BROADVIEW
Capital Management Inc.

February 15th, 2017

Our social media followers have likely already heard that one of our longest held positions, RDM Corporation (RC:TSX), is being acquired. We bought our first shares in the Waterloo-based payment processing company in May of 2009 for exactly $0.95 each. Deluxe Corporation will be acquiring the company some 7 years later at $5.45. This represents a "five bagger" for the Dark Horse and its LPs. The boost from the RDM announcement, along with a good couple of weeks from some recently initiated positions, has brought the fund – as of the time of writing – back above break-even for the year.

From the RDM/Deluxe press release, you will see that we are supporting the deal. Lee has been on the Board of Directors since 2011 and has been very involved with the sales process. He, along with all other directors, unanimously supported this deal as they believe it is in the best interest of all shareholders and represents a full and fair price for the company.

It has been an amazing journey for RDM's stock over the 7 years we have been invested in it. What started as true "net net[1]" is now being acquired at a "growth" multiple. During the time we have owned the stock, and particularly since we have had board representation, we have seen the transformation of a sleepy company with some interesting technology to a true niche leader in payment processing. More importantly, given that we are investors, we have seen the stock price actually reflect the new reality.

When we first got a board seat we could have taken a more aggressive stance and pushed to simply "blow the company up". After all, as a "net net" any proceeds from a distressed liquidation would have essentially been gravy, regardless of whether or not those proceeds reflected the true value of RDM's business. Those, like us, who had paid around the $1 range for their shares would have made a quick profit and moved on.

Doing so would have been more in keeping with the stereotypical tactics of the big bad activist manager. Fire everyone, slash costs and sell whatever isn't bolted down goes the playbook. "Drive by" activism would be a fitting title. It is this style that management teams and incumbent directors seem to think of whenever a portfolio manager comes to them asking for board representation. We are all too familiar with this consensus view. Our first approach to companies is typically greeted with the same warmth a protective father shows to a guy picking up his teenage daughter.

In practice, we always supported a more incrementalist approach at RDM, as we have with most of our other active files. You can call it relationship investing, constructivism or, even, Canadian activism. Our style clearly differs with the more contentious, "throw the bums out" approach often favoured by our counterparts south of the border. We don't utilize this approach just because we're nice guys (though

[1] A "net net" is a term used to describe a company that is trading at a market capitalization less than the net working capital after accounting for all liabilities.

we can be), we choose it because it works. After all, we would have left around 300% upside on the table had we pushed for a more nuclear option in the early days of our RDM engagement.

While Lee was part of a board that changed over some senior management, there were no wholesale changes or across the board cuts at RDM. Investments and acquisitions were all considered on their respective merits and what they could do to ultimately create shareholder value, not just goose earnings. While a dividend was instituted, it was done so at a very manageable payout ratio as opposed to situations where companies are bled dry of necessary capital in order to finance unsustainable dividends.

The stock price has followed this incrementalist path – inching up over the years with the odd leap higher on better than expected earnings or a new initiation report. Along this path we have seen the stock evolve from a "trade by appointment" afterthought owned in hobby investors' personal accounts or by weirdo institutional investors like us to one with decent daily liquidity, institutional shareholders and even some sell-side coverage.

We use the example of RDM to show potential activist partners, be they fellow investors or incumbent board members, that we are not there to slash and burn to make a quick profit. We, and others like us, have no agenda other than helping a company bridge the gap between where its stock is trading and what the enterprise is ultimately worth and we are willing to allow that to happen over a long period of time. Over the nearly six years that we have had board representation we saw this gap decrease meaningfully, culminating in this final transaction. Much of the credit should clearly go to the company's employees, however, the role of the board and, in particular, the shareholder appointees should not be overlooked.

Reliving the RDM experience brings us back longingly to just a few years ago, a time where you could invest in a good and growing, well-funded business for less than the value of its net working capital. It feels like an entirely different era – like when you think back to it Joe Cocker music will start playing and Winnie Cooper will ride by on her bike. The pre-post-truth world was a simpler one in which to be a value investor. Value was rewarded and malfeasance was punished. Now, the former is all but non-existent and the latter is applauded. We'd point to the empty 52-week low lists as proof of the first point and the recent trading in Home Capital Group (HCG:TSX) as proof of the second[2].

Despite this challenging environment, we continue to work diligently to unearth value. With our traditional hunting grounds all but picked over we have been forced to go farther afield looking for investments that meet our criteria. That quest has recently brought us to the United States Bankruptcy Court for the District of Delaware. Despite a rocky start to our relationship with this position, we are very excited about how it will ultimately play out.

We'll leave a further discussion on this new position until next month. Suffice to say this is not a position we will hold for seven years, as we did with RDM. That is just the nature of the beast with the sort of temporal opportunities that we are being presented with in this market. Perhaps other RDM-like investments are out there but our suspicion is we'll need to see a material correction before they surface.

Until next month,

Anthony Hammill　　　　　　　　　　　　　　　　　　Lee Matheson

[2] Typically when a company misses on earnings for the fourth straight quarter and then reveals an OSC enforcement notice – a day after receiving it, we might add – it would see its stock price fall by more than a mere 8%.

Series	December 31, 2016		Monthly Return	YTD Return	Annualized Return Since Inception (April 3, 2009)
Master – Class A	$235.24	$231.90	-1.42%	-1.42%	11.3%
Series 5 - June 2015 – Class A	$234.99	$231.66	-1.42%	-1.42%	
Series 1 - Feb 2016 – Class A	$235.27	$231.93	-1.42%	-1.42%	
Series 2 – Mar 2016 – Class A	$235.27	$231.93	-1.42%	-1.42%	
Series 3 – Apr 2016 – Class A	$235.24	$231.91	-1.42%	-1.42%	
Series 4 – May 2016 – Class A	$235.15	$231.81	-1.42%	-1.42%	
Series 5 – June 2016 – Class A	$235.24	$231.91	-1.42%	-1.42%	
Series 6 – July 2016 – Class A	$234.95	$231.62	-1.42%	-1.42%	
Series 7 – Aug 2016 – Class A	$234.72	$231.39	-1.42%	-1.42%	
Series 8 – Nov 2016 – Class A	$234.82	$231.49	-1.42%	-1.42%	
Series 9 – Dec 2016 – Class A	$235.24	$231.90	-1.42%	-1.42%	

**From inception return used for series launched during the year*

All numbers reported after fees and expenses. See subscription confirmations for your Series.

About Broadview Capital Management Inc. and the Broadview Dark Horse LP:

Broadview is the manager of the Broadview Dark Horse LP ("The Dark Horse"), a fundamental-based long/short investment partnership. Broadview utilizes its relatively small size, contrarian nature and willingness to perform extensive due diligence to deliver strong risk-adjusted returns for its investors. The managers concentrate on going where others can't or won't to find investment opportunities.

The firm is run with the philosophy that it will manage "as much money as it deserves to manage" and that a dedication to working hard for existing clients is the best way to grow the business in a sustainable fashion. It is not Broadview's intention to take on additional investment mandates for the foreseeable future beyond the Dark Horse LP. Broadview was founded in October of 2008 and the Dark Horse was launched in April of 2009.

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