA-F /NL/N'FRAC	301,532.410	1.0001	301,557.41	1.00	301,532.41		1,152.41		
39.7%	Stocks			1,070,769.48		1,441,158.50		25,161.64	3.33%	2.48%
39.7%	Canadian stocks			1,070,769.48		1,441,158.50		25,161.64	3.33%	2.48%
1.7%	AG GROWTH INTL INC	1,000	43.6518	43,651.80	62.94	62,940.00		1,800.00	5.50%	3.81%
2.1%	ALTUS GROUP LTD	2,500	10.7155	26,788.75	30.61	76,525.00		1,350.00	5.60%	1.96%
2.6%	ANDREW PELLER LTD-A NV	5,800	3.7413	21,699.38	16.43	95,294.00		1,034.10	5.48%	1.25%
0.2%	ASIAN TV NETWORK INTL LTD	20,000	1.8986	37,971.60	0.32	6,400.00		500.00	4.21%	25.00%
1.0%	BAYLIN TECHNOLOGIES INC	8,800	2.4182	21,280.00	4.23	37,224.00		0.00		
1.2%	BCE INC	800	35.6826	28,546.09	52.33	41,864.00		1,710.25	8.46%	5.77%
0.5%	BLACKBERRY LIMITED	1,125	13.1201	14,760.07	14.62	16,447.50		0.00		
2.5%	BORALEX INC CL-A	5,000	8.02	40,100.00	18.03	90,150.00		2,325.00	7.86%	3.49%
1.3%	CANADIAN NATIONAL RAILWAY	400	96.887	38,754.80	115.90	46,360.00		546.00	1.88%	1.57%
0.5%	CENTRIC HEALTH CORP	52,800	0.6331	33,426.22	0.365	19,272.00		0.00		
1.7%	CGI GROUP INC-A SV	750	64.3427	48,257.05	83.28	62,460.00		0.00		
0.7%	D-BOX TECHNOLOGIES INC-A	110,000	0.2645	29,097.50	0.215	23,650.00		0.00		
0.8%	DIAMOND EST WINE& SPIRITS	100,000	0.22	22,000.00	0.28	28,000.00		0.00		
0.6%	DOLLARAMA INC	550	43.2198	23,770.89	40.69	22,379.50		0.00	0.37%	0.39%
1.1%	EQUITABLE GROUP INC	600	52.737	31,642.21	68.87	41,322.00		730.00	2.05%	1.57%

SSMU Holdings Equities Cont.





Account Position Report

As of September 28, 2018 Currency: CAD
 For: STUDENTS' SOCIETY OF MCGILL UNIVERSITY Advisor: Q102
 (491KML) Created on October 9, 2018

Exchange rate: 1.00 USD = 1.29265 CAD

% of Total	Position	Quantity	Average Cost	Book Value	Close Price	Market Value	Accrued Interest	Income on Current Positions YTD	Yield At Purchase**	Yield At Last Closing**
1.3%	GOODFOOD MARKET CORP	15,000	2.0454	30,681.60	3.22	48,300.00		0.00		
1.4%	GUARDIAN CAP GROUP-A NV	2,000	8.70	17,400.00	25.35	50,700.00		700.00	5.75%	1.97%
1.8%	INNERGEX RENEWABLE ENERGY	5,000	9.809	49,045.07	12.98	64,900.00		2,525.00	6.93%	5.24%
1.3%	K-BRO LINEN INC	1,200	38.1174	45,740.88	38.34	46,008.00		1,000.00	3.15%	3.13%
1.7%	LOBLAW COMPANIES LTD	950	67.1202	63,764.23	66.36	63,042.00		752.75	1.76%	1.78%
2.0%	LOGISTEC CORP CL-B SV	1,350	9.1394	12,338.21	52.55	70,942.50		408.39	4.37%	0.76%
0.4%	NFI GROUP INC	300	49.4317	14,829.51	50.27	15,081.00		0.00	3.03%	2.98%
1.5%	PARK LAWN CORP	2,050	13.9606	28,619.14	26.62	54,571.00		756.20	3.27%	1.71%
1.2%	PLAZA RETAIL REIT T/U	10,000	4.0632	40,631.59	4.20	42,000.00		2,090.80	6.89%	6.67%
0.6%	POLLARD BANKNOTE LTD	850	20.7814	17,664.19	24.86	21,131.00		0.00	0.58%	0.48%
0.9%	ROGERS SUGAR INC	6,000	6.0621	36,372.30	5.54	33,240.00		1,440.00	5.94%	6.50%
0.9%	SAVARIA CORPORATION	1,550	6.2321	9,659.71	19.99	30,984.50		571.50	5.78%	1.80%
1.0%	SIENNA SENIOR LIVING INC ⁱ	2,100	17.4871	36,723.00	17.12	35,952.00		1,251.90	5.25%	5.36%
0.5%	STELLA JONES INC	400	44.5731	17,829.25	43.24	17,296.00		72.00	1.08%	1.11%
2.0%	TELUS CORP	1,550	23.2628	36,057.28	47.61	73,795.50		2,025.75	9.03%	4.41%
1.3%	TEN PEAKS COFFEE CO INC	8,000	7.8943	63,154.00	6.03	48,240.00		1,500.00	3.17%	4.15%
0.5%	TVA GROUP INC CL-B NV	7,500	6.8153	51,114.50	2.21	16,575.00		0.00		
1.1%	WINPAK LTD	800	46.7483	37,398.66	47.64	38,112.00		72.00	0.26%	0.25%

APPENDIX B: EXECUTIVE MANAGEMENT TEAM

J. Anthony Boeckh – BA, MA Chairman of the Board



Tony became Chairman of the firm in June 2017. In the early 1960's, he spent four years at The Bank of Canada working in monetary and economic analysis. From 1968 to 2002, Tony was Chairman, Chief Executive and Editor-in-chief of Montreal-based BCA Research (also known as The Bank Credit Analyst), which he built into a world renowned independent publisher of global macroeconomic research and investment advice. From 1968 to 1973, he also taught Economics and Finance at McGill University. From 1985 to 1999, Tony was Chairman of Greydanus, Boeckh and Associates, which managed \$2-billion in fixed income assets and was sold to Toronto-Dominion Bank. Tony authored *The Great Reflation*, which was published in 2010 and was ranked #1 on Amazon, as well as co-authored *The Stock Market and Inflation*, published by Dow Jones-Irwin in 1982. Together with his son Rob Boeckh, he was publisher and co-editor of the *Boeckh Investment Letter* from 2009-2013, a commentary focusing on current investment prospects. Tony is currently President of Boeckh Investments Inc., a family office, and Chair of the Graham Boeckh Foundation, a private family foundation established in honor of his son. Through the Foundation, the Boeckh family provides funding for initiatives in the area of mental health and other related disciplines. The Foundation's work has expanded to support policy research and other initiatives designed to transform the mental health care system in Canada and improve the lives of those suffering from mental health problems. Tony is also a Board member of the Brain & Behavior Research Foundation in New York, and a founding trustee of the Fraser Institute in Vancouver, British Columbia, an economic "think tank" dedicated to free market principles. He is a former Chair of Brain Canada (Neuroscience Canada) and a former Director of the Mental Health Commission of Canada. Tony holds a PhD in Finance and Economics from The Wharton School, University of Pennsylvania and a B. Com from the University of Toronto.

EXECUTIVE MANAGEMENT TEAM

Stephen Takacsy– B. Eng, MBA (Finance)

President & CEO, Chief Investment Officer and Lead Portfolio Manager Canadian Equity



Stephen joined the firm in 2006 as Chief Investment Officer to help establish new investment strategies, and manage equity and fixed income portfolios. He became Chief Executive Officer in 2017. Stephen's diverse career in finance spans over 30 years, including Corporate Banking at Royal Bank of Canada, Investment Banking at Richardson Greenshields, and managing the proceeds resulting from the growth and sale of the control block of one of Canada's leading entertainment companies where he was Senior Vice President and Chief Financial Officer. His extensive experience at analyzing and assessing the value of companies in many different industries, and sizing up management and their business plans, has added significant value to our clients' portfolio returns. Stephen was Chairman of the Finance Committee of Loyola High School and a long-time member of the school's Board of Governors. He is currently a member of the Board of Governors of The Marianopolis Millennium Foundation and Chairman of its Investment Committee, Chair of Conservation Manitou, a registered charity focused on the preservation of natural areas in the Laurentians, as well as a director of quick service restaurant franchisor BeaverTails Canada Inc. Stephen holds an MBA in International Finance, a B. Eng from McGill University, and the Partners, Directors and Officers certification.

EXECUTIVE MANAGEMENT TEAM

Jordan Steiner – B. Com, CFA

Chief Compliance Officer and Lead Portfolio Manager Canadian Fixed Income



Jordan joined the firm in 2011 as a Research Analyst in order to assist in covering Canadian equities. He later became Assistant Portfolio Manager and eventually became Portfolio Manager, helping to manage both Canadian Equity and Fixed Income portfolios. Jordan became Vice-President of the firm in 2017, and is now Lead Portfolio Manager of both Canadian Fixed Income, as well as Chief Compliance Officer. Jordan holds a B. Com from McGill University, as well as the Chartered Financial Analyst (CFA) designation and the Partners, Directors and Officers certification.