First Quarter Commentary:

During this time when we are faced with a very unique and contagious health risk, we want to send our best wishes for a full recovery to those who are dealing with health issues related to Coronavirus. We also want to thank all those who are on the front lines; the doctors, nurses, first responders who are treating patients. We also want to thank those people working in "essential service" businesses that are continuing to work despite the unprecedented demands put on them.

The first quarter of the year witnessed new highs for major North American indexes before abruptly changing direction mid-February. Markets began to weaken as mounting concerns over the spread of the coronavirus began to surface, impacting countries outside of Asia. It was becoming clear that this virus was not just a significant health concern, but was becoming a global economic challenge. By the middle of March, all three major benchmark indexes in the US suffered their worst weekly performances since the 2008 global financial crisis. The Dow dropped 17% for the week of March 16th, the S&P 500 sank 15% and the Nasdaq tumbled more than 12%. We have experienced several days in March when "circuit breakers" were hit on the markets, both "limit up and limit downs" creating a pause so that orders could be filled in an orderly fashion. For the first quarter of 2020, major indexes witnessed significant negative performance with the S&P 500 -12.95% (CDN$ terms) while the S&PTSX ended the quarter -20.89%. Our North American benchmark, a blend weighted 60% S&P500 (in CDN$) and 40% weighted to the S&PTSX returned -16.13%. For the quarter our portfolio was -13.23%, outperforming the major indexes during this challenging period.

While this outbreak is encouraging global policy makers to work together, keep financial conditions loose and capital markets open, the difficulty for policy makers is the tougher issue of containment measures, the greater the spillover, the greater the risk for the global economy. Fiscal support and monetary stimulus can only partially counteract an economic shock such as COVID19.

Unlike the 2008 global financial crisis, coronavirus is not the result of excessive debt levels and instability in the financial system.. Coronavirus is a health pandemic which we need to take seriously, endure, and in time manage. Unfortunately, the public health measures required to manage the pandemic (shut downs, event cancellations, and various other social distancing measures) have a direct and devastating effect on the economy in the near term. While there are similarities between the emergence of SARS in 2002-03 and COVID-19, given the spread, the global economic challenges are much larger and hence the impact on daily routines, travel, logistics and supply chains are larger than it was in 2002-03. As a society, we must do our part to 'flatten the curve' by physically isolating ourselves for a period of time. We may require future periods of social distancing but at the very least it allows our health care systems an opportunity to upgrade and be ready. After COVID-19, more attention must shift to our healthcare infrastructure.

The probability of a global recession has increased to the point of being a virtual certainty and as the timing of the end of the pandemic remains unclear, capital markets will remain volatile. While the hope is that effects will be short lived, many equities are implying a much longer recovery. Without clear economic visibility, we are less likely to be returning to a period of low volatility in the short term. Stock market bottoms do not occur in a day or week, it is a process. As an investment manager, our role is to be prudent and protect capital, that is our primary focus. The reality is the global economic crisis triggered by the COVID-19 outbreak in China, and the subsequent global spread of the virus will lead to a decline in corporate earnings reported by companies all over the world with very few exceptions.

Our strategy continues to focus on companies focused in consumer needs vs. wants and movement of goods and services vs. fads. We believe that companies that exhibit core strengths in providing goods and services will prove resilient in this environment and well positioned as we exit this period. We will continue to hold a concentrated portfolio of our best ideas that will navigate successfully through these challenges. Our focus continues to be a portfolio solution lowering volatility while addressing the need for income.

Bond yields are too low to provide meaningful income and equities are as stated above, increasingly volatile. While we cannot ignore the headlines around the world that will surely generate continued volatility in global equities and currencies, we will continue to focus on holding a portfolio of leading companies, many of which generate stable and growing dividends and distributions. Criteria we look for are sound business models focusing on cash flow generation, long term steady demand for products or services, growing positive cash flow, a disciplined view on raising additional capital as well as having a low dividend payout ratio.

Core positions that meet our criteria and are expected to continue to be core holdings in our portfolios include; Dollar General, Waste Connections Inc and Cargo Jet.

Dollar General Corporation (DG) operates approximately 16,400 stores in 45 states in the USA. DG has been a high quality, defensive and well managed core holding of ours for many years. It has a straightforward predictable business model delivering value to shoppers for more than 80 years, offering food, health and beauty aids, cleaning supplies, basic apparel, housewares and seasonal items at everyday low prices. In addition to high-quality private brands, DG sells products from America's most-trusted brands and companies such as Clorox, Procter & Gamble, Hanes, Coca-Cola, Kellogg's, General Mills, and PepsiCo. Despite the risk of a severe economic downturn, the environment for investing capital into DG continues to be very favorable. Same-store sales growth during times of economic slowdowns (1991/2001/2008) have approached double digits. Recent store expansions have included money transfer service areas for Western Union and courier services for FedEx, adding more growth to its bottom line. This level of growth should allow mgmt. to continue leveraging its extensive store base to provide high-margin, value-added services to serve customers.

Waste Connections (WCN) is an integrated municipal solid waste services company that provides collection, transfer, disposal, and recycling services in the U.S. and Canada. Many of its clients are major cities across North America, WCN operating in 42 states and 6 provinces. WCN also provides non-hazardous waste treatment, recovery, and disposal services in several of the most active natural resource-producing areas of the U.S. We like WCN for it’s strong balance sheet, limited capital requirements, strong cash flow generation and industry leading margins and price led organic growth. Factoring in the outlook of uncertainty in the broader economy, we believe that WCN has decent visibility into near-term demand and

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profitability. A rising number of commercial businesses are closed or temporarily shut down. This is likely to have a material impact on near-term commercial waste volumes. Construction volumes are also likely to slow down in some regions. With much of the population working from home though, residential volumes should be strong with a slight tilt to growth. On the cost side, lower oil prices will assist with cost management. While we acknowledge WCN tends to trade at a premium to its peers, we also take comfort in knowing waste collection and disposal are essential services that ensure a base level of business through various economic conditions. In addition, we believe that management has protected the balance sheet by maintaining low debt levels, while focusing on free cash flow generation year in and year out. We have tempered our near term outlook with strength in the medium term as the North American economy comes out of the COVID19 slowdown.

Cargojet (CJT) is Canada's leader for time-sensitive overnight air cargo, representing over 90% of the domestic overnight air cargo lift available in Canada**.** . Its business focuses on transporting goods while yet not involved in door to door delivery. CJT's focus is on the "middle mile", working cooperatively with couriers and logistics companies to fulfil their time sensitive next day delivery promise. Approximately 75% of domestic revenues are under long-term contracts that include variable surcharges for uncontrollable cost adjustments (fuel & regulatory). These contracts also have guaranteed volume minimums and CPI-based automatic annual price increases protecting margins for CJT. We are attracted to CJTs near-monopolistic position in the Canadian air cargo market including its long-term customer contracts, unique mix of customers and cargo, significant barriers to entry, and long term pilot contracts containing non-strike clauses. The company has recently created a tailwind for its business from e-commerce, signing an agreement with Amazon helping it shrug off the impact from global trade tensions. We expect e-commerce to continue to drive growth as (1) online shopping continues to gain traction, (2) multiple ecommerce demand peaks throughout the year (ex. Amazon Prime Day, Black Friday), and (3) Canada lags other countries in the amount of e-commerce online (Canada ~6% vs US ~11% vs UK ~19% vs China ~23%). Near term while there is significant uncertainty, we anticipate e-commerce channels to remain strong. We anticipate increases in e-commerce activity as consumers look to alternate channels as work from home and social distancing measures are in place, potentially altering buyer behaviour. Long term, Amazon continues to report volume increases and we view this as positive to CJT's middle mile and last mile carriers that benefit from Amazon's push for faster deliveries. We will add to our portfolio on significant weakness.

The current opportunity that exists given the elevated level of volatility, is to use our option strategy to allocate capital to equities. Prior to this month, volatility was at record lows making option writing somewhat less attractive and causing us to be very selective in our options trades. However, that low volatility environment has now transitioned to extreme levels making protection buying very expensive. In this environment, we can use the volatility to our advantage and while it is elevated we can sell options which will generate significant option income.

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While we don't know when this pandemic will end nor when the markets will reach bottom, we want to share with you the things we do know:

1) This pandemic crisis will end
2) The economy will recover
3) The market will anticipate the recovery in the economy and react sooner
4) Buying good companies at attractive prices has always been a winning strategy

We see a sustained period of elevated volatility and can continue with this strategy until some of the uncertainty recedes At today's volatility levels and in keeping disciplined in our investing profile theme, we can sell short dated options (in some cases weekly, 10% out of the money cash secured puts and covered calls) granting us both further downside protection or the ability to participate in knee jerk upside bounces. What this all means is the elevated volatility allows us to allocate new capital to the equity markets but be protected until the much lower strike price comes into play before we have dollar for dollar market risk exposure. We do recognize that with the S&P500 is down near 30% YTD, the upside potential may exceed further downside deterioration. We are not worried about missing out on any outsized recovery as capital markets will not significantly recover unless we receive some form of economic visibility for a mean reversion process to take place. We also recognize that we are already invested in stocks that will experience outsized recoveries in price if we are in fact tilted to more upside moments. In our opinion the extreme volatility levels we witnessed in early March may be behind us but the current elevated implied and realized volatility levels are offering us a rare opportunity to earn additional returns on cash that would not be invested.

At Faircourt Asset Management Inc, we offer portfolio management services to individuals, families and foundations with $1 million in investable assets. Each client is unique, each portfolio that we manage has its own unique objectives. That's why we don't offer one portfolio for all clients. We believe that managing your wealth involves customizing a solution to meet your objectives.

If markets are keeping you up at night and you would like a fresh approach, give us a call at 1-800-831-0304 or 416-364-8989.

Sincerely,

The Portfolio Management Team