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INVESTMENT PARTNERS LTD.

OPPORTUNITIES FUND
PLAYBOOK EXAMPLES

-PRIVATE & CONFIDENTIAL-

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Playbook Introduction

As former athletes, we like to describe our investment approach using the analogy of a Playbook. A team with only one play can often be stopped, but a championship team will have practiced multiple plays so that they can score regardless of the opposition's strategy. Our Playbook involves four basic strategies:

1. Great Businesses
The ideal business to own is highly profitable, has a sustainable competitive advantage (like a moat around a castle) and has one or more terrific growth opportunities ahead. Unfortunately, these attributes are normally well appreciated so companies possessing them usually sell for premium prices. However, obscurity and/or short-term issues occasionally present patient investors opportunities to buy these wonderful businesses at attractive prices.

2. Great Capital Allocators
The most important task for a CEO is to allocate profits to attractive reinvestment opportunities. Common alternatives include: internal expansion, acquiring other companies, buying back stock and paying dividends. CEOs are normally appointed based on past success in functions like sales or operations and few practice capital allocation prior to becoming a CEO. Not surprisingly, many executives struggle with capital allocation, but those who succeed, often create immense shareholder wealth. Like reputation, good capital allocation is hard to quantify, but immensely valuable. Stock prices frequently fail to reflect great capital allocation ability, creating investment opportunities.

3. Cheap Assets
Often, the stock market unduly focuses on a company's earnings while ignoring the value of its assets. This creates an opportunity for investors to buy cheap assets and wait for the market price to more accurately reflect the underlying asset value.

4. Broken Businesses
The most important question someone can ask before making an investment is "what could go wrong?" Studying how great businesses fail is a good way to avoid overpaying for stocks, but has also taught us to identify businesses likely to fail in the future. Betting against these businesses is a potentially profitable investment strategy.

Great Business Example

The Boyd Group Income Fund (BYD-T)

Business
The Boyd Group Income Fund (Boyd) is the largest non-franchised collision repair network in North America by number of locations. It drives a high percentage of its revenue from insurance companies through Direct Repair Programs (DRP), in which an insurer sends their customer to a "preferred" collision centre.

Why was this a Great Business?
When we purchased Boyd in October 2012, the business had great economics, a sustainable competitive advantage and a long runway for growth:

Great economics
DRP-eligible stores, like Boyd's, tend to generate much higher volumes than independent stores ("Independents"). Higher volumes allow these stores to spread their costs over a larger number of repairs resulting in significantly lower overhead per repair, giving chains like Boyd's a cost advantage relative to Independents. Profitability is determined almost exclusively by volume making this an unquestionably lucrative business.

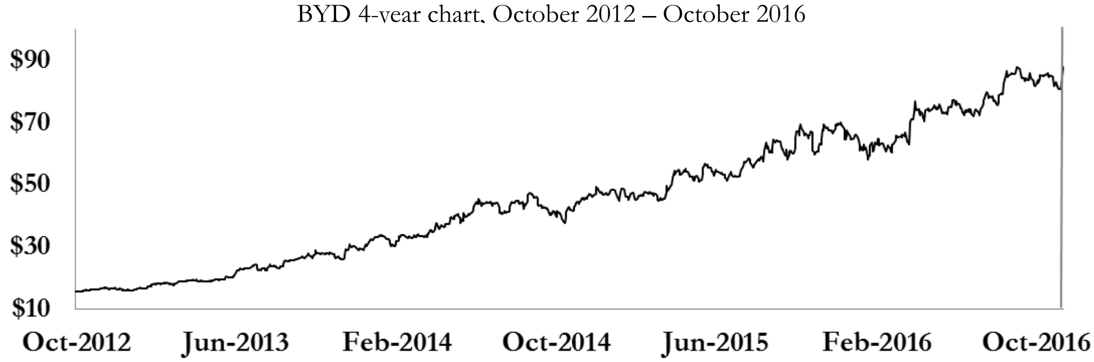
Sustainable Competitive Advantage
The industry is very fragmented with Independents representing 75% of industry revenue in 2012. However, Independents had been fleeing the industry as DRP businesses favour fewer large chains to minimize costs and complexity, excluding Independents from this work.

Long runway
As chains steamrolled Independents in the collision repair industry in the U.S., this represented a tremendous growth opportunity for Boyd. Further, there was a significant opportunity for Boyd to restore revenue per location in the U.S.

What happened next?
Over the next four years, EBIT per share saw a 40% CAGR and store count grew from 153 to ~400. In November 2016, at 17x EBITA, we sold our shares in Boyd concluding a positive investment for the Fund.

Conclusion
Opportunities to own great businesses at fair prices are rare but are usually very rewarding.

BYD 4-year chart, October 2012 – October 2016



Great Capital Allocator Example

Constellation Software Inc. (CSU-T)

Business
Constellation owns a portfolio of software businesses providing enterprise software to both public and private sector customers. Public sector customers include: public transit, school administration and utility billing. Private sector customers include: golf courses, equipment dealerships and manufacturing. Constellation operates primarily in the U.S., Canada and Europe.

Is Constellation Software a good business?
Constellation's businesses face favorable competitive conditions:

- High entry barriers (mission critical software with high switching)
- Limited competition from large ERP vendors or in-house systems
- Limited customer concentration

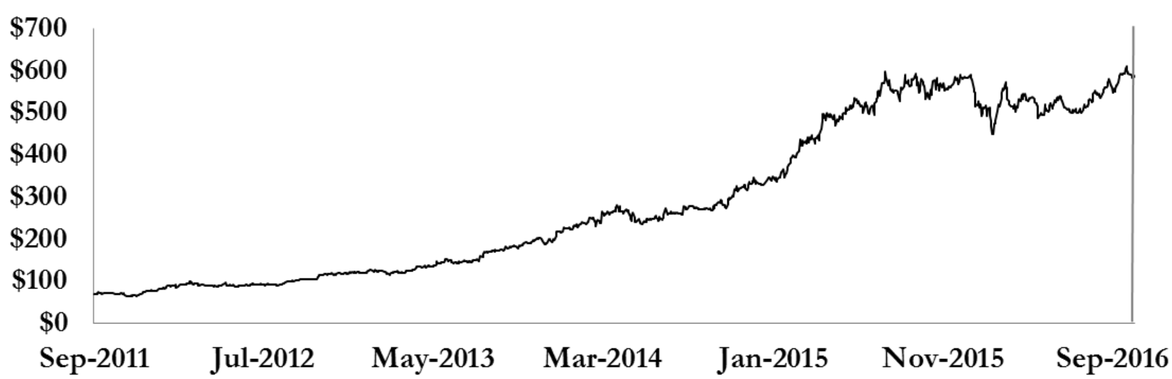
Additionally, customers pay in advance so the business actually has negative capital requirements and "infinite" returns on tangible capital. Combined, these factors result in outstanding economics.

Proven Capital Allocation Record
Constellation went public in early 2006. The company has continued to generate modest organic revenue growth while expanding profit margin. If they had just paid dividends with their cash flow, we think pre-tax profits would have doubled. Instead, capital has been allocated to successful acquisitions. By the end of 2013, without issuing any new equity, pre-tax profits had grown ten-fold and the stock price had tracked profits. Capital allocation had been responsible for about 80% of the total return.

Are there still opportunities?
Since size is the enemy of returns, it will be increasingly difficult for Constellation to sustain its capital allocation track record. However, the plethora of small software companies and Constellation's decentralized structure minimize this challenge. In October 2016, at 20x EBITA, we sold our shares in Constellation concluding in the largest contributor to the Fund to date.

Conclusion
Investing alongside a great capital allocator at a fair valuation usually leads to investment success.

CSU 5-year chart, September 2011 – September 2016



Cheap Asset Example

EGI[1] Financial (EFH-T)

Business

EGI[1] (Echelon) is an insurance company specializing in non-standard automobile policies in Ontario as well as insurance for motorcycles, antique and classic vehicles, trailers, motor homes and recreational vehicles.

Asset Value

EGI went public at $10 per share in late 2005 with a book value per share of $7.33. This meant the stock began trading at 1.4x book value per share. Similar companies to EGI usually trade between 1-2x book value, but in early 2012, EGI stock was trading at just 0.6x book value. The company had grown its book value to $12.85 per share but was trading below $7.50.

Opportunity

Although the core non-standard auto business remained strong, the stock price was depressed because losses in ancillary businesses were masking profitability. We thought that if the company could demonstrate a commitment to returns, rather than chasing growth, it was likely that the stock would again trade above book value so the return potential was at least 80%. We purchased the stock around $7.50 in early 2012.

What happened next?

Throughout 2012, management responded to shareholders' interests and returned their attention to profitability. The stock price responded and by early-2013 was trading around $11. We sold our investment in EGI in May 2013, maintaining our discipline to be aggressive sellers of Cheap Assets when they rise.

Recent History

Historically, Echelon has had a good non-standard auto insurance business in Ontario. However, management and the board were focused on pursuing a diversification strategy that consistently destroyed shareholder value. An activist campaign in 2015 appears to have transformed the company. The company has upgraded leadership, excess capital and appears focused on its Canadian business which is poised to grow. It does not appear that the market valuation yet reflects the new reality. We have re-invested in the company with an updated thesis demonstrating our long-term awareness of a company even after we exit.

EGI 5-year chart, January 2012 – December 2016

[1] Holding company changed its name from EGI Financial Holdings to Echelon Financial Holdings in Q2 2015

Broken Business Example

VeriFone Systems, Inc. (NYSE: PAY)

Business

VeriFone sells the payment device into which you insert a debit or credit card in a point-of-sale purchase.

What's wrong with the business?

By the end of 2012, in addition to disruptions by Square, large retailers were also experimenting with mobile Point-of-Sale technology (POS). Companies such as Apple, J.C. Penney, Nordstrom and Costco were testing the idea of replacing traditional checkouts with mobile POS. We believed these trends could impair VeriFone's pricing power as competition intensified.

Catalyst

At the time, VeriFone charged about $1,000 per device with gross margins approaching 40% compared to other hardware manufacturers that typically earned only 20% gross margins. We believed that if VeriFone's gross margins compressed to 20%, profits would evaporate.

Key Risks

The key risk when a once great business begins to decline is that someone, hoping to rekindle past success, pays a premium to acquire the business.

Conclusion

In March 2013, VeriFone announced that they had missed earnings expectations, which confirmed our thesis and resulted in a positive return in the Fund.

PAY 1-year chart, June 2012 – June 2013