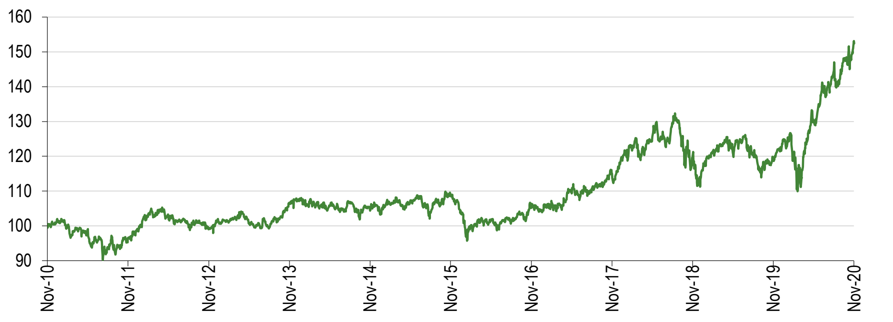
Canadian General Investments

Reaping rewards from sound investment process

Canadian General Investments (CGI) has been managed by Greg Eckel at Morgan Meighen & Associates (MMA) since 2009. He is encouraged by the company's performance during 2020, a period during which investors have had to endure significant stock market volatility. Stock selection and positive sector allocation, along with remaining calm during the extreme sell-off in Q120, have all contributed to CGI's strong absolute and relative performance. While Eckel is aware 'there can be bumps in the road', he says he will try to manage through these as he has done in the past. 'We are offering consistency, as our shareholders expect,' he adds.

Significant long-term outperformance versus the benchmark



Source: Refinitiv, Edison Investment Research

The market opportunity

The Canadian market is more diversified now than it was in the past, with a lower concentration in financial and energy stocks, providing a broader opportunity set. In aggregate, Canadian stocks are considerably less expensive than those in the neighbouring US, suggesting Canada may be worthy of further consideration by investors seeking North American exposure.

Why consider investing in CGI?

- Very long-term record of NAV and share price outperformance versus the benchmark S&P/TSX Composite Index.
- Diversified Canadian equity exposure complemented by up to 25% of the fund invested in selected US stocks.
- Repeatable investment process focusing on solid fundamentals, strong management teams and reasonable valuations.
- Growing annual dividends, payable from capital gains and income.

Stable discount and growing dividend

CGI's 31.9% discount to NAV compares with the 28.5% to 32.1% range of average discounts over the last one, three, five and 10 years. The company has moved away from paying special dividends; in FY20 the regular dividend of C$0.84 per share was 5% higher year-on-year. Based on its current share price, CGI offers a 2.5% dividend yield.

Investment companies
North American equities

8 December 2020

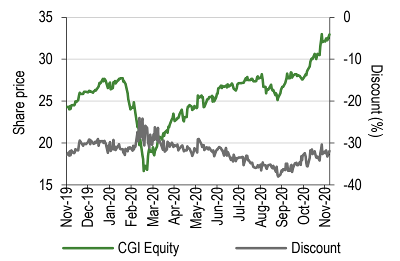
Price	**C$32.98**
Market cap	**C$688m**
AUM	**C$1,186m**

NAV*	C$48.46
Discount to NAV	31.9%

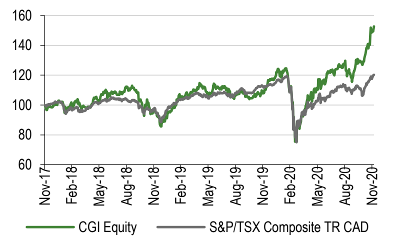
*Including income. At 7 December 2020.

Yield	2.5%
Ordinary shares in issue	20.9m
Code	CGI
Primary exchange	TSX
AIC sector	North America
Benchmark	S&P/TSX Composite

Share price/discount performance



Three-year performance vs index



52-week high/low	C$33.00	C$16.65
NAV** high/low	C$48.46	C$22.83

**Including income.

Gearing

Gross*	17.7%
Net*	17.0%

*At 30 November 2020.

Analysts

Mel Jenner	+44 (0)20 3077 5720
Sarah Godfrey	+44 (0)20 3681 2519

investmenttrusts@edisongroup.com

Edison profile page

Canadian General Investments is a research client of Edison Investment Research Limited

Exhibit 1: Company at a glance

Investment objective and fund background

Canadian General Investments' objective is to provide better-than-average returns to shareholders by investing in a diversified portfolio of primarily Canadian equities. It aims to achieve this through prudent security selection, timely recognition of capital gains/losses and appropriate use of income-generating instruments.

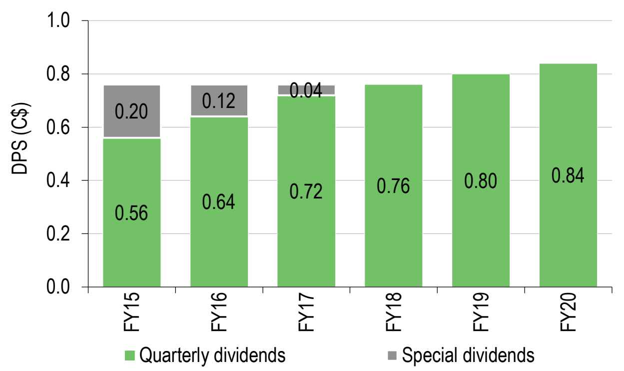
Recent developments

- 16 October 2020: announcement of quarterly dividends – C$0.21 per common share and C$0.23438 per Series 4 preference share.
- 18 August 2020: six-month report ended 30 June 2020. NAV total return of +3.4% versus -7.5% for the S&P/TSX Composite Index. Share price total return +0.5%.
- 17 July 2020: announcement of quarterly dividends – C$0.21 per common share and C$0.23438 per Series 4 preference share.
- 15 April 2020: announcement of the appointment of Marcia Lewis Brown as independent director at AGM.

Forthcoming		Capital structure		Fund details	
AGM	April 2021	Ongoing charges	1.54% (see MER below)	Group	Morgan Meighen & Associates
Annual results	March 2021	Net gearing	17.0%	CEO	Jonathan A Morgan
Year end	31 December	Annual mgmt fee	1.0% (see page 9)	Address	10 Toronto Street, Toronto, Ontario, Canada M5C 2B7
Dividend paid	Mar, Jun, Sep, Dec	Performance fee	None		
Launch date	January 1930	Company life	Indefinite	Phone	+1 416 366 2931
Continuation vote	No	Loan facilities	C$175m (see page 9)	Website	www.mmainvestments.com

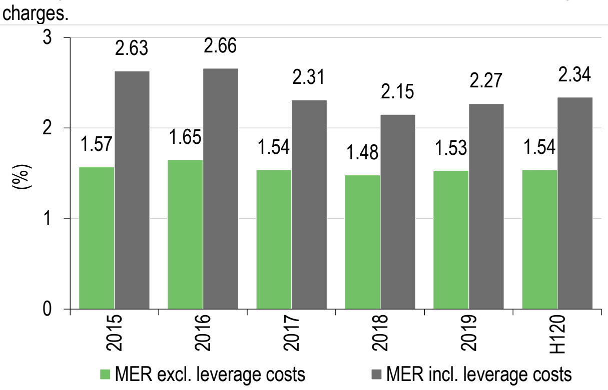
Dividend policy and history (financial years)

CGI revised its dividend policy in 2014, intending to pay steady to rising quarterly dividends while gradually eliminating the special final dividend.

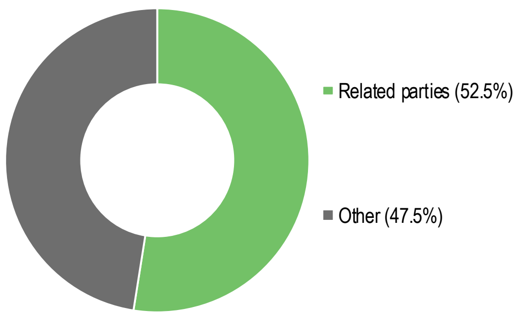


Management expense ratio (MER)

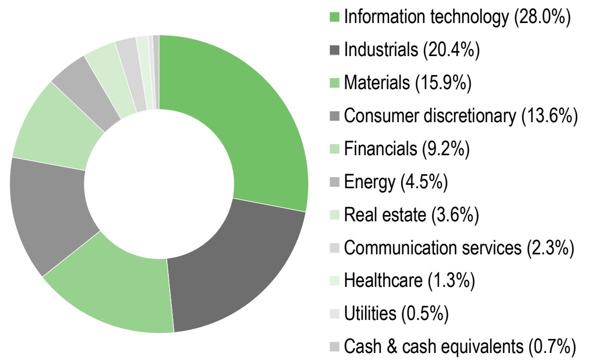
CGI pays a monthly management fee at 1.0% per year of gross assets. Leverage costs include preference share dividends, interest and financing charges.



Shareholder base (at 30 November 2020)



Portfolio exposure by sector (at 30 November 2020)



Top 10 holdings (at 30 November 2020)

			Portfolio weight %	
Company	**Country**	**Sector**	**30 November 2020**	**30 November 2019***
Shopify	Canada	Internet services	7.5	6.9
Franco-Nevada Corp	Canada	Gold mining	4.3	4.1
Canadian Pacific Railway	Canada	Railroads	4.1	3.9
NVIDIA Corporation	US	Semiconductors	3.8	2.8
Amazon.com	US	Online retail	3.5	2.9
Mastercard	US	Financial transaction processing	2.9	4.4
First Quantum Minerals	Canada	Metals & mining	2.8	N/A
Square	US	Financial services	2.8	N/A
Apple	US	Technology	2.8	N/A
Lightspeed POS	Canada	Software	2.7	N/A
Top 10 (% of portfolio)			**37.2**	**39.1**

Source: CGI, Edison Investment Research. Note: *N/A where not in end-November 2019 top 10.

Market outlook: Area worthy of further consideration

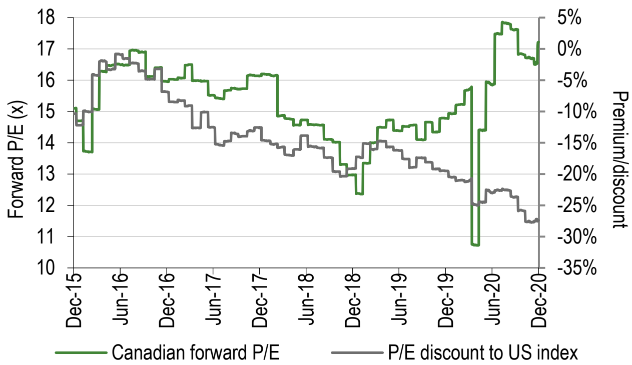
In common with other markets, Canadian stocks have rallied strongly following the Q120 coronavirus-led sell-off. However, as shown in Exhibit 2, there has been a wide divergence in performance between different sectors so far this year. Looking at the five largest, all of which make up at least 10% of the index, the standout to the end of November is IT (+75.3% following a 64.8% gain in 2019), while energy (-27.1%) has been a significant laggard; differences in sector performance have provided significant opportunities for skilled stock pickers. Investors may not fully appreciate that the S&P/TSX Composite Index is now less concentrated than historically. As an example, a couple of years ago the index was dominated by the financials and energy sectors, which collectively made up c 55% compared with c 40% now. Looking at valuations, Canadian equities measured by the Datastream Canada index are trading on a forward P/E multiple of 17.2x, which is a 27.4% discount to the Datastream US index, significantly wider than the 14.7% five-year average discount. Given the more diversified Canadian equity market and relatively attractive valuations, Canada could be a country worthy of further consideration by global investors.

Exhibit 2: S&P/TSX Composite Index data and valuation

S&P/TSX Composite Index data (as at 30 November 2020)

	Number of companies	Weight (%)	YTD total return (%)	2019 total return (%)
Financials	26	30.3	(0.2)	21.4
Materials	52	13.6	17.5	23.8
Industrials	28	12.2	13.8	25.5
Energy	23	11.4	(27.1)	21.7
IT	10	10.1	75.3	64.8
Utilities	16	5.2	14.4	37.5
Comm'n services	7	5.1	(3.1)	13.0
Consumer staples	11	3.9	4.9	14.4
Cons. discretionary	13	3.8	10.7	15.3
Real estate	26	3.2	(6.3)	22.6
Healthcare	10	1.3	(14.1)	(10.9)
Index	**222**	**100.0**	**3.8**	**22.8**

Valuation of DS Canada index versus DS US index (last five years)



Source: Refinitiv, Bloomberg, Edison Investment Research. Note: Performance in Canadian dollar terms. Numbers subject to rounding.

Fund profile: Very long-term record of outperformance

CGI was established in 1930 and is North America's second-oldest closed-end fund. It has been listed on the Toronto Stock Exchange since 1962 and has also been listed on the London Stock Exchange since 1995. MMA took over management of CGI in 1956; the firm has c C$2.1bn of assets under management for both private and institutional clients.

Greg Eckel has managed CGI's portfolio since 2009, aiming to generate a better-than-average total return from a diversified portfolio of North American equities via prudent stock selection and timely recognition of capital gains and losses. While the majority of the fund is invested in Canadian companies, up to 25% may be held in US-listed businesses. The manager has an unconstrained approach, within the remit that a maximum 35% of the portfolio may be held in a single sector, and invests without reference to the sector weightings of the benchmark S&P/TSX Composite Index, meaning that CGI's performance may differ from that of its benchmark. Eckel has a medium- to long-term view, so some of the fund's holdings have been in the portfolio for many years. As shown in Exhibit 1, there is a high level of insider ownership of CGI's shares (52.5%); of the 47.5% free float, 50% is held in Canada, 30% in the UK, 10% in continental Europe and 10% elsewhere.

The company is designated as an investment corporation under the Income Tax Act (Canada). This eliminates a layer of taxation, as capital gains are only taxed at the shareholder level, allowing them to be paid as dividends to shareholders. However, to maintain this favourable tax status, CGI is unable to repurchase its shares to help manage the share price discount to NAV. A maximum 25% of its gross revenue may come from interest income and at least 85% of gross revenue must be from Canadian sources.

CGI has a very long-term record of outperformance; data from MMA show that over the 25 years to the end of December 2019, the fund generated a total return of +10.5% pa, 2.2pp higher than the benchmark's +8.3% pa total return (with dividends reinvested, a C$100k investment would have grown to C$1.2m). Over the 50 years to end-2019, the fund generated a total return of +11.1% pa, 2.0pp higher than the benchmark's +9.1% pa total return (with dividends reinvested, a C$100k investment would have grown to C$19.5m).

The fund manager: Greg Eckel

The manager's view: On the path to economic recovery

Eckel says the COVID-19 effect on the Canadian economy has been very similar to that seen in other areas. Canadian GDP declined by 38.7% in Q220 but could have rebounded by more than 45% in Q320 (data not yet released), helped by the government's fiscal support package. Spending has approached 20% of GDP, which includes wage subsidies that have been extended to June 2021. This is the highest percentage stimulus of the G7 countries, helped by the fact that the Canadian government's balance sheet is stronger than those of its six peers. Following the onset of coronavirus, the Canadian authorities stepped in quickly and were also slower to reopen some areas of the economy compared with the US and UK, which caused an economic drag.

The manager says 'the wild card is a second wave of COVID-19 infections, which could mean the economy is once again in the doldrums'. So far, while some areas are under further restrictions, there has not yet been a second lockdown; the government has adopted the policy of trying to live with the virus. Eckel notes that the Maritime states (New Brunswick, Nova Scotia and Prince Edward Island) have isolated themselves and cases are accelerating in the Prairie states (Manitoba, Saskatchewan and Alberta); unfortunately, there is a shortage of medical facilities in Northern Canada. The manager suggests that 'a spike in cases in Canada as a whole following the October Thanksgiving holiday means that another lockdown is likely'; this trend does not bode well for the US given its late-November Thanksgiving celebrations.

Turning his attention to oil, Eckel says 'the sector was already struggling prior to the coronavirus outbreak, in part due to a greater emphasis on renewable energy'. He suggests the outcome of the US presidential election is likely to be detrimental to the Canadian energy industry, as it is now unlikely the Keystone Pipeline will be built. This is a long-standing project that was given the go-ahead during President Trump's period in office. The shortage of pipeline infrastructure in Canada puts downward pressure on prices for its oil and gas production.

While certain areas of the Canadian economy, including the hospitality industry, have been hit hard by COVID-19 and the unemployment rate has risen, there are pockets of strength outside of the obvious virus beneficiaries such as the IT sector. The real estate sector has remained robust and lumber prices spiked due to demand for repairs and remodelling, which has benefited home improvement retailers. Other areas of strength include garden, fitness and recreational products. As an example, portfolio company Bombardier Recreational Products, a leader in power sports vehicles, all-terrain vehicles and snowmobiles, has experienced very strong demand. Considering the Q320 earnings season, Eckel says there were good numbers coming out of the lockdown; 'sales have improved, as has companies' ability to function during period of economic weakness'. CCL Industries reported results above expectations due to use of its labels in the automotive sector, which has reopened, also benefiting parts companies such as Magna International. There is relief that bank earnings have improved, as there had been concerns over loan losses and provisions in the second quarter of 2020, some of which have been released back on to banks' balance sheets.

The manager highlights some examples of merger and acquisition activity in Canada in recent months, including the merger between Cenovus Energy and Husky Energy, Brookfield Business Partners buying the 43% of Sagen MI Canada that it did not already own, and the acquisition of Norbord by West Fraser Timber (both forest products companies are in CGI's portfolio). The fund also had a holding in IPL Plastics, which was taken over by private equity investor Madison Dearborn.

When asked about recent company meetings, Eckel says 'we have been inundated with Zoom calls'. He suggests that in general 'there is a bias towards optimism, with most companies pretty happy about what they have done. Investors have accepted that companies have incurred higher costs as a result of the coronavirus pandemic, but these should come down', he adds. However, the manager says the outlook for 2021 is 'muddled', as there are so many factors in play. 'The US presidential election was a mess, which is a concern. There has been a worrying response on the US fiscal side, while there is a gap between now and the mass rollout of a vaccine'. The US is Canada's largest trading partner and the manager reports that the Canadian government has said that it will do whatever it takes to combat the negative effects of the pandemic. He says the stock market has been very resilient and is pricing in an economic recovery. However, Eckel's view is that 'there are inherent challenges for the next couple of quarters. We have had great vaccine news, but there are considerations to be made. We are at an amber rather than a green light until there is more clarity', he concludes.

Asset allocation

Investment process: Bottom-up with long-term perspective

Eckel's stock selection process is primarily bottom-up, although he does take the macro environment into account. The manager aims to generate an above-average total return for investors, seeking reasonably valued companies with favourable fundamentals and strong management teams. While the majority of CGI's portfolio is invested in Canadian companies, up to 25% of the fund may be held in US equities, primarily in niche operations or business areas that are under-represented in the Canadian market. The broad exposures at the end of November 2020 were 77.1% Canada, 22.2% US and 0.7% cash/equivalents. There are 59 holdings in the portfolio with a bias to large- and mid-sized stocks, some of which are higher yielding, such as the Canadian banks, helping support CGI's own dividend payments. Eckel has a long-term focus; annualised FY20 portfolio turnover is c 14% versus the 2.3% to 21.5% five-year range. Over the last five years, turnover averaged 11.7% pa, implying an 8.5-year average holding period; however, positions are reassessed regularly to ensure they are sized correctly and investment cases are still valid. The manager has a history of successively backing good management teams, who may change employers due to mergers and acquisitions.

Current portfolio positioning

At end-November 2020, CGI's top 10 positions made up 37.2% of the fund, which was a modest decrease in concentration compared with 39.1% a year before; six positions were common to both periods. Over the last 12 months to the end of November, in terms of sector exposure, the largest changes are a higher weighting in technology (+2.7pp) and real estate (+2.0pp) with a lower energy weighting (-3.2pp). Eckel's unconstrained investment approach is clearly demonstrated in Exhibit 3, favouring the technology, consumer discretionary and industrials sectors (+17.9pp, +9.8pp and +8.2pp respectively versus the index) while remaining cautious on the financials and energy sectors, which have below-index weightings of -21.1pp and -6.9pp, respectively.

Exhibit 3: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end Nov 2020	Portfolio end Nov 2019	Change (pp)	Index weight	Active weight vs index (pp)	Fund weight/ index weight (x)
Information technology	28.0	25.3	2.7	10.1	17.9	2.8
Industrials	20.4	19.1	1.3	12.2	8.2	1.7
Materials	15.9	14.0	1.9	13.6	2.3	1.2
Consumer discretionary	13.6	13.1	0.5	3.8	9.8	3.6
Financials	9.2	10.4	(1.2)	30.3	(21.1)	0.3
Energy	4.5	7.7	(3.2)	11.4	(6.9)	0.4
Real estate	3.6	1.6	2.0	3.2	0.4	1.1
Communication services	2.3	2.9	(0.6)	5.1	(2.8)	0.5
Healthcare	1.3	2.5	(1.2)	1.3	0.0	1.0
Utilities	0.5	0.8	(0.3)	5.2	(4.7)	0.1
Consumer staples	0.0	0.0	0.0	3.9	(3.9)	0.0
Cash & cash equivalents	0.7	2.6	(1.9)	0.0	0.7	N/A
	100.0	**100.0**		**100.0**		

Source: Canadian General Investments, Edison Investment Research. Note: Numbers subject to rounding.

Discussing important changes in CGI's portfolio in recent months, Eckel says he has taken considerable profits in the IT sector by reducing a number of holdings including Amazon.com, Apple, Mastercard, NVIDIA and Shopify. As mentioned in the Manager's view section, IPL Plastics was taken over. Within the energy sector two positions were sold: Suncor Energy (a target for ESG campaigners due to its oil sands and refining assets) and Vermillion Energy (a highly indebted company with a changed management team that cut its dividend).

New positions in the fund include those focusing on the theme of green and renewable energy. The manager explains that **Ballard Power Systems** was last held in CGI's portfolio around 20 years ago and is a developer and manufacturer of proton exchange membrane fuel cell products for markets such as heavy-duty motive, portable power, materials handling and engineering services. He says the company is the leader in the development of hydrogen fuel cells and believes it has significant growth potential given the technology's advantages versus electric vehicles (lighter and quicker to charge). It has a 49% stake in a joint venture with Weichai Power, a Chinese company that is the largest global diesel engine manufacturer. While Ballard Power remains unprofitable, Eckel thinks its 'very long multi-year trial period is essentially over'.

Another new holding is **Xebec Adsorption**, which is a gas purification equipment manufacturing company, aiming to help the transition to a low-carbon future by accelerating the development of renewable gases (renewable natural gas and renewable hydrogen, which is less developed). These are sourced from feedstocks that are forms of waste or excess electricity capacity that otherwise would have little to no value. Xebec has proprietary technology and an acquisition strategy aiming to purchase profitable service companies at attractive valuations to expand the geographical reach of its service network for cleantech systems, providing recurring revenue from parts and services. The manager says this company is an early-stage, smaller-cap company with good growth potential (its Q320 revenues were +39% year on year, while its recently released backlog numbers were +25% year-on-year). This position has performed well since purchased.

CGI also has a new position in **Brookfield Asset Management** (BAM), a company the manager had followed for some time. It is a leading global alternative asset manager with over $575bn of assets under management across real estate, infrastructure, renewable power, private equity and credit. The manager explains BAM has a very strong balance sheet with more than $50bn of capital invested in its listed affiliates: Brookfield Property Partners, Brookfield Infrastructure Partners, Brookfield Renewable Partners and Brookfield Business Partners. Access to large-scale capital enables BAM to invest in sizeable, premier assets and businesses across geographies and asset classes that are unavailable to many other managers. Eckel says that BAM's shares became oversold during the Q120 stock market sell-off due to investors' fears about its property assets; however, he considers the company 'is a good fit in CGI's portfolio, a position that can be held for the long term'. He comments that BAM has successfully raised funds in the past and will be ramping up its asset accumulation in 2021, while its rising cash balance could mean a special dividend may be paid next year.

The manager highlights CGI's new holding in **West Fraser Timber**, which is the most liquid of the lumber names. It is a low-cost producer with the majority of its revenues generated in the US. Eckel believes the company 'has the top management team in the space' and it recently announced the acquisition of portfolio company Norbord (where the manager had already increased the position due to favourable industry fundamentals). Norbord is the largest global producer of plywood-substitute oriented strand board, commonly known as OSB. Eckel comments that these are 'both really good companies,' adding the combined firm will have a US listing.

Performance: Very strong relative record

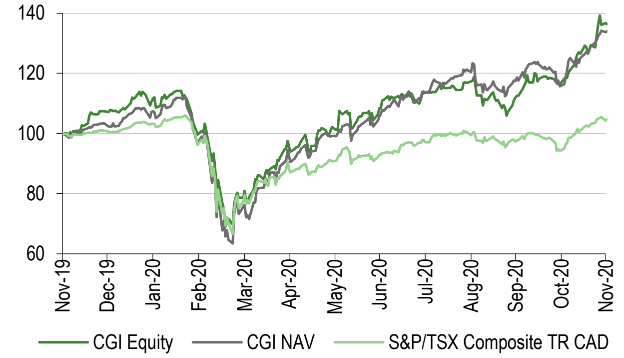
Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	S&P/TSX Composite (%)	MSCI Canada (%)	MSCI World (%)
30/11/16	0.8	12.2	15.5	15.7	4.8
30/11/17	33.6	19.0	9.6	9.8	19.1
30/11/18	(4.0)	1.9	(2.5)	(2.4)	3.9
30/11/19	13.6	14.9	15.7	14.7	15.1
30/11/20	36.7	33.7	4.3	2.7	12.3

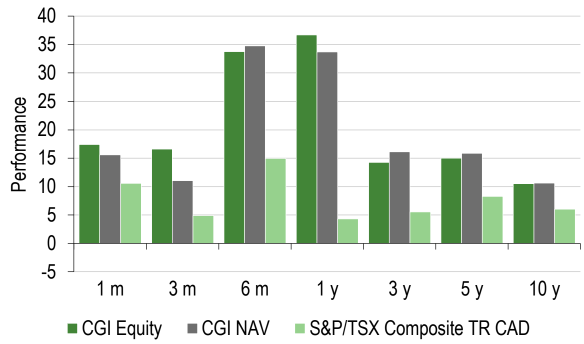
Source: Refinitiv. Note: All % on a total return basis in Canadian dollars.

Exhibit 5: Investment company performance to 30 November 2020

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

CGI has a commendable long-term record of outperformance; its NAV and share price total returns are ahead of the benchmark's in all periods highlighted in Exhibit 6. Commenting on the company's results so far this year, Eckel comments that 'we have had a pretty good go at it; a lot of things have gone right'. He explains he did not panic and sell stocks during the market downturn earlier in 2020. CGI's portfolio had been performing well ahead of the sell-off and participated in the subsequent market rebound, which was faster than expected. Fund positioning has been favourable this year with a large overweight exposure to the technology sector, which has been the standout performer. Other weightings have also been beneficial, including above-index exposure to the industrial and consumer discretionary sectors with underweight positions in the energy and financials sectors, which have been relative laggards. The manager says stock selection has added to performance this year, with around two-thirds of portfolio names in positive territory compared with c 45% of benchmark companies. Within this there have been some stocks that have performed particularly well, including number one holding Shopify, Canadian Pacific Railway, TFI International, FirstService and new position Xebec Adsorption. In addition, materials stocks such as Norbord have benefited from higher commodity prices. Eckel comments that 'there are a lot of positive things happening under the radar'.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to S&P/TSX Composite	6.2	11.1	16.4	31.1	26.9	35.0	52.0
NAV relative to S&P/TSX Composite	4.6	5.9	17.2	28.2	33.1	40.4	53.1
Price relative to MSCI Canada	6.1	11.8	17.4	33.2	29.9	37.7	54.7
NAV relative to MSCI Canada	4.5	6.5	18.3	30.3	36.3	43.2	55.9
Price relative to MSCI World	7.1	10.9	17.6	21.7	11.1	19.9	(22.7)
NAV relative to MSCI World	5.4	5.7	18.4	19.1	16.6	24.6	(22.1)

Source: Refinitiv, Edison Investment Research. Note: Data to end-November 2020. Geometric calculation.

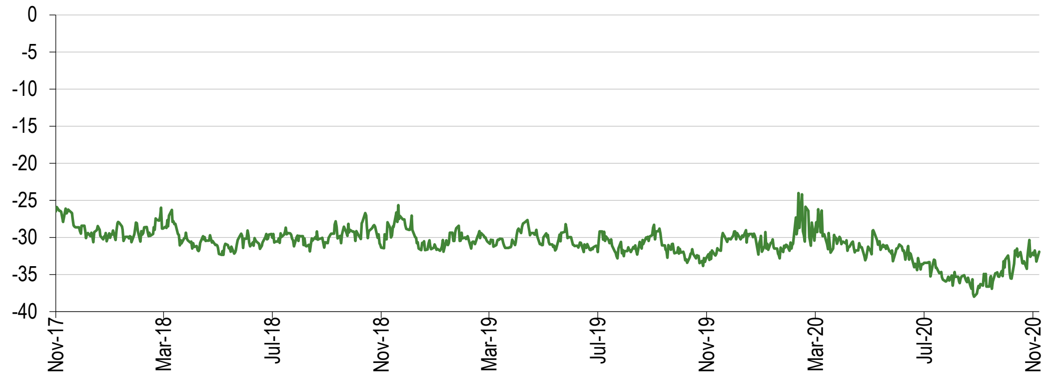
Exhibit 7: NAV total return performance relative to benchmark over three years

Source: Refinitiv, Edison Investment Research

Valuation: Discount remains wide

CGI's shares are currently trading at a 31.9% discount to NAV, which compares with the 24.0% to a decade-wide 38.0% range of discounts over the last 12 months. Over the last one, three, five and 10 years, the discount has averaged 32.1%, 30.8%, 29.9% and 28.5% respectively. The board is unable to repurchase shares to help manage the discount as this would invalidate CGI's favourable Canadian investment corporation tax status. Despite CGI's enviable performance track record, its discount to NAV remains consistently wide. This is possibly due to the 52.5% insider ownership or the relatively high level of gearing, affecting investor perceptions about liquidity and risk. However, there have been brief periods when the fund traded at a premium. It traded very close to par as recently as 2006, a period when CGI outperformed its benchmark, despite the backdrop of a commodities super-cycle and a rising oil price.

Exhibit 8: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

CGI has 20.9m ordinary shares in issue and has employed a leveraged strategy since its first issue of preference shares in 1998. Since then its annual total return has averaged 6.08% above the cost of debt. CGI has a C$100m credit facility (entered into on 5 June 2019), which originally had an evergreen feature; however, on 12 May 2020, the company received notice from the lender that the facility was being converted into a fixed-term loan with a maturity date of 12 May 2021. CGI also has C$75m of 3.75% cumulative, Series 4 preference shares, which are redeemable, at par, on or after 15 June 2023. The average cost of its C$175m debt is 2.44% and at end-November 2020, its net gearing was 17.0%, which is relatively low compared with the company's history as its NAV has risen significantly in recent months.

MMA is paid an annual management fee of 1.0% of the market value of CGI's investments, net of cash, portfolio accounts receivable and portfolio accounts payable; there is no performance fee. In H120, the annualised management expense ratio (MER) including leverage costs was 2.34%, which was 7bp higher than 2.27% in FY19. Excluding leverage costs makes the MER more comparable with the ongoing charge figure used in the UK; in H120, it was 1.54%, (1.53% in FY19).

Dividend policy and record

CGI pays regular quarterly dividends in March, June, September and December. The FY19 annual dividend of C$0.80 (two regular taxable dividends and two capital gains dividends of C$0.20 per share) was 5.3% higher year-on-year and followed six years of a stable C$0.76 per share distribution (paid as a combination of regular and special dividends). The FY20 annual dividend of C$0.84 per share is 5.0% higher year-on-year (three regular taxable dividends and one capital gains dividend of C$0.21 per share). Based on its current share price, CGI offers a 2.5% dividend yield. Eckel comments that the company's dividend is secure with scope to grow, 'although the board will not do anything reckless', he adds.

Peer group comparison

CGI is the largest of two funds in the AIC North America sector that have significant Canadian exposure. When making a comparison it should be noted that each follows a different investment mandate – CGI has a total return focus, while Middlefield has an income bias. The company has a significantly higher NAV total return over all periods shown. CGI's discount remains persistently wide, which may reflect its high insider ownership. Unsurprisingly, given its focus on total return rather than income, CGI has a lower dividend yield than its peer.

Exhibit 9: Selected peer group at 7 December 2020 (C$)*

% unless stated	Market cap (C$)	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Canadian General Investments	688.0	37.6	63.5	115.6	173.3	(31.9)	1.5	No	117	2.5
Middlefield Canadian Income	162.2	(1.8)	11.2	28.3	93.3	(15.0)	1.3	No	110	5.7
Average	**425.1**	**17.9**	**37.4**	**71.9**	**133.3**	**(23.4)**	**1.4**		**114**	**4.1**
Fund rank in sector	**1**	**1**	**1**	**1**	**1**	**2**	**1**		**1**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance to 4 December 2020 based on ex-par NAV. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

CGI's board has three non-independent and four independent directors, who collectively have an average tenure of c 16 years.

Vanessa Morgan is chairman of CGI and president and CEO of MMA; she joined CGI's board in 1997. Jonathan Morgan, president and CEO of CGI, and executive vice-president and COO of MMA, joined the board in 2001. Michael Smedley is CGI's longest-serving director, having been appointed in 1989; he is executive vice-president and CIO of MMA.

The four independent directors and their years of appointment are Neil Raymond (2002), James Billett (2005), Michelle Lally (2015) and Marcia Lewis Brown (2020).

Frankfurt +49 (0)69 78 8076 960	London +44 (0)20 3077 5700	New York +1 646 653 7026	Sydney +61 (0)2 8249 8342
Schumannstrasse 34b	280 High Holborn	1185 Avenue of the Americas	Level 4, Office 1205
60325 Frankfurt	London, WC1V 7EE	3rd Floor, New York, NY 10036	95 Pitt Street, Sydney
Germany	United Kingdom	United States of America	NSW 2000, Australia