EDGEPOINT®

THE PRICE OF LONG-TERM OUTPERFORMANCE

Why should you read this?

Getting to your Point B, whether it's retirement, children's education or whatever you're saving for, requires two things: a Financial Advisor to keep you on track and an Investment Approach you understand and trust.

2020 was an extreme example of how both can be tested in the short term.

When it comes to meeting long-term financial goals, the sad reality is that many investors don't get there. How they feel today influences the decisions that affect them in the years to come, and they often make avoidable mistakes driven by their emotions.

The discomfort of being different from the crowd, watching their investments underperform or jumping on the latest "hot" market trend are among the pressures investors face regularly.

Humans evolved as herd animals, so departing from the safety of the crowd is fighting against an instinct ingrained over thousands of years.

However, while summoning rare emotional discipline is hard, it's not impossible. First, having an advisor who keeps things in perspective is key to staying calm through difficult times. Second, is finding an investment approach you can understand, believe in and commit to for the long term. The road to compounding wealth isn't a smooth one, so it helps to have a map that shows you the way.

But it's not me, it's you?

What if you could find an investment manager who can remove those bumps along the way? We'd love to tell you this was possible, but the reality is 100% of outperforming managers spend some time in investment purgatory.

Don't take our word for it, though.

A recent extensive research paper from Vanguard analyzed outperforming funds over a 25-year period.[i]

The data shows that 100% of long-term outperforming funds experienced underperformance at least once over 1-, 3- and 5-year periods relative to their median peer benchmark.

Roughly 80% of these outperforming funds had at least one 5-year period when they were in the bottom quartile relative to their peers.

The 25-year study showed that investors who select an outperforming manager will likely experience underperformance of:

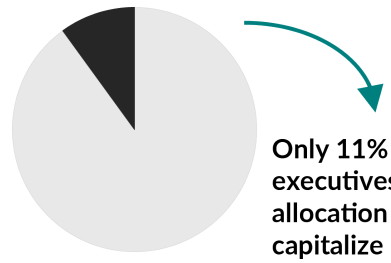
- Two years or more vs. the benchmark during any 10-year period
- 20% or more vs. the benchmark at some point during the total holding period

This isn't the only study that addresses this topic. Another shows very similar stats on successful investment managers. Over careers that spanned decades, six managers including Warren Buffett, Charlie Munger and Sir John Templeton underperformed the S&P 500 Index roughly 33% of the time. In Buffett's case, that would mean he underperformed in 17 out of 50 years. Despite those individual bad years, these managers still averaged annualized outperformance between 6% and 15%. We're sure most of their investors would look back and gladly trade that short-term pain for the long-term gain.

Knowing this, it would be reasonable to assume that those in charge of selecting and monitoring investment managers on behalf of clients should be able to tolerate bouts of short-term underperformance.

Here's another sad dose of reality:

Nine out of 10 investment professionals responsible for allocating capital to investment managers can't handle underperformance for more than two years before giving managers the boot. Warren Buffett would have been fired many times over!



Only 11% of investment executives with asset allocation responsibilities capitalize on downturns

89% of investment executives with asset allocation responsibilities would not tolerate underperformance for more than two years before seeking a replacement *(State Street 2016 study)*

This lack of patience and focus on short-term performance sabotages their investors' chances of getting to their Point B, whether it's retirement, a home or their children's education.

Why does this happen?

The answer lies in structure – specifically the structure of the investment management business. The mutual fund industry has transformed from an investment-driven business to one led by sales and marketing, where the interests of investors aren't put first.

Warren Buffett, Peter Cundill, Ned Goodman, Robert Krembil or Sir John Templeton – history proves that the best place for investors to entrust their savings is with professional investors who also serve as the key-decision makers at their respective outfits. These people possess the skill and temperament to effectively manage money and tend to be driven by investors' best interests. Contrast this to sales & marketing-driven companies where the focus is less on investing and more on asset gathering. Great for the gatherers, awful for the investors!

However, it's hard to gather assets if you look different from the crowd. Oftentimes, consultants who advise institutional investors are reluctant to support an investment approach that ventures far from the crowd.

For the money managers, the greatest risk isn't underperforming, but stepping out of line with their peers. Failing conventionally offers the "protection" of the crowd and poses little risk to the firm's mission of attracting assets. In addition, their bonus structure, which is based on beating a benchmark, doesn't exactly incentivize you to stray too far from the benchmark.

What about EdgePoint?

Before we discuss our performance, let's revisit structure.

We're laser focused on doing what's right for the end investor. By dedicating more time and resources to help investors understand our investment approach and its benefits, we can help them through difficult periods of short-term underperformance. We can pay more attention to our small stable of Portfolios compared to the hundreds in our competitors' line ups.

Just like our structure is the foundation for how we invest, our time-tested investment approach guides us in compounding our investors' hard-earned wealth. We approach each business as though it's the business that's going to feed, shelter and clothe our own family. The proof is in the pudding – employees at EdgePoint collectively hold $352 million in company-related products[ii] – the same products our clients own. In short, we're actually relying on the businesses we own to meet our own families' needs.

By acting like rational business owners, we see volatility as opportunity and not risk. Although daily price movements may frighten investors who don't know the true value of their businesses, we make it our job to fully understand the value of a business and strive to buy these businesses at prices below their true worth.

A consistent approach, in good times or bad

While some managers may face pressure from the top or from disgruntled clients to change their investment approach and shore up their short-term numbers, we choose to invest with conviction and stand behind our exhaustive research and proprietary insights. We believe this is the best way we can do right by our investors.

Talk is cheap, so here's a recent example. Take a look at EdgePoint Canadian Portfolio's performance as of June 2020, when we were at the bottom of the barrel and bank analysts were taking us off recommended fund lists. The Portfolio was fourth quartile on a 1-, 3- and 5-year basis. The underperformance experienced in 2020 affected all these time periods. We couldn't look more wrong.

EdgePoint Canadian Portfolio, Series F quartiles and returns[iii]

			Return period			
		Quartile	1-year	3-year	5-year	10-year
June 30, 2020		1				
	Quartile and return	2				6.65%
		3				
		4	-15.02%	-4.40%	0.75%	
	Percentile rank		97	94	86	34
Portfolio performance vs.	Canadian Equity Fund average		-8.81%	-5.44%	-2.05%	+0.64%
	S&P/TSX Composite Index		-12.84%	-8.30%	-3.70%	+0.30%

Fast forward just a year later and that was enough to remind us how quickly things change:

EdgePoint Canadian Portfolio, Series F quartiles and returns[iv]

		Quartile	1-year	3-year	5-year	10-year
June 30, 2021		1	61.01%		11.28%	9.86%
	Quartile and return	2		10.68%		
		3				
		4				
	Percentile rank		1	30	12	4
Portfolio performance vs.	Canadian Equity Fund average		+27.51%	+1.16%	+2.24%	+3.00%
	S&P/TSX Composite Index		+27.15%	-0.12%	+0.50%	+2.42%

Source: Morningstar Direct, Fundata Canada Inc. As at June 30, 2021. Figures in orange boxes indicate EdgePoint Canadian Portfolio, Series F annualized performance for the stated period. The S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic allocations may impact comparability and could result in periods when our performance differs materially from the index. Please see endnote III for more information on quartiles.

Performance as at August 31, 2021 Annualized, total returns	YTD	1-year	3-year	5-year	10-year	Since inception (Nov. 17, 2008 to Aug. 31, 2021)
EdgePoint Canadian Portoflio, Series F	31.49%	51.53%	11.06%	10.41%	10.79%	13.25%
S&P/TSX Composite Index	20.16%	28.24%	11.57%	10.40%	8.10%	10.13%

Looking at the 2021 returns, the grass has become much greener, yet neither the gardeners nor the tools changed – we simply remained true to our proven long-term investment approach. During that time, many investors panicked and made decisions that helped them feel better in the short term, but ultimately, they likely sabotaged their long-term financial goals.

With our Canadian Portfolio in the top quartile over most timeframes, other firms in this position might see it as a great time to lure investors into buying as quickly as possible. Let's be honest – it's an easy sell.

Although we believe the best time to buy is when you have money to do so, we'll be the first to point out periods of underperformance as great buying opportunities.

Similar to the Canadian Portfolio, EdgePoint Global Portfolio looked hard to defend last summer. Our competitors were quick to notice and sent advisors E-mails such as "EdgePoint was recently downgraded to a 3-star Morningstar rating, our funds are 4 and 5 stars". Unfortunately, a single data point like this tells you nothing about the investment approach or your understanding of it. As dazzling as it may seem, a 3-star Morningstar rating doesn't say anything about the long-term ability of the approach to compound wealth.

EdgePoint Global Portfolio, Series F quartiles and returns[v]

		Quartile	Return period 1-year	3-year	5-year	10-year
June 30, 2020		1				12.88%
	Quartile and return	2				
		3			5.30%	
		4	-11.49%	1.52%		
	Percentile rank		98	83	62	16
	Portfolio performance vs.	Global Equity Fund average	-15.96%	-3.58%	-1.10%	+2.42%
		MSCI World Index	-18.68%	-6.88%	-3.47%	+0.16%

Things have quickly turned over one year, but we believe the runway remains long.

EdgePoint Global Portfolio, Series F quartiles and returns[vi]

		Quartile	1-year	3-year	5-year	10-year
June 30, 2021		1	32.04%			13.90%
	Quartile and return	2			12.24%	
		3				
		4		6.20%		
	Percentile rank		20	87	33	10
	Portfolio performance vs.	Global Equity Fund average	5.28%	-4.79%	1.42%	3.50%
		MSCI World Index	5.62%	-6.50%	-1.51%	0.46%

Source: Morningstar Direct, Fundata Canada Inc. As at June 30, 2021. Figures in orange boxes indicate EdgePoint Global Portfolio, Series F annualized performance for the stated period. The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally. Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic allocations may impact comparability and could result in periods when our performance differs materially from the index. Please see endnote V for more information on quartiles.

Performance as at August 31, 2021 Annualized, total returns	YTD	1-year	3-year	5-year	10-year	Since inception (Nov. 17, 2008 to Aug. 31, 2021)
EdgePoint Global Portoflio, Series F	16.69%	31.48%	5.43%	10.77%	15.13%	15.42%
MSCI World Index	16.98%	25.85%	13.76%	13.97%	15.05%	13.12%

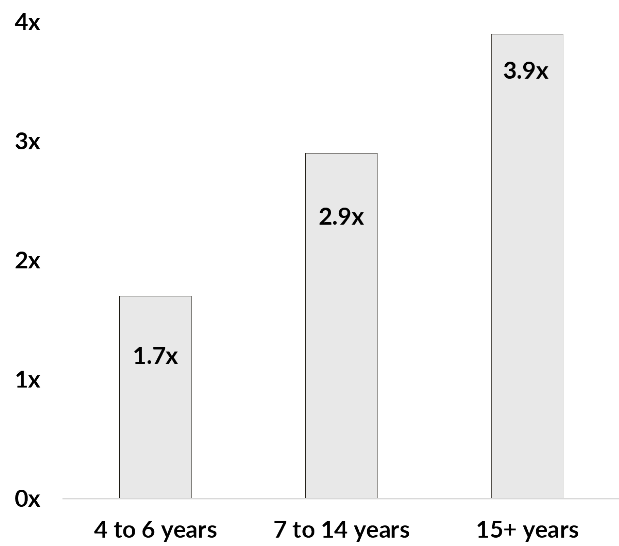
Our Portfolios went from worst-to-first over a one-year period, but we're still finding opportunities to buy businesses at prices below their worth. That means there's still plenty of growth ahead over the long term.

As we mentioned earlier, it's important to maintain an approach that you understand and believe in. It's equally important to stick to this approach in good times and bad.

Let's face it – if it were easy to get rich from investing, everyone would be wealthy. But it's not easy, and there will be many challenges on the way. There are few sure things in life, but market volatility occurring and the stress from seeing the price of something you own drop are two of them. Remember, the greatest threat to your investment performance is making a decision about how to get to your Point B based on how you feel today.

Even though your Point B is personal, you don't have to do it alone. By finding a financial advisor who knows your goals, with whom you can communicate often and openly, you can build a viable plan and put any market events in perspective. Research shows that the wealth of investors who work with advisors is greater than those trying to do it by themselves. While some companies try to get you to see green with ads claiming you can retire with more money by saving on advisor fees and doing it on your own, the truth is the wealth gap increases significantly for investors the longer they spend with their advisors compared to their solo counterparts. Is it really time to switch?

Ratio of advised vs. non-advised current financial assets



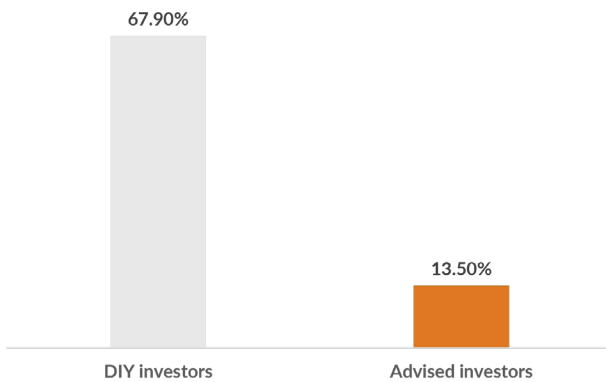
Source: The Investment Funds Institute of Canada, "Modest Investors: Easy Access and the Freedom to Choose are Keys to Successful Long-term Investing", Advisor Insights, January 2018. The research samples studied consistently showed that investors who work with financial advisors (advised investors) have more wealth and investible assets on average than those who do not (non-advised investors).

If we look at our own business, fewer than 1% of our retail clients have chosen to not work with an advisor, i.e., they buy/sell our Funds via discount brokerage channels online. Redemption rate, or the percentage of money withdrawn versus the average assets under management during a period of time, shows the effect that advisors had on our clients' decisions during the early stages of the COVID-19 pandemic. For every dollar with EdgePoint, unadvised investors redeemed 68 cents during the pandemic vs. 14 cents for investors working with advisors who have shown true alignment over time. This group of advisors represents approximately 83% of our assets.

Said another way, investors without access to sound advice redeemed at over five times the rate of those working with an advisor between February and August of 2020. During that time, investors dealt with a range of emotions surrounding the market uncertainty and were tempted to put their money somewhere that seemed safer when they saw their portfolio's value drop. Without an advisor's perspective and expertise, unadvised clients withdrew almost 70% of their assets at EdgePoint over a seven-month period. The result was that they missed out on the recovery, making decisions that would affect the rest of their lives. This is part of the reason why we no longer offer our funds in the unadvised discount broker channel.

Redemption rate, advised vs. unadvised

Feb. 1, 2020 to Aug. 31, 2020



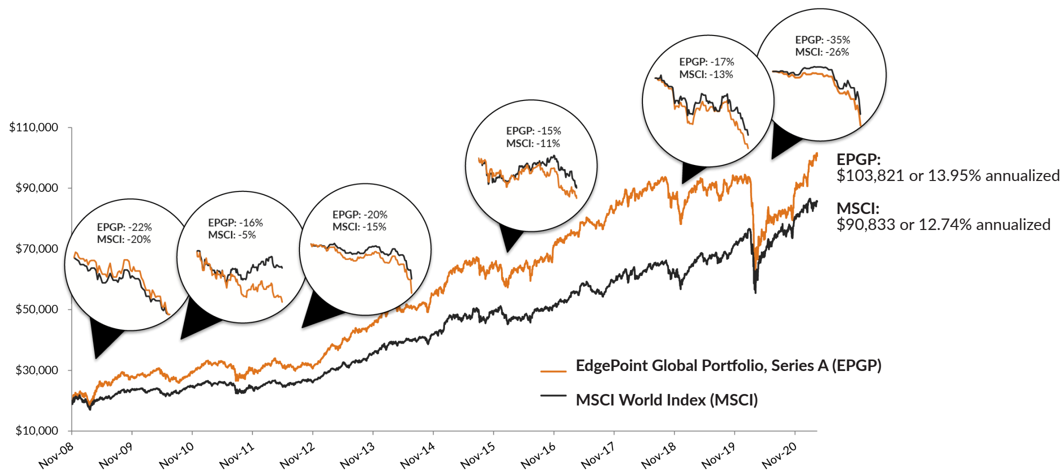
When patience pays off

Take a look at our long-term performance in the Global Portfolio. There were six periods of time where we looked wrong and worse than the crowd. Our Investment team steadfastly applied reasoning behind the facts under each scenario and maintained a narrow emotional band while taking advantage of market irrationality. To achieve a pleasing long-term outcome from your EdgePoint Portfolio, you need to believe in the approach used to guide your investment. Without strong belief, you're more likely to jump ship when faced with short-term underperformance, eliminating our ability to compound your wealth over time.

Growth of $20,000

EdgePoint Global Portfolio, Series A vs. MSCI World Index[vii]

Nov. 17, 2008 to Jun. 30, 2021



Source: Morningstar Direct. Total returns in C$. First decline: January 6, 2009 to March 9, 2009. Second decline: April 29, 2010 to August 24, 2010. Third decline: February 18, 2011 to August 8, 2011. Fourth decline: August 5, 2015 to February 11, 2016. Fifth decline: September 21, 2018 to December 24, 2018. Sixth decline: January 17, 2020 to March 23, 2020. The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally.

Performance as at August 31, 2021 Annualized, total returns, net of fees	YTD	1-year	3-year	5-year	10-year	Since inception (Nov. 17, 2008 to Aug. 31, 2021)
EdgePoint Global Portoflio, Series A	15.81%	29.99%	4.23%	9.51%	13.83%	13.92%
MSCI World Index	16.98%	25.85%	13.76%	13.97%	15.05%	13.12%

So now what?

You can't predict the market, but you can build a toolkit to help you stay on track:

1. **Partner up**
   Find an advisor. Over 13 years ago, we decided to partner with financial advisors because we believe investors' interests are best served by advisors who have the knowledge to guide you through all market conditions. In 2014, we wrote a commentary identifying the key attributes of a good advisor.

2. **Approach with caution**
   A good investment approach should be easily understandable, whether it's a fifth grader or someone who isn't financially savvy. If you can't explain it, you probably don't understand it.

3. **Trust issues**
   Understanding an investment approach makes it easier to trust, allowing you to have patience and conviction no matter what's happening in the market.

4. **Check yourself before you wreck yourself**
   Expect short-term underperformance along the way. To look right in the long-term, all outperforming managers have had to look wrong in the short term.

Unsure if you're going the right way? If you're uncomfortable when (not if) volatility happens in the market, then go back to step 1 and speak with your advisor. (If you're still keeping yourself up at night worrying, take a look at our Investor affirmations to keep yourself on track instead.)

At EdgePoint, we believe investing is most successful when it's most business-like. Our edge lies in thinking long term and applying a fundamentally sound approach in irrational markets. This strategy might not work every day, month or even year, but our approach has delivered for investors over the long run. We don't promise huge paydays in the short run, but rather endeavour to build your hard-earned wealth gradually and reliably over time.

[i] Source: Chris Tidmore & Andrew Hon, "Patience with Active Performance Cyclicality: It's Harder Than You Think", The Journal of Investing 30, no. 4 (2021). The Vanguard study consisted of 1,173 outperforming funds with a total of 22,382 calendar years of performance history and an average fund lifespan of 19 years. An outperforming fund is deemed to be a fund with a positive cumulative return net of expense ratio over the analysis period against its median peer benchmark.

[ii] As at December 31, 2020.

[iii] Source, index: Fundata Canada Inc. As at June 30, 2021. Figures in orange boxes indicate EdgePoint Canadian Portfolio, Series F annualized performance for the stated period. The S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic allocations may impact comparability and could result in periods when our performance differs materially from the index.

Source, fund average: Morningstar Research Inc. Morningstar quartiles divide return data on a monthly basis into four equal sections by fund peer group and return period. The quartiles are ranked, with the top 25% being in the first quartile, next 25% in the second, etc. Quartile rankings are subject to change every month. Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). The entire Canadian Equity category is used to calculate quartile rankings. Morningstar classifies EdgePoint Canadian Portfolio within the Canadian Equity peer group, which are open-end funds that invest at least 90% of their equity holdings in securities domiciled in Canada, and their average market capitalization must be greater than the Canadian small/mid cap threshold.

Performance as at June 30, 2021 **Annualized, total returns**	**YTD**	**1-year**	**3-year**	**5-year**	**10-year**
EdgePoint Canadian Portfolio, Series F	30.60%	61.01%	10.68%	11.28%	9.86%
Quartile ranking	1	1	2	1	1
Number of funds in the Canadian Equity category	644	633	561	481	218

[iv] Ibid.

[v] Source, index: Fundata Canada Inc. As at June 30, 2021. Figures in orange boxes indicate EdgePoint Global Portfolio, Series F annualized performance for the stated period. The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally. Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic allocations may impact comparability and could result in periods when our performance differs materially from the index.

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Performance as at June 30, 2021 **Annualized, total returns**	**YTD**	**1-year**	**3-year**	**5-year**	**10-year**
EdgePoint Global Portfolio, Series F	14.17%	32.04%	6.20%	12.24%	13.90%
Quartile ranking	1	1	4	2	1
Number of funds in the Global Equity category	2,076	1,985	1,696	1,249	560

[vi] Ibid.

[vii] Total returns in C$. First decline: January 6, 2009 to March 9, 2009. Second decline: April 29, 2010 to August 24, 2010. Third decline: February 18, 2011 to August 8, 2011. Fourth decline: August 5, 2015 to February 11, 2016. Fifth decline: September 21, 2018 to December 24, 2018. Sixth decline: January 17, 2020 to March 23, 2020. The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally.

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