Canaccord Genuity Capital Markets

Initiation of Coverage

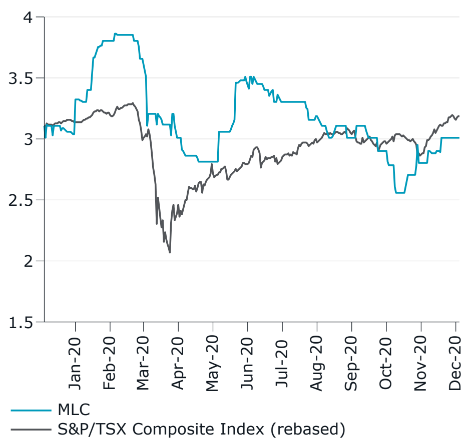
Mount Logan Capital Inc
Asset Managers

Canadian Equity Research
7 December 2020

Rating	Price Target
BUY	**C$3.75**
MLC-NEO	Price **C$2.90**

Market Data

52-Week Range (C$) :	2.70 - 3.40
Market Cap (C$M) :	49.2
Dividend /Shr (C$) :	0.08
Dividend Yield (%) :	2.8
Shares Out., FD (M) :	17.0
Total Return to Target (%) :	32.1
Discount to NAV (%) :	(29)
NAV /Shr (C$) :	4.11
Last Reported Quarter:	Q3/20
Website:	www.mountlogancapital.ca



Source: FactSet

Priced as of close of business 4 December 2020

Mount Logan Capital is a Canada based alternative credit lender with a focus on transitioning to become a diversified credit asset manager. As of Q3/20, the fair value of company's balance sheet investments was ~US$51M (excludes Cline Mining Corporation).

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Transitioning to Alternative Credit asset manager

We are initiating coverage of Mount Logan Capital (MLC) with a BUY rating and target price of C$3.75/sh. At current levels, we believe MLC shares offer strong risk-reward characteristics, trading at a 29% discount to Q3/20 NAV, while the company transitions its current business model toward an asset-light alternative credit asset manager.

- **Trading at large discount to NAV.** Currently, MLC shares trade at a 29% discount to Q3/20 NAV (compared to 19% historical discount). MLC was formed through an RTO from Marret Resource Corp. (MAR) with a renewed focus to invest in more diversified credit securities. At Q3, ~93% of its portfolio was tied to first-lien secured term loans (mainly in the US market). Private debt (direct lending) represents one of the fastest-growing asset classes within the US middle-market segment (core focus for MLC), which represents the third-largest global economy. Post GFC, Banks have reduced their exposure to this market segment (e.g., higher regulatory capital imposed), which presents a void for sources of capital that Alternative lenders such as MLC have benefited from. Private debt investments offer attractive risk-reward characteristics (including downside protection, higher absolute returns, and a low correlation to other asset classes) in an extremely low interest rate environment.
- **Transitioning toward an asset-light business model.** Holding company structures typically trade at a discount to NAV. In our coverage universe, Onex Corp trades at a 24% discount to its Q3/20 NAV. Due to these trading dynamics, management plans on transitioning toward an asset-light business model (e.g., management fee, no credit risk). To this end, MLC announced two transactions recently that add <US$1B in AUM through (1) Resource Credit Income fund (CIF; closed in Oct/20); and (2) two collateralized loan obligation funds (CLOs; closed Nov/20). Management stated that both these transactions were purchased at attractive P/E valuation multiples (e.g., mid- to high single digits) compared to >10x (2021E) for the publicly traded Canadian asset managers we track and cover (Figure 26). Further, management's pipeline for additional acquisitions remains robust to add scale. The first transaction (CIF) was mainly funded by a recent private placement. We expect future transactions to be supported through a combination of deleveraging its balance sheets (e.g., net proceeds of US$8.3M raised through monetization of 10 portfolio holdings in Q3/20) and potential for further external capital raises. We believe management's pipeline remains solid to add scale onto its platform and further diversify credit AUM (e.g., insurance, credit hedge fund manager).
- **Experienced management team backed by large Alternative manager.** BC Partners (BCP) is a global Alternative manager with >US$27B of AUM. In 2017, the manager launched its Credit platform and has amassed US$4.2B in AUM. BCP is one of the largest US middle-market lenders and provides access to origination professionals supporting its robust deal pipeline. The firm has a servicing agreement with MLC and owns an equity stake with certain private credit senior executives working at both firms. Ted Goldthorpe launched the BCP Credit platform. As well, Mr. Goldthorpe is CEO (and Chairman of Board) at MLC and devotes most of his time here. Previously, Mr. Goldthorpe was President at Apollo Investment Corp - AINV (and CIO of Apollo Investment Management). During his tenure, AINV returned a net IRR of 9.0%, which outpaced certain BDC peers and benchmark indices (see Figure 2). Collectively, BCP employees and board members own ~1.9M shares of MLC (or >11% of total shares outstanding).

Valuation

Our target price is derived on a SOTP basis driven by a (1) 0.9x multiple (vs. historical discount of 19%) applied to our Q3/20 NAV; and (2) 9.0x target P/E multiple on 2021E asset management earnings ($2.6M).

For important information, please see the Important Disclosures beginning on page 35 of this document.

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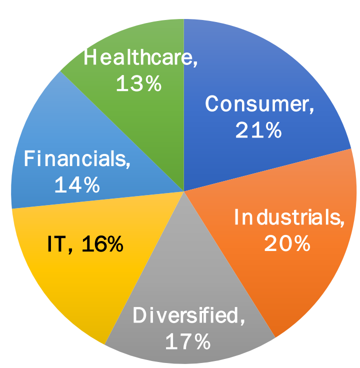
Investment thesis

We are initiating coverage of MLC with a BUY recommendation and target price of C$3.75/share. Our target price implies an ~32% total return potential (including 2.8% current dividend yield). Our valuation is based on a sum-of-the-parts (SOTP) methodology, driven by a 9.0x multiple applied to our 2021E earnings from the asset management business (e.g., from CIF and CLO transactions) and a 10% discount to our Q3/20 NAV, mainly reflecting the company's investments on the balance sheet. Our 9.0x target P/E multiple represents a slight discount to publicly traded Canadian asset managers peers (see Figure 26), while the latter represents a discount to book value (e.g., reflects credit risk from pandemic and holding company structure). Below, we have highlighted our four main reasons to own MLC shares**:**

1. **Attractive valuation (large discount to BV)**

Mount Logan shares currently trade at a 29% discount to Q3/20 NAV (vs. 19% historical average discount). Pre-pandemic (until Q4/19), we note that MLC's discount to NAV was narrower at 14%. In Q1/20, the firm's discount widened to 29% (similar to current discount), mainly due to lower portfolio values (e.g., unrealized credit losses) from adverse impacts of COVID-19. At Q1, MLC wrote down its portfolio by US$2.3M (e.g., higher discount rates reflected widening credit spreads). However, MLC has recovered more than half of its markdowns over the following two quarters. The company's investment portfolio is relatively more defensive with no exposure to most severely COVID-19 impacted sectors (e.g., automotive, energy, metals and mining, advertising, casinos, hotels, restaurants, airlines, cruise lines) and has ~93% of its portfolio tied to first lien senior secured loans (provides downside protection). At Q3/20, MLC's portfolio is well diversified across sectors that include Consumer (21%), Industrials (20%), Diversified (17%), Information Technology (15%), Financials (14%), and Healthcare (13%). MLC offers a dividend that currently yields 2.8%. Although the yield is lower than Canadian asset manager peers (Figure 17), we believe there is dividend growth upside as the company aggressively transitions towards an asset-light model (e.g., more predictable cash flow stream through management fees).

Figure 1: Portfolio breakdown by industry



Source: Company Reports
*As of Q3/20

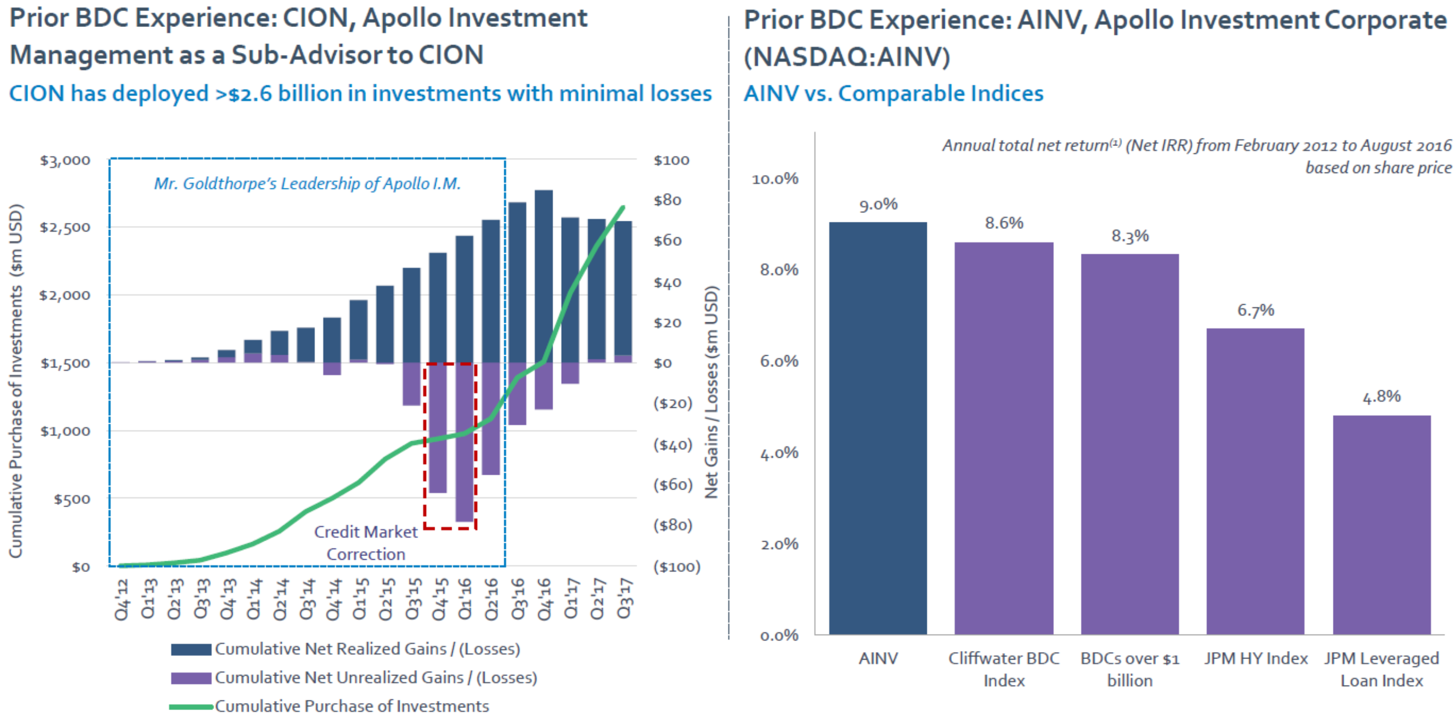
2. Transition to Asset Management model should add shareholder value

The company is in the process of transitioning into an asset-light diversified credit asset manager (off-balance sheet investments) from its current business model (holding company structure). We believe evolving into the new model has several benefits over its current structure: (1) decreased volatility through credit market cycles and lower interest rate sensitivity; (2) stable, recurring and predictable management fee stream; (3) largely unlevered balance sheet; and (4) transition to P/E (or FRE) valuation approach, which should be advantageous over holding company structures that typically trade at a significant discount to NAV (e.g., ONEX in our coverage universe). To complement its new strategy, Mount Logan has completed two acquisitions recently, bringing its total AUM to nearly US$1B. Management stated that both transactions (CIF and two CLOs) were completed at accretive P/E valuations (e.g., mid- to high single digit). Going forward, we believe management's pipeline remains solid (e.g., insurance, credit hedge fund manager) to add scale and further diversify its credit platform. We believe the firm can double AUM by next year with sources of capital from deleveraging its balance sheet and potential for external capital raises. Our stance is not to model future transactions but note that additional transactions should be accretive and add shareholder value.

3. Ted Goldthorpe has a successful track record in managing credit investments

Ted Goldthorpe is the CEO and Chairman of Board at MLC. He is an industry veteran with over 20 years of experience in the credit investing space. In 2017, Mr. Goldthorpe launched the BCP Credit platform (US4.3B of AUM) at BC Partners and heads the group. However, he devotes most of his time to Mount Logan and is supported by a large supporting cast (e.g., MLC Co-Presidents Matthias Ederer and Henry Wang work at both firms; see Appendix V). Previously, Mr. Goldthorpe was the President at Apollo Investment Corporation (AINV) and Chief Investment Officer at Apollo Investment Management. During his tenure at Apollo, AINV returned a net IRR of 9.0%, which outpaced certain BDC peers and benchmark indices (see Figure 2). Prior to Apollo, he worked at Goldman Sachs for 13 years where he initially was Head of Principal Capital Investing for Special Situations Group before leading the Bank Loan Distressed Investing Desk. Historically, credit market corrections (e.g., Q4/15 to Q1/16; see Figure 2) are followed by improvement on demand for investments and credit market recoveries (through unrealized/realized net gains).

Figure 2: Ted Goldthorpe's successful track record in managing credit investments



Source: Company Reports

4. Strategic backing by global alternative manager BC Partners

BC Partners (BCP) is a strategic investor in Mount Logan. Collectively, BCP employees and board members own >11% of total pro forma MLC shares (post recent private placement). BCP is a London-based alternative asset manager with over US$27B in assets spread across private equity, credit, and real estate estates (mainly in North America and Europe). Mount Logan's partnership with BC partners is threefold: (1) BCP employees and board members' share ownership; (2) servicing agreement between firms leveraging capabilities such as back office services; and lastly (3) senior executives are involved in both the companies. This partnership benefits MLC in various ways such as by providing access to proprietary deal flow, institutional investors, BC Partners' investment expertise and management relationships.

Key risks

Below we have highlighted some of the key risks associated with MLC:

- **M&A execution risks.** The company is relying on future acquisitions for successful transition to the asset light model. Although management has a solid track record of closing transactions, past performance is no guarantee for future success. Failure in its M&A execution strategy could impact financial performance of the company.
- **Equity dilution risk.** In relation to its M&A strategy, there is a risk that the company could perform several acquisitions financed to some or greater extent with new equity issuances. This could be dilutive to current shareholders
- **Credit risks.** Assets and debt securities are subject to credit and liquidity risk. Any loan could become defaulted (COVID-19 near-term headwind) for several reasons (e.g., non-payment of principal or interest, covenant violations, restructuring resulting in reduced interest rates or write-down of principal).

- **Market risks.** The firm's transition to the new business model may depend on monetizing certain existing balance sheet investments. Failure of sale may impede future asset manager transactions and ability to add incremental shareholder value.
- **Liquidity risk.** Mount Logan is listed on the NEO exchange and has a market capitalization of ~$50M with an average daily traded volume less than 1K. This may pose liquidity concerns for investors who wish to sell their holdings at a particular time or price.

Transitioning to Alternative Credit Asset Manager

Company became public through an RTO

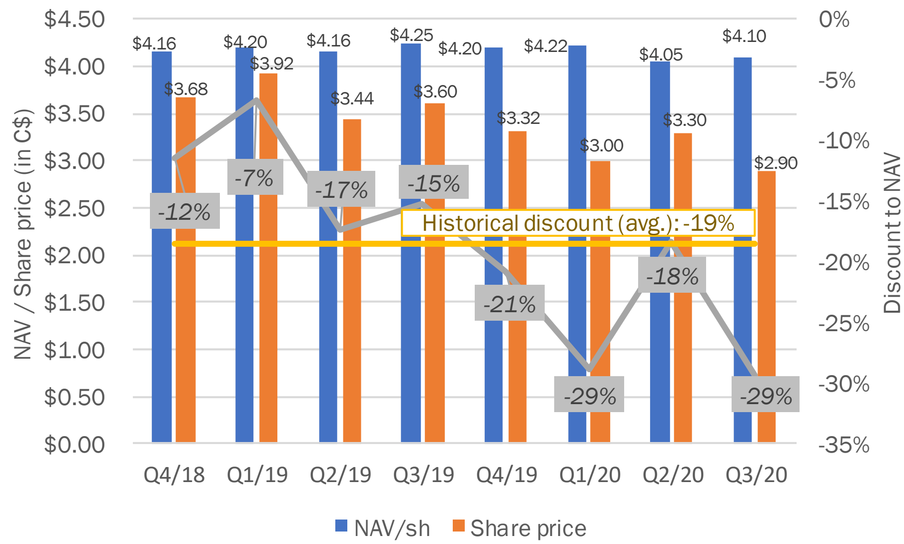
In October 2018, Mount Logan Capital Inc. (MLC) became a public entity following a reverse-take-over (RTO) transaction from Marret Resource Corp. (MAR). At Q2/19, MLC's portfolio was initially seeded following the RTO and had a fair market value of ~US$60M. The firm's investment mandate was to deviate from a resource-focused lender into more diversified credit investments. In Q3/20, MLC had company investments on its balance sheet marked at ~US$51M (excluding Cline Mining Corp.) with ~93% of the portfolio invested in first lien secured term loans. First lien investments are loans collateralized by assets with the lender having the first right on the underlying asset in case of default. Historically, first lien loans have a proven track record of lower volatility (and default rates) through a full market cycle.

During this time frame, MLC's investment portfolio has slightly decreased as the firm intends to become less reliant on balance sheet lending (e.g., credit risk) with a focus on transitioning towards an asset-light diversified credit asset manager. To this end, MLC recently announced two transactions that effectively adds <US$1B in AUM through (1) Resource Credit Income Fund - CIF (closed in Oct/20); and (2) two collateralized loan obligation funds - CLOs (closed in Nov/20). In August 2019, the company had acquired its first management contract (no financial details disclosed; not material) from a leading US-based insurance company. At this time, Mount Logan Management, LLC was newly formed as a wholly owned subsidiary of the company established for the purpose of asset monitoring and future asset management activities in the US. Currently, management reiterated its pipeline remains robust for additional acquisitions at accretive valuation multiples. Going forward, we expect future transactions to be supported by a combination of monetizing further investments held on balance sheet and potentially raising additional external capital from the marketplace.

Balance sheet investments typically valued at discount to NAV

In Figure 3, we display MLC stock trading and quarterly NAV since inception (in CDN$). MLC shares trade in CDN$ (on the NEO exchange), and we have converted its quarterly NAV (reports in US$) to Canadian dollars for comparison purposes (constant currency). Historically, MLC has traded at an average historical discount of 19%. At Q3/20, MLC's NAV discount is significant at 29% (similar to Q1/20 reflecting the start of the pandemic despite the market's recovery). While the company marks to market its credit portfolio every quarter, the market typically ascribes a discount to a holding company structure. We refer to our coverage universe with Onex Corp. (ONEX-TSX: C$71.01 | BUY, C$84 TP) that carries most of its value on its balance sheet with minimal proportional value attributed to its Asset & Wealth management-based activities. Currently, ONEX trades at a 24% discount to its Q3/20 hard NAV vs. a 4% historical premium. In our view, this could imply limited (or zero) value toward its Asset & Wealth management segment due to modest profitability. Over time, we believe MLC is in a great position to acquire additional funds/companies at accretive valuation multiples. We suggest alternative credit offers favourable demand characteristics (from market dislocation) and higher potential absolute fund returns supporting above-average organic growth.

Figure 3: Historical NAV/sh vs. MLC share price: Trading at 29% discount to NAV

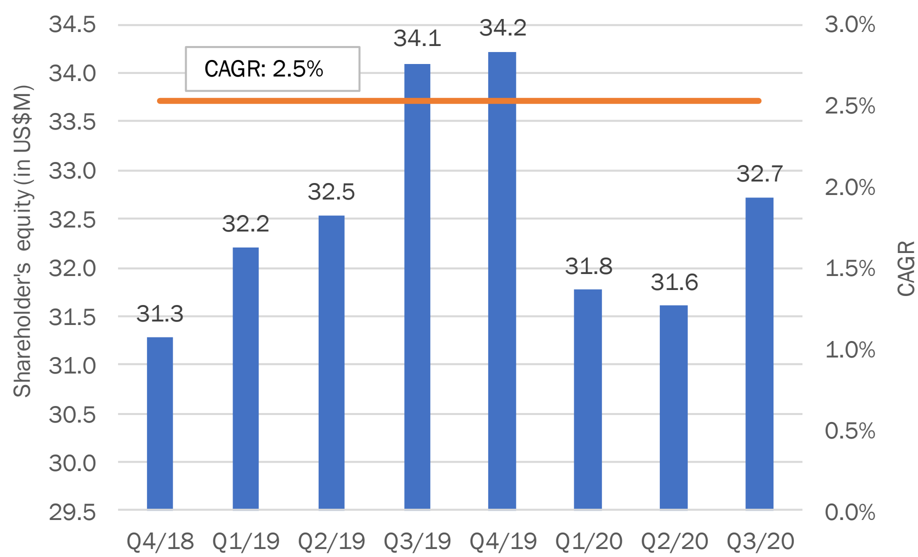


Source: Company Reports, FactSet, Canaccord Genuity estimates

MLC shares have relatively underperformed

At Q4/18, MLC shares were $3.68 (adjusted for 1:8 share consolidation; see Mount Logan Capital Overview section) compared to $2.90 as of last quarter (Q3/20). Since initially trading in October 2018, MLC shares have underperformed publicly traded Canadian asset managers and the TSX Composite. Over the past year, MLC stock declined 23%, comparing unfavourably to Canadian asset managers average of +3% and TSX Composite at 7% (see Figure 26). In our view, the large variance on shareholder returns could be ascribed to potential credit risk (on balance sheet) and limited exposure to equity markets. In December 2019, MLC initiated a quarterly dividend of $0.02 (annual of $0.08), implying a current dividend yield of 2.8% (vs. peers at 4.7%). The lower yield reflects MLC's need for capital base to support its accelerated transition towards an asset-light asset business model. Further, AUM scale generates higher asset management fees, which should improve profitability. In Figure 4, MLC's initial BV of US$31.3M reflects a modest CAGR of 2.5% to US$32.7M (by Q3/20).

Figure 4: Shareholder's equity (Book value): Slight growth since inception

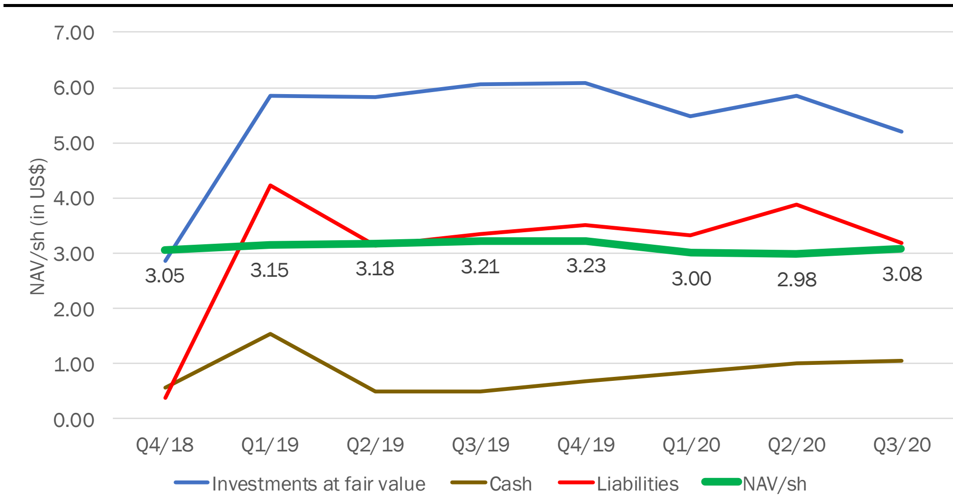


Source: Company Reports

MLC NAV/sh. (in US$) essentially flat since start

In Figure 5, we display the firm's quarterly value for investments, cash, and liabilities that net out to NAV/sh. This is portrayed in US$ to remove the effect of currency translation. Overall, MLC's Q3/20 NAV was US$3.08, and the company has reported essentially flat growth since Q4/18 (US$3.05). We note recent developments on quarterly NAV drivers are expected to continue. YTD, the company's investments at fair value have declined (e.g., net portfolio sales, COVID-19 impact), and accordingly liabilities (e.g., paying down their credit facility) have decreased as well. Lastly, cash levels are higher mainly due to net portfolio sales (mentioned above) and recent private placement raise ($17.5M total; post Q3). Both sources of cash have supported the firm's two recent transactions. Going forward, we expect similar capital initiatives to fund future acquisition activities to grow asset management.

Figure 5: Historical NAV/sh: Flattish growth since inception



Source: Company Reports

Current portfolio: balance sheet investments

Credit-focused investing in US marketplace

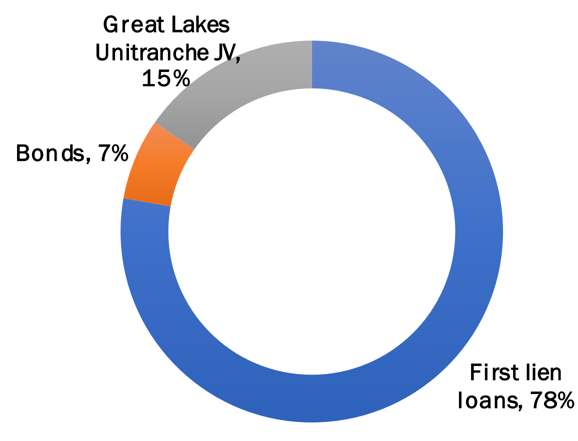
At Q3/20, MLC's total investments had a fair value of ~US$51M (excluding Cline Mining Corp.). The portfolio primarily consists of debt instruments (85%) and equity (15%). The former drives interest income (~80% of total revenues), while the latter is the source for dividend income. In terms of geographic distribution on assets, MLC focuses mainly on private credit in the US marketplace (94%) with the remaining interest in Canada. Currently, the company does not invest outside of North America but is open to attractive international opportunities subject to a maximum threshold of 50% of the consolidated NAV. MLC proactively sources, evaluates, monitors and invests in loans, bonds, and other debt securities that possess credit characteristics. The company has rigorous due diligence processes in place that screen credit opportunities in the market with an objective of maximizing risk-adjusted returns, limit default risk through credit cycle, and minimizing the risk of principal impairment.

Primarily invested in debt instruments (middle-market businesses)

The company's debt investments mainly consist of US first lien loans (~80% of the debt portfolio) with an average duration of <5 years and carry a current average yield of <6%. Mount Logan makes these loans primarily to middle-market businesses where, we believe, excess return potential exists as this market is typically underserved by the traditional lenders. MLC's loan amount usually ranges between US$1-5M and is generally advanced to companies generating US$10-30M in EBIDTA. The current investments bear a floating interest rate of LIBOR + ~400-500 bps.

In July 2019, management provided a positive realization update on one of its holdings. At that time, MLC announced the monetization in notes of GFL Environment Holdings (GLF) for $5.5M. This generated an IRR of 12.9% through the sale at a premium to its original cost and included capitalized and accrued interest.

Figure 6: Portfolio breakdown by type



Source: Company Reports
*As of Q3/20

Top 10 investment holdings exhibit large concentration

As of Q3/20, ML's debt instruments carried a fair value of US$46.6M (see Appendix III). In Figure 7, we list the company's top 10 holdings, which represent 78% of its total portfolio. We note that no one investment can account for more than 20% of the portfolio. Post Q3, the investment in BCP Great Lakes Holdings was reduced and the CION Investment Group was sold. The latter was one of the most illiquid securities in the portfolio. In Figure 7, CION earned a much higher yield (promissory note) and had a longer maturity date. In Q3, the firm monetized 10 portfolio investments, including a partial sale totalling gross proceeds of US$12.8M. On the other side, ML made one new investment for a principal amount of US$4.5M for net proceeds to the company of US$8.3M.

In October 2020, the firm announced that Cline Mining Corp. (FMV of US$3.8M; or ~8% of debt portfolio) was sold to Allegiance Coal Limited. The proceeds from this sale are subject to Contingent Value Rights (CVRs), which was arranged previously for Marret (MAR) legacy shareholders. As a result, there will be no impact on MLC as a result of this transaction.

Figure 7: Mount Logan's top 10 holdings

Company	Investment	Spread above index	Interest	Maturity	Fair Value (In US$M)	% of total portfolio
BCP Great Lakes Holdings LP	Equity	NA	NA	13-Mar-23	8,473	15%
SW Ingredients Holdings, LLC	Senior Secured Loan	6M L + 400	5.25%	3-Jul-24	4,826	9%
League Collegiate Holdings, LLC	Senior Secured Loan	3M + 475	5.75%	1-May-24	4,220	8%
TCP Sunbelt Acquisition Co.	Senior Secured Loan	1M L + 450	5.50%	31-May-24	4,166	8%
Alera Group Intermediate Holdings, Inc.	Senior Secured Loan	1M L + 400	4.15%	1-Aug-25	3,891	7%
Radiology Partners Inc.	Senior Secured Loan	12M L + 425	5.99%	9-Jul-29	3,849	7%
Cline Mining Corporation	Bonds	NA	NA	8-Jul-22	3,779	7%
Wesco Group, LLC.	Senior Secured Loan	3M L + 425	5.25%	15-Jun-24	3,246	6%
CION Investment Group, LLC	Promissory Note	3M L + 800	9.24%	30-Jun-29	3,229	6%
Idera, Inc.	Senior Secured Loan	6M L + 400	5.00%	28-Jun-24	3,029	5%
Total			5.77%	420,961	42,708	78%

Source: Company Reports
*As of Q3/20

Equity investments through JV with Great Lakes

Mount Logan's equity investments (~15% of portfolio) are through a JV with the Great Lakes Unitranche Program. At Q3/20, MLC's equity investments represented a fair value of US$8.5M (or ~20% of total revenues). In November 2018, MLC committed US$10M to the Great Lakes Unitranche Program of Great Lakes Holdings LP – a wholly owned MLC subsidiary. Under this program, Great Lakes underwrites floating rate senior secured unitranche loans mainly to middle market borrowers spread across diversified industries. The program pays quarterly dividend income to its investors. As of Q3/20, the Program had more than 10 investments in its portfolio. However (subsequent to the quarter), MLC monetized two of its largest investments from the program at par (or above).

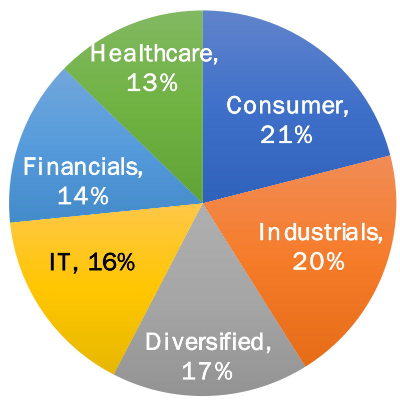
Defensive characteristics amidst COVID-19

We believe Mount Logan's investment portfolio is relatively well positioned from a credit perspective (in terms of future potential credit losses):

- **Majority of portfolio secured by first lien.** As mentioned above, ~80% of MLC's portfolio is secured with first lien senior secured term loans. The Great Lakes JV exposure is underpinned by first lien senior secured unitranche loans, effectively totalling ~93% of their holdings secured by first lien.

- **Lower leverage ratios vs. peers.** The portfolio companies have on average leverage ratios (Debt/EBITDA) between ~3.5x-4.0x compared to the global peer average of >5.0x (from LBOs). Further, MLC investments carries a loan-to-value (LTV) of ~40-45%.
- **No exposure to cyclical sectors.** The investment mandate avoids cyclical sectors (e.g., such as energy, metals & mining, and other commodities). We believe this should particularly suit it more favourably during the pandemic. At Q3/20, MLC's portfolio is well diversified across sectors that include Consumer (21%), Industrials (20%), Diversified (17%), Information Technology (15%), Financials (14%), and Healthcare (13%). Additionally, Mount Logan has no exposure towards hotels, casinos, restaurants, and leisure as sub-sectors, which have been particularly impacted by COVID-19.

Figure 8: Portfolio breakdown by industry



Source: Company Reports
*As of Q3/20

Current business model

In Figure 9, we show MLC's 2019 and first three quarters of 2020 financial operating results. Overall, MLC's reported profitability is minimal (2019: $0.02 EPS; largely benefited from income tax benefit) with negative earnings traction YTD mainly due to the pandemic (e.g., unrealized losses on investments) and deleveraging of its balance sheet. As a result, our MLC valuation is tied to current NAV and expected 2021 earnings from asset management.

- **Total investment income.** Mount Logan's investments in debt and equity instruments drive the primary sources of revenue. Recall, the firm seeks each loan amount between US$1-5M with the portfolio bearing a floating interest rate using LIBOR + typically 400-500 bps. YTD, LIBOR rates have contracted, which also drove reduced investment income. Dividend income is derived from its JV with Great Lakes and should proportionately decrease going forward due to recent sales.
- **Total expenses.** The largest part of expenses is financing its investments through a US$50M credit facility of which US$34M was utilized as of Q3/20 (collateralized by ~$40M of investment assets at FMV). YTD, interest expense on this facility has contracted, resulting from net portfolio sales. Administrative costs and professional fees (e.g., audit, legal costs) represent the next largest cost components. Generally, total expenses have covered total investment income earned (Figure 9).

- **Net investment income.** This would provide the most variability on current results. In 2019, total net-realized and unrealized losses amounted to -$0.7M. The primary driver was FX losses, resulting in a higher Canadian dollar, slightly offset by net realized gains on investments. At Q1/20, MLC earned -$0.22/sh., mainly impacted by COVID-19. The firm marked down its investment portfolio, recording an unrealized loss of $2.3M, reflecting higher discount rates from widening credit spreads driven by market volatility. In Q2, the credit situation improved slightly as lockdown measures loosened in North America, which resulted in a modest reversal (+$53K) of the previous quarter's unrealized losses. At Q3, ML generated profits of $0.12/sh. as it reported a larger reversal (+$1.3M) on credit. Over the past two quarters, MLC has gained back >50% of the impairments charged in Q1/20 resulting from start of the pandemic. The fair values of the investments are based on certain valuation techniques using current market inputs coupled with management's judgement. Each investment is reviewed at least once annually by an independent third party. With recent news on potential vaccines (e.g., Pfizer, Moderna), we believe the credit outlook should improve medium term. That said (post Q3 results), COVID-19 second waves have resulted in lockdowns in certain regions that could impact investment portfolio returns in the near term.

Figure 9: Income statement Summary

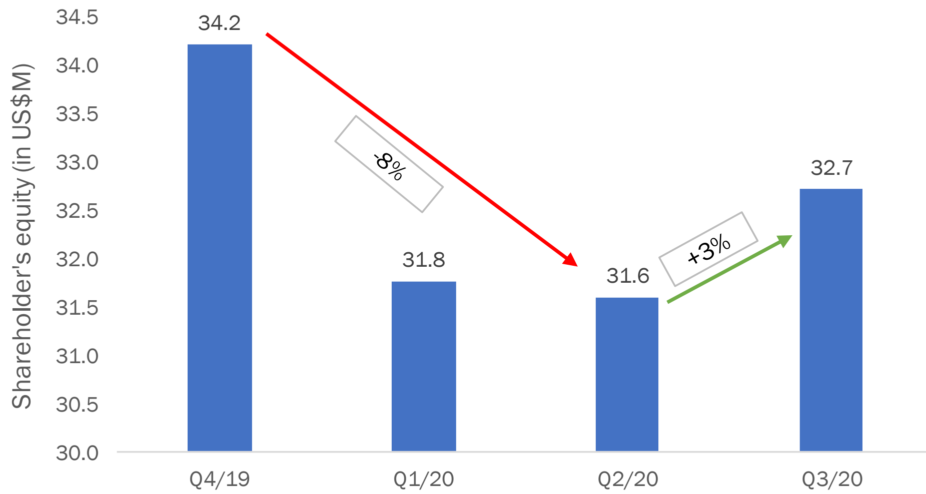
	2019	Q1/20	Q2/20	Q3/20
Income statement (In US$ 000s, except shares and per/sh data)				
Interest income	3,046	865	772	763
Dividend income	442	215	156	208
Fee income	11	0	0	0
Total Investment income	**3,499**	**1,080**	**928**	**971**
Administration fees	0	148	132	188
Arrangement costs	166	0	0	0
Interest and other credit facility expenses	1,563	648	520	414
Professional fees	593	215	213	115
Compensation	312	56	54	57
Marketing	0	32	60	33
Director's fees	99	21	23	22
Regulatory and shareholder relations	239	24	10	4
Other general and administrative	303	37	37	43
Transaction costs	0	0	0	0
Total operating expenses	**3,275**	**1,181**	**1,049**	**876**
Net investment income (loss)	**224**	**(101)**	**(121)**	**95**
Net realized gain (loss) on investments	620	41	69	(41)
Net realized gain (loss) on foreign currency	(43)	1	(5)	(42)
Net change in unrealized appreciation (depreciation) on investments	9	(2,266)	53	1,261
Net change in unrealized gain (loss) on foreign currency	(1,281)	32	(9)	(3)
Total net realized and unrealized gain (loss)	**(695)**	**(2,192)**	**108**	**1,175**
Income (loss) and comprehensive income (loss) before income tax	**(471)**	**(2,293)**	**(13)**	**1,270**
Deferred tax recovered	699	0	0	0
Income (loss) and comprehensive income (loss)	**228**	**(2,293)**	**(13)**	**1,270**
Weighted average shares - diluted	10,348,477	10,604,998	10,604,998	10,604,998
Earnings per share (diluted)	**$0.02**	**($0.22)**	**($0.00)**	**$0.12**

Source: Company Reports

BVPS growth negative over past year

At Q4/19, Mount Logan BVPS was US$34.2M. With Q1 being impacted by the pandemic, the company's BVPS declined 8% QoQ with a subsequent rebound in Q3 (+3%). Going forward, we see limited residual value creation on its current business model. However, we believe MLC transitioning toward a fee-based asset-light model (off-balance sheet assets) will help improve BVPS growth visibility (e.g., from quasi permanent capital with stable, predictable management fee streams).

Figure 10: Total shareholder's equity: Q1/20 BV impacted by the pandemic



Source: Company Reports

Transition to Alternative Credit Asset Manager

Several advantages transitioning to asset-light model

We believe the transition towards an asset-light model will help unlock shareholder value. There are several advantages of this model compared to its current one, which include (1) P/E (or FRE) valuation approach is more easily identifiable due to a set of global publicly traded peer comps (see Figure 26); (2) a large portion of holding companies trade at significant discounts to NAV (e.g., ONEX in our coverage universe); (3) lower volatility through credit market cycles from targeted alternative credit diversification; (4) recurring and predictable management fee stream with potential to earn carried interest: (4) reduced sensitivity towards interest rate risk especially on a quarterly basis; and (5) largely unlevered balanced sheet.

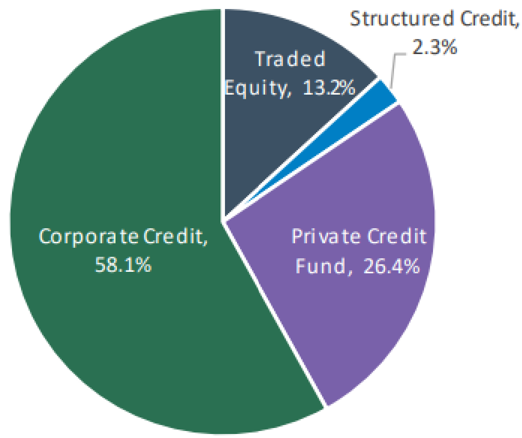
Building a diversified credit asset manager

Recently, Mount Logan announced two transactions totalling AUM of <US$1B. The first transaction related to a contract to manage ~US$250M on the Resource Credit Income Fund (CIF; closed in October 2020) and the second transaction was related to management agreements on two CLOs (closed in November 2020). We expect the firm to continue to pursue transactions/acquisitions to add scale that may include other credit products (e.g., insurance, credit hedge funds). Management states its deal pipeline remains robust and should continue to target companies/funds with AUM in the range of US$100M–$1.0B. We believe MLC can at least double its AUM business by next year. That said, (for conservative purposes), we have not included any future acquisition activities into our model. Based on the first two transactions, we suggest additional accretive acquisitions should help unlock shareholder value.

CIF closing accelerates transition to asset-light model

On October 30, 2020, Mount Logan closed its transaction of CIF. This is a major step in accelerating its transition into an asset-light model. At Q3/20, CIF had ~$250M of AUM that is invested across credit markets including direct credit, private credit, and public credit (see Figure 11). MLC purchased CIF for ~US$12M with a potential additional ~US$3M that would max out at ~US$15M. The transaction was funded by a private placement ($17.5M total gross proceeds) that closed in November 2020 (first tranche of $16.8M closed in October 2020 and final tranche of $0.7M closed in November 2020). In this case, CIF was owned by Resource Advisors and was part of the family of seven funds with six of them focusing on real estate funds (CIF was essentially non-core). Further, Goldman Sachs had purchased the real estate funds, which paved the way for MLC to acquire CIF.

Figure 11: Portfolio composition by type of investments



Source: Company Reports
*As of May 14, 2020

Resource Credit Income fund (CIF): US retail interval fund

In April 2015, CIF was launched and is classified as a US closed-end interval fund that primarily invests in direct lending (e.g., corporate debt and structured credit), private credit, and public credit. An interval fund is a fund whose units are not traded in any public market; instead, the fund itself offers to buy back a certain predetermined percentage of holdings at regular intervals. Currently, CIF is one of the top 10 largest credit interval funds, and we believe it is on a path to become top 5 in the future.

The Fund was launched under the leadership of Mike Terwilliger, who will continue to manage the fund post-closing. Mr. Terwilliger has more than 20 years of experience in the credit industry and his previous work experience entails Bank of America – Merrill Lynch (BAML), and Shenken Capital Management. He holds a Bachelor of Arts from Northwestern University and an MBA from the Darden School of Business. Below, we outline some attributes of CIF:

- The fund charges 1.85% of the average daily net assets as the annual management fee for managing the fund assets and may qualify for an incentive fee beyond a hurdle rate of return at 9%. Going forward, we expect MLC to benefit from these economic benefits. Due to the extremely low interest rate environment, we suggest that earning potential performance fees (>9% hurdle rate) over our forecasted period is nil.
- CIF offers investors an option to redeem 5% of their holdings every quarter in exchange for cash. We suggest US retail investors should find CIF relatively attractive from an excess return and diversification standpoint. YTD, Fixed income mutual funds (in US market) generated positive net sales of ~US$104B (according to ICI), while equity mutual funds continue to record significant net redemptions (e.g. continued demand for ETF equity funds).

Diversified Credit portfolio

In Figure 11, we highlight CIF's credit breakdown and provide a split of their corporate credit holdings (as of May 2020; see Figure 13). CIF is primarily comprising four types of credit investments: (1) Corporate credit (58%); (2) Private credit (26%); (3) Traded equity (13%); and (4) Structured credit (2%). The Fund's private credit exposure is typically assessed through other Funds. Private credit access is typically gathered through other Alternative credit manager funds. In Figure 12, we show top 10 holdings of the CIF portfolio (as of December 03, 2020).

Figure 12: CIF's top 10 investment holdings

Top 10 Holdings as of 12/03/2020

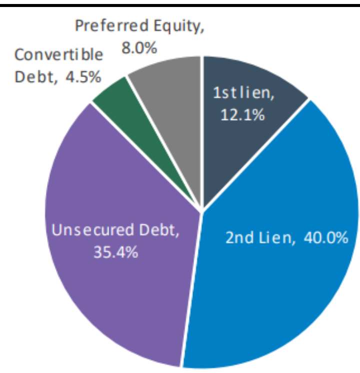
Security	Weight
Tree Line Credit Strategies LP	6.77%
BlackRock Global Credit Opportunities Fund, LP	5.75%
CVC European Mid-Market Solutions Fund	4.71%
H-Food Holdings LLC / Hearthside Finance Co., Inc.	4.40%
Solar Capital Ltd.	3.42%
USS Ultimate Holdings, Inc.	2.84%
Trident TPI Holdings, Inc.	2.77%
Upstream Rehabilitation, Inc.	2.71%
WhiteHorse Finance, Inc.	2.71%
Monroe Capital Private Credit Fund III LP	2.60%

Source: Company Reports

Corporate credit accounts for large portion of Fund

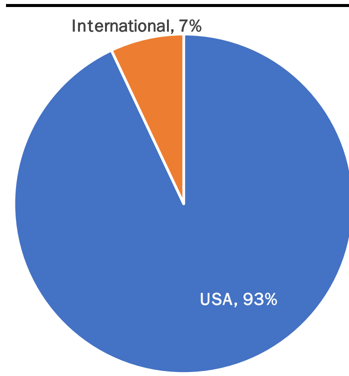
As shown in Figure 13, CIF's Corporate credit represents the largest part of the book (58%) with this portion consisting mainly of unsecured debt (35%), 2nd lien loans (40%), and 1st lien loans (12%). On a consolidated basis, CIF has >70% of the Fund's total assets that are categorized as low-risk senior secured loans. The CIF fund has a targeted investment return of ~7%, which is much higher than traditional fixed income funds due to its higher risk exposure (e.g., unsecured debt, 2nd lien loans). On a geographic basis, CIF primarily focuses on the US marketplace (93% of fund with remaining balance at International), which is a similar US proportion to Mount Logan.

Figure 13: Corporate Credit breakdown



Source: Company Reports
*As of May 14, 2020

Figure 14: Portfolio breakdown by geography



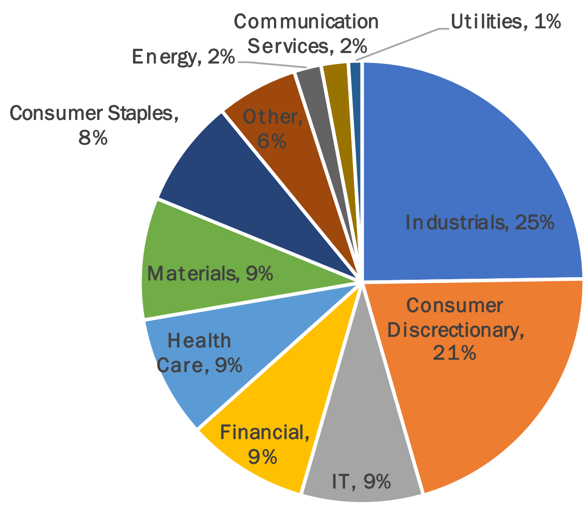
Source: Company Reports
*As of Q3/20

CIF portfolio has outperformed peers medium term

Since inception (April 2015), CIF has returned an average of ~7% per year. According to Bloomberg, this ranks the Fund at the 35% percentile compared to peers (or 2nd quartile). CIF targets a dividend yield on NAV of ~7%, which it expects to cover through a combination of net interest income and gains from investments.

Figure 15, we display CIF's portfolio exposure by sector. The investment portfolio is highly complementary to Mount Logan's investment mandate with regards to having low exposure to cyclical sectors. On sector breakdown, Industrials is highest at 25%, followed by Consumer discretionary (21%), Information Technology, Financials, Materials, and Healthcare, Consumer Staples (each account for 8-9% of total), while Energy, Utilities, and Communication Services form the smallest portion of the book with each contributing ~1-2% to the total portfolio.

Figure 15: CIF portfolio breakdown by industry



Source: Company Reports
*As of Q3/20

CIF financial metrics

MLC's initial advancement to purchase CIF was US$12M with a further US$3M potential, implying a total consideration of up to US$15M. Based on the economics of the transaction and what we know, we forecast 2021 net earnings of US$1.5M, which would derive a P/E (fwd.) of ~8.0x on its initial purchase consideration. At Q3/20, CIF had ~US$250M of AUM. Going forward, we expect slight asset growth from market appreciation (minus dividends paid) and modest net sales. CIF units are sold through a diversified network of different intermediaries. The Fund's revenue is generated off AUM (1.85%) with associated advisor expenses and broker-dealer costs (e.g., distribution). As mentioned before, we don't forecast any performance fees due to the high hurdle rate (9%) in the current low rate environment.

CLO transaction brings AUM to <US$1B

Diversifying credit asset exposure

On November 12, 2020, MLC announced an asset purchase agreement with Garrison Investment Management LLC (GIM) for investment management agreements on two collateralized loan obligations funds (CLOs). The latter represents a portfolio of senior secured loans that is securitized into debt and equity-like tranches. The two CLOs entail: (1) Garrison Funding 2018-1 LP ("2018 CLO") of ~US$330M in AUM (as of Q2/20); and (2) Garrison MML CLO 2019-1 LP ("2019 CLO") with US$332M of AUM. Combined with CIF, MLC has management agreements managing close to US$1B in AUM.

In the release, MLC paid a purchase price of US$3M for both CLOs. At this juncture, we have limited details on this transaction. The management agreement entitles MLC to receive an annual management fee between 0.50%-0.60% on gross assets that are subject to reductions based on caps, transaction fees, and fee-sharing arrangement. On the latter, we don't have the split. Having limited details, we forecast these CLOs could contribute 2021 net earnings of ~US$0.5M. This would imply a P/E (21E) multiple of ~6x.

Mount Logan Capital Overview

Alternative asset management company

Formed in 2018, Mount Logan Capital (MLC) is a Canadian company (registered in Toronto and headquartered in New York) and listed on the NEO exchange. The firm is an alternative asset management company with a primary focus on making investments in public and private debt securities in the North American market. MLC proactively sources, evaluates, monitors and invests in loans, bonds, and other debt securities that possess credit characteristics. Moreover, the company has rigorous due diligence processes in place that screen credit opportunities in the market with an objective of maximizing risk-adjusted returns, limiting default risk through the credit cycles, and minimizing the risk of principal impairment.

History

In October 2018, Mount Logan Capital Inc. was formed following a reverse take-over (RTO) transaction involving Marret Resource Corp. (MAR). The latter was a TSX-listed Canadian company with a primary focus on investing in public & private debt and loans (e.g., bridge, mezzanine) in mainly natural resource sectors such as energy, and metals & other commodities. As a part of the transaction, MAR shareholders received the following for every share owned: (1) one share in the newly formed MLC; and (2) one Contingent Value Right (CVR) representing cash entitlement that would result from the sale of Cline Mining Corp.

Further, in 2018, MAR issued 73.7M subscription receipts ($0.55/sh.) for gross proceeds of $40.6M. Pursuant to the transaction, each receipt was converted into one share of MLC. Following completion of the transaction, MAR shares were delisted from the TSX and Mount Logan (MLC) shares were listed on the NEO Exchange. On October 25, 2018, the company's shares commenced trading on the exchange under the ticker "MLC". MLC's investment mandate was to deviate away from a natural resource lender into less cyclical senior secured debt instruments.

About the NEO Exchange

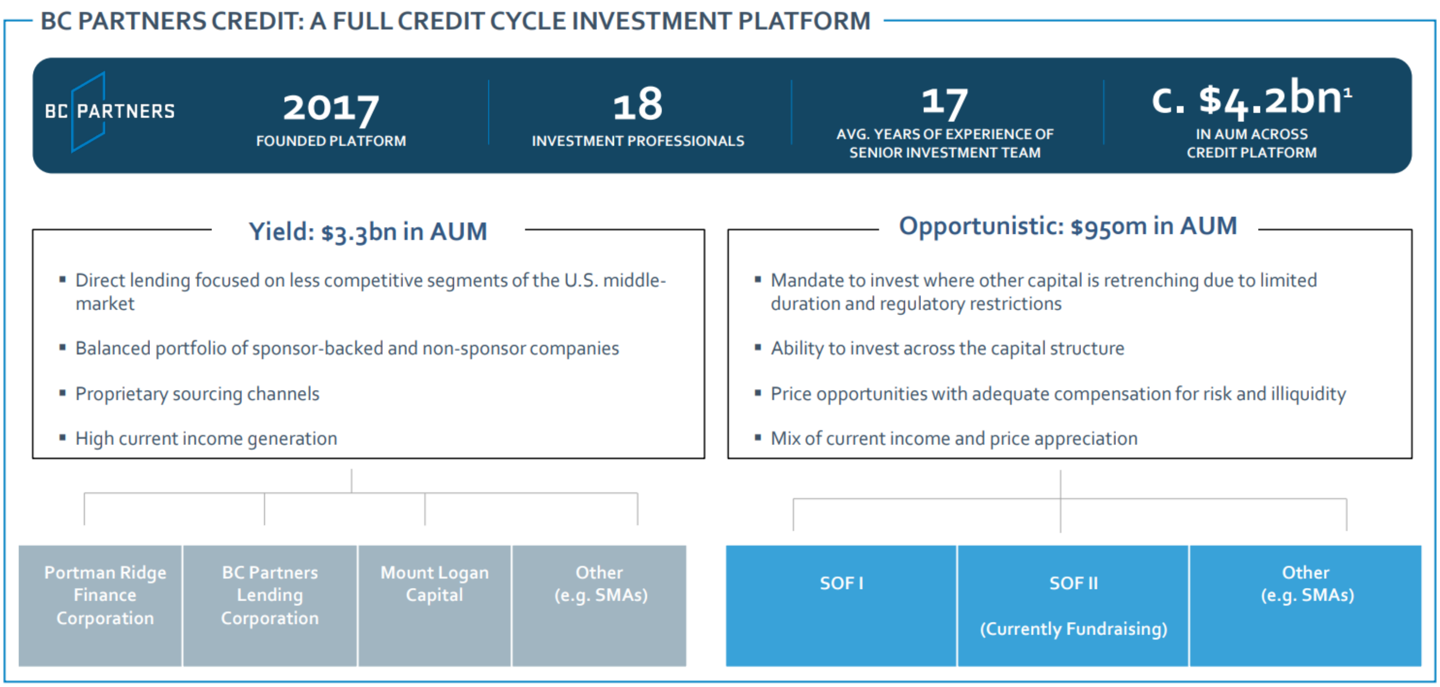
Founded in 2015, the NEO exchange is based in Toronto. The exchange is a wholly owned subsidiary of Aequitas Innovations Inc. which is backed by large institutions (e.g., Mackenzie Investments, OMERS, Barclays Corp, Royal Bank of Canada, BCE, British Columbia Investment Management Corporation, Invesco). The NEO Exchange uses best in class third-party technology platform and accounts for ~10% of total trading volumes in Canada with more than 70 ETFs, closed-end funds and corporate listings. Further, MLC was the first financial services company to list on this exchange. As the company accelerates growth, we could see MLC eventually graduate to the big board (TSX). Although MLC investments consist primarily of US securities (the company reports in US$), we believe a Canadian public listing was more attractive due to (1) a strong history of similar alternative managers (e.g., ONEX); (2) US market adds more complexity to smaller cap companies; and (3) large tax losses could be utilized from MAR.

Relationship with Global alternative manager (BC Partners)

BC Partners (BCP) is a London-based Alternative manager with over US$27B in AUM diversified across private equity, credit and real estate assets (mainly in Europe and North America). As shown in Figure 16, BC Partners Credit was founded in 2017 and manages US$4.2B across its credit platform (mainly towards Yield oriented strategies). Similar to MLC, BCP focuses on direct lending opportunities with less competitive segments in the US middle market. BCP is one of the largest US middle-market lenders and provides access to origination professionals supporting its robust deal flow pipeline. The alternative credit manager is supported by 18 investment professionals with an average of 17 years of experience on its senior investment team.

Mount Logan's relationship with BC Partners is a three-way partnership: (1) BCP holds equity stake in MLC; (2) certain private credit senior executives work at both firms; and (3) servicing agreement between the two companies. BCP is a strategic partner to MLC, and its employees and board members collectively own >11% of the total shares outstanding. Moreover, Mount Logan executives Ted Goldthorpe (CEO and Chairman) and co-Presidents Mattias Ederer and Henry Wang are also a part of senior management at BC Partners. Mr. Goldthorpe is a Partner in charge of the Global Credit Business at BCP, while Mr. Ederer and Mr. Wang are Managing Directors within the firm. Lastly, MLC entered into a servicing agreement with BCP in November 2018. Under this agreement, BCP Partners is responsible to provide a number of administrative services for MLC including (1) provision of office facilities and equipment; (2) booking keeping and compliance services; and (3) managing relationships and communications (e.g., with custodians, depositories, accountants, underwriters, broker & dealers).

Figure 16: BC Partners Credit Platform



Source: Company Reports

Funding and Ownership Summary

Private placements

In 2018, MLC company completed two separate private placements raising a total of $18.5M. In September 2019, the firm raised a modest $1.66M at an offering price of $0.56/sh. In November 2020, the company closed its largest private placement so far for total gross proceeds of $17.5M at $2.75 per share (first tranche of $16.8M closed in October 2020 and final tranche of $0.7M closed in November 2020). The latter's higher share price reflects prior share consolidation on a 1-8 basis that the company completed in December 2019. The primary reason for the latest round of fundraising was to finance the CIF acquisition announced in June 2020 (requiring an upfront payment of US$12M).

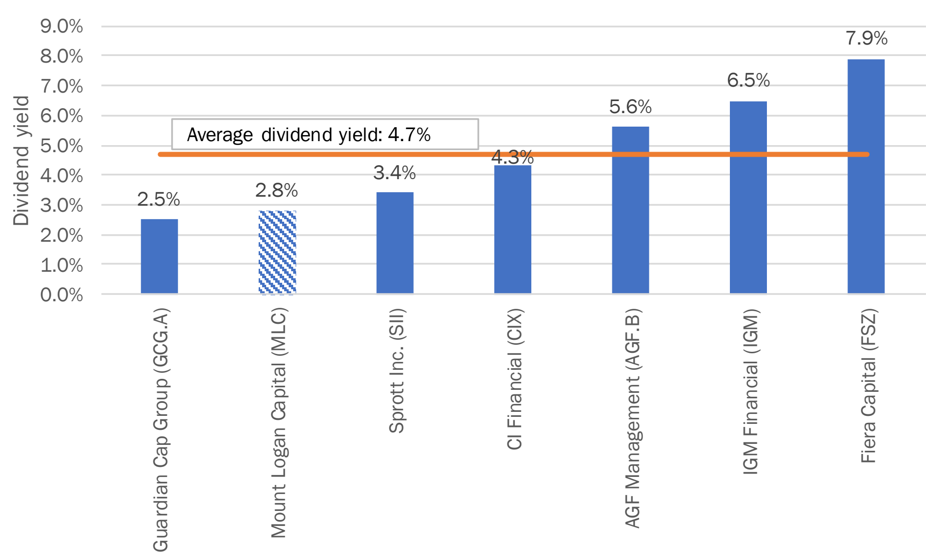
Share ownership

Mount Logan's shareholder base comprises predominantly retail investors. As the firm grows (early stages), we would expect institutional ownership to increase. Currently, the institutional investors for MLC include Fidelity, BC Partners, CION Investment Corp, Anson Funds, and EJF Capital. The latter recently acquired a 14.25% stake in MLC's latest private placement round. Additionally, Neal Wilson (CEO of EJF Capital) purchased an incremental 0.71% stake for his personal account. Founded in 2005, EJF Capital is a US-based alternative asset management firm that focuses on regulatory event-driven investment themes. As of June 2020, the firm managed ~US$6.1B in assets. Post-closing of the last fundraising, insiders including BC employees and board members collectively own >11% of the total outstanding shares of the company.

Canadian asset managers offer above average dividend yields

In December 2019, Mount Logan declared its first quarterly dividend of $0.02/sh. ($0.08 annually), implying a dividend yield of 2.8%. In Figure 17, we display the current dividend yields for publicly traded asset managers in Canada. From the seven companies we track (or cover), Canadian asset managers (avg.) pay out an above-average yield of 4.7% (FSZ highest at 7.9%). As MLC aggressively transitions toward an asset-light model, we suggest that improved earnings generation can potentially support dividend increases over time.

Figure 17: Canadian asset managers' dividend yield: MLC below average



Source: Bloomberg Financial L.P.
*As of December 4, 2020

Recommendation and Valuation

We are initiating coverage of Mount Logan Capital (MLC) with a BUY rating and target price of C$3.75/sh. The current dividend yield (2.8%) combined with our target price implies a potential total one-year return of ~32% for investors. Our valuation is based on applying a SOTP valuation approach:

- **Shareholder equity value.** We apply a target P/B multiple of 0.9x on MLC's shareholder equity (as of Q3/20). We use current BV as we expect a majority of incremental earnings upside will be associated with asset management activities. Our discounted multiple reflects its holding company structure and potential credit concerns related to the pandemic.
- **Asset management.** We derive value for asset management utilizing a target P/E multiple of 9.0x (slightly below Canadian peer average; see Figure 26) on our 2021 earnings forecast of ~$2.6M (in C$). This is based on its two recent transactions (Resource Credit Income Fund – CIF and two CLOs through asset purchase agreement with Garrison Investment Management LLC – GIM). Recall, we don't forecast any future acquisitions that could be incrementally accretive to shareholders.

Figure 18: SOTP valuation approach (in CDN$)

Division	Metric	Forward Value (000s)	Multiple	Value (mm)
Equity value	FV	$42,200	0.9x	$37,980
Asset Management	P/E	$2,623	9.0x	$23,608
				$61,588
		Total Equity Value		$61,588
		F.D. Shares O/S (000s)		16,963
		Target price /sh		**$3.75**

Source: Canaccord Genuity estimates

Investment risks

Limited operating history with the new strategy

Mount Logan Capital is aggressively transitioning into an asset-light model. The company has a limited operating history with its new strategy. Thus, potential uncertainties persist regarding the successful transition and future success of the new business model.

M&A execution risks

The company is relying on future acquisitions for successful transition to the asset-light model. Although management has a solid track record of closing transactions, past performance is no guarantee for future success. Failure in its M&A execution strategy could impact financial performance of the company.

Equity dilution risk

In relation to its M&A strategy, there is a risk that the company could perform several acquisitions financed to some or greater extent with new equity issuances. This could be dilutive to current shareholders.

Credit risks

Assets and debt securities are subject to credit and liquidity risk. Any loan could become defaulted (COVID-19 near-term headwind) for several reasons (e.g., non-payment of principal or interest, covenant violations, restructuring resulting in reduced interest rates or write-down of principal).

Market risks

The firm's transition to the new business model may depend on monetizing certain existing balance sheet investments. Failure of sale may impede future asset manager transactions and ability to add incremental shareholder value.

Mid-market business risk

The company's primary focus is investing in mid-market businesses including on private companies. These businesses, though yielding higher returns, are riskier investments that could take longer to come out of the current pandemic as they typically have limited access to capital, inadequate financial disclosures, shorter operating histories, and smaller market share making them more vulnerable particularly during economic downturns.

Cyclical risks

Mount Logan's operating results could be adversely affected by a downturn in the US and Canadian economy. The recessionary periods may impair the ability of the borrowers to pay back their principal/interest obligations negatively impacting the financial performance of the company.

Liquidity risk

Mount Logan is listed on the NEO exchange and has a market capitalization of ~$50M with an average daily traded volume less than 1K. This may pose liquidity concerns for investors who wish to sell their holdings at a particular time or price.

Loss of senior executives

Retaining intellectual capital is extremely important. Any loss of management, or investment professionals, could lead to a loss of clients and a decline in revenues.

Appendix I: Debt investments

Figure 19: Debt investments: Company descriptions

Sector	Company	Description
Consumer	SW Ingredients Holdings, LLC	Since the mid-eighties, Southwest Ingredients has been supplying food processors in Texas, Oklahoma and Arkansas with quality ingredients. In April 2012, we were acquired by our longtime partner, Industrial Commodities, Inc. With ICI's 30 years of experience and large distribution footprint, SWI has even greater capability to deliver the very best food and beverage ingredients.
	Welcome dairy, LLC	Welcome Dairy, LLC is a Pasteurized Process Cheese and Shelf-Stable Cheese Sauce Manufacturer located in Colby, Wisconsin. The business has expanded from a one room cheese plant in 1899, to a modern cheese packing and process cheese facility that now encompasses 181,000 square feet, complete with the latest technological equipment.
Financials	Alera Group Intermediate Holdings, LLC	Alera Group is an independent, national insurance and financial services firm created in 2017 through a merger of 24 like-minded, high-performing, entrepreneurial firms. Alera can address your Employee Benefits, Risk Management and Wealth Management needs.
	CION Investment Group, LLC	CION Investments is an investment advisory firm that seeks to redefine the way individual investors can build their portfolios and help meet their long-term investment goals. The company strives to level the playing field by building better fund structures with true partnership at the core.
Health care	Radiology Partners, Inc	Radiology Partners is the largest physician-led and physician-owned radiology practice in the U.S., with approximately 1500 radiologists providing services to more than 1200 hospitals, clinics and imaging centers across 26 states, with the infrastructure and capital to scale further.
	The PromptCare Companies Inc.	PromptCare is a leading regional provider of specialty respiratory products and infusion therapy services. Established in 1985 and headquartered in New Providence, New Jersey, PromptCare serves at-home pediatric and adult patients across the United States. Operating from local service locations, PromptCare offers the most advanced high-tech equipment to ensure better patient care and outcomes.
Industrials	Gladson, LLC	Gladson was founded in 1973 to help independent retailers arrange their products on the shelf to generate greater sales. As an early adopter of space management" concepts Gladson demonstrated an entrepreneurial spirit that continues today in Syndigo. During the past 45 years, the firm evolved into the leading product information management and digital asset management solution, enabling clients to increase in-store and eCommerce sales using detailed product information, and optimize in-store and shelf layouts to facilitate path to purchase.
	Mileage Plus Holdings LLC	MileagePlus is the loyalty program of United Airlines and Aeromar that offers rewards to passengers traveling on certain types of tickets. Following the 2011 merger agreement between United Airlines and Continental Airlines, United Mileage Plus was chosen to be the frequent flyer program for the combined airline.
	PHI, Inc.	Founded in 1981, PHI Group is one of the world's leading helicopter services companies. Known industry wide for the relentless pursuit of safe, reliable helicopter transportation, PHI offers services to the offshore Oil and Gas, onshore mining, International, Air Medical, and Technical Services industries.
Informative Technology	Idera, Inc.	Idera, Inc. is the parent company of global B2B software productivity brands whose solutions enable technical users to do more with less, faster. Idera, Inc. brands span three divisions - Database Tools, Developer Tools, and Test Management Tools - with products that are evangelized by millions of community members and more than 50,000 customers worldwide, including some of the world's largest healthcare, financial services, retail, and technology companies.
	Monotype Imaging Holdings Inc.	Headquartered in Woburn, Massachusetts, Monotype provides the design assets, technology and expertise that help users create beautiful, authentic and impactful brands that customers will engage with and value, wherever they experience the brand, now and in the future.
	Westco Group, LLC	Wesco is the premier paint and equipment supplier across the Western U.S. for the automotive refinish, industrial, commercial, aerospace and marine markets. In business for more than 45 years, Wesco is proud to provide exceptional service and the best value top quality products in the industry.

Source: Company Reports

Appendix II: Mount Logan investment process

Mount Logan's investment process consists of: (1) sourcing; (2) underwriting; and (3) monitoring.

- **Sourcing.** There are three primary sources used for investment opportunities: (1) Mount Logan team relationships (e.g., various intermediaries including sponsors, consultants, law firms, financial advisors, accountants) along with other credit firms with complementary strategies; (2) banks and syndicated markets (e.g., constant deal flow from banks for middle-market and larger companies); and (3) strategic partnerships (e.g., BC Partners).
- **Underwriting.** The firm's vast experience in credit markets is complemented by rigorous analysis on potential investments with preservation of capital and importance of downside protection. There are three main characteristics in its underwriting process: (1) structural protections (e.g., asset liens, covenants, parent guarantee, call protection); (2) investment attributes (e.g., asset coverage, seniority, equity cushion, desired entry point, exit optionality); and (3) business characteristics (e.g., predictable financials including revenue generating ability, strong cash flow, favourable industry trends, experienced management team).
- **Monitoring.** After an investment is made, the Mount Logan team monitors underlying performance (e.g., review of quarterly financial statements) on each company and takes a more active role if necessary (e.g., evaluate acquisitions, potential operational restructuring if need be).

Investment strategy

Currently, MLC focuses on senior secured middle market credit with ~93% of its investments tied to first lien loans. Going forward, Mount Logan may diversify its portfolio into other alternative credit products (depending on market conditions) that could include:

- **Leveraged yield strategies.**
  - **Low leveraged bank loan funds.** This strategy typically involves investing in secured bank loans with low loan-to-value (LTV) metrics. These loans are typically made during times of market/sector dislocation or when corporate loans do not reflect their true intrinsic value.
  - **Synthetic baskets.** This strategy involves investing in performing bank loans (typically at or near par) using derivatives such as total return swaps.
- **Private & mezzanine lending and Structured Equity.**
  - **Private & mezzanine lending.** Mezzanine loans are generally subordinated loans provided to borrowers in the middle market with minimum collateral and are often transacted on an expedited timeline.
  - **Structured Equity.** This strategy may involve investing in convertible preferred equity, which includes an option for the investor to convert their holdings into common shares at a predetermined conversion ratio.
- **Dislocated structured credit and Regulatory Capital.**
  - **Primary and second structured products.** These are non-traditional alternative credit products with varying degree of counterparty credit risks.
  - **Regulatory capital relief.** Structured financing solutions made available to borrowers, typically financial institutions, who wish to mitigate their regulatory capital constraints.

Appendix III: Mount Logan's portfolio holdings

Figure 20: Mount Logan's portfolio holdings: Comprising mainly senior secured loans (first lien)

Company	Sector	Investment	Spread above index	Interest	Maturity	Par/Shares	Cost	Fair Value	Curr
League Collegiate Holdings, LLC	Consumer	Senior Secured Loan	3M + 475	5.75%	1-May-24	4,900	4,869	4,220	USD
SW Ingredients Holdings, LLC	Consumer	Senior Secured Loan	6M L + 400	5.25%	3-Jul-24	4,900	4,883	4,826	USD
Welcome Diary, LLC	Consumer	Senior Secured Loan	6M L + 450	5.50%	28-Jun-25	1,748	1,734	1,734	USD
Alera Group Intermediate Holdings	Financials	Senior Secured Loan	1M L + 400	4.15%	1-Aug-25	3,930	3,945	3,891	USD
CION Investment Group, LLC	Financials	Promissory Note	3M L + 800	9.24%	30-Jun-29	3,068	3,068	3,229	USD
Radiology Partners Inc.	Health Care	Senior Secured Loan	12M L + 425	5.99%	9-Jul-29	4,000	3,880	3,849	USD
The PromptCare Companies Inc.	Health Care	Senior Secured Loan	1M L + 525	6.25%	30-Dec-25	2,328	2,307	2,327	USD
The PromptCare Companies Inc.	Health Care	Senior Secured Loan	1M L + 525	6.25%	30-Dec-25	325	322	325	USD
The PromptCare Companies Inc.	Health Care	Senior Secured Loan	NA	1.00%	30-Dec-25	327	(1)	(2)	USD
Arcline FM Holdings LLC	Industrials	Senior Secured Loan	3M L + 600	7.00%	21-Jan-25	1,990	1,973	1,974	USD
Gladson, LLC	Industrials	Senior Secured Loan	6M L + 550	6.50%	24-Oct-24	1,964	1,933	1,905	USD
Mileage Plus Holdings LLC	Industrials	Senior Secured Loan	3M L + 525	6.25%	25-Jun-27	1,000	981	1,018	USD
PHI, Inc.	Industrials	Senior Secured Loan	1M L + 700	8.00%	4-Sep-24	1,230	1,211	1,255	USD
TCP Sunbelt Acquisition Co.	Industrials	Senior Secured Loan	1M L + 450	5.50%	31-May-24	4,340	4,316	4,166	USD
Idera, Inc.	IT	Senior Secured Loan	6M L + 400	5.00%	28-Jun-24	3,060	3,049	3,029	USD
Monotype Imaging Holdings Inc.	IT	Senior Secured Loan	3M L + 550	6.50%	9-Oct-26	1,975	1,868	1,855	USD
Wesco Group, LLC.	IT	Senior Secured Loan	3M L + 425	5.25%	15-Jun-24	3,430	3,408	3,246	USD
Total Loans				**5.85%**			**43,746**	**42,847**	USD
Cline Mining Corporation					8-Jul-22	8,304	6,235	3,779	CAD
Total bonds							**6,235**	**3,779**	CAD
Total Debt Investments							**49,981**	**46,626**	
BCP Great Lakes Holdings LP						8,594	8,594	8,473	USD
Cline Mining Corporation						2,076	401	-	CAD
Total Equity Investments							**8,995**	**8,473**	
Total Investments							**58,976**	**55,099**	

Source: Company Reports
*As of Q3/20 (Amounts in 000s, except shares)

Appendix IV: US middle market trends

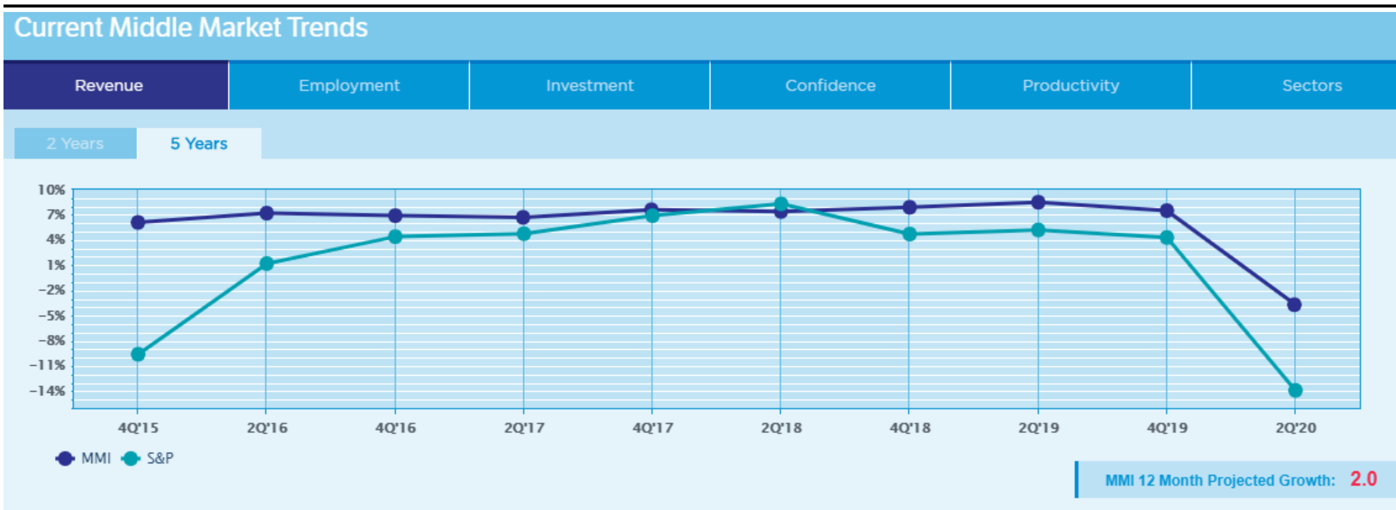
US middle market provides large opportunity set

In Figure 21, the US middle market represents the third largest global economy at US$5.9T of revenue (as per World Bank GDP) that consists of approximately one-third of private sector GDP (>200K businesses and <$50M jobs). In Canada, middle-market companies' sales comprise >40% of Canada's total GDP. Demand for middle-market loans are typically financed for acquisitions, refinancing, and dividend recaps. As shown in Figure 22, US middle market firms have delivered consistently higher revenue growth compared to the S&P 500. Due to less cyclical sectors impacted by COVID-19, we suggest that MLC's portfolio companies could be more resilient. Over the NTM, US middle market company sales are projected to grow 2% YoY (from Q2/20).

Figure 21: US middle market: third largest global economy

Source: World bank GDP as of 2017, National Center for the Middle Market as of Q3/18

Figure 22: US middle market sales trends vs. S&P



Source: https://www.middlemarketcenter.org/performance-data-on-the-middle-market

Private debt market provides support for mid-market companies

Overall, direct lending (private debt) represents one of the fastest growing asset classes. During the pandemic, private debt providers have provided necessary (emergency) capital to leveraged middle-market companies. Post GFC, banks have generally reduced their exposure to this segment (e.g., regulation changes on capital that make it more punitive for banks to hold unrated, illiquid assets on their balance sheet). This has left a void for sources of capital that alternative lenders such as MLC have benefited from. Private debt provides attractive risk-reward attributes (including downside protection and low correlation to other asset classes), particularly in a low interest rate environment. However, direct lending carries less liquidity optionality that contributes to higher absolute yield potential. We see other parties lending support for mid-market companies, which include private equity, venture capital, hedge funds, investment funds, BDC's, and finance companies (including from banks).

US credit industry gained scale post GFC; similar trends observed during this pandemic

From Figure 23, large US alternative credit managers expanded their assets significantly post the great financial crisis. Prior to the GFC, Apollo's alternative credit platform managed US$10B in assets, which in turn grew by ~21x to US$210B (as of Q1/20). Following a similar trend during the ongoing pandemic, Apollo invested more than US$10B at the start of COVID-19 as credit markets imploded temporarily across the globe. Other large companies that scaled significantly post GFC included GSO Capital Partners (acquired by Blackstone during the last financial crisis), which increased from US$10B in AUM (2007) to US$135B (as of Q3/20), and Ares, which rose from managing US$25B in 2008 to US$149B (at Q1/20).

Figure 23: Large US credit managers expanded aggressively post GFC

- Private-credit fundraising activity increased in the first six months of 2020 as companies grapple with the economic distress caused by COVID-19
- Direct lending funds accounted for most of the capital raised during the first half of 2020; special situations funds and distressed debt funds also experienced a significant bump in capital raised in the second quarter

APOLLO

- Has grown its alternative credit platform ~21x from $10 billion in AUM as of Q1 2008 to $210 billion as of Q1 2020
- As of April 2, 2020, Apollo has deployed >$10 billion in a matter of a few weeks as credit markets plunged during the pandemic
  - Bought part of a $2 billion loan to help United Airlines boost its liquidity

Blackstone | GSO CAPITAL PARTNERS

- GSO Capital Partners is the credit investment arm of The Blackstone Group
  - Acquired by The Blackstone Group in the midst of the financial crisis (2008) to take advantage of the dislocation in the credit markets
- Has grown its credit investment platform ~12x from $10 billion in AUM in 2007 to $121 billion currently

ARES

- Has grown its total AUM ~6x from $25 billion in 2008 to $149 billion as of Q1 2020
  - ~76% of total AUM is focused on credit investments (e.g., direct lending, liquid credit and alternative credit investments)
- Closed its oversubscribed $3.5 billion special-situations fund in June 2020 – this fund is focused on stressed / distressed investments

Source: Company Reports

Appendix V: Leadership overview

Management Team

Ted Goldthorpe - CEO & Chairman of the board

Ted Goldthorpe is the CEO and Chairman of the board at Mount Logan Capital. In February 2017, he launched the credit platform at BC Partners (BCP) and is currently the Partner in charge of the Global Credit Business at BCP. Previously, Mr. Goldthorpe was the President at Apollo Investment Corporation and Chief Investment Officer at Apollo Investment Management. At Apollo Investment Management, he was the head of its US Opportunistic Platform and also oversaw Private Origination business as a member of the Senior Management Committee. Prior to Apollo, Mr. Goldthorpe was a part of Goldman Sachs for 13 years where he was initially the Head of Principal Capital Investing for Special Situations Group before leading the Bank Loan Distressed Investing Desk.

Ted Goldthorpe holds a Bachelor of Commerce from Queen's university where he also currently serves on the Global Advisory Board. Additionally, Mr. Goldthorpe serves on the board of Crescent Point Energy, Her Justice, the Canadian Olympic Foundation, and Capitalize for Kids.

Matthias Ederer, Co-President

Matthias Ederer is a Co-President at Mount Logan and currently a Managing Director at BC Partners. Prior to joining BC Partners in 2017, he was a Partner and founding member of Wingspan Investment Management. Prior to Wingspan, he worked at Goldman Sachs for over six years in Special Situations Group and Bank Loan Distressed Investing Group in New York and London.

Mr. Ederer holds an MPhil in Economics from Oxford University and a BSc in Economics from the University of Warwick.

Henry Wang, Co-President

Henry Wang is a Co-President at Mount Logan and also works as a Managing Director at BC Partners. He joined BCP Credit in New York in 2017. Previously, he was a Partner at Stonerise Capital Partners for over five years. Prior to Stonerise, he worked at Goldman Sachs for over seven years in the Special Situations Group and Investment Banking division. His previous other roles include working at Vulcan Capital and Thomson Weisel Partners.

Mr. Wang holds a bachelor's degree from Boston University and MBA from Kellogg School of Management at Northwestern University.

Ted Gilpin, CFO & Corporate Secretary

Since October 2019, Ted Gilpin is the Chief Financial Officer & Corporate Secretary of Mount Logan Capital. He is joined BC Partners in 2019 as is currently serving as the CFO of BCPL – a private business. Additionally, he is also currently serving as the CFO, Secretary and Treasurer of Portman Ridge Finance Corp (formerly known as KCAP Financial) where he has been for over eight years. His previous roles include working as CFO at Associate Renewables Inc, RAM Re, ACA Capital Holdings Inc, WCA Holdings Inc.

Mr. Gilpin holds BSc in Psychology from St. Lawrence University and MBA from Columbia School of Business.

Board of Directors

Ted Goldthorpe - CEO & Chairman of the board

(see above)

Graeme Dell

In 2014, Graeme Dell joined BC Partners and is currently serving as the Chief Operating Officer and a Partner at the firm. Prior to BC Partners, Mr. Dell worked at Ashmore Group plc — a UK-listed asset management firm — for six years as a Group Finance Director. Before that, he was the Group Finance Director at Evolution Group (UK based) for six years.

He is a Chartered Accountant and hold a degree in engineering, economics and management from Oxford University.

Perry Dellelce

Perry Dellelce founded Wildeboar Dellelce LLP, a Canada-based transactional law firm, and is currently serving as the Managing Partner at the firm. He is also serving as a director on other companies including Lendified Holdings Inc. and Mind Medicine Inc. Additionally, he is the Chair of the Board of NEO Exchange & Canadian Olympic Foundation, and a board member of Sunnybrook Foundation.

Mr. Dellelce holds a BA from the University of Western Ontario, LLB from the University of Ottawa, and MBA from University of Notre Dame.

Sabrina Liak

Sabrina Liak is currently serving as a Partner at ALOI Investment Management, a company focused on private equity. Additionally, she is the CFO at Kits Eyecare Ltd. Previously, she served as a Managing Director and Portfolio Manager at Goldman Sachs as well as on the board of directors for several companies, which include Petroedge Energy, Lightfoot Capital, and FloDesign Wind.

Ms. Liak is a CFA charterholder and holds an HBA from the Richard Ivey School of Business.

Radford Small

Radford Small is currently a Principal at Lightspeed Capital. Prior to that, he was a VP at Tesla where he was heading the Global Capital Markets team. His previous other roles include CFO at SolarCity, Managing Director at Goldman Sachs (Investment banking division), Associate Tax Attorney at Coudert Brothers.

He holds a Bachelor of Arts in Economics from the University of California, Berkeley, an LLM degree in Tax from NYU and a JD from Loyola Law School.

Appendix VI: Financials Summary

Figure 24: Condensed Income Statement Summary

Income Statement (In US$ 000s, except shares and per/sh data)	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	2019	2019
Income statement							
Interest income	839	880	865	772	763	3,046	nmf
Dividend income	140	184	215	156	208	442	nmf
Fee income	11	0	0	0	0	11	nmf
Total Investment income	**990**	**1,064**	**1,080**	**928**	**971**	**3,499**	nmf
Administration fees	0	0	148	132	188	0	nmf
Arrangement costs	0	0	0	0	0	166	-95%
Interest and other credit facility expenses	484	511	648	520	414	1,563	nmf
Professional fees	93	233	215	213	115	593	444%
Compensation	79	71	56	54	57	312	192%
Marketing	0	0	32	60	33	0	nmf
Director's fees	24	27	21	23	22	99	0%
Regulatory and shareholder relations	88	93	24	10	4	239	44%
Other general and administrative	50	213	37	37	43	303	373%
Transaction costs	0	0	0	0	0	0	nmf
Total operating expenses	**818**	**1,148**	**1,181**	**1,049**	**876**	**3,275**	-14%
Net investment income (loss)	**172**	**(84)**	**(101)**	**(121)**	**95**	**224**	-107%
Net realized gain (loss) on investments	193	368	41	69	(41)	620	-187%
Net realized gain (loss) on foreign currency	(20)	(23)	1	(5)	(42)	(43)	39%
Net change in unrealized appreciation (depreciation) on investments	(4)	(128)	(2,266)	53	1,261	9	-99%
Net change in unrealized gain (loss) on foreign currency	339	(525)	32	(9)	(3)	(1,281)	nmf
Total net realized and unrealized gain (loss)	**508**	**(308)**	**(2,192)**	**108**	**1,175**	**(695)**	-175%
Income (loss) and comprehensive income (loss) before income tax	**680**	**(392)**	**(2,293)**	**(13)**	**1,270**	**(471)**	-80%
Deferred tax recovered	2	2	0	0	0	699	-67%
Income (loss) and comprehensive income (loss)	**682**	**(390)**	**(2,293)**	**(13)**	**1,270**	**228**	-244%
	0	0	0	0	0	**0**	nmf
Total outstanding shares - diluted	10,262,583	10,348,477	10,604,998	10,604,998	10,604,998	10,348,477	170%
Earnings per share (diluted)	**$0.07**	**($0.04)**	**($0.22)**	**($0.00)**	**$0.12**	**$0.02**	-153%

Source: Company Reports, Canaccord Genuity estimates

Figure 25: Balance Sheet Summary

Balance sheet (In US$ 000s)	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	2018	2019
Cash	5,882	15,657	4,968	1,789	425	668	465	132	5,882	425
Restricted Cash	0			3,437	6,733	8,261	10,285	11,128	0	6,733
Total Cash	5,882	15,657	4,968	5,226	7,158	8,929	10,750	11,260	5,882	7,158
Investments, at fair value	29,282	59,837	59,679	64,282	64,489	58,242	61,976	55,099	29,282	64,489
Due from BC Partners/affiliates	0			0	411	118	0	0	0	411
Accrued interest and dividend receivable	328	229	352	410	358	204	185	152	328	358
Deferred offering costs								316	0	0
Deferred tax asset	2,044	2,782	2,838	2,808	2,863	2,863	2,863	2,863	2,044	2,863
Prepaid expenses	27	19	11	2	33	23	13	3	27	33
Receivable for innvestments sold	0	3,391		0		303	0	7,628	0	0
Total assets	**37,563**	**81,915**	**67,848**	**72,728**	**75,312**	**70,682**	**75,787**	**77,321**	**37,563**	**75,312**
Credit facility (net of deferred financing costs of $317 and $80, respectively)	0	20,539	26,456	34,187	34,320	33,959	34,083	34,207	0	34,320
Payable for investments purchased	0	22,749	4,432		1,880	0	4,948	4,860	0	1,880
Interest payable	0	59	319	350	383	490	518	479	0	383
Due to BC Partners	0				0	0	441	728	0	0
Contingent value rights	5,823	5,949	3,843	3,801	3,876	3,589	3,709	3,779	5,823	3,876
Accounts payable and accrued liabilities	458	419	267	288	644	728	487	555	458	644
Dividends payable to shareholders	0				0	151	0	0	0	0
Total liabilities	**6,281**	**49,715**	**35,317**	**38,626**	**41,103**	**38,917**	**44,186**	**44,608**	**6,281**	**41,103**
Share capital	79,744	79,744	79,744	80,988	80,988	80,988	80,988	80,988	79,744	80,988
Warrants	1,086	1,086	1,086	1,086	1,086	1,086	1,086	1,086	1,086	1,086
Contributed surplus	7,240	7,240	7,240	7,240	7,240	7,240	7,240	7,240	7,240	7,240
Deficit	(33,312)	(33,064)	(33,376)	(32,694)	(33,247)	(35,691)	(35,855)	(34,743)	(33,312)	(33,247)
Cumulative translation adjustment	(23,476)	(22,806)	(22,163)	(22,518)	(21,858)	(21,858)	(21,858)	(21,858)	(23,476)	(21,858)
Total shareholder's equity	**31,282**	**32,200**	**32,531**	**34,102**	**34,209**	**31,765**	**31,601**	**32,713**	**31,282**	**34,209**
Total liabilities and shareholder's equity	**37,563**	**81,915**	**67,848**	**72,728**	**75,312**	**70,682**	**75,787**	**77,321**	**37,563**	**75,312**

Source: Company Reports

Appendix VII: Asset manager comp table

Figure 26: Asset manager comp table

Asset Managers	$ Price 12/04/20	Mkt Cap ($m)	Avg Vol 3 Mo (000's)	P/E 2019A	P/E 2020E	P/E 2021E	EPS growth 2020E	EPS growth 2021E	Dvd Yld	Performance 1 mth	QTD	6 mth	YTD	1 Yr	3 Yr	5 Yr
Indexes																
S&P 500 INDEX	3,692			28.9x	26.2x	21.5x	11%	22%	4.0%	7.2	10.1	19.6	16.3	20.8	14.0	14.3
DOW JONES INDUS. AVG	30,150			25.2x	24.7x	20.2x	2%	22%	4.7%	8.3	9.0	16.0	8.0	11.6	10.0	13.7
NASDAQ COMPOSITE	12,442			72.9x	40.0x	30.7x	82%	30%	6.2%	7.3	11.6	29.9	40.0	46.7	23.8	20.7
S&P/TSX COMPOSITE INDEX	17,492			26.8x	23.5x	16.3x	14%	44%	1.9%	9.3	9.0	14.5	5.7	7.0	6.4	8.8
Private Equity comps																
APOLLO GLOBAL MANAGEMENT INC	47.64	20,621	1,508	-	26.4x	18.6x	-	42%	4.3%	17.0	7.7	-5.2	5.0	14.6	22.2	32.7
BLACKSTONE GROUP INC/THE-A	62.11	74,157	2,950	-	26.8x	21.1x	-	27%	3.5%	13.0	20.1	8.0	14.9	21.0	31.0	21.9
CARLYLE GROUP INC/THE	29.04	10,259	1,028	-	16.1x	13.4x	-	20%	3.4%	9.7	18.8	-0.6	-6.2	3.0	18.1	18.3
KKR & CO INC	39.78	34,189	2,927	-	23.5x	18.9x	-	25%	1.4%	7.1	16.2	32.2	38.6	40.8	28.5	23.0
ONEX CORPORATION	70.63	6,394	390	-	-	-	-	-	-	22.0	19.1	11.1	-13.5	-8.9	-8.7	-2.3
Average				-	23.2x	18.0x	-	28%	3.1%	13.8	16.4	9.1	7.8	14.1	18.2	18.7
Cdn Asset Mgrs																
AGF MANAGEMENT LTD-CLASS B	5.70	399	339	5.5x	12.8x	12.6x	-57%	1%	5.6%	-0.3	-2.6	23.6	-5.6	-2.8	-4.8	7.6
CI FINANCIAL CORP	16.85	3,534	1,020	7.0x	7.0x	6.5x	0%	8%	4.3%	5.3	-0.2	-0.8	-19.7	-15.8	-12.5	-7.6
FIERA CAPITAL CORP	10.65	1,102	283	7.9x	8.2x	7.3x	-3%	12%	7.9%	5.8	6.3	11.9	-0.1	6.4	0.0	4.9
GUARDIAN CAP GRP LTD-CL A	25.50	762	19	-	-	18.6x	-	-	2.5%	15.9	3.1	23.1	-2.3	-5.5	4.3	8.9
IGM FINANCIAL INC	34.73	8,276	395	10.9x	10.8x	10.0x	1%	8%	6.5%	12.8	13.8	5.0	-1.1	-1.7	-1.6	4.8
SPROTT INC	38.70	987	123	34.6x	26.9x	19.6x	29%	37%	3.4%	1.8	-14.1	-8.6	34.3	35.7	23.3	17.5
MOUNT LOGAN CAPITAL INC	2.90	51	0	-	-	-	-	-	2.8%	7.1	5.3	-13.8	-10.7	-22.7	-	-
Average				7.8x	9.7x	11.0x	-15%	7%	4.7%	6.9	1.0	9.0	0.9	2.7	1.4	6.0
U.S. Asset Mgrs				**2019A**	**2020E**	**2021E**	**2020E**	**2021E**	**Dvd Yld**	**1 mth**	**QTD**	**6 mth**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**
AFFILIATED MANAGERS GROUP	94.38	4,281	417	-	7.5x	7.1x	-	5%	0.0%	21.1	38.0	23.6	11.8	14.5	-21.1	-11.1
ALLIANCEBERNSTEIN HOLDING LP	33.65	3,236	461	12.2x	12.5x	11.0x	-2%	13%	8.2%	11.2	27.4	33.9	22.5	29.2	20.7	16.7
BLACKROCK INC	708.87	108,795	660	24.6x	22.2x	20.3x	11%	9%	2.0%	8.8	26.4	31.3	44.6	50.4	14.3	17.4
COHEN & STEERS INC	72.77	3,477	127	29.1x	29.5x	24.6x	-1%	20%	2.1%	24.5	33.4	6.5	20.8	14.9	25.7	25.1
EATON VANCE CORP	65.66	7,529	2,173	23.4x	17.9x	16.4x	30%	10%	2.3%	12.9	84.5	73.5	55.1	54.8	10.8	17.5
FEDERATED HERMES INC	29.32	2,913	671	9.5x	9.7x	10.3x	-2%	-6%	3.7%	21.7	43.5	25.1	-2.4	-4.3	0.2	4.5
FRANKLIN RESOURCES INC	23.36	11,785	3,906	10.5x	8.7x	8.2x	21%	6%	4.6%	21.4	14.8	11.1	-6.3	-7.1	-14.0	-6.4
GAMCO INVESTORS INC-A	14.83	407	20	5.3x	-	-	-	-	0.5%	15.9	35.9	8.6	-19.0	-9.7	-18.5	-14.4
INVESCO LTD	18.01	8,273	6,870	9.5x	10.5x	8.9x	-9%	17%	3.4%	31.0	59.5	93.2	6.4	14.2	-16.5	-7.4
JANUS HENDERSON GROUP PLC	31.93	5,792	1,447	72.1x	11.9x	11.6x	-	3%	4.5%	24.0	49.1	34.9	39.4	37.2	1.9	-
PZENA INVESTMENT MANAGM-CL A	6.87	489	33	-	-	-	-	-	1.7%	23.3	28.9	32.3	-14.2	-12.7	-9.3	-0.7
T ROWE PRICE GROUP INC	152.99	34,642	1,105	17.1x	16.8x	15.1x	2%	11%	2.4%	12.7	19.3	22.8	28.5	29.4	17.3	18.3
WADDELL & REED FINANCIAL-A	25.44	1,591	1,422	16.2x	16.0x	16.6x	1%	-4%	3.9%	56.1	73.8	80.4	62.6	68.9	12.6	0.5
WISDOMTREE INVESTMENTS INC	5.00	744	931	96.3x	24.3x	20.7x	297%	17%	2.4%	32.6	57.4	43.3	6.6	8.4	-23.7	-21.9
Average				20.9x	15.6x	14.2x	35%	8%	3.0%	22.7	42.3	37.2	18.3	20.6	0.0	2.9

Source: Bloomberg Finance L.P., Canaccord Genuity estimates
* As of December 4, 2020 (intraday)
** Canaccord Genuity estimates for CIX, IGM and FSZ.
*** Returns are total return (TR)
**** Shaded blue boxes represent discount / stock outperformance vs. average

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: December 07, 2020, 04:44 ET

Date and time of production: December 07, 2020, 04:40 ET

Target Price / Valuation Methodology:

Mount Logan Capital Inc - MLC

Our target price is derived on a SOTP basis driven by (1) 0.9x multiple applied to our Q3/20 NAV; and (2) 9.0x target P/E multiple on 2021E asset management earnings.

Risks to achieving Target Price / Valuation:

Mount Logan Capital Inc - MLC

Limited operating history with the new strategy

Mount Logan Capital is aggressively transitioning into an asset-light model. The company has a limited operating history with its new strategy. Thus, potential uncertainties persist regarding the successful transition and future success of the new business model.

M&A execution risks

The company is relying on future acquisitions for successful transition to the asset-light model. Although management has a solid track record of closing transactions, past performance is no guarantee for future success. Failure in its M&A execution strategy could impact financial performance of the company.

Equity dilution risk

In relation to its M&A strategy, there is a risk that the company could perform several acquisitions financed to some or greater extent with new equity issuances. This could be dilutive to current shareholders.

Credit risks

Assets and debt securities are subject to credit and liquidity risk. Any loan could become defaulted (COVID-19 near-term headwind) for several reasons (e.g., non-payment of principal or interest, covenant violations, restructuring resulting in reduced interest rates or write-down of principal).

Market risks

The firm's transition to the new business model may depend on monetizing certain existing balance sheet investments. Failure of sale may impede future asset manager transactions and ability to add incremental shareholder value.

Mid-market business risk

The company's primary focus is investing in mid-market businesses including on private companies. These businesses, though yielding higher returns, are riskier investments that could take longer to come out of the current pandemic as they typically have limited access to capital, inadequate financial disclosures, shorter operating histories, and smaller market share making them more vulnerable particularly during economic downturns.

Cyclical risks

Mount Logan's operating results could be adversely affected by a downturn in the US and Canadian economy. The recessionary periods may impair the ability of the borrowers to pay back their principal/interest obligations negatively impacting the financial performance of the company.

Liquidity risk

Mount Logan is listed on the NEO exchange and has a market capitalization of ~$50M with an average daily traded volume less than 1K. This may pose liquidity concerns for investors who wish to sell their holdings at a particular time or price.

Loss of senior executives

Retaining intellectual capital is extremely important. Any loss of management, or investment professionals, could lead to a loss of clients and a decline in revenues.

Distribution of Ratings:

Global Stock Ratings (as of 12/07/20)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	561	63.32%	56.15%
Hold	161	18.17%	40.99%
Sell	8	0.90%	37.50%
Speculative Buy	136	15.35%	79.41%
	886*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx

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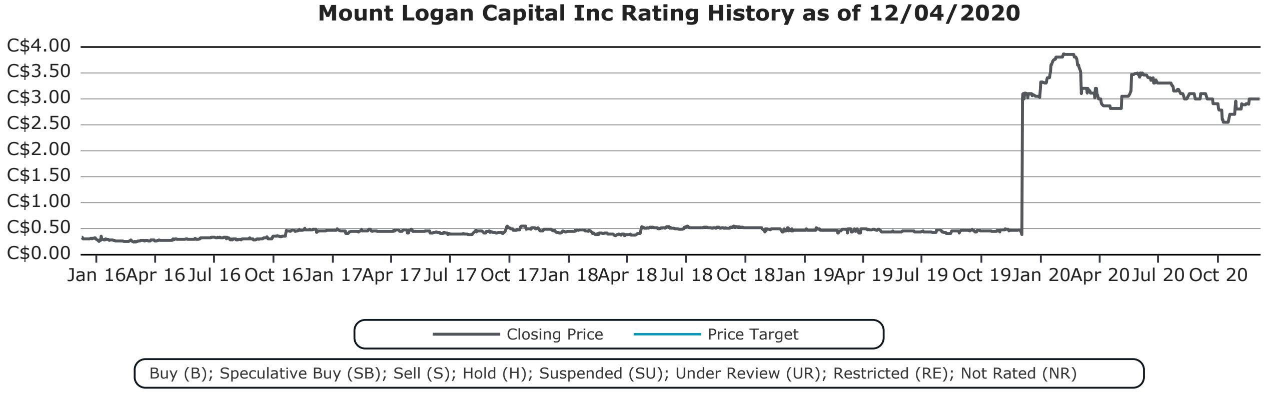
Mount Logan Capital Inc Rating History as of 12/04/2020



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