

Turtle Creek

2020 Letter to Unitholders

Fellow Investors,

2020 was a year like no other, most obviously because the world had to deal with its first pandemic in a hundred years; but also because of the speed and severity of the stock market crash in March and unprecedented sharp recession.

Despite the turmoil, our North American fund, Turtle Creek Equity Fund¹ (“TCEF”), returned 11.4%² for the year, compared to 6.0% and 11.4% for the S&P/TSX Completion index and S&P MidCap 400 index³, respectively. The country funds also performed strongly. Turtle Creek United States Equity Fund (“TCUS”) returned 18.1%², well ahead of the S&P MidCap 400 index which returned 13.7% (both returns in U.S. dollars). Turtle Creek Canadian Equity Fund (“TCCF”) returned 11.4%², also well ahead of the S&P/TSX Completion index which gained 6.0%. However, rather than focusing on a calendar year, we always stress the longer term. Much more important than one-year returns are Turtle Creek’s five-year, ten-year and twenty-year⁴ compound annual returns which are 11.4%, 12.0% and 15.1%, respectively. To put our long term performance in, perhaps, more understandable terms, \$1 invested at Turtle Creek’s inception⁴ in late 1998 is now worth \$74.

As befitting such a year, the bulk of this year’s letter will be a review of the past 12 months. We will discuss what happened with our companies and how they dealt with the pandemic. Then we will turn to what we did inside the portfolios in terms of Continuous Portfolio Optimization and how our investment approach put us in excellent stead during this difficult period.

We finish the letter with three additional topics: i) we explain our Business Value (intrinsic value) calculation and why we think it is more relevant than our unit price in the short term; ii) the launch of our new distribution class; and, iii) the attractive valuations of our portfolios.

The Year in Review – Our Companies

In sitting down to write this year’s letter, we reread our letter from last year. We thought it worth reproducing the two concluding paragraphs here:

“. . . Think of it this way: we are simply owners of companies. They happen to be publicly traded, which means there are observable price fluctuations. Of course, this fact (price fluctuations) and the way it influences most investors (to, at times, act irrationally) is one of the reasons we have chosen to invest in public rather than private markets.

“Whatever the future brings, we own portfolios of companies that we believe will act rationally and intelligently and remain focused on generating strong returns for their shareholders over the long term, regardless of the economic and stock market

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1. Turtle Creek Investment Fund maintains a portfolio that is almost identical to Turtle Creek Equity Fund (see endnote disclosures).
 2. Based on the change in net asset value of the fund’s Class I Series 1.0 Units. Net of fees, expenses and carried interest allocations. Past performance is not indicative of future results.
 3. The S&P/TSX Composite index and the S&P MidCap 400 index are both total return indices. Returns for both indices are shown in Canadian dollars unless indicated otherwise.
 4. See endnote disclosures.

\$1 invested at Turtle Creek’s inception in 1998 is now worth \$74.



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environment. And then we will do our best to add value over time through our investment process of company selection, due diligence and portfolio construction.”

We wrote these words just before COVID-19 struck Europe and just weeks before North America was essentially locked down. What ensued in the final ten months of 2020 was a test of what we had written. Our companies did not disappoint: their business models proved to be highly resilient and their leadership was incredibly capable – they made the right moves in an extraordinary environment. And we did our best to add further value through our portfolio construction and rebalancing process which we call Continuous Portfolio Optimization.

As the COVID-19 pandemic engulfed the world, financial markets were thrown into turmoil. The market decline in March was the largest monthly drop since Turtle Creek began 22 years ago and so it was for Turtle Creek. At that point, as we assessed our portfolios in the context of the pandemic and accompanying severe recession, we placed each of our companies into one of three categories as a way for us to think about our holdings and as a way to communicate with our investors. Category One comprised companies that would be minimally impacted by the pandemic recession, and where, in a few instances, intrinsic value (our use of the term ‘intrinsic value’ is interchangeable with Business Value) could well increase as a result of the recession. Category Two comprised companies that would be impacted by the pandemic recession but where the recession may actually strengthen their longer term competitive position, offsetting the short term loss of earnings so that there would be minimal change to Business Value, in either direction. Category Three comprised those companies that would be impacted by the pandemic recession such that there would be temporary ‘demand destruction’ which would not be fully recovered down the road, causing a reduction in intrinsic value.

As we assessed TCEF’s portfolio at the end of the first quarter, we allocated the portfolio as follows: 40% into Category One; 20% into Category Two; and, 40% into Category Three. For TCUS and TCCF the breakdown was roughly the same. As the year progressed, it became clear that our initial categorization was conservative – some of our Category Three companies proved over the course of the year that they belonged in Category Two and some Category Two companies proved they belonged in Category One. But that initial categorization was important because it determined the priority by which we ‘dug in’ on our holdings. It also guided how we acted with respect to the timing of our rebalancing activities throughout the middle part of the year.

But before we dug in on each holding, the most immediate consideration for us was to ensure that each of our companies had the balance sheet strength to weather the storm of what was clearly to be a sharp recession of unknown length and severity. We are attracted to companies that generate lots of cash flow, and therefore, do not require access to the equity capital markets to grow their businesses. We often say that if the stock markets were to close, our companies would continue on as before, generating cash to invest and grow their businesses and returning surplus capital to shareholders. We try very hard to identify the management teams that are ‘highly intelligent’ and focused on making the right decisions to react to whatever the economy throws at them. As such, our management teams tend to run their businesses with strong balance sheets. In fact, many of our companies had already been prudently adjusting their leverage downward in contemplation of a cyclical downturn, albeit not in anticipation of a pandemic.

The business models of our companies proved to be highly resilient and their leadership incredibly capable.

The immediate consideration was to ensure that each company had the balance sheet strength to weather the storm. All did.



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During March, we had conversations with all of our companies as to what they were seeing and how they were reacting. Based on these discussions and our internal work, we concluded none of our companies faced liquidity issues that might distract them and cause them to suboptimize their businesses.

With that issue out of the way, we next turned to evaluating each of our companies to determine what impact, if any, the pandemic and recession would have on their Business Value. This was a time consuming process and so we prioritized our work based on position size as well as which Category the company fell into (companies in Category Three, for example, generally took precedence over Category One companies).

To give you a sense of how our companies handled the changed environment and how our thinking evolved throughout the year, we describe below a couple of large holdings in each of the three categories.

Category One: Minimal impact from the pandemic recession, and where, in a couple of instances, value could potentially increase.

Our largest holding throughout the year in both TCEF and TCUS was Berry Global, the biggest plastics company in the world, producing a broad range of consumer packaging and engineered materials as well as health and hygiene products. It does not participate in the more criticized areas of the plastics industry, including plastic bags and water bottles. As the plastics industry leader, the pandemic has created an opportunity to educate the public (and investors) on all the good uses for the substrate. Of note in the current environment, they manufacture the material used in the production of disinfecting wipes, medical garments and surgical masks. The surge in demand for health and hygiene products as well as for basic consumer staples has more than offset the softness in markets like industrial and cosmetic packaging. Berry operates 300 plants around the world, and even in March, all plants were open with only two plants facing modest disruptions (both in northern Italy). Overall, we see them coming out of the pandemic recession in a stronger position. Of our companies that provide financial guidance, they were the only one that did not withdraw guidance in March and, in fact, their results for 2020 exceeded original expectations. The company believes (and we agree) that the pandemic has heightened awareness of all of the valuable uses of plastics, and they have seen accelerating organic growth in the second half of the year partly because of this. One might have thought that Berry's traded price would have held up relatively well in March given the resiliency of their business. Not so – peak to trough, Berry declined over 40%. Needless to say, we added to our position during the depths of the market crash.

Another top holding is Premium Brands, a North American specialty food company that has grown both organically and through accretive acquisitions over the past 20 years. Premium has over 22,000 customers in the retail, foodservice and institutional markets. With pandemic lockdowns and travel severely curtailed, their fine dining and hospitality customers suffered. But where demand fell off in foodservice, demand in the retail channel jumped. In April, as lockdowns were enacted throughout North America, some channels saw spikes (retail and club stores) while others (quick service restaurants and white table cloth) dried up completely. However, the drought was quite short lived – the pandemic, in hindsight, only impacted them for one month. By May, revenues had bounced; Premium's QSR business, for example, sharply rebounded. In fact, by early June their weekly sales were back to pre-pandemic levels. Of note, in the third quarter they raised \$322 million of equity

Berry Global did not withdraw their financial guidance in March; in fact, their results for 2020 exceeded original expectations.

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(through issuing \$150 million of convertible debentures and \$172 million of common shares). As they had a very strong balance sheet before the equity raise, we believe this is indicative of a remarkably large and robust acquisition pipeline. The company's strategy is to acquire high quality food businesses run by strong entrepreneurs and we suspect the recent environment has convinced some of those entrepreneurs to join a like-minded, highly respected larger organization. And then, in the fourth quarter, they raised a further \$287 million of equity to fund the largest acquisition in their history. We believe they have done all the right things during the pandemic and will emerge an even stronger company.

Category Two: Impacted by recession in the short term but minimal change to Business Value because the companies will emerge stronger which should offset lost current earnings.

We originally placed TFI International, one of the largest transportation and logistics companies in North America, in this category back in March. TFI managed through the year exceptionally well, far exceeding the expectations of both us and the market (and even management). In fact, their 2020 EPS exceeded the beginning of the year consensus estimates. Again, as we saw with our other portfolio companies, certain segments within TFI were positively impacted while others suffered. With the shutdown of many retailers' physical stores, TFI's less-than-truckload ("LTL") business suffered. But this loss of business was the impetus for them to look more closely at B2C ecommerce opportunities. TFI's management was able to identify a strategy to service certain residential customers profitably. And so while their B2B service will return once life returns to normal, TFI will continue to make money with their new B2C strategy. While not necessarily related to the pandemic, we'd be remiss not to highlight TFI's announcement of the largest acquisition in their history in early 2021 – the LTL business of UPS – which we believe has significantly increased the company's Business Value. So, while back in March we classified the company as belonging to Category Two, their performance through the year proved that they belonged in Category One.

Another large holding was Badger Daylighting which is the dominant hydrovac excavation company in North America. While some of their services were designated as essential, we assumed a decline in overall revenue and profits in the short term. But the offset is that, in this environment, we believe their superior technology and corporate size will allow them to outshine smaller competitors and we anticipate they will take market share as a result. Of note, at their investor day near the end of the year, they reiterated their goal of doubling the U.S. business over the next three to five years. Accordingly, Business Value increased nicely in 2020, in line with that of prior years.

Category Three: Impacted by recession resulting in a reduction in Business Value.

While we anticipated a reduction in Business Value with our Category Three companies, importantly, we concluded that all of them would only be impacted by the pandemic in the short term. In other words, these companies simply will miss out on some current earnings but in every instance our medium to long term forecasts did not decrease.

Back in March, we placed Middleby Corporation, a manufacturer of commercial cooking equipment, industrial food processing equipment and residential kitchen appliances, in this category. Their commercial cooking equipment segment does business with 97 of the top 100 foodservice chains in the United States and internationally. Limited dine-in restaurant activity in many parts of North America had an impact on the company's sales in 2020. While there has been a significant short term

TFI International managed through the year exceptionally well, far exceeding expectations.



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impact on their results, they are over-indexed to the restaurant chains which have more take-out and delivery than independent restaurants. They have a strong balance sheet and are well positioned to weather the downturn. The company is acquisitive, so this environment may provide attractive acquisition opportunities. They have, in fact, already completed three tuck-in acquisitions since March. Most of their chain customers are financially strong, and many have commented that they believe pandemic related disruptions will result in an opportunity to accelerate their own unit growth over the medium term at the expense of independents. In addition, the company is working with several large players in the food delivery space to develop highly automated, high-throughput 'ghost kitchens', that combine products from their commercial cooking equipment and food processing segments. At the end of the day, they provide the equipment that produces and prepares food, whether it is served in restaurants, for home delivery or prepared in the home. It is worth noting that prior to the market crash in March, this company was not one of our largest holdings in TCEF or TCUS. The substantial share price decline in March provided us with the opportunity to purchase significantly more shares at very attractive prices. With the price having more than fully recovered by the end of the year, it was our third largest holding in TCEF at year-end. In our work in the early part of the year, our 'lockdown' forecast had us reduce Business Value somewhat; however, by the end of the year we had actually increased Business Value for 2020. This came on the heels of record free cash flow generation in 2020, as well as order rates for both commercial cooking equipment and residential appliances coming in far stronger than expected. Middleby proved that it belonged in Category Two rather than Category Three.

Another large holding that we placed in this category in March is Gildan Activewear, a global, vertically integrated manufacturer of basic apparel (t-shirts, polo shirts, fleece, underwear, socks, etc.). Of all our companies, it was the most impacted by the pandemic. Social gatherings like concerts, sporting events and corporate events comprise a significant portion of their end markets. During the second quarter of 2020, at the height of restrictions, Gildan's sales were down 70% compared to the prior year quarter. The company made all the right decisions to respond to this challenge. They took swift and prudent measures to ensure that they would continue to generate strong cash flow including temporarily closing their manufacturing facilities and satisfying sales from inventory. As a result of the pandemic, we have all been wearing more casual clothing and, as the industry's low cost producer, Gildan has been able to take market share. Their sales in the final quarter of 2020 were actually higher than the same quarter in 2019. When social gatherings resume, we expect to see a step function increase in Gildan's sales. Our initial estimate for the company in April had us reducing their Business Value by about 10% but by the end of the year, value was essentially unchanged. This is another example of a Category Three company that ultimately proved that it belonged in Category Two.

So, by the end of the year, which categories had our companies ended up in? Well, Category One comprised 55% of the portfolio (rather than our 40% estimate at the end of Q1), Category Two came in at 35% (rather than 20%), and, most significantly, Category Three companies turned out to be only 10% of the portfolio (rather than our initial estimate of 40%). But we don't think we were being overly conservative when we made those initial categorizations in April – we were pretty clear eyed in light of the circumstances. It was our companies who nimbly managed through the environment better than we initially had anticipated.

Middleby's substantial share price decline in March provided us with the opportunity to purchase significantly more shares at very attractive prices.

Despite Gildan suffering a 70% sales decline in Q2, sales in Q4 were ahead of 2019.



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We believe all of our companies will come out of the pandemic in a stronger position.

In late February and early March we deployed the ‘dry powder’ in our funds.

We believe building a portfolio of highly intelligent companies forms a great foundation.

We believe all of the companies described above will come out of the recession as stronger businesses. This is partly because weak competitors will struggle and partly because some of them will have the opportunity to make especially accretive acquisitions. Also, we believe each company is making the right strategic decisions to be strongly positioned when we return to a more normal economy. Indeed, we believe this applies across our portfolios: our companies will come out of this pandemic-induced recession in a stronger position.

The Year in Review – Our Investment Approach

So, having determined that our companies’ balance sheets could weather even a severe recession and that none of our companies’ prospects were permanently changed by the pandemic, we did what we always do in the face of changing traded prices – we strove to optimize the weightings in our portfolios, something we call Continuous Portfolio Optimization (“CPO”). From late February until late March, we deployed the ‘dry powder’ in TCEF of approximately 16%, which had been built up over the prior few months in the face of strong share price performance by our portfolio companies. In addition, we sold our two smallest positions to reduce the number of holdings from 27 to 25 and deployed the proceeds into holdings that we thought were more attractively valued. Then, as the market stabilized in the second quarter, we redeployed some funds from those holdings where share prices were recovering into other holdings where share prices had not yet rebounded.

By late May, we had completed the full evaluation of the companies we owned, determining, in each case, whether Business Value (intrinsic value) was higher, lower or unchanged. At that point, we turned our attention to the many companies we were closely following but did not own. While the share prices of a number of these companies had declined significantly, their Business Values were essentially unchanged. As a result, we added four new companies to TCEF in the second half of the year such that we finished 2020 with 28 holdings.

Our investment approach has served us well this year. Our approach involves identifying and selecting strong, highly intelligent companies to ‘dig in on’ and do the work to determine their Business Value. Understanding the value of each company is critical in constructing the lowest risk portfolios.

We seek to identify and own highly intelligent companies – companies that are focused on driving shareholder value higher, through great operations and intelligent long term strategic thinking combined with smart capital allocation. They aren’t always the largest company in their industry (although sometimes they are) but they’re always the smartest. We believe building a portfolio from such highly intelligent companies is a great foundation and we have seen lots of evidence of that this year.

Our second step – developing and maintaining a view of intrinsic value or Business Value – based exclusively on our forecast of free cash flow, steers us clear of companies that are fully or over valued by the market. Avoiding high flyers doesn’t always benefit our shorter term unit price, but it definitely helps in the longer term.

Our ongoing process of constantly resizing each holding in response to fluctuating share prices (Continuous Portfolio Optimization) has seen an above average amount of activity this year. Indeed, our rebalancing activity was as high as it has been in a decade. CPO is a key component of our investment strategy and we believe it adds meaningful value over and above a ‘buy and hold’



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approach. This year was a great example of the value of CPO: if we had maintained a static portfolio throughout the year, TCEF's intrinsic value would be up by about 2%; not bad given our companies have had to deal with a pandemic and severe recession and is testament to how well we think they have handled things. However, TCEF's intrinsic value is actually up 11% for the year. The difference between the 2% increase for a static portfolio and the actual increase of 11% is a result of the portfolio rebalancing activities we undertook through the year.

Business Value

Throughout this letter, we have made frequent reference to Business Value. At Turtle Creek, having a deep understanding of the true value of a company is absolutely central to our investment approach. Without it, we would never be able to practice Continuous Portfolio Optimization; and CPO has been a powerful contributor to our long term investment outperformance. Without each company's Business Value as our anchor, we would be like everyone else: trying to guess where a company's share price is going next. Unless you understand what we mean by Business Value, you will never understand Turtle Creek, and so we will try to explain it here.

For each company, Business Value is the present value of the future net free cash flows we expect the company to generate, discounted back to the present at consistent discount rates. We devote a great deal of effort to determining and regularly updating the respective Business Value of each of our investments. We build a unique, very detailed financial model for each business from scratch. The ultimate objective is to provide a window into the future, but the model also serves the purpose of collecting, in a manageable form, a great deal of relevant historical information. The model becomes a repository for our thinking about each investment. As well, it forces us to make all of our assumptions explicit and it is a basis for us to debate amongst ourselves the relative merits of each holding. Each model is a guard against untested speculation since it forces us to think long and hard about all of the factors that will affect the future, including attempting to assess the risks the business may face that are currently unexpected and unforeseen. Our investors will point out that our Business Values are only as good as our assumptions. Of course this is true, but it is important to understand that we are not trying to forecast the cash flows of pre-revenue companies where all of the value comes from earnings many years in the future. All of our companies are making money now. In each case, a meaningful portion of the Business Value of our holdings comes from cash flow over the next five years or so, rather than in the distant future.

The current version of each financial model reflects our best estimate of the Business Value of the investment. We recognize the actual outcome will be different – sometimes higher and sometimes lower than our best estimate. Over time, the financial model for each company evolves to reflect new information. We aren't trying to be overly conservative nor do we want to succumb to 'drinking the Kool-Aid'. We didn't drink the Kool-Aid in the Dot-Com excitement and we aren't drinking it today with SPAC's and the Reddit stocks. Nor did we throw in the towel in despair in late 2008 or in March of this year. Having a view of the Business Value of each of our companies and understanding how stable those values really are (as opposed to daily share price gyrations) provides us with the tools to build and maintain our portfolios, constantly reweighting towards cheaper, lower risk holdings.

In today's frothy market, many of the companies we follow are actually trading above Business Value – but we don't own those companies. All of the companies we own are trading below Business Value,

TCEF Business Value grew 11% in 2020, mainly as a result of our Continuous Portfolio Optimization.

Having a deep understanding of the Business Value of a company is central to our investment approach.



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All of the companies we own are trading at attractive discounts to their respective Business Values.

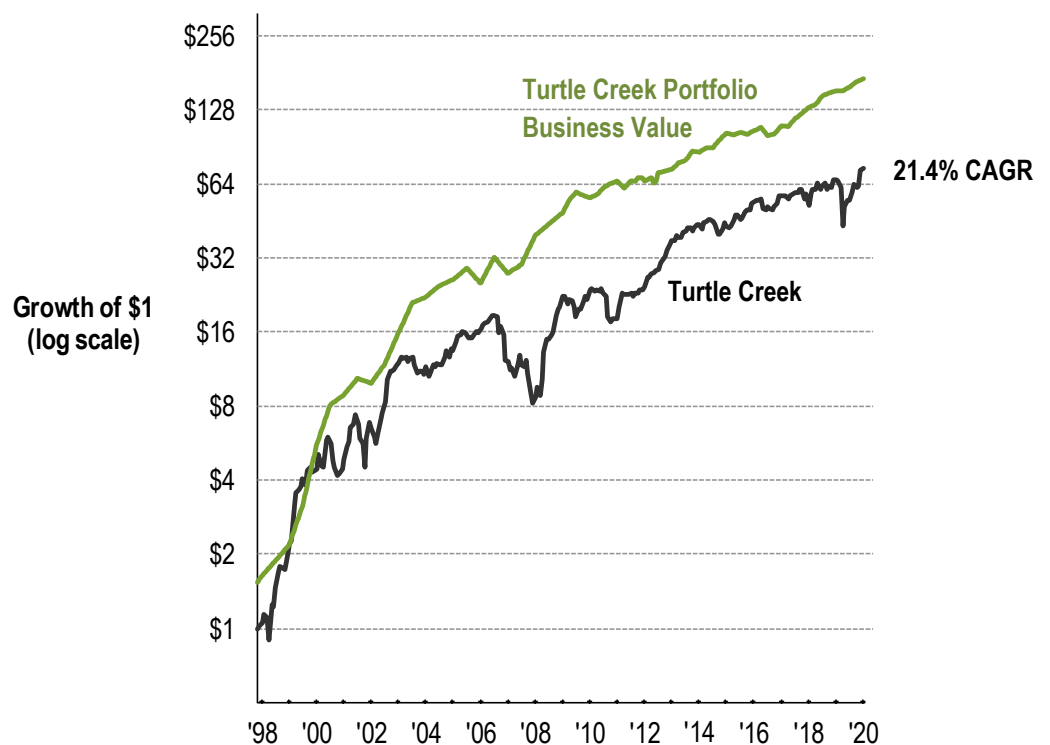
By maintaining a long term view and using each company's Business Value as our anchor, we endeavour to lower risk and generate superior returns.

many significantly below. Our thinking is quite simple: the further below intrinsic or Business Value a company's shares trade, the stronger the pull back in the direction of Business Value. Think of it as if there were an elastic band with one end of the band attached to Business Value, which hardly moves, and the other end of the band attached to the share price, which fluctuates quite a bit. Since the share price is tethered to Business Value, the further it moves away, in either direction, the stronger the pull back towards Business Value. But this effect can take a long time to play out, which is why having a long term investment horizon is so important.

By maintaining a long term view and using each company's Business Value as our anchor, we endeavour to lower risk and generate superior returns. While share price movements can sometimes be dramatic (as witnessed this year), a long term perspective in assessing both a company's worth and in evaluating our performance as an investment manager is important.

And so we ask our investors to also take a long term view and pay close attention in the short term to the change in the Business Value of our portfolios rather than the change in unit price. The graph below shows the connection between unit price and Business Value over time.

Business Value leads Net Asset Value⁵



Previously, we had only provided the change in our portfolios' Business Value once a year in our annual letter. This year we decided we would provide more frequent updates so that our investors can track Business Value change alongside unit price change. Accordingly, we have added change in portfolio Business Value to our monthly fund fact sheets and also now include it in our quarterly

5. See endnote disclosures.

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commentaries. Our investors who added to their investment early in the year because they paid closer attention to the decline in Business Value (which was very little) as opposed to the decline in Unit Price (which was a lot), were well served.

Launch of a New Distribution Class

Last month (February 2021) we launched a new distribution class in each of our funds which pays an initial yield of 8%.

One of the most common questions asked by our investors is “how much can I take out of Turtle Creek each year and not eat into my capital?” Eight years ago we created our original distribution class (which we now call D1) that sought to provide an answer to this question. Distribution class units provide an amount, set at the first of each year, paid monthly, that we are comfortable will not eat into an investor’s capital, after adjusting for inflation. The amount distributed is intended to strike a balance between spending today while still maintaining, at a minimum, all of one’s capital, after accounting for inflation.

The distribution amount for our original D1 class is based on an endowment spending model. Specifically, we apply the Yale Endowment Spending Rule. The idea of the Yale policy is to determine the amount of money that can be spent without encroaching on permanent capital after accounting for inflation. Since the D1 class was launched eight years ago, the unit price has increased 2.25 times⁶. Indeed, the unit price has increased at a faster pace than the increase in the distribution amount (which has doubled)⁶. The issue is that our returns have well exceeded those assumed by the Yale Endowment Spending Rule. To solve this ‘champagne problem’, we recognized that we needed to increase the amount we are distributing. As many of our current distribution class investors are content with the existing mix of distributions and capital appreciation (i.e. the outcome of applying the Yale Endowment Spending Rule), we have decided to introduce a second distribution class.

Accordingly, we have launched a new distribution class that will provide a higher distribution or yield. This second class (which we are calling D2) can be thought of as the ‘Full Distribution Class’, and it has an initial yield of 8%. The current distribution class (D1) can be thought of as the ‘Endowment Distribution Class’ with a yield today of approximately 4%. Like the D1 class, we are comfortable that, in the long run, the D2 unit price and distribution amounts will grow, just not at the same rate as the D1 class.

The distribution classes are a very tax efficient way to receive steady monthly cash income from our funds. Monthly cash payments do not result in incremental taxes relative to the non-distributing units of Turtle Creek; the cash distributions are simply deemed a return of capital.

Valuation Attractiveness of Turtle Creek

We conclude this year’s letter with a perspective on the attractive current valuations of our funds. There are a number of ways to look at valuation, such as the traded discount to portfolio Business Value or the long term expected returns from maintaining a static portfolio (i.e., no rebalancing). In

We have launched a new distribution class in each of our funds which pays an initial yield of 8%.

The distribution classes offer a very tax efficient way to receive steady monthly cash income from our funds.

6. Based on the TCEF Class I-dist.1 Unit.

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in this section we focus on one valuation metric: Economic Earnings and the current traded multiple of earnings of each Fund.

By Economic Earnings we mean the true earnings of a company after taking into account accounting artifacts. As one example, under U.S. GAAP and IFRS, intangible assets are amortized against earnings. Companies that are acquisitive (we own a lot of those) tend to have a large amount of intangible assets that get amortized, artificially suppressing earnings. Think of Economic Earnings as the amount of earnings that could be distributed to shareholders without impairing a company's operations. Shown below are the price earnings multiples of Turtle Creek Funds as of the end of the year compared with the broad market. For the market multiples, we have used adjusted operating earnings, which is very similar to our Economic Earnings. Also shown is Turtle Creek's forecast five year annualized growth in earnings. There is no comparable data for the broad market, but we are pretty confident the market's earnings growth rate is meaningfully lower than Turtle Creek's.

Our portfolios are trading at significantly lower multiples than the broad market and we are expecting higher earnings growth.

	2021 P/E Multiple	Future 5 Year Earnings CAGR
TCEF	11.0x	21%
Market	19.4x	

	2021 P/E Multiple	Future 5 Year Earnings CAGR
TCUS	11.0x	19%
S&P MidCap 400	20.9x	

	2021 P/E Multiple	Future 5 Year Earnings CAGR
TCCF	13.1x	24%
S&P/TSX Completion	17.9x	

Our portfolios are trading at significantly lower multiples than the broad market and, at the same time, they are expected to have higher growth rates. In addition, the portfolios are comprised of companies that we believe are leaders in their respective industries. In terms of what this might mean for future returns, we cannot say for sure, but owning a portfolio of leading companies trading at low multiples of recession-depressed earnings with high earnings growth rates is a very good place to be, regardless of what we next face.

We thank you for your continued support.

Your Partners at Turtle Creek



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Disclosures

Information sources: Turtle Creek Asset Management Inc. (the "Manager"), Bloomberg.

1998 is the date of Turtle Creek's "inception" of the predecessor structures to Turtle Creek Investment Fund. Turtle Creek Investment Fund is substantially similar to Turtle Creek Equity Fund. Turtle Creek's performance, from November 1, 1998 until November 1, 2008, reflects the performance of Turtle Creek Investment Fund (created in September 2000) Class A Series 1 Units and the performance of its predecessor structures (collectively "TCIF"), and Turtle Creek Equity Fund ("TCEF" or the "Fund") Class I Series 1.0 Units thereafter. Since TCEF and TCIF maintain almost identical portfolios (with the exception of the TCIF's private company investments), historical performance for TCIF has been combined with that of TCEF. There were no private investments in TCIF before 2003 and, in aggregate, the private investments had a minimal impact on TCIF's returns to November 1, 2008. TCIF's fee and carried interest allocation structure did not apply prior to September 1, 2003 and, thereafter is not the same as the structure used for TCEF (details are available upon request). Performance is shown net of any fees, carried interest allocations and expenses.

The Market's performance from November 1, 1998 until December 31, 2015, reflects the performance of the S&P/TSX Completion (formerly called the S&P/TSX MidCap) and, prior to its creation on February 29, 2000, the S&P/TSX Composite. From January 1, 2016 to December 31, 2018, the Market's performance reflects the return from a 75% weighting in the S&P/TSX Completion and a 25% weighting in the S&P MidCap 400. From January 1, 2019 onward the Market's performance reflects the return from a 50% weighting in the S&P/TSX Completion and 50% weighting in the S&P MidCap 400. The S&P/TSX Composite, S&P/TSX Completion and S&P MidCap 400 are all total return indices. References to the Market are not intended to be references to the entire global financial market. The manager feels a blended benchmark, with varying weights, is appropriate because the weights noted above roughly correspond to the average country exposure of Turtle Creek during the same periods. Prior to December 31, 2015 Turtle Creek's average U.S. company exposure was less than 3%. From December 31, 2015 to December 31, 2018 Turtle Creek's average U.S. company exposure was 29% and since December 31, 2018 it has averaged 51%.

Past performance must never be construed as investment advice or a prediction of future performance. We have expressed our own views and opinions in this document and these may change without notice and may differ from others in the industry. This commentary contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that we believe, expect or anticipate will or may occur in the future (including, without limitation, statements regarding any objectives and strategies of the Fund or outlooks for the portfolio companies) are forward-looking statements. These forward-looking statements reflect our current expectations, assumptions or beliefs based on information currently available. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of TCEF, TCIF, TCCF or TCUS (the "Funds") to differ materially from those described in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, a Fund. Factors that could cause actual results or events to differ materially from current expectations include, among other things, length and severity of the pandemic, volatility in financial markets, fluctuations in currency exchange rates and interest rates, tax consequences, changes in applicable laws and other risks associated with investing in securities and those factors discussed under the section in the applicable offering memorandum of a Fund entitled "Risks and Special Considerations. Any forward-looking statement speaks only as of the date as of which it is made and, except as may be required by applicable securities laws, we disclaim any intention or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although we believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

Comparisons to certain indices are provided for illustrative purposes only, and are intended to indicate broad market performance. Comparisons to indices are limited because indices are not managed and do not charge fees or expenses. Our Funds may underperform or outperform the indices for many reasons. Past performance must never be construed as investment advice or a prediction of future performance.

