



**A different kind of value investing.
A better kind of private equity.**

Turtle Creek Asset Management Inc.

European Value Investing Conference
October 13th, 2023

An independent investment management firm focused on long term capital growth for a clientele of high net worth families and institutions.



Overview

- North American public equities investment manager
- Portfolios comprised of large, well capitalized, profitable companies
- \$4 billion of AUM
- 13 investment team members, plus 14 additional employees
- 22% compound annual return since November 1998¹
- Rigorous, repeatable investment approach focused on minimizing risk
- Long term focus

As at September 30, 2023. Please see endnotes in the Disclosures.

How We Own Equities

1. Find the Right Companies

- We seek to identify honest and well-run businesses that generate strong cash flows and are run by management with high integrity. Beyond that, we look for companies likely to be misunderstood by the market and have the propensity for significant upside.

2. Valuation

- Our investment team constructs detailed financial models and is in regular communication with portfolio company management. Our primary focus is determining Business Value.

3. Portfolio Construction

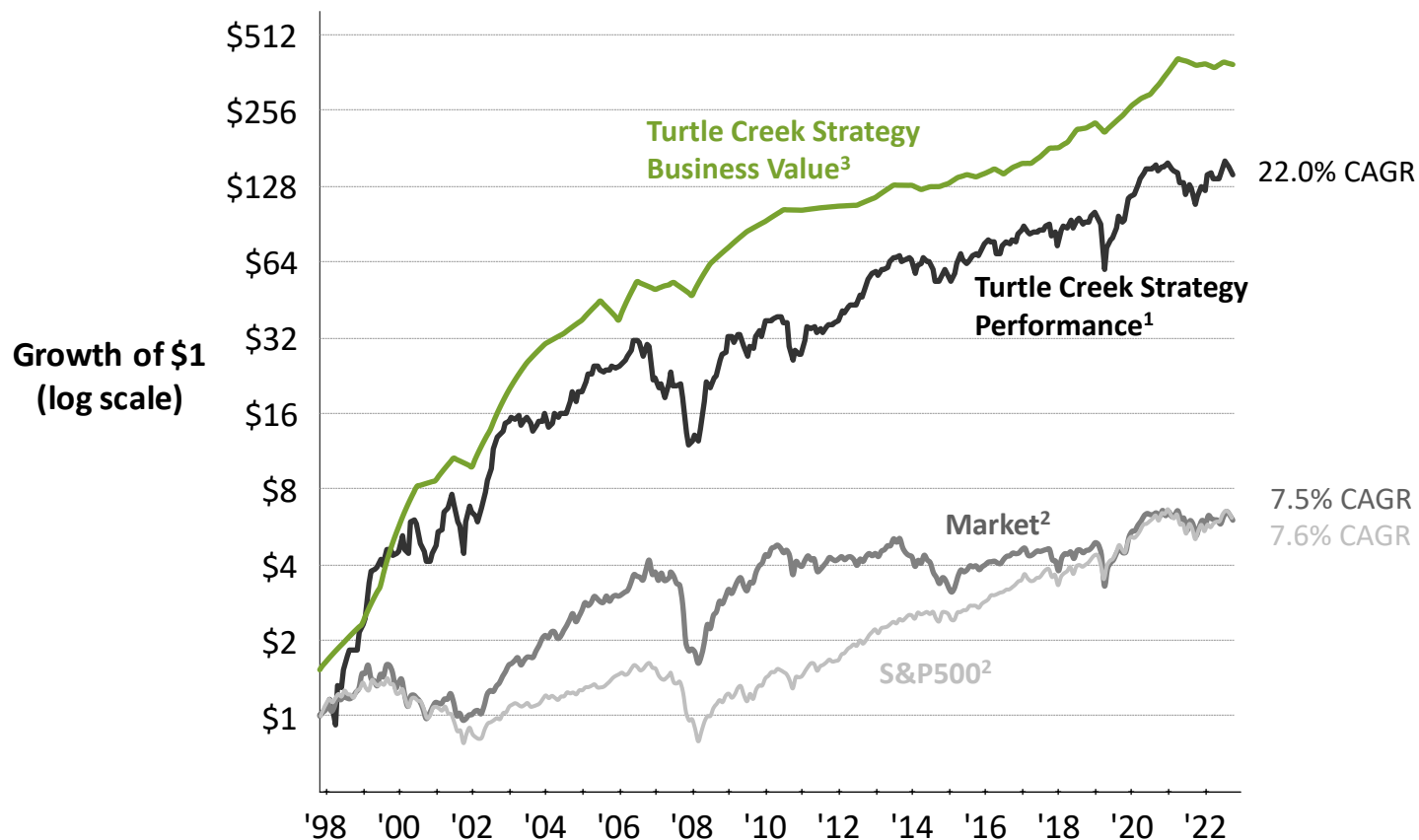
- We build a concentrated portfolio of the 'cheapest' companies on our Turtle Creek 100 list, with greater weight given to companies with the best long term expected returns.

4. Continuous Portfolio Optimization

- Anchored on our evolving view of a company's Business Value, we adjust our positions over time in response to changing share prices (and relative attractiveness across all holdings).
- *Continuous Portfolio Optimization (CPO)* is a key source of historical outperformance and risk mitigation.

Business Value Leads Unit Price

Turtle Creek Strategy Portfolio Business Value and Performance vs. Market



Source: Bloomberg, Turtle Creek. As at September 30, 2023. Please see endnotes in the Disclosures.

Turtle Creek Synthetic PE Strategy

- The Synthetic PE Strategy's Portfolio is comprised of 'Platform Companies' from Turtle Creek deep knowledge universe
- Four key advantages over PE buyout funds:
 1. More attractive valuations: Price/Earnings is **7.2x** on 2024 earningsⁱ
 2. Fully invested all of the time: capital deployed immediately, no capital calls
 3. Liquidity: monthly
 4. Continuous Portfolio Optimization: active rebalancing like other Turtle Creek portfolios

Source: Bloomberg, Turtle Creek. As at September 30, 2023.

i. Bloomberg data, as calculated by Turtle Creek.

Turtle Creek Synthetic PE Strategy

Two arguments in favour of PE buyout funds:

- 1) Corrects for stock market inefficiency by deploying more debt.
 - Turtle Creek Synthetic PE Strategy uses margin debt to proxy buyout leverage.

- 2) Improves operations and governance.
 - Turtle Creek Synthetic PE Strategy will only own well operated and governed companies.

PE buyout funds have another advantage, ironically, because they don't mark their holdings to market.

Turtle Creek Synthetic PE Strategy Portfolio Information

Portfolio Characteristics	Synthetic PE Strategy	S&P/TSX Completion	S&P MidCap 400	Russell 2000
Price / 2024 Earnings ⁱ	7.2x	11.3x	13.2x	20.7x
Debt / LTM EBITDA	6.0x	2.9x	2.7x	4.6x
Median Market Cap (mil.)	C\$9,830	C\$2,540	US\$5,420	US\$820
Number of Companies	25	167	401	1,985

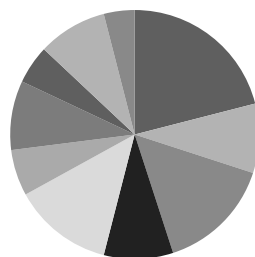
Portfolio Weightings, Month-endⁱⁱ

Canadian companies	32.8%
U.S. companies	67.2%
Largest 10 holdings	57.0%
Largest 3 holdings	21.2%
Fund debt	46.5%

Market Capitalization, Month-endⁱⁱ

	Portfolio Weight
Greater than \$20 billion	12.6%
Between \$2 and \$20 billion	83.8%
Less than \$2 billion	3.6%

Synthetic PE Strategy Composition by Sector, Month-endⁱⁱ



■ Capital Goods, 21%	■ Transportation, 9%
■ Containers & packaging, 15%	■ Building Products, 9%
■ Consumer durables & apparel, 13%	■ Food products, 6%
■ Commercial & professional services, 9%	■ Consumer services, 5%
■ Software & services, 9%	■ Health Care, 4%

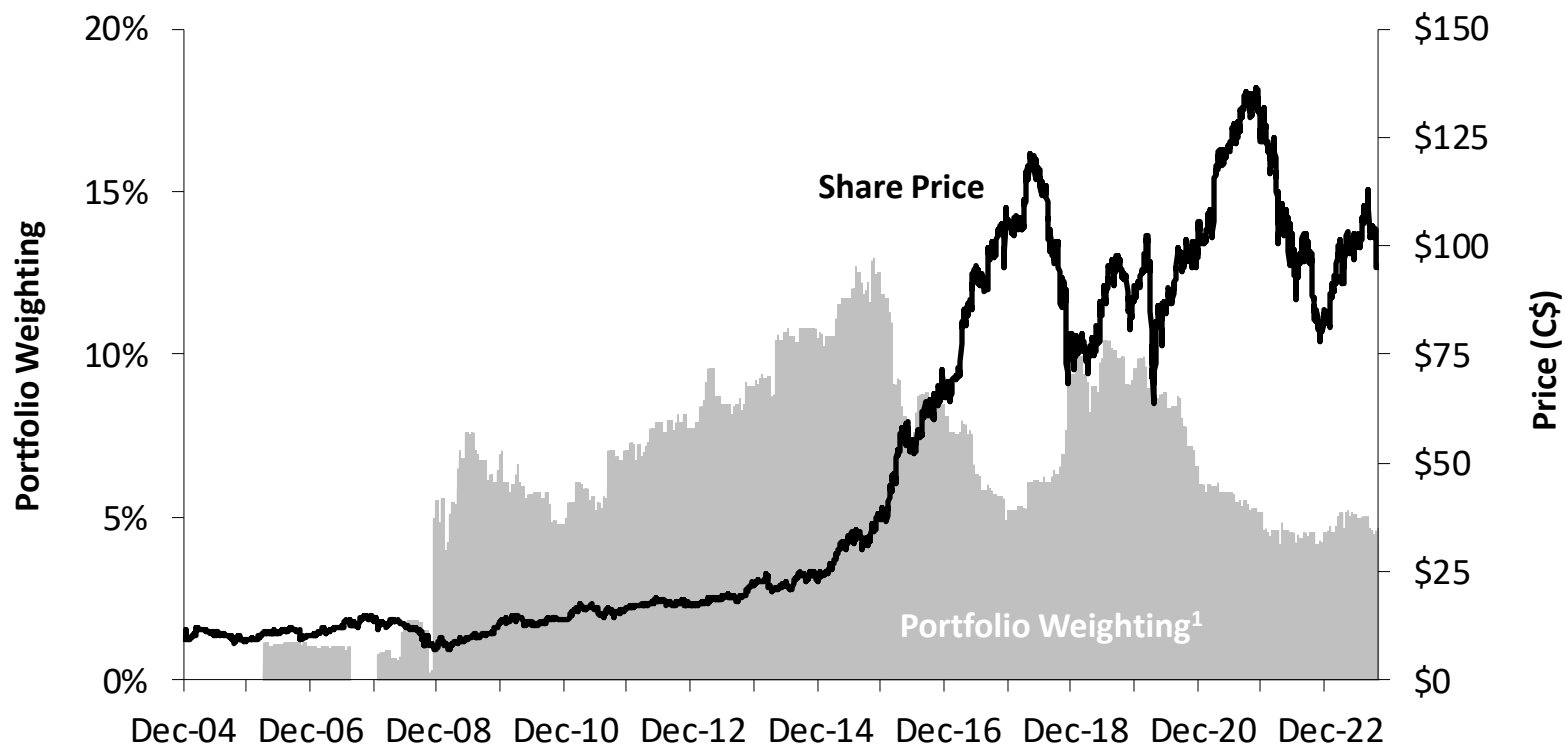
Source: Bloomberg, Turtle Creek. As at September 30, 2023.

- i. Bloomberg data, as calculated by Turtle Creek.
- ii. Expressed as a percentage of the Turtle Creek Synthetic PE Strategy's equity portfolio.

Investment Process Example: Premium Brands

- 6 business platforms in Seafood, Distribution, Protein, Sandwich, Bakery and Culinary. Only 3 of these existed in 2004.
- **Entrepreneurial culture** is at the core.
- Focused on segments of the food industry that are differentiated with products that sell on specific attributes rather than price.
- Product **innovation** creates new opportunities.
- Reporting segments:
 - Specialty Foods (Protein, Sandwich, Bakery & Culinary): \$3.7 billion of revenue, \$312 million of Adj. EBITDA.
 - Premium Food Distribution (Distribution & Seafood): \$2.3 billion of revenue, \$155 million of Adj. EBITDA. Mostly sold into foodservice, speciality retailers and large format retailers.

Investment Process Example: Premium Brands



- Turtle Creek Strategy annualized IRR of 25% vs. 19% annualized holding period return¹

Source: Bloomberg, Turtle Creek. As at September 30, 2023. Turtle Creek Strategy annualized IRR is based on Canadian dollar cash flows. Annualized holding period return is based on Canadian dollar share price. Please see endnotes in the Disclosures.

Disclosures

This presentation was prepared by Turtle Creek Asset Management Inc. (“Turtle Creek” or the “Manager”). All data is in U.S. dollars unless otherwise specified.

1. The historical performance of the Turtle Creek Strategy (the “Strategy”) presented herein is the combined, asset weighted, performance of all of Turtle Creek’s portfolios since the inception of the Strategy in 1998. While the portfolios primarily share the same holdings, there are some differences. Understanding such differences is critical to understanding the performance information presented herein. Performance is presented gross of management fees, performance fees, carried interest allocations and fund expenses. Net returns would be lower than gross returns. Certain investments in the Turtle Creek Strategy were made in Canadian dollars and have been converted to U.S. dollars. The performance presented does not reflect the performance of any investor. Further information regarding the performance information presented herein is available upon request from the Manager.

Asset weighted transactions from the portfolios were used in the Investment Process Examples to derive Portfolio Weightings and Turtle Creek Strategy IRRs. Turtle Creek Strategy IRRs have been calculated by the Manager. Annualized Holding Period Returns in the Investment Process Examples are presented for illustrative purposes only and are calculated from the time a position is established assuming no further purchases or sales. Turtle Creek does not manage a strategy pursuant to a strict buy and hold approach. To be comparable to the Annualized Holding Period Returns, Turtle Creek IRRs are shown gross of any fees, carried interest allocations and expenses.

2. Comparisons to certain indices and benchmarks (referred to as the “Market” in the presentation) are provided for illustrative purposes only and are intended to indicate broad mid-cap North American market performance. The Market’s performance from November 1, 1998 until December 31, 2015 reflects the performance of the S&P/TSX Completion (formerly called the S&P/TSX MidCap) and, prior to its creation on February 29, 2000 the S&P/TSX Composite. From January 1, 2016 to December 31, 2018 the Market’s performance reflects the return from a 75% weighting in the S&P/TSX Completion and a 25% weighting in the S&P MidCap 400. From January 1, 2019 onward the Market’s performance reflects the return from a 50% weighting in the S&P/TSX Completion and 50% weighting in the S&P MidCap 400. The S&P/TSX Composite, S&P/TSX Completion and S&P MidCap 400 are all total return indices. References to the Market are not intended to be references to the entire global financial market. Turtle Creek feels a blended benchmark, with varying weights, is appropriate because the weights noted above roughly correspond to the average country exposure of the Turtle Creek Strategy during the same periods. Prior to December 31, 2015, Turtle Creek Strategy’s average U.S. company exposure was less than 3%. From December 31, 2015 to December 31, 2018 Turtle Creek Strategy’s average U.S. company exposure was 30% and since December 31, 2018 it has averaged 55%. Comparisons to indices and benchmarks are limited in part because indices and benchmarks are not managed and do not charge fees or expenses. The Turtle Creek Strategy may underperform or outperform an index or benchmark for many reasons.
3. A company’s Business Value reflects the Manager’s best estimate of the present value of the relevant company’s future cash flows divided by the number of outstanding shares of the company and is necessarily comprised of many assumptions, the use of which includes a number of risks and uncertainties that may cause actual values to differ from the Manager’s estimate of Business Value.

Portfolio Business Value is calculated using the Manager’s estimate of Business Value for each company as described above weighted based on a Fund’s portfolio holdings (excluding any cash or debt within the Fund) at each calendar year end with a number of further estimates and assumptions being used to determine the estimates for the points displayed between year-ends, the use of such estimates includes a number of risks and uncertainties that may cause actual values to differ from the Manager’s estimate of Portfolio Business Value.

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