Q1

APRIL 2019

PERSPECTIVES

Introduction

Regular readers of our Perspectives newsletters know that we typically showcase current Pembroke holdings in our "On the Road" pieces, highlighting the travel and diligence involved in researching our investments. For this edition of Perspectives, our piece on Solium Capital will venture from standard practice in two ways: (1) we will write about a company that has been sold from the portfolio following an attractive takeover offer, and (2) we will take a broader retrospective approach, focusing not just on describing our on-site research efforts, but also reviewing the aspects of the investment that ultimately made it a successful one.

Investing is a humbling profession. We have our wins and losses, and this piece is by no means meant to suggest that an outcome such as Solium's is the norm. Still, we learn from both our successes and our failures, and present to you our lessons from our history with Solium.

On the Road Retrospective

Solium Capital

Solium provides software and services that support the equity benefit administration operations of both public and private companies. Equity incentive plans, such as stock options, are an important talent acquisition and retention tool for corporations, and Solium offers a platform that is efficient and user-friendly to employees and administrators alike.

Our initial interview with management was conducted in February 2013, and we subsequently visited Solium's headquarters and operations in Calgary four times over the following six years. These site visits allowed us to appreciate the scope of Solium's value proposition to its customers: its investments in technology, its global expertise in accounting, compliance and regulatory standards, its singular focus on the equity compensation niche, and its client service protocols. These aspects of Solium struck us as key differentiators versus competitors.

Our first purchase of the company's shares was made on May 8, 2015 at $7.24, and our average purchase price over the period in which we were shareholders was $7.96. Following Morgan Stanley's announcement of its agreement to acquire Solium on February 11, 2019, we sold our entire position in the company at slightly below the bid price of $19.15 per share. Just prior to the acquisition, Solium was the largest holding in our Canadian growth mandates at a weighting of approximately 5.6%.

What Solium did right:

- **Invested in its technological platform**. Solium recognized that it could differentiate itself from its competitors with a superior technological platform, as its competitors did not focus specifically on the equity plan administration function and accordingly did not prioritize investment in their platforms. Solium ultimately became viewed as having the best technology in the space.
- **Expanded its global footprint.** Solium built the functionality to service multinational clients and invested in its distribution to address markets outside North America. While there were up-front costs to this initiative, it broadened the company's addressable market significantly.
- **Expanded into the private company arena.** Management recognized that private companies have significant equity benefit administration needs, and that establishing relationships when companies are private makes it easier to become their solution provider when they go public.

- **Made astute acquisitions.** Solium's position in the industry was galvanized by the 2010 acquisition of Computershare's North American stock option record keeping and administration operations. Its foray into servicing private companies was bolstered by the acquisitions of Capshare and Advanced-HR in 2017 and 2018.

- **Won large high-profile relationships in the United States.** The company won large mandates from Morgan Stanley and UBS based on the strength of its technological platform. Moreover, the onboarding of these large clients, though still ongoing, has proceeded well.

- **Made capital allocation decisions on a long-term basis.** Many of Solium's key strategic decisions (investing in technology, growing internationally, making acquisitions to enter the private company market, increasing spending to properly integrate large institutional relationships) were the right call for shareholders in the long run, but had the shorter-term impact of depressing earnings. Solium's well aligned management team consistently made decisions with a long-term perspective in mind.

What Pembroke did right:

- **Followed the company early as a microcap stock.** Our first interview with management was in February 2013, when Solium shares were trading under $4 and the company had a market capitalization of $160 million. While Solium at the time was too small and illiquid to merit investment, we still followed the business to monitor how well management executed its plan. When we made our first investment in Solium more than two years later, we were already familiar with the business and with the team, having established an early understanding of the business.

- **Conducted extensive, proprietary due diligence.** Pembroke portfolio managers visited Solium's headquarters in Calgary on numerous occasions to garner a better understanding of the company's operations. Furthermore, we solicited direct feedback regarding Solium's Shareworks platform from the CFOs of public companies, who were familiar with the technology and with competitive offerings. Finally, we conducted expert network calls to gather additional third-party input regarding Solium's competitive position and growth prospects.

- **Stayed true to our investment philosophy.** Solium had all the hallmarks of a Pembroke-style growth stock: an entrepreneurial management team aligned with minority shareholders through their investment in their company, a long runway for growth, a well-capitalized balance sheet, and a business that could generate high returns on capital for its shareholders.

- **Leveraged our US technology expertise.** While Solium is a Canadian success story, our experience in conducting due diligence on technology companies in the United States played an important role in helping understand the power and value of Solium's platform. While Solium shares may have looked expensive in the context of the Canadian market, our US market perspective allowed us to conclude that Canadian investors were undervaluing the underlying growth, profitability, and persistency of Solium's business model.

- **Maintained a long-term perspective**. The stock market afforded Pembroke several opportunities to build our position in Solium into a large weighting in our portfolios. Negative stock market reactions to elevated expense levels incurred to bring on large new clients and to accelerate international growth were particularly short-sighted. Our research on Solium over many years gave us the conviction to take advantage of these opportunities to accumulate shares.

Clearly, not all investment outcomes will be as favourable as the one we experienced with Solium. We are mindful that periods like the fourth quarter for 2018 are incredibly trying for investors, and that divergences between a company's long-term fundamentals and its valuation are frustrating. However, our long-standing practice of going on the road to conduct in-depth research on fast-growing, entrepreneurial companies with properly aligned management teams will continue to be a key part of our investment process and a key driver of our investment returns.

Just the Facts

Before providing qualitative comments on the quarter, we present some quantitative information regarding our top five Canadian and US holdings.

Top Five Canadian Holdings

Mar. 31st, 2019

Company	Q1 Price Change (CAD)	Revenue Growth, Current Fiscal Year	EBITDA Growth, Current Fiscal Year	Revenue Growth, Next Fiscal Year	EBITDA Growth, Next Fiscal Year
Colliers International Group	19%	8%	21%	7%	8%
Kinaxis	18%	21%	64%	18%	24%
DIRTT Environmental Solutions	39%	9%	31%	12%	22%
Canadian Western Bank	8%	8%	6%	9%	8%
BRP	5%	9%	24%	4%	11%
Average	**18%**	**11%**	**29%**	**10%**	**15%**

Top Five US Holdings

Mar. 31st, 2019

Company	Q1 Price Change (USD)	Revenue Growth, Current Fiscal Year	EBITDA Growth, Current Fiscal Year	Revenue Growth, Next Fiscal Year	EBITDA Growth, Next Fiscal Year
Euronet Worldwide	39%	15%	31%	14%	17%
Carbonite	-2%	66%	61%	18%	21%
Pure Storage	36%	30%	56%	23%	49%
Stoneridge	17%	0%	3%	6%	13%
HMS Holdings	5%	8%	31%	8%	11%
Average	**19%**	**24%**	**36%**	**14%**	**22%**

Source: Consensus and Pembroke estimates

Overview of the Quarter

Introduction to Canadian and US Commentaries

Pembroke has never believed in timing the stock market. Rather, Pembroke has always believed in *time in the market*. This past six months demonstrates why our investment team holds this view. In December, market participants were worried that the US economy was overheating and interest rates were set to rise. In fact, even President Trump was complaining that the central bank was becoming too aggressive and would push the economy into recession. The stock market, and commodities including oil, corrected swiftly and significantly as a result. Just a few short months later, largely based on a more moderate view of global economic growth and inflation, the US central bank indicated it would not raise rates in 2019 and would take a cautious approach to raising rates in 2020. This was music to the stock market's ears - how quickly sentiment can change!

Pembroke's last issue of Perspectives highlighted that sharp quarterly declines in the stock market, such as that experienced in the final three months of 2018, are often followed by strong quarters and periods of high returns. While negative sentiment can swiftly bring a market down, the "bad news" in such rapid declines is usually priced in too quickly to react. Better to use such sudden bouts to search for high quality stocks that may be trading at temporary market-induced discounts. Pembroke did precisely that during the fourth quarter of 2018 selectively adding new holdings in each portfolio. We continue to build a pipeline of "dream" stocks that we would like to own, but only at the right price. With each round of volatility we look for such opportunities. Meanwhile, the portfolio managers are satisfied that the current holdings are growing their revenues and earnings, are properly financed, and are in front of large, long-term growth opportunities. These are the attributes that we believe create wealth for shareholders over time.

Canadian Portfolio Commentary

Pembroke's Canadian equity portfolios rallied significantly in the first quarter of 2019, recouping a good portion of the declines suffered in the fourth quarter of 2018. Fears of a slowdown in economic growth and uncertainty regarding trade tensions continued to weigh on the minds of investors. Concerns subsided that monetary authorities would raise interest rates too quickly, and this sanguine outlook ultimately buoyed equity markets.

The rally was broadly based, with most industry groups posting gains in the quarter. Pembroke's investments in the technology, industrial, and energy sectors were the most substantial contributors to performance in the period, whereas holdings in the consumer staples and healthcare sectors were laggards. Pembroke's Canadian equity mandates outperformed the S&P/TSX Composite Index in the first quarter driven by strong performance from some of the more heavily weighted portfolio investments.

On an individual holding basis, two stocks made significant additive contributions to returns in the first quarter.

Shares in **Solium Capital** ("SUM"), a provider of software and services that support the equity benefit administration operations of both public and private companies, rose sharply on news that the company will be acquired by Morgan Stanley at a 43% premium to the market. Solium has done an admirable job investing in its technological platform and winning mandates from new customers. While its growing client list is already excellent validation of the strength of its competitive position, the takeover by Morgan Stanley reinforces the point even further. Pembroke divested from its position in Solium following the announcement of the Morgan Stanley bid.

Shares in **Badger Daylighting** ("BAD"), an environmental services company specializing in non-destructive hydro excavation services, rallied in the first quarter supported by operating results that surpassed analyst expectations, and guidance for 2019 that reflects attractive growth prospects. Badger has invested in the expansion of its fleet and diversified its geographic and end-market exposure. As hydrovac excavation gains wider acceptance in the US, Badger will be poised to capitalize on its first-mover advantage. Badger continues to balance investment in its fleet with shareholder-friendly actions including dividend distributions and share buybacks.

On an individual holding basis, two stocks made significant negative contributions to returns in the first quarter.

Shares in **Jamieson Wellness** ("JWEL"), a manufacturer, distributor, and marketer of natural health products such as vitamins, minerals, and supplements, declined in the first quarter as the company is taking measures to improve the sales-force productivity in its specialty brands division. This segment has been underperforming the rest of the business for several quarters, though management expects a recovery to gain momentum in the second half of 2019. In the meantime, the performance of legacy Jamieson branded products continues to be solid, and long-term growth opportunities in the US and international markets remain intact.

Shares in **Helius Medical** ("HSM"), a medical device company focused on developing, licensing, and acquiring technologies to help patients affected by neurological trauma, were weak in the first quarter. The company is commercializing its Portable Neuromodulation Stimulator (PoNS) device, a non-invasive method to deliver neurostimulation therapy with the aim to enhance brain healing activity. Subsequent to the end of the first quarter, Helius announced that the US regulatory body responsible for reviewing medical device applications denied the company its application in its current form. This was a significant negative development. We have chosen to exit our position following this news.

US Portfolio Commentary

Pembroke's US portfolios had a strong first quarter of 2019, both relative to their benchmark and on an absolute basis. The firm's information technology holdings contributed significantly to performance. The portfolios' positions in healthcare and financials contributed positively to performance but lagged their respective sectors over this brief period. Fourth quarter earnings and 2019 guidance for most holdings was solid and Pembroke continues to employ valuation discipline. We remain optimistic about the long-term opportunity.

Shares in **Euronet Worldwide** ("EEFT") performed well in the first quarter of 2019 as the company reported encouraging fourth quarter earnings results and provided an optimistic outlook for the year ahead. The company is executing well in its three lines of business. Its Automated Teller Machine segment is poised for continued growth as it expands the reach of its network into new markets. Euronet's point-of-sale payment network is showing improving results, as declining prepaid mobile plan sales are being replaced by sales of new products and services. Finally, the company's money transfer business is winning market share from competitors that are struggling with high cost structures and regulatory scrutiny. The investment team has prudently managed the portfolios' exposure to Euronet but remain confident in the company's long-term outlook. The company enjoys an attractive growth profile, reasonable valuation, a pristine track record, and proven and shareholder-aligned management team.

Upland Software ("UPLD") rose sharply in the first quarter of 2019 following strong earnings results and continued traction on its mergers and acquisitions strategy. Pembroke invested in Upland in early 2017 on the premise that the company was uniquely positioned to consolidate certain niches of the enterprise cloud software work management market. Upland has exceeded our expectations, both in terms of their efficiency in extracting cost savings and by organically growing their targets post-acquisition. Upland has a long runway for growth ahead of it, and the shareholder-aligned management team has successfully executed its strategy. As the company scales through acquisition, expense management, and organic growth, it also increases its free cash flow generation to fund future acquisitions. Pembroke sees a number of similarities between Upland and Constellation Software, a former long-term holding in Pembroke's Canadian portfolios. While these are big shoes for Upland to fill, the company is on the right path.

Shares in **Green Dot Corp** ("GDOT"), a prepaid card and digital banking platform company, were weak in the first quarter of 2019 as the market reacted negatively to a year-over-year decline in the reported number of active cards in circulation. Pembroke's portfolio managers believe the stock market reaction was overly punitive. Green Dot has been transitioning away from the less profitable 'one-and-done' prepaid cards towards the more profitable and stickier direct deposit debit account cards, which achieved ten percent growth year-over-year. The revenue per card metric in the latest quarter also increased ten percent over the previous year. Apple, Uber, Walmart, and Inuit are all customers of Green Dot's Banking as a Service (BaaS) platform, lending the product significant credibility. The company also has a large and growing pipeline of prospective customers. Green Dot is well positioned to continue to add new relationships with non-bank businesses that want to offer financial services to their customers or employees.

Shares in **Healthcare Services Group** ("HCSG") fell when the company delayed the filing of its 10-K. The company's board of directors had approved an investigation into past financial reporting practices, and the company and its outside consultants needed two additional weeks to complete the work. Further, the company reported that the SEC had also subpoenaed the company for financial documents. While the subject of the investigation appears immaterial to HCSG's current business and prospects, Pembroke's portfolio managers decided to exit the position. The decision was difficult as HCSG enjoys a strong balance sheet, a terrific long-term financial record, and a leading position in an attractive end market.

Balanced Fund Commentary

Pembroke's balanced portfolio, the **GBC Growth and Income Fund**, gained in the first quarter of 2019 driven by the equity portion of the portfolio. Equity returns rebounded from the fourth quarter 2018 decline, as risk premiums narrowed with improving investor confidence. From an industry group standpoint, the rally was broadly based, with almost all sectors represented in the Fund in positive territory in the first quarter. Holdings in the real estate, consumer discretionary, and financial sectors were the most significant contributors to performance, while the portfolio's consumer staples holdings were laggards.

The fixed income portion of the Fund, represented by the **GBC Canadian Bond Fund**, posted gains in the quarter that contributed to the overall return of the mandate while providing diversification from equity market volatility.

Two stocks were significant detractors to performance in the first quarter of 2019.

Shares in **Jamieson Wellness** ("JWEL"), a manufacturer, distributor, and marketer of natural health products such as vitamins, minerals, and supplements, were weak in the first quarter as some investors took a cautious view on efforts to improve the sales force productivity in the company's specialty brands division. The company's latest quarterly results show that the rest of the Jamieson business is performing well, with growth opportunities outside of Canada remaining attractive. Jamieson generates a significant amount of free cash flow and we view its dividend distributions to be well funded.

Shares **in Transcontinental** ("TCL.A"), a manufacturer of flexible packaging products and a provider of commercial printing services, declined in the first quarter of 2019 as operating results were viewed as disappointing by the market. The company experienced headwinds that affected results, including a slowdown in retailer advertising campaigns that affected the printing segment and operating inefficiencies that are depressing margins in the packaging segment. Despite the soft operating results, the company continues to generate free cash flow that will help it pay down debt and fund its dividend.

Two stocks were significant contributors to performance in the first quarter of 2019.

Shares in Cogeco Inc., ("CGO"), a telecommunications company offering internet, video, and telephony services through its two-way broadband fibre networks, performed well in the first quarter of 2019 buoyed by quarterly results that exceeded market expectations and the sale of its cloud services business. Cogeco shares were trading at a discount to the value of its underlying businesses, and the disposition is a significant move to capture some of that value for shareholders. The proceeds of the sale are expected to be deployed to reduce debt, fund a share buyback program, and fund acquisition activity in the US cable sector.

Shares of **Collectors Universe** ("CLCT"), a leading provider of third-party authentication and grading services for high-value collectibles such as coins and trading cards, posted strong returns in the first quarter of 2019. While 2018 was a difficult year for CLCT, with coin volumes suffering meaningful declines, the company's latest results indicate that a recovery in activity is underway from trough levels. Moreover, the company's trading card business is posting significant levels of growth and is emerging as an important contributor to CLCT's overall profitability. We view the company's pristine balance sheet, high returns on capital, and high free cash generation as supportive of the dividend policy currently in place.

Income in the balanced fund is generated from a combination of dividends and interest. The equity portion of the Fund has a current annualized gross yield of 3.74%, while the fixed income segment of the Fund is primarily invested in securities rated "A+" that, on average, have a collective yield to maturity of 2.7% and an adjusted portfolio duration of 4.9 years. The asset mix of Pembroke's balanced mandate did not change materially through the year, with approximately 30% of the portfolio invested in fixed income securities at March 31, 2019.

International Commentary

The **GBC International Growth Fund** outperformed the MSCI All Cap World Index ex-US Small Cap Index for the quarter ended March 31, bolstered by favorable stock selection across most sectors and regions.

From a sector perspective, consumer discretionary stock selection was the largest contributor to relative performance, supported by hotel and leisure holdings including Huazhu Group, Evolution Gaming Group and Nagacorp. Huazhu Group, formerly known as China Lodging, benefited from better than expected fourth quarter earnings and 2019 revenue guidance. The company is expanding aggressively to capitalize on the opportunity to consolidate the highly fragmented hotel industry. It focuses on the budget and mid-scale segments, which are markets that are developing as income levels rise. Positive stock selection within the information technology sector, combined with the sector overweighting, also drove outperformance.

These contributors were partially offset by negative stock selection within consumer staples, combined with the sector overweighting. Costa Group Holdings, Australia's leading fresh produce and vegetable company, detracted from performance as the share price weakened on the company's downward revision to earnings expectations for the fiscal year ended June 2019. The disappointment was due to pricing weakness for key products including berries, tomatoes and avocados due to unfavorable demand and supply conditions.

From a geographic perspective, stock selection effects were strongest in Japan, Europe and emerging markets during the quarter, more than offsetting negative stock selection in developed Asia ex-Japan.

The Fund's allocations to healthcare and information technology were increased during the quarter, offset primarily by a reduction to consumer staples. From a geographic perspective, developed Asia ex-Japan exposure was reduced, while emerging Asia exposure was increased. Total emerging markets exposure was 19% as of March 31, slightly below the 21% index weighting.

Early in 2019, surveys suggest that momentum in global growth continued to decelerate at the tail-end of last year. Specifically, purchasing manager surveys continue to point to deceleration in the pace of industrial orders growth and subsequent industrial production growth. We regard the deceleration in economic activity in the US to be about the base effect rather than the end of the current economic cycle. As the impact of highly stimulative fiscal policy unveiled at the beginning of 2018 begins to dissipate, the US economy is likely to slow to 2-2.5% growth, from the high of 4.2% in Q2 2018.

In Europe, near-term indicators of industrial activity continue to decelerate. At the same time, employment and income growth together with corporate balance sheets suggest support for domestic demand growth comparable to the 2018 rate. Italian budget woes have subsided, at least for now. While Brexit uncertainty remains an overhang, we believe the UK Parliament will ultimately seek to avoid near-term economic disruption.

The exceptionally strong US economy and rising US bond yields supported the US dollar in 2018, contributing to a challenging year for emerging market economies. Looking ahead, these headwinds are likely to subside. Further, in the final quarter of 2018, the price of crude oil declined by a third, significantly easing constraints on emerging market economies, as many are large energy importers.

The likelihood of a US-China trade deal and de-escalation of tariff wars has risen at the beginning of 2019. Later in 2019 or in 2020, the US is likely to become a sizeable exporter of liquid natural gas and petroleum products. It needs to find consumers for its products, which will be relatively more expensive because of shipping costs. China is the largest and fastest growing consumer of such products. Thus, the economic rationale for a trade deal is substantial and imminent.

Last year, China implemented significant and wide-spread changes in its tax structure, especially income taxes. We expect that reducing taxes for households is likely to support consumer demand in China. We are not expecting China to implement a large stimulus, but slow policy changes have been made to keep growth steady. The reserve rate requirement cut in January 2019 was noteworthy in its size: the reserve ratio for major banks now stands at 13.5%, down from 17% a year ago.

Fixed Income Commentary

Signs of a slowdown in economic growth and pressure from President Trump caused the US Federal Reserve to abruptly end their policy of increasing interest rates. When markets saw this, both the equity and bond markets rallied. Equity markets reversed much of their fourth-quarter selloff and yields dropped across the yield curve. The magnitude of the equity rally was puzzling, given that the decline in yields was so large it seemed to indicate a severe economic slowdown could be on the way. If true, this would normally be expected to be very negative for corporate profits and stock prices.

Falling interest rates were positive for bond returns in the quarter. Yields fell slightly more with mid-term bonds than short or long maturities, but the yield shift was largely parallel, and duration was rewarded. Longer duration Provincial bonds reflected this and were the strongest performers. Credit spreads tightened in an environment that rewarded risk and corporate bonds outperformed with shorter duration AAA/AA bonds underperforming A and BBB issues.

Commentary on The GBC Canadian Bond Fund

In the first quarter of 2019, the **GBC Canadian Bond** underperformed its benchmark, the FTSE TMX Canada Universe Bond Index. A shorter than benchmark duration was unhelpful as long bonds outperformed in a falling yield environment. Floating rate notes such as Lloyds Bank PLC detracted from performance as they did not benefit from falling yields, however fixed-rate issues such as Apple were strong contributors.

At the end of March, the portfolio yield to maturity stood at 2.7% with a duration of under 5 years which is significantly shorter than the Universe Index duration of 7.7 years. Canso Investment Counsel continues to believe this stance is prudent, as investors are not adequately compensated for duration risk with long Canada bond yields at less than 2%.

Commentary on The GBC Corporate Bond Fund (Formerly known as The Pembroke Corporate Bond Fund)

On February 27, 2019, Pembroke Private Wealth Management Ltd., in its capacity as trustee and manager of the Fund, decided to convert the **Pembroke Corporate Bond Fund** into a mutual fund and amend its Supplemental Trust Indenture accordingly. On such date, the name of **The Pembroke Corporate Bond Fund** was changed to **The GBC Corporate Bond Fund**.

The conversion of the Fund into a mutual fund will not result in adverse effects on your holding of units in the Fund. In fact, becoming a mutual fund will, among other things:

- provide more liquidity to unitholders;
- increase disclosure to unitholders
- enhance transparency on the management of the Fund; and
- increase the regulatory oversight of the Fund.

This change has no impact on the Investment Objective or Strategy of the Fund.

Please note that given the increased regulatory requirements applicable to mutual funds, as opposed to those applicable to pooled funds, fees and expenses for the operation and administration of the Fund is likely to increase slightly. The current intention of Pembroke is to absorb these additional expenses of the Fund to maintain the existing management expense ratio (MER) of the Fund at approximately the same level prior to becoming a mutual fund. Any such expense absorption may be discontinued in the future, however, Pembroke does not expect any material increase in the MER once the absorption stops. It is hoped that the conversion of the Fund will attract additional assets, and that economies of scale will result in lower MERs over time.

Due to the conversion of the **Pembroke Corporate Bond Fund** from a pooled fund to a mutual fund, the regulators view the Fund as a newly created fund. As such, we are not allowed to discuss performance of the Fund prior to the date of mutualization on April 8th, 2019. We have applied for exemptive relief so that we can retain the historical record, but this has not yet been granted.

The portfolio stands at a yield-to-maturity of 3.7% while maintaining a very short duration of 1.4 years, 5 years shorter than the duration of the FTSE TMX Corporate Bond Index. With 60% of the Fund invested in floating rate notes, the Fund remains well positioned should rates rise. Canso Investment Counsel continues to believe that floating rate instruments represent excellent value. Canso believes this stance is prudent, as investors are not adequately compensated for duration risk with long Canada bond yields at less than 2%. In addition, Canso believes the high-yield market is expensive and the fund is well positioned to take advantage of opportunities as they arise.

Business Update

Innovation at Pembroke – The GBC Global Balanced Fund

On April 8, 2019, Pembroke Private Wealth Management launched the **GBC Global Balanced Fund**. The **GBC Global Balanced Fund** is the firm's most diversified strategy. The investment objective of this new Fund is to provide investors with long-term capital growth and income while minimizing risk through diversification by assets, geographies, and market capitalization. The Fund's strategy involves principally investing in internally and externally managed equity and fixed income strategies, including exchange traded funds. The investments of the Fund may include Canadian, US, international or global equity funds, large-cap and small-cap equity funds, actively and passively managed equity funds, and individual securities listed on a recognized exchange. The Fund may also include government or corporate bonds as well as short-term money market instruments.

The portfolio is constructed with an allocation of 70% equity exposure and 30% fixed income exposure of which, 80% should be actively managed and 20% passively managed. Outside these limits, a rebalancing of the investments will occur. The strategy supports Pembroke's belief in maintaining diversified exposure to global capital markets, pursuing alpha where it makes most sense, and using disciplined rebalancing rather than market timing to achieve long-term investment objectives. Please contact your Pembroke representative if you are interested in learning more about the **GBC Global Balanced Fund**.

Peter Morton appointed Vice Chairman of Pembroke Private Wealth Management

Pembroke Management is pleased to announce that Peter Morton has been appointed Vice Chairman of Pembroke Private Wealth Management. This title recognizes the important role that Peter has played in building the profile of the firm in Montreal and across Canada.

Caroline Miller is elected as a new director of the GBC American Growth Fund Inc.

Marc Courtois, Chairman of the **GBC American Growth Fund**, is pleased to announce the election of Caroline Miller as a new director of the Fund. She joins Ian Aitken, Glen Roane, Lloyd Segal and Marc Courtois who were each re-elected during the Annual Meeting which took place on March 18, 2019 in Montreal.

Insights from the Client Survey

Pembroke would like to thank all of the private clients who completed the recent survey. We had a 20% participation rate, which is excellent, and we value your feedback.

We were encouraged that 75% feel that their Pembroke representative understands their investment needs very well or extremely well; 57% feel that Pembroke communicates in an effective and timely manner; 37% feel that the new website is better or much better than the prior site and 66% are highly likely to refer us to a friend or colleague.

We note that 37% are interested in financial assessment and retirement planning; and 26% are interested in a broader range of funds, such as a global balanced fund with large cap exposure.

We also recognize that we have more work to do as: 45% have not yet visited our new website; 70% of our clients are not aware of the Pembroke Family Advantage program and 22% of our clients are unlikely to recommend us to a friend or colleague.

The comments provided by clients have been read carefully and will help to shape the way we run the firm. If you would like to follow up regarding any aspect of the survey, please reach out to your Registered Representative as the anonymous nature of the survey makes it impossible for us to reach out to you.

Pembroke In the Community

On April 13th, Matthew Beckerleg and Andrew Garschagen participated in a fundraising hockey tournament benefitting the Habilitas Foundation (previously known as the MAB-Mackay). This organization helps people with hearing disabilities and visual impairments. Pembroke was the “Gold Medal” sponsor for the event.

PEMBROKE

INNOVATION > INSIGHT > GROWTH

SINCE 1968

The Firm

Pembroke Management Ltd. was founded in 1968 and is based in Montreal. Pembroke's business and investment philosophy is rooted in the concept of ownership. Owners do what is in the long-term interests of their customers and stakeholders to maximize their own wealth. For this reason, Pembroke will, more often than not, back management teams that either own significant stakes in the companies they manage or whatever they own represents a significant part of their personal wealth. Furthermore, Pembroke tries to not take unnecessary risks in its investment portfolios because the Pembroke partners are large shareholders in the firm's funds. The result is a powerful alignment of interests.

Pembroke is registered as an Investment Advisor in Quebec, Ontario, British Columbia, Alberta, Manitoba, the United States, Denmark and Ireland. The firm manages segregated portfolios for institutional and high net worth clients. Pembroke Private Wealth Management is a subsidiary of Pembroke Management and is a mutual fund Manager and Dealer for the GBC family of mutual funds and the Pembroke family of pooled funds.

Contact

For additional information regarding Pembroke Private Wealth Management please call us in Montreal at 514-848-0716 or 800-667-0716 or in Toronto at 416-366-2550 or 800-668-7383, or refer to our website www.pml.ca.

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