

DONVILLE | KENT

asset management inc.

Dear Partners and Friends,

Please accept this letter as official notice that the Donville Kent Capital Ideas Fund will be reopening to accept new investments as of March 1, 2019. In conjunction with the fund reopening, we will begin adding US stocks into the portfolio which in turn will evolve our Canadian fund to a North American Fund.

The Capital Ideas Fund has started the year very strongly and we're now reasonably bullish that our investments will continue to play out favourably in 2019. The interest rate hike cycle appears to be done in Canada and if not done already, it is close to being done in the US. The deep correction in Q4 2018 has lowered the valuations of many of the companies we follow and we currently have ample opportunities to deploy capital at attractive valuations.

As we have discussed in past newsletters and to many of you in person, the US offers a much better selection of high ROE stocks. For one, the market is much larger but more importantly, there is a better selection of high return on equity businesses. We do not expect and we do not want the process that has led to our beating the market¹ in 10 of the last 11 fiscal years to change. We have been tracking, modelling, and speaking with management teams of US companies for many years now and we are more than confident that our philosophy and investment style will work well in that market.

The fund will be a best ideas fund, with no set geographic split, and with the main goal of investing in the best companies in North America. The fund will not have a hard cap, but like in 2015 when we first closed the Capital Ideas Fund, we will cap the fund if we feel that the size may impact shareholder returns. In addition, we will be re-opening the RRSP eligible portion of the fund with an anticipated date of May 1, 2019.

For additional information, please contact Dominika Wisniowski at: 416-364-8505 x 200 or dominika@donvillekent.com

Regards,
Jason & Jesse

¹ S&P/TSX Composite Total Return Index