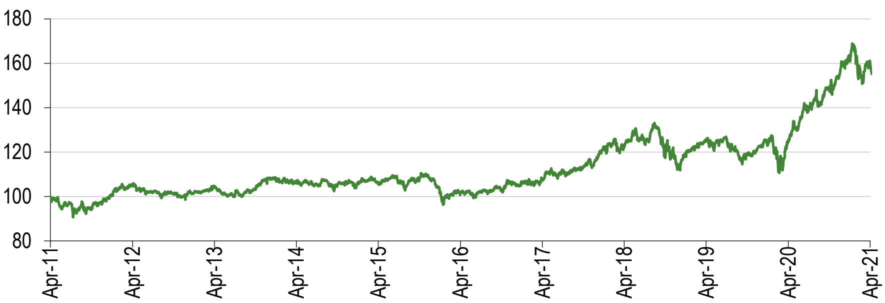
Canadian General Investments

Building on strong long-term performance record

Investment companies
North American equities

Canadian General Investments (CGI) has been managed by Greg Eckel at Morgan Meighen & Associates (MMA) since 2009. He comments that his strategy of investing in high-quality companies for the long term has proved to be successful, and he aims to 'deliver more of the same'. The manager is 'very happy with the value CGI has generated for its shareholders'. Its diversified portfolio includes a number of themes including companies offering decarbonisation products and services, while the manager considers 'now may be the time' to consider investing in Canada given the broad range of later-cycle opportunities available and relatively attractive company valuations.

Significant NAV long-term outperformance versus the benchmark



Source: Refinitiv, Edison Investment Research

The analyst's view

CGI has an enviable very long-term track record of outperformance versus the S&P/TSX Composite Index (MMA provides performance data going back 50 years) and over the last decade the fund has delivered double-digit NAV and share price annualised total returns. The portfolio offers investors a selection of high-quality North American equities; the majority of the portfolio is invested in Canada, but up to 25% (21.4% at end-April 2021) may be held in US businesses that are primarily niche or underrepresented in Canada. Eckel has an unconstrained investment approach and is not afraid to express his views in the portfolio; as examples, compared with the index, the company has less than a 50% weighting in the two largest index sectors, financials and energy, while it has a c 3x weighting in technology and consumer discretionary stocks. CGI has delivered on its strategy of moving away from paying regular and special dividends towards growing regular quarterly payments and currently offers a respectable 2.4% yield.

Scope for a narrower discount

CGI's shares trade at a persistently wide discount (range of 26.5% to 38.0% over the last year), which may be due to the less than 50% free float or the relatively high level of gearing (although this has declined meaningfully in recent quarters due to strong NAV performance). However, CGI's discount has been narrower in the past, its shares traded close to NAV in 2006. Given the company's very strong performance track record one could argue that a higher valuation is warranted.

17 May 2021

Price		**C$35.51**
Market cap		**C$741m**
AUM		**C$1,271m**
NAV*		C$52.55
Discount to NAV		32.4%
*Including income. At 14 May 2021.		
Yield		2.4%
Ordinary shares in issue		20.9m
Code/ISIN		CGI/CA1358251074
Primary exchange		TSX
AIC sector		North America
52-week high/low	C$38.90	C$23.11
NAV* high/low	C$56.27	C$33.87
*Including income		
Gross gearing*		15.3%
Net gearing*		14.3%
*At 30 April 2021		

Fund objective

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. CGI's performance is measured against the S&P/TSX Composite index.

Bull points

- Diversified portfolio of North American equities.
- Very long-term record of outperformance versus the benchmark.
- Regular quarterly dividends.

Bear points

- Discount remains consistently wide.
- High level of insider ownership
- Relatively high level of gearing will amplify capital losses during a market sell-off.

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Market outlook: Valuations remain relatively attractive

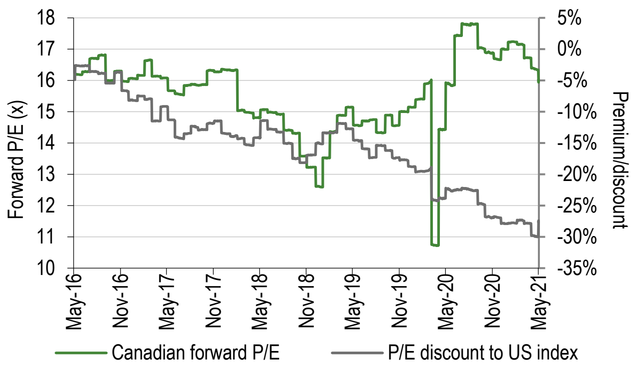
Canadian stocks have rallied strongly after the coronavirus-led market sell-off in Q120. Not unlike other regions, stock market leadership has broadened out and changed since the announcement of positive vaccine trial news in early-November last year. As shown in Exhibit 1 below, in 2020, technology stocks were standout performers but underperformed the broader market in Q121, while energy stocks found favour with investors, unlike last year when this sector performed particularly poorly. Canadian equities remain relatively attractively valued – the Datastream Canada index is trading on a forward P/E multiple of 16.0x, which is a 27.7% discount to the Datastream US index, and markedly wider than the 15.5% five-year average discount. Given this valuation backdrop and opportunities in later-cycle sectors including financials and energy (the two largest sectors, which together make up 56% of the S&P/TSC Composite index), global investors may benefit from an allocation to Canada.

Exhibit 1: S&P/TSX Composite Index data and valuation

S&P/TSX Composite Index data (at 31 March 2021)

	Number of companies	Weight (%)	Q121 total return (%)	2020 total return (%)
Financials	28	31.6	13.9	1.7
Energy	24	12.5	20.3	(26.6)
Industrials	30	12.3	6.6	17.0
Materials	52	11.9	(6.9)	21.2
IT	11	9.7	(1.0)	80.7
Utilities	16	4.8	3.4	15.3
Comm'n services	8	4.8	7.1	(3.7)
Cons. discretionary	13	4.0	12.5	17.1
Consumer staples	13	3.7	2.5	4.3
Real estate	26	3.1	10.0	(8.7)
Healthcare	10	1.5	38.0	(23.0)
Index	**231**	**100.0**	**8.1**	**5.6**

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.

The fund manager: Greg Eckel

The manager's view: Somewhat cautious over the near term

Eckel explains that while Canada has had a lower number of COVID-19 cases and fatalities than the OECD average, it is experiencing a third wave of the virus, exacerbated by the emergence of variants, and some of the provinces are in lockdown. During the first wave there were a significant number of deaths in care homes and there has been tension in the country between cities and rural communities as people have migrated from areas with high infection rates to more remote locations, which have then become hotspots. The Canadian government has been criticised for being 'behind the curve' in terms of its COVID-19 vaccination programme; it has no vaccine manufacturing capacity and the percentage of the population that has been injected is much lower than in the US and the UK.

There has been an element of resilience within the Canadian economy, with GDP declining less sharply as a result of the coronavirus than in many other countries. On 19 April 2021, the Canadian government released its first budget announcement in two years – Budget 2021: A Recovery Plan for Jobs, Growth and Resilience. The full update was better than expected; it forecasts debt-to-GDP peaking in 2021 at 51.2% falling to 49.2% within five years (before the pandemic it was c 31%). The Bank of Canada recently announced it would hold interest rates steady and revised its 2021 GDP growth forecast up to 6.5% (versus 4.0% in January 2021). It has reduced its bond purchasing programme and the Canadian dollar has continued to strengthen, appreciating by more than 15% versus the US dollar since Q120.

Eckel reports there is a housing boom in Canada, as in the US, and 'prices are rising everywhere'. To offset the negative effects of the pandemic, there has been significant government stimulus at both the household and business levels, with a commitment to further support. Unemployment levels are heading back towards pre-COVID levels of c 6%; in March 2021, the rate of 7.5% was down from 13.8% in May 2020. The manager says there is a 'good spread of GDP drivers and Canada is deriving a huge benefit from the booming US economy'. He reports that several non-energy commodity prices are close to all-time highs, such as copper, grains, lumber and potash, which are positive for the Canadian economy given its status as a major global commodity producer. However, other areas of the economy, such as the service sector, are struggling; for example, CGI's long-term holding in Air Canada has suffered due to pandemic-related travel restrictions. The position remains in the portfolio as Eckel believes the company's strong balance sheet will ensure it will survive, while the business is highly levered to a recovery in the travel industry.

In terms of his equity outlook for the balance of the year, Eckel is in a bit of a quandary, commenting 'it is now where the rubber hits the road'. He suggests stock markets are elevated and while the earnings outlook is positive (in Canada the consensus forecast is for growth in the high 20%s for 2021 with positive estimate revisions), 'economic improvement looks to be priced in'. The manager believes there is a level of investor complacency and there are question marks about what will happen next; he remains 'optimistic about the market but is somewhat cautious near term'. Eckel notes that in aggregate, Canadian equities are trading at a significant discount to those in the US; providing an ideal time for investors to consider the country. He believes Canada will benefit from its late-cycle exposure to energy, materials and banks, and there is anecdotal evidence from brokers of increased investor interest in these areas.

The manager says there has been a rotation in market leadership; for example, the share price of CGI's largest holding Shopify has pulled back having performed very strongly between April 2020 and February 2021. Energy was the worst performing sector in 2020 but the second best in Q121; Eckel has concerns about the sustainability of this performance, questioning how much of a U$60/barrel oil price is already reflected in the energy companies' share prices. He is constructive on the outlook for commodity stocks, particularly favouring copper and forestry producers rather than gold miners, which make up around two-thirds of the S&P/TSX Composite Index's c 12% materials weighting. The manager notes that market leadership is now broader than it was in 2020 and he expects this feature 'to continue for a while as there is growth everywhere. It is an interesting diverse market, and one cannot complain when many stocks are appreciating', he adds.

Current portfolio positioning

Exhibit 2: Top 10 holdings (at 30 April 2021)

			Portfolio weight %	
Company	**Country**	**Industry**	**30 April 2021**	**30 April 2020***
Shopify	Canada	Internet services	6.9	9.2
Canadian Pacific Railway	Canada	Railroads	4.0	4.2
First Quantum Minerals	Canada	Metals & mining	3.9	N/A
Franco-Nevada Corp	Canada	Gold mining	3.8	6.2
West Fraser Timber	Canada	Forest products	3.7	N/A
NVIDIA Corporation	US	Semiconductors	3.5	4.2
Amazon.com	US	Online retail	3.2	4.6
Lightspeed POS	Canada	Software	3.1	N/A
TFI International	Canada	Transport & logistics	2.9	N/A
Mastercard	US	Financial transaction processing	2.8	3.8
Top 10 (% of portfolio)			**37.8**	**43.5**

Source: Canadian General Investments, Edison Investment Research. Note *N/A where not in end-April 2020 top 10.

At the end of April 2021, CGI's top 10 positions made up 37.8% of the fund, which was a lower concentration compared with 43.5% a year before as Eckel has taken profits in some of the larger holdings that have performed well, including Shopify, NVIDIA, Amazon.com and Mastercard. CGI had a position in forest products company Norbord that was acquired by West Fraser Timber, propelling this company into the top 10 list.

Over the 12 months to the end of April 2021, CGI's largest changes in sector exposure are higher weightings to industrials (+4.4pp) and materials (+3.6pp) and lower weightings to consumer discretionary (-2.8pp) and cash & cash equivalents (-2.4pp). The manager's unconstrained approach is illustrated by the fund's large divergencies compared with the benchmark namely overweight exposures in information technology (+17.0pp), industrials (+10.0pp) and consumer discretionary (+8.0pp), and underweight exposures in financials (-21.7pp) and energy (-7.8pp).

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

	Portfolio end April 2021	Portfolio end April 2020	Change (pp)	Index weight	Active weight vs index (pp)	Fund weight/ index weight (x)
Information technology	26.8	28.7	(1.9)	9.8	17.0	2.7
Industrials	21.9	17.5	4.4	11.9	10.0	1.8
Materials	17.0	13.4	3.6	12.3	4.7	1.4
Consumer discretionary	12.1	14.9	(2.8)	4.1	8.0	3.0
Financials	9.9	8.3	1.6	31.6	(21.7)	0.3
Energy	4.7	6.1	(1.4)	12.5	(7.8)	0.4
Real estate	3.5	2.8	0.7	3.2	0.3	1.1
Communication services	2.0	2.8	(0.8)	4.9	(2.9)	0.4
Healthcare	1.1	1.4	(0.3)	1.4	(0.3)	0.8
Utilities	0.0	0.7	(0.7)	4.7	(4.7)	0.0
Consumer staples	0.0	0.0	0.0	3.6	(3.6)	0.0
Cash & cash equivalents	1.0	3.4	(2.4)	0.0	1.0	N/A
	100.0	**100.0**		**100.0**		

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

Eckel invests with a long-term perspective but aims to participate in subtle changes within the market, which is part of his bottom-up strategy. There are themes within the portfolio including decarbonisation (more than 5% of the portfolio), which the manager says complements the fund's below-index energy exposure. One holding that plays into the decarbonisation theme is the new position in Canada-listed Westport Fuel Systems, which provides market-ready transportation solutions that reduce emissions and realise fuel cost savings. Its products and services are available for passenger cars and light-, medium- and heavy-duty trucks through a global network of distributors and original equipment manufacturers. The manager reports that c 70% of the company's revenues are generated in the US and its margins are expanding; most of its products are natural gas based, while those that are hydrogen based 'may take a while to play out'. Westport has joint ventures with US-based Cummins (engines, filtration, and power generation products) and China-based Weichai Power (the largest global diesel engine manufacturer). Two other decarbonisation hydrogen plays in CGI's portfolio are Ballard Power and Xebec Adsorption, which we discussed in our December 2020 note.

There is a new position in Canada-listed goeasy, which Eckel suggests 'is a perfect holding for CGI'. He explains it is a unique company offering alternative secured and unsecured consumer financing for people ineligible to borrow from traditional lenders. Originally called easy home, goeasy's business model has evolved and since 2010 its earnings have grown at an annual rate of 30%. The manager says the company is starting from a low base and several of its US competitors have left the market. goeasy is the number two player in Canada but with just a 3% share there is a long runway for growth; Eckel says the company is fully funded for at least the next two years. In April 2021, goeasy announced a large acquisition of LendCare, which is a transformational deal that was well received by investors (goeasy's stock price rose c 10% on the news). The deal was financed by a secondary share issuance that was heavily oversubscribed; the manager only received c 10% of his desired allocation. He believes that goeasy's stock price 'has much further to go'. CGI's position was initiated at a mid-C$90s share price in early 2021, so with a current price c C$145 a share (market cap of c C$2.4 bn), the company has generated a higher than 50% return in a relatively short space of time.

In terms of disposals from the portfolio in recent months, Canadian Utilities was sold in anticipation of higher interest rates. The manager also sold two consumer discretionary names in late-2020, Canada Goose and Gildan Activewear; while they should benefit from economies reopening the manager locked in long-term profits as he saw better opportunities elsewhere.

Performance: Very strong record of outperformance

Exhibit 4: Five-year discrete performance data

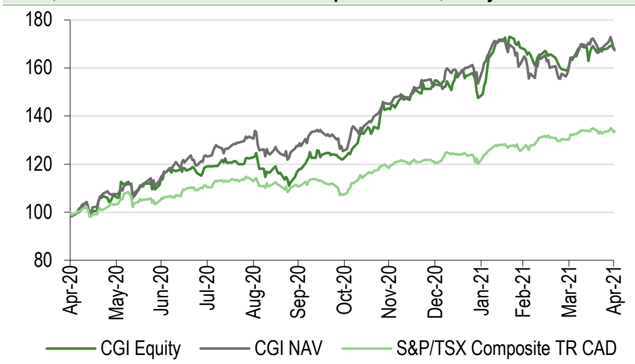
12 months ending	Share price (%)	NAV (%)	S&P/TSX Composite (%)	MSCI Canada (%)	MSCI World (%)
30/04/17	21.6	21.8	14.9	15.7	25.9
30/04/18	16.7	17.6	3.1	3.7	6.7
30/04/19	13.1	12.1	9.6	9.7	12.4
30/04/20	(6.8)	(7.8)	(7.9)	(9.1)	(0.3)
30/04/21	67.8	68.1	33.3	32.1	29.3

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

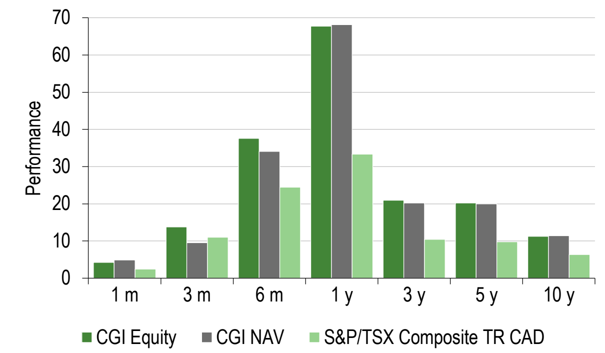
The company has a very long-term record of outperformance; data from MMA show that over the 25 years to the end of December 2020, the fund generated a total return of +11.3% pa, 3.3pp higher than the benchmark's +8.0% pa total return (with dividends reinvested, a C$10k investment would have grown to c C$147k). Over the 50 years to the end of 2020, the fund generated a total return of +12.0% pa, 2.7pp higher than the benchmark's +9.3% pa total return (with dividends reinvested, a C$10k investment would have grown to more than C$2.9m).

Exhibit 5: Investment company performance to 30 April 2021

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 generated a very strong year of relative performance in FY20 (ending 31 December). Its NAV and share price total returns of +38.1% and +37.0% respectively compared with the benchmark's +5.6% total return. Eckel held his nerve during the sharp coronavirus-led market sell-off early in the year and the benefits of the company's diversified, high-quality portfolio shone through. During 2020, at the S&P/TSX Composite Index sector level there was a broad range of total returns from information technology (+80.7%) down to energy (-26.6%), while only around half of constituent companies outperformed the broad market. CGI's results demonstrated success in both sector asset allocation and stock picking (c 70% of portfolio holdings outperformed the benchmark). The company's largest overweight exposure is to the information technology sector and it has had an underweight to the energy sector since 2011; the negative view is based on uncertain supply/demand dynamics, growing investor environment, social and corporate governance pressures and increasing moves to 'green energy'.

Companies that contributed positively to CGI's performance in FY20 included its number one holding Shopify, whose share price appreciated by more than 170%, and Lightspeed POS (+140%). Strong performances in the materials sector included First Quantum Minerals, Hudbay Minerals and Lundin Mining Corporation, while transportation companies Canadian Pacific Railway and TFI International also contributed positively to CGI's relative returns. Holdings that detracted from the company's performance included energy firms Suncor Energy, Whitecap Resource and Parex Resources, along with Air Canada, Gildan Activewear and Canada Goose; these last three companies' operations were negatively affected by COVID-19. The positions in Suncor Energy, Gildan Activewear and Canada Goose were sold prior to the end of FY20.

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	1.8	2.5	10.5	25.8	31.4	57.4	56.1
NAV relative to S&P/TSX Composite	2.4	(1.3)	7.7	26.1	29.1	56.1	58.7
Price relative to MSCI Canada	1.9	2.0	10.2	27.0	34.2	58.7	58.3
NAV relative to MSCI Canada	2.6	(1.9)	7.4	27.2	31.8	57.4	60.8
Price relative to MSCI World	1.7	6.4	15.2	29.7	22.1	28.9	(18.1)
NAV relative to MSCI World	2.3	2.4	12.3	30.0	19.9	27.9	(16.7)

Source: Refinitiv, Edison Investment Research. Note: Data to end-April 2021. Geometric calculation.

As shown in Exhibit 6, CGI has considerably outpaced the performance of its benchmark over the last one, three, five and 10 years. Relative performance in March 2021 was tough due to market rotation but improved in the following month. This year, stock market leadership has broadened out and the majority of the share prices of companies in the fund are in positive territory. Stocks that have meaningfully contributed to CGI's 2021 performance include TFI international (transport & logistics), goeasy (alternative financing), BRP (recreational vehicles), Lundin Mining (base metal producer) and Magna International (auto components).

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

Source: Refinitiv, Edison Investment Research

Peer group comparison

Exhibit 8: Selected peer group at 14 May 2021 (C$)*

% unless stated	Market cap (C$m)	NAV TR one year	NAV TR three year	NAV TR five year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Canadian General Investments	740.8	59.8	57.6	139.7	192.4	(32.4)	1.5	No	114	2.4
Middlefield Canadian Income	191.2	38.8	23.0	45.5	89.1	(13.9)	1.3	No	118	4.9
Average	**466.0**	**49.3**	**40.3**	**92.6**	**140.7**	**(23.1)**	**1.4**		**116**	**3.6**
Fund rank in sector	**1**	**1**	**1**	**1**	**1**	**2**	**1**		**2**	**2**

Source: Morningstar, Edison Investment Research. Note: *Performance to 13 May 2021 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

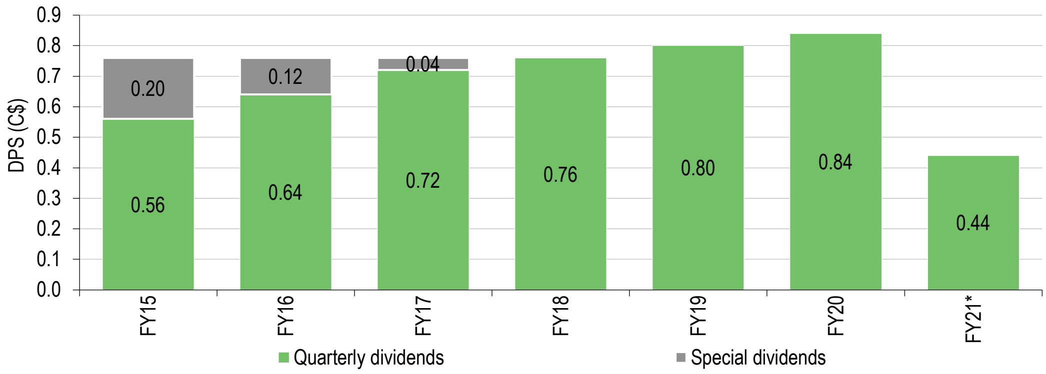
CGI is the largest of two funds in the AIC North America sector with significant Canadian exposure. They employ different investment mandates – CGI has a total return focus, while Middlefield

Canadian has an income bias. The company has a significantly higher NAV total return over all periods shown. CGI has a lower level of gearing, its discount is considerably wider, perhaps reflecting its limited free float, it has a higher fee structure and a lower dividend yield, which is unsurprising given its focus on total return rather than income.

Dividends: Regular quarterly payments

CGI last paid a special dividend in FY17, it now pays regular quarterly dividends in March, June, September and December. The FY20 annual dividend of C$0.84 was made up of three regular taxable dividends and one capital gains dividend of C$0.21 per share; it was 5.0% higher than C$0.80 in FY19. So far, two dividends of C$0.22 per share have been declared for FY21 (+4.8% year-on-year). Eckel believes the strategy of gradually increasing CGI's annual dividend can continue given the company has more than C$750m in unrealised capital gains. Based on its current share price, CGI offers a 2.4% dividend yield.

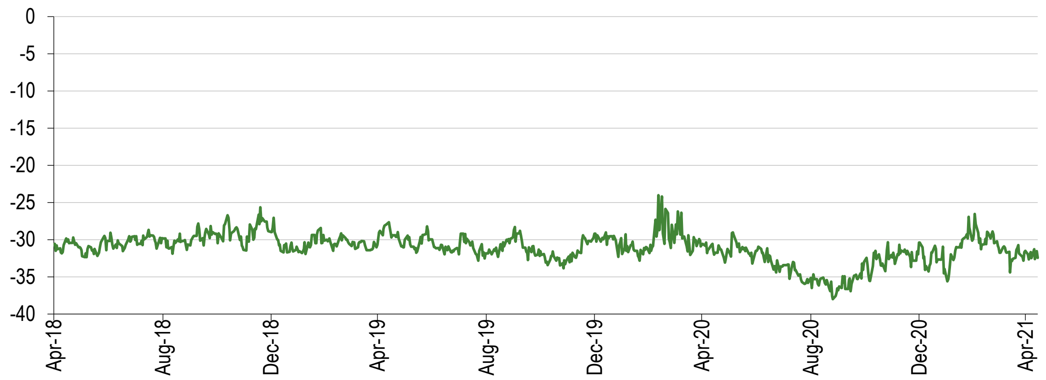
Exhibit 9: Dividend history since FY15



Source: Bloomberg, Edison Investment Research. Note: *FY21 is year to date.

Valuation: Wide discount continues

Exhibit 10: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

CGI's shares are currently trading at a 32.4% discount to NAV, which compares with the 26.5% to a decade-high 38.0% over the last 12 months. The discount has averaged 32.6%, 31.1%, 30.4% and 28.9% over the last one, three, five and 10 years respectively. Despite CGI's very long-term record of outperformance versus the benchmark the company's shares continue to trade at a considerable discount, which may be due to the high (52.5%) level of insider ownership. The board is unable to repurchase shares to help manage the discount as this would invalidate the company's favourable Canadian investment corporation tax status. There have been brief periods when CGI's shares traded at a premium to NAV; the last time was in 1998, while they traded very close to par in 2006, a period when CGI outperformed its benchmark and there was a commodities super-cycle and a rising oil price.

Fund profile: North American equity specialist

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 been listed on the London Stock Exchange since 1995. MMA took over management of CGI in 1956; the firm has c C$2.5bn 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% (21.4% at end-April 2021) 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 its benchmark, meaning CGI's performance may differ from that of the S&P/TSX Composite Index. Eckel has a medium- to long-term view, so some of the fund's holdings have been in the portfolio for many years.

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.

Investment process: Bottom-up stock selection

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, he also takes firms' economic social and governance credentials into account. While the majority of CGI's portfolio is invested in Canadian companies, up to 25% of the fund may be held in US equities, which are primarily in niche operations or business areas that are under-represented in the Canadian market. The broad exposures at the end of April 2021 were 77.6% Canada, 21.4% US and 1.0% cash/equivalents. There are currently 55 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 to support CGI's own dividend payments. Eckel has a long-term focus; annualised portfolio turnover is running at c 10% versus the 2.3% to 21.5% five-year range. Over the last five years, turnover averaged 10.5% pa, implying a c 10-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.

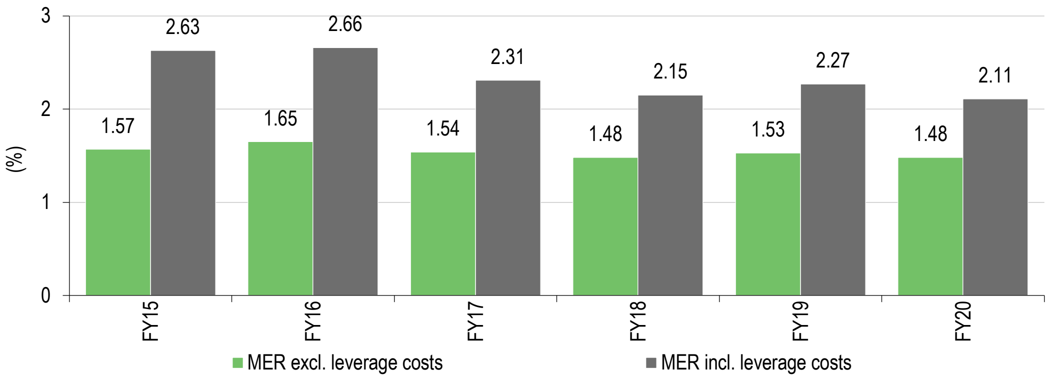
Gearing: Preference shares and margin borrowing

CGI has employed a leveraged strategy since its first issue of preference shares in 1998. Since then, its total return has averaged 6.96% per year above its cost of debt. On 12 May 2021, the company announced that it had entered into a prime brokerage agreement with a Canadian chartered bank. Margin borrowing of C$100m under this new facility was used to repay a C$100m fixed-term loan that was scheduled to mature on this date. 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 weighted average cost of its C$175m debt is 2.28% and at end-April 2021, its net gearing was 14.3%, which is relatively low versus history given the rise in CGI's NAV over the last year.

Fees and charges

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 FY20, the annualised management expense ratio (MER) including leverage costs was 2.11%, which was 16bp lower year-on-year. Excluding leverage costs makes the MER more comparable with the ongoing charge figure used in the UK; in FY20, it was 1.48%, which was 5bp lower than 1.53% in FY19.

Exhibit 11: MER since FY15

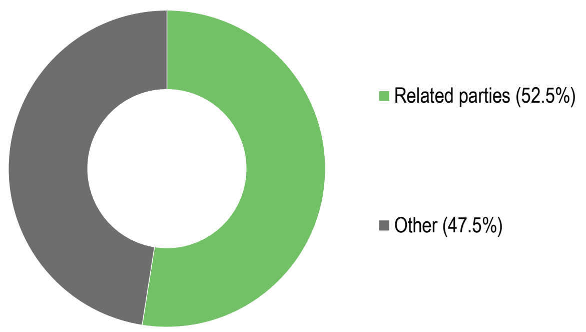


Source: Bloomberg, Edison Investment Research. Note: Leverage costs include preference share dividends, interest and financing charges.

Capital structure

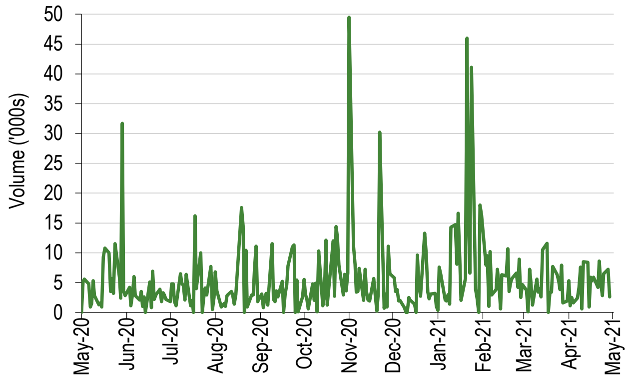
CGI has 20.9m ordinary shares in issue, 52.5% of which are directly or indirectly owned by two of the company's directors Jonathan Morgan and Vanessa Morgan. Hence, CGI has a free float of 9.9m shares (47.5% of the total) with these holders located as follows: Canada (c 50%), UK (c 30), Europe ex-UK (c 10%) and other (c 10%). The company has an average daily trading volume of c 5.5m shares on the Toronto Stock Exchange.

Exhibit 12: Major shareholders



Source: Bloomberg, at 31 March 2021.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 14 May 2021.

The board

CGI's board has three non-independent and four independent directors, who collectively have an average tenure of c 17 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).

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