

Dear Partners,

As if the beginning of 2020 wasn't unusual enough, the remainder of the year is guaranteed to be marred by a few impactful events with potentially unpredictable outcomes. An election in the U.S., BREXIT in Europe, and resurgent waves of COVID-19 globally are top of mind. Albeit, not an exhaustive list, the simultaneous presence of these three material events makes their impacts almost inescapable.

Above all else, COVID-19 has prompted exceptionally poor global macroeconomic conditions. To a degree, the disruption it has caused is being offset by fiscal and monetary stimulus at a magnitude that is unprecedented in modern times. Despite this extreme and unusual environment, asset prices in most developed markets have reached valuations consistent with or greater than their pre-pandemic levels.

While our portfolio enjoys few direct exposures to the outcome of the Presidential election, we do envision BREXIT and COVID-19 will play a prominent role in our portfolio in the near term. Fortunately, to date, the companies we own have managed the uncertainty tied to all these events exceptionally well. This has led us to increase our exposure to a select few of them, materially changing the portfolio's composition.

When considering future investment opportunities, the current environment - namely elevated valuations - has compelled us to take a more cautionary approach as opposed to the aggressive stance we usually take during economic downturns. Recently, this has resulted in limited new additions to the portfolio. However, we do anticipate broad based changes to its constituents soon.

Over the last few months, we focused on expanding the list of opportunities we identify as being potentially suitable investments. While this is a continuous process, we have completed the quantitative and qualitative analysis on an exceptionally broad range of

new investments. Now, we have turned our attention to ensuring we pay a responsible price before adding these opportunities to our portfolio.

While we are exhibiting an abundance of caution, our fellow market participants are enjoying unbridled enthusiasm for owning stocks, bonds, and many types of real estate. Naturally, this has led us to reflect on our approach. For instance, during a prolonged period of near zero-interest rates – how can we maintain the application of our conservative valuation techniques? Considering an economic environment that has been warped by government-initiated capacity restrictions or closure mandates and material financial assistance, are today's heavily distorted valuation multiples a meaningful guide to valuing a company and comparable peers?

In considering these overarching questions, we determined that our investment process needs to remain underpinned by economic truisms that are unaltered by even the most extreme and unusual conditions. As such, we will continue to heavily rely on conventional valuation principals in determining the value of a security – adjusting where known anomalies exist.

Applying conservatism to financial projections will also remain a cornerstone of our approach – avoiding a common tendency to overpay for growth of all forms in these environments. While we appear to be the minority holding this view, we are comforted by the fact that this stance is grounded in conservatism and business fundamentals.

As you will see from our results, we have not yet been rewarded for the investment activities we executed on during the market mayhem in March. While we would prefer immediate satisfaction from our efforts – who wouldn't – it is unsurprising that we are witnessing a delayed reaction by others to the underlying value we have identified in our investments. Since our founding, this has become a consistent theme. A few examples will shed light on this assertion.

In 2015, we began investing in Ascendant Group at \$5.00 per share. Today, it is our largest investment. When the sale of Ascendant Group to Algonquin Power and Utilities Corp is closed, which is imminent, we will exit at \$36.00. While it represents a successful investment, it did take over five years of our active involvement – and many twists and turns - for us to realize its full value. This is not the only investment that required patience or saw near-term variability in its returns after we added it to the portfolio.

In the Spring of 2011, we invested in PulteGroup (PHM), a U.S. homebuilder, at \$7.95 per share. At the time, new home sales in the U.S. were well below household formations,

remnants of the impact of the Great Recession. PHM was also recovering from years of deep losses, which created a hidden asset in the form of a deferred tax asset.

From our perspective, new home sales would eventually converge with household formations, giving rise to strong profitability. At which point, PHM's deferred tax asset could be used to offset the resulting profitability for years to come. In considering these elements, amongst many others, we determined the company was trading at a deep discount to its intrinsic value. However, that did not prevent PHM from falling over 50% immediately following our initial purchase, to under \$3.91, on a pessimistic near-term outlook for new home sales. It would take the market some time to realize this pessimism was ill-conceived. Once this occurred PHM's stock price steadily rose to \$22.36 at which point we exited the investment.

These two investments represent optimal outcomes, but they didn't appear that way at first. To the contrary, they exhibited challenged investments and created temporary drags on performance. The commonality between these two investments – there are other investments we could reference too - and our current portfolio is that a catalyst existed to help unlock the value we identified.

Over the years, we have crystalized our thoughts on the importance of catalysts in avoiding poor or underwhelming investments and elevating annualized returns. Catalysts also provide clarity on potential future returns, leading us to internally exhibit unusual levels of comfort during periods of poor absolute or relative performance. Since the catalysts in each of our investments that will prompt material positive performance rarely occur at the same time, it provides a long term sustained opportunity to benefit from our investment process.

Temporary Windows

The market value of our IBV Capital Global Value Fund decreased by 7.5% (net of fees) in the third quarter of 2020. While the intrinsic value of our portfolio increased by 2.1% during the quarter. For comparative purposes, during the third quarter of 2020, the MSCI World Index increased by 7.9%.¹ Recent observers of our performance will note that our portfolio encountered negative performance earlier this year – at the onset of

¹ "IBV Capital Global Value Fund" consists of USD\$ IBV Capital Global Value Fund LP Class A master series unit returns, net of fees. Inception date of this series is September 1, 2014. "Intrinsic Value" represents IBV Capital's internally calculated value for the cumulative securities within IBV Capital Global Value Fund. "MSCI World Index" is based on the USD\$ returns MSCI World Free NR Index. Full investment disclosures can be found on Page 10.

COVID-19 - and has remained depressed and at times volatile since then. Interestingly, despite not actively managing volatility, in March, while the market was being ravaged by COVID-19, we fared well. It has been our inability to experience the subsequent positive performance most global indices have enjoyed that has raised valid questions.

Those intimately familiar with our investment activities understand that our historical returns are rarely linear. This is due to the sizing of each individual investment within our portfolio – we historically have held between 10 and 20 investments - and the catalyst driven investment thesis that usually underlies each position. Combined, these characteristics will create periods of strong performance following the unlocking of value that we envision. This is often completely unrelated to market activities.

However, our portfolio is not immune to the tendencies of most asset prices becoming highly correlated during periods of extreme market stress as we witnessed in March. During these specific moments in time, we would expect to briefly experience negative performance. Fortunately, these precise environments also create temporary windows whereby we can capture considerable long-term value. Historically, we have found it more constructive to focus on value creation than volatility mitigation.

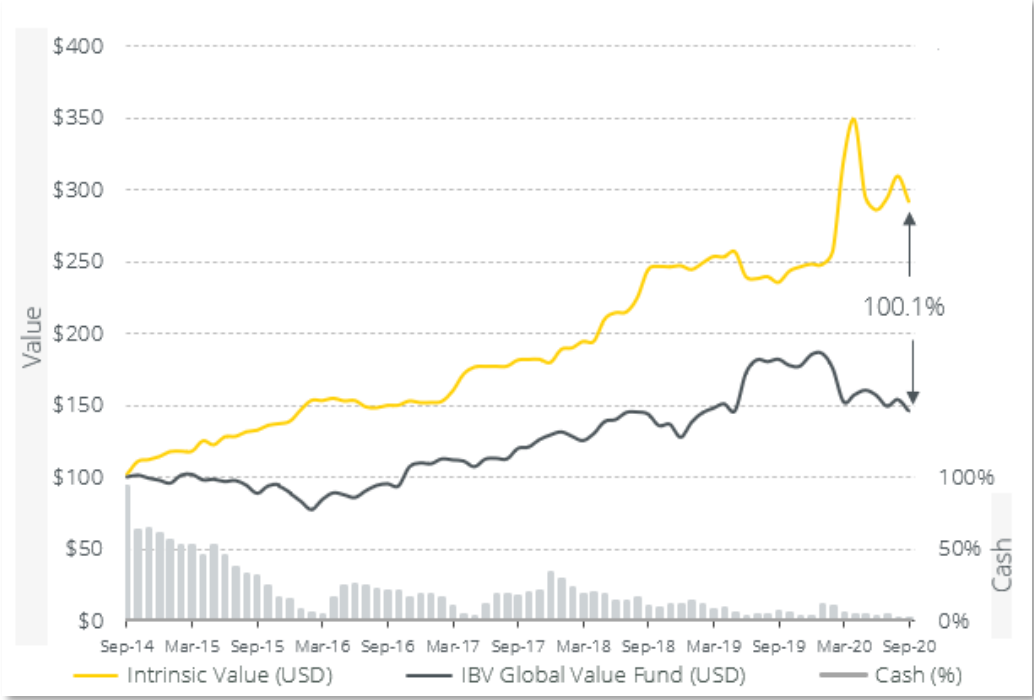
As declared in years past, to us, volatility is a poor proxy for risk. Instead, we define risk as the probability of a permanent loss in capital. While witnessing how markets and most volatility reducing investment approaches reacted to the uncertainty in March, we feel vindicated in applying our approach.

Since our portfolio is tied to value enhancing catalysts rather than the market euphoria being exhibited today, it hasn't enjoyed the same rebound other indices and investment strategies may be currently demonstrating. Instead, over time, we expect to see positive performance tied to specific events that occur within our portfolio. To us, explaining how our performance has evolved – and why – is a core feature of our investment process.

In the interim, we will continue to provide transparency – through our intrinsic value gap – into the potential future return profile of our portfolio. It's our way of bridging the gap between current performance – good or bad – and what we expect from our portfolio in the future.

Maintaining our longstanding tradition, we refined the expectations we have for our current investments. This quarter contained offsetting revisions but overall led to a modest improvement in intrinsic value as a result of our increased confidence in attaining individual outcomes on certain investments within our portfolio. This encouraged us to increase exposures to these investments, further enhancing the

intrinsic value of the portfolio. When combined with the decline in the market value of our portfolio, it's widened the gap between the intrinsic value of our portfolio – what we think our portfolio is worth – and the market value of our portfolio to 100.1%.



Over the course of the quarter, we reduced the weighting of a few investments and increased the weightings of others. In particular, we enhanced the prominence of FirstGroup Plc. These portfolio activities resulted in a reduced cash position – dropping it to 1.7% from our year-to-date high of 11.6%. Usually, in these investment conditions, we would hold a more meaningful cash balance. For reasons that will become evident, we anticipate operating with a higher average cash position moving forward.

Tethered to Events

Historically, our investments contain embedded catalysts that we believe are unrecognized by most market participants. Today, over 81% of our portfolio contains a pending event that we have identified and is highly probable to occur. These events should be looked at favorably by the market. We’re going to cover three investments

with embedded catalysts that will be meaningful drivers of returns for us in the near term.

In March, while COVID-19 was ravaging markets, we expanded our investment in FirstGroup Plc (FGP). FGP is a leading provider of transport services in the UK and North America and trades on the London Stock Exchange. While it has United Kingdom based businesses – namely First Rail and First Bus – its crown jewel is First Student. First Student is the largest provider of student transportation in North America and even in this highly uncertain environment – yellow school buses are good business.

Initially, when children were forced into home schooling programs, the outlook for First Student became unusually distorted. Frankly, FGP was meant to be a recession proof investment for us. Our thinking when we initiated the investment in early 2019 was that markets were reasonably valued and, as history has shown, an exogenous shock was bound to occur that would initiate the recession no one was expecting.

In FGP, we had an undervalued transportation company, with most of its value being attributable to a stable and growing student transportation business. Importantly, to unlock this value, we recognized that the student transportation business could be easily separated from the remaining assets. The investment enjoyed the strong fundamental underpinnings we were seeking. As we declared internally, under what scenario would kids, even in a recession, not go to school?

The pandemic has prompted an environment we had not considered. Nevertheless, the resilience of FGP's business is increasingly evident, and the attractiveness of First Student is becoming abundantly clear. In most districts, school boards are still paying for buses to operate, despite being less full of students, because contracts are route based - not capacity based. Equally interesting, school boards are maintaining idle buses because they need the optionality to restart in-school programs on short notice. For long-term resilience, the forced experiment with online learning is proving to be too challenging to execute for educators, children, and parents. Finally, and fortunately, the health impacts of COVID-19 are also statistically very insignificant among school aged children.

This is all leading to an inversion of what we initially thought at the onset of COVID-19, that students would be the last to return to school due to health concerns. Instead, they are the first to go back to normal. We are witnessing local and federal governments, globally, prioritize in-school learning over the opening of every other venue or business. Presently, in Toronto, gyms, restaurants, and other large-scale gathering locations are

being temporarily closed again. However, schools are to stay open. In New Zealand, a country that has been particularly aggressive in stamping out the virus using lockdowns – children have been in the classroom since May. In New York, a city ravaged by the crisis and on continuous high alert, kids began returning to their desks at the start of the school year. The in-class education of children is clearly sacrosanct, for a variety of important and disparate reasons, and that means school buses must be running.

This reality, along with a steadier capital markets environment, prompted FGP to reengage with its advisors, Rothschild, Goldman Sachs, and JP Morgan, to sell its North American business, with the focus being First Student. Oddly, the market has not given the company any credit for the underlying strength of the business and this value unlock decision. In fact, its share price has fallen since the onset of COVID-19 and remained depressed. This has provided us with the opportunity to increase our position. With an announcement declaring the value of the North American business to take place soon, we anticipate seeing a meaningful positive impact on the value of the entire company.

Another catalyst driven investment is HC2. Last quarter, we shared that HC2 had finalized the sale of Global Marine Holdings, a subsea cable installation and maintenance service provider. A new management team had also been introduced to the company. As a reminder, HC2 is a holding company that owns numerous unrelated businesses – from broadcasting to insurance to steel fabrication.

The sale of Global Marine Holdings resulted in the company deleveraging their balance sheet – striking at the heart of our investment thesis. We are also supportive of a new management team as it will improve the prospects of refinancing their outstanding debt on attractive terms.

Since this management team was introduced, they have focused on re-financing the company's burdensome debt load. A core element of their plan to achieve this is to continue to sell assets. To compliment this strategy, they will also raise \$65 million in equity from existing and new investors. These proceeds will be used for general corporate purposes, including debt service and for working capital. This issuance enhances the credit quality of the bonds we own. Since these bonds mature on December 1, 2021 and enjoy a 11.5% coupon rate, we anticipate earning an attractive return over the coming months with very modest levels of associated risk.

Lastly, as this letter was being drafted, Ascendant Group (AGL), the parent company of Bermuda Electric Light Company (BELCO) received approval from all regulatory and ministerial governing bodies for its proposed sale to Algonquin Power and Utilities Corp

(AQN). We are thrilled with the outcome of this approval process. It has been fifteen months since shareholders approved this transaction. Since then, we have encountered countless obstacles, some foreseeable and others unimaginable, to closing the transaction.

For Bermuda, selling its sole provider of electricity to a foreign company – regardless of the outstanding reputation the buyer enjoys – was a decision that could not be taken lightly. Appreciating this, the Regulatory Authority, the first government body to approve the transaction, conducted a fulsome review including a public consultation. As the review process concluded, unfortunately, The Regulatory Authority underwent a meaningful turnover of its governing commissioners. This disrupted continuity and required time for the new commissioners to familiarize themselves with the work that had been done. Then, COVID-19 struck and altered life as we knew it. Understandably, in Bermuda, this diverted all attention away from the transaction and onto other critical healthcare and economic considerations.

Bermuda's Premier, David Burt, has handled the crisis well. Naturally, this has led to improved polling. To solidify the support necessary to make the difficult decisions that his party will be required to make for the country to move forward, in August, he decided to call an election. Considering the magnitude of the Ascendant Group transaction on the country, we were unsurprised to see the decision being delayed again until after the election on October 1st.

When David Burt won the election, it cleared the way for all responsible parties to approve the transaction. Ultimately, overcoming these hurdles, during a once in a century crisis, speaks to the fundamental merits of the transaction for all parties involved.

Since Ascendant Group represents our largest position, this closing prompts a few upshots. Importantly, it will close the gap between where shares are currently trading, \$ 31.38, and the \$36.00 in cash shareholders will be receiving. This is a 15% premium, which will have a meaningful positive impact on our performance. This impact will be realized in the fourth quarter.

With this investment converting to cash, we are about to enjoy a highly liquid portfolio. The timing is fortuitous because in today's investment environment, we see many potentially interesting opportunities. Considering the level of underlying economic uncertainty, we are going to deploy the AGL proceeds selectively and sparingly.

Powered by Air

We have been expressing our concerns for the deep impacts COVID-19 is having on everyone's health and financial wellbeing. A shocking trend that receives limited attention is the devastation it is having on the not-for-profit industry. With limited ability to host walks, runs, bike rides, and galas, most are struggling. Unfortunately, the beneficiaries of these institutions – usually those society has already left behind – are suffering immensely. It is disheartening to see.

This summer, our team participated in The Lung Health Foundation's My Lung Life Hockey Challenge. Instead of hosting North America's largest ball hockey tournament, as they have in year's past, the focus turned to individually training like an NHL hockey player. In honor of the Wayne Gretzky family, who actively supports The Lung Health Foundation's efforts.

Our team embraced the challenge, and, in a few weeks, we raised over \$4,000. Since we tied our fundraising to exercise goals, August was an active month. Our combined efforts resulted in biking 1,400 kilometers, running 170 kilometers, walking 300 kilometers, and lifting over 71,000 pounds. It took a little while before we stopped feeling the aftereffects of all the exercise, but as the saying goes – no pain, no gain.

Sincerely,



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