

PROOF ASSET MANAGEMENT

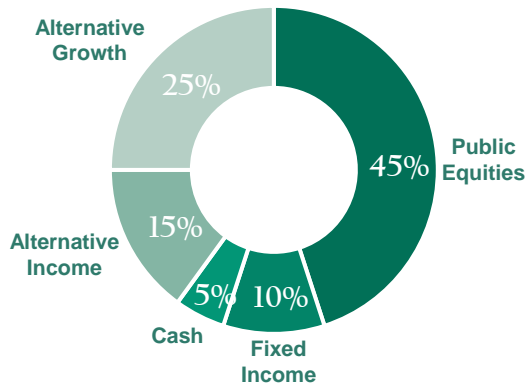


CORONAVIRUS INVESTMENT STRATEGIES

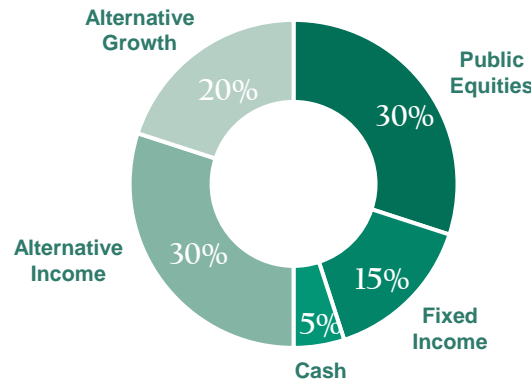
SEPTEMBER 2020

PORTFOLIOS THAT ADAPT TO A CHANGING CORONAVIRUS LANDSCAPE

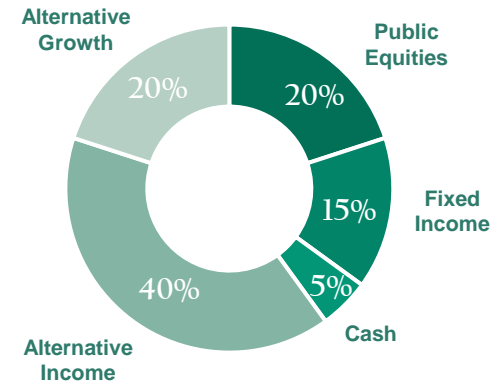
RAPID Recovery
(3-6 mths)



MODERATE Recovery
(12-18 mths)



PROTRACTED Recovery
(+2 yrs)



- We currently recommend the “moderate recovery” model portfolio.
- As the coronavirus environment changes, our recommended model portfolio will shift to provide either additional protection in a protracted scenario, or opportunistic returns in a rapid recovery.

SIGNPOSTS OF POTENTIAL SCENARIOS

RAPID Recovery

- **3 to 6 months.**
- **Virus contained; strong growth rebound.**
- **Rapid and effective control of virus spread:** Strong public health response succeeds in controlling spread in each country within 2 to 3 months.
- **Highly effective economic interventions:** Strong policy responses prevent structural damage; recovery to pre-crisis fundamentals and momentum.

MODERATE Recovery

- **12 to 18 months.**
- **Virus resurgence; slow long-term growth; muted recovery.**
- **Effective health response, but regional virus resurgence:** Public health response initially succeeds but measures are not sufficient to prevent viral resurgence so social distancing continues regionally for extended periods.
- **Partially effective economic interventions:** Policy responses partially offset economic damage; general banking crisis likely avoided; recovery levels muted.

PROTRACTED Recovery

- **Over 24 months.**
- **Pandemic escalation: prolonged downturn without economic recovery.**
- **Broad failure of public health interventions:** Public health response fails to control the spread of the virus for an extended period of time (e.g. until vaccines are available).
- **Ineffective economic interventions:** Self-reinforcing recession dynamics kick-in; widespread bankruptcies and credit defaults; banking crisis likely.

#1) Unemployment & Government Assistance

- **Employment rebounds.**
- No further government grants necessary.
- No further credit intervention required.
- No growth of black markets.
- Global trade flattens and then recovers.

- **High unemployment persists. Portion of temporarily unemployed become permanently unemployed.**
- Some government involvement in credit mediation, but banks dominate.
- Some grants and loans to small & medium businesses, but only select large companies.
- Black markets begin to develop.
- Global trade weakens further.

- **Permanent unemployment deepens beyond “depression era” levels.**
- Direct government intervention in credit mediation.
- Prolific grants and loans to small & large businesses alike.
- Black markets flourish.
- Governments forced to provision essential goods & services.
- Many national currencies become “non-convertible”.
- Global trade crashes.

#2) Defaults & Bankruptcies

- **Some defaults & bankruptcies.**

- **Significant defaults & bankruptcies.**

- **Sweeping defaults & bankruptcies.**

#3) Emerging Markets & European Economies

- Emerging markets “bend”, but few “break”.
- Italy, Spain, Portugal, Ireland, & Greece show greater relative economic weakness, but European banking crisis avoided.

- Social unrest and economic hardship in emerging markets. Threat of regional banking crisis.
- Italy, Spain, Portugal, Ireland, & Greece face economic hardship. Threat of European banking crisis resurfaces.

- Social unrest and economic hardship in emerging markets triggers regional banking crisis.
- Italy, Spain, Portugal, Ireland, & Greece face protracted economic hardship triggering another European banking crisis.

#4) Inflation

- **Inflation not meaningful.**

- **Meaningful inflation.**

- **High inflation.**

#5) “FDR-Type” Government Programs

- Isolated public works.
- No further subsidies to key industries.

- Public works & infrastructure projects begin to multiply.
- Additional subsidies to key industries necessary.
- Tactical trade tariffs.

- Multiple public works & infrastructure projects.
- Significant subsidies to key industries necessary.
- Protectionist trade tariffs.

#6) Nationalization

- No nationalization.

- Potential for isolated nationalization.
- Airlines, auto, & strategic industries possible candidates.

- Nationalization in multiple industries.
- Airlines, auto, & strategic industries most likely candidates.

ENHANCED DIVERSIFICATION WITH ALTERNATIVE INVESTMENTS

Preferred Characteristics:

- Cash Flowing Assets
- High Salvage Value
- Non-European Developed Economies
- Senior (Convertible) Debt
- High Asset / Credit Quality
- Government Back Securities
- Short Duration Credit / Receivables
- Downside Protection / Insurance through Puts
- Upside Optionality

Favored Sectors:

- Consumer Staples / Essential Goods
- Technology / On-line Retail
- Telecom
- Healthcare / Pharmaceuticals
- Defensive Utilities
- Precious Metals
- Media (entertainment) / On-line Communication Services
- Delivery Services / Select Fast Food
- Wine & Spirits / Select Marijuana

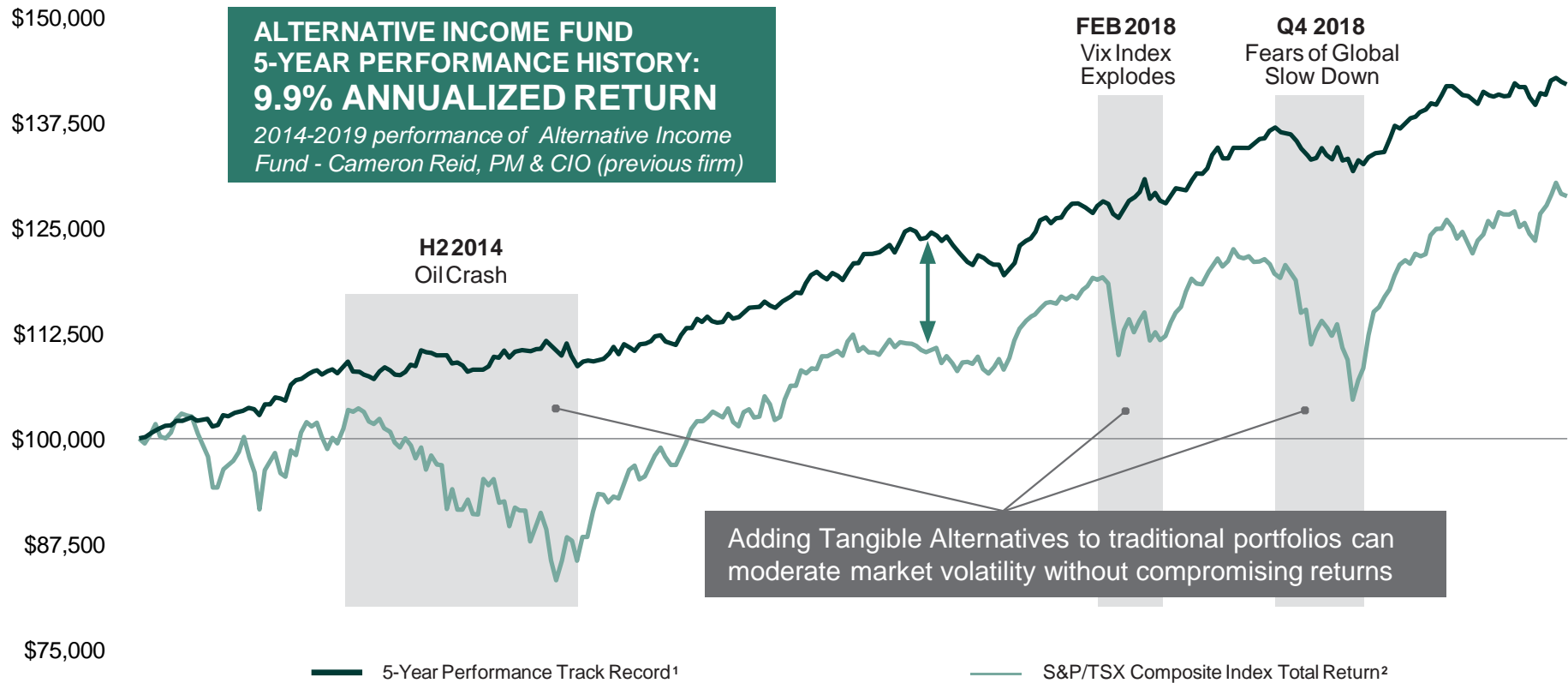
Characteristics To Avoid:

- Non-Cash Flowing Assets
- Emerging Markets & European Economies
- Long Duration Debt
- Low Asset / Credit Quality

Sectors to Avoid:

- Airlines
- Hotels & Tourism
- Traditional “Bricks & Mortar” Retail
- Oil & Gas Services
- Real Estate & Construction
- Insurance & Financial Services
- Transportation Manufacturing
- Business Services
- Consumer Credit (i.e. Auto Loans)
- Luxury Goods & Face-to-Face Luxury Services

PROOF CAPITAL - PERFORMANCE HISTORY



1) Actual Total Return from June 2014 to June 2019 of Balanced Model Portfolio of Cameron Reid's previous firm while Mr. Reid was PM & CIO. The Alternative Income Fund made up a 35% weight in the Balanced Model Portfolio.
 2) The S&P/TSX index was chosen as a widely used benchmark the Canadian equity market. While Proof uses this index for long-term performance comparisons, it is not managed relative to the composition of the index.

PRINCIPALS



Jeremy Kaliel MBA

PRESIDENT & CHIEF EXECUTIVE OFFICER

Jeremy Kaliel is the President & Chief Executive Officer of Proof Capital, which he founded in early 2016. He is also currently a Director at Barrel Oil Corp (a private oil company operating in Alberta) which he joined at the company's inception in June 2019. From July 2017 to September 2018, Mr. Kaliel was the Vice President of Corporate Strategy & Communications for Frontera Energy (FEC-TSX), a publicly listed \$2Bln market cap oil company operating in Colombia and Peru. Prior thereto, Mr. Kaliel had over 12 years of experience in equity research at CIBC, Scotia Capital, and Raymond James - during which time he was ranked the #1 sell-side analyst in his sector multiple times.

Jeremy has an MBA degree from HEC Montreal, and a Bachelor of Arts degree from the University of Alberta.



Cameron Reid MBA, CFA

CHIEF INVESTMENT OFFICER & PORTFOLIO MANAGER

Cameron Reid is the Chief Investment Officer of Proof Capital, which he joined in September 2019. He is also an Advising Representative with Qwest Investment Fund Management Ltd. Most recently, Cameron Reid was the Portfolio Manager & Chief Investment Officer for WealthCo Asset Management, where he helped grow his firms AUM to close to \$500MM. Prior to joining WealthCo, Mr. Reid was a Portfolio Manager at BCV Asset Management Inc., and was an Associate Portfolio Manager at Brownstone Asset Management. His early career included an Investment Banking Analyst role with Banc of America Securities LLC.

Cameron has an MBA degree from the University of Western Ontario, and a Bachelor of Arts degree from the University of British Columbia. He also holds the Chartered Financial Analyst designation.

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