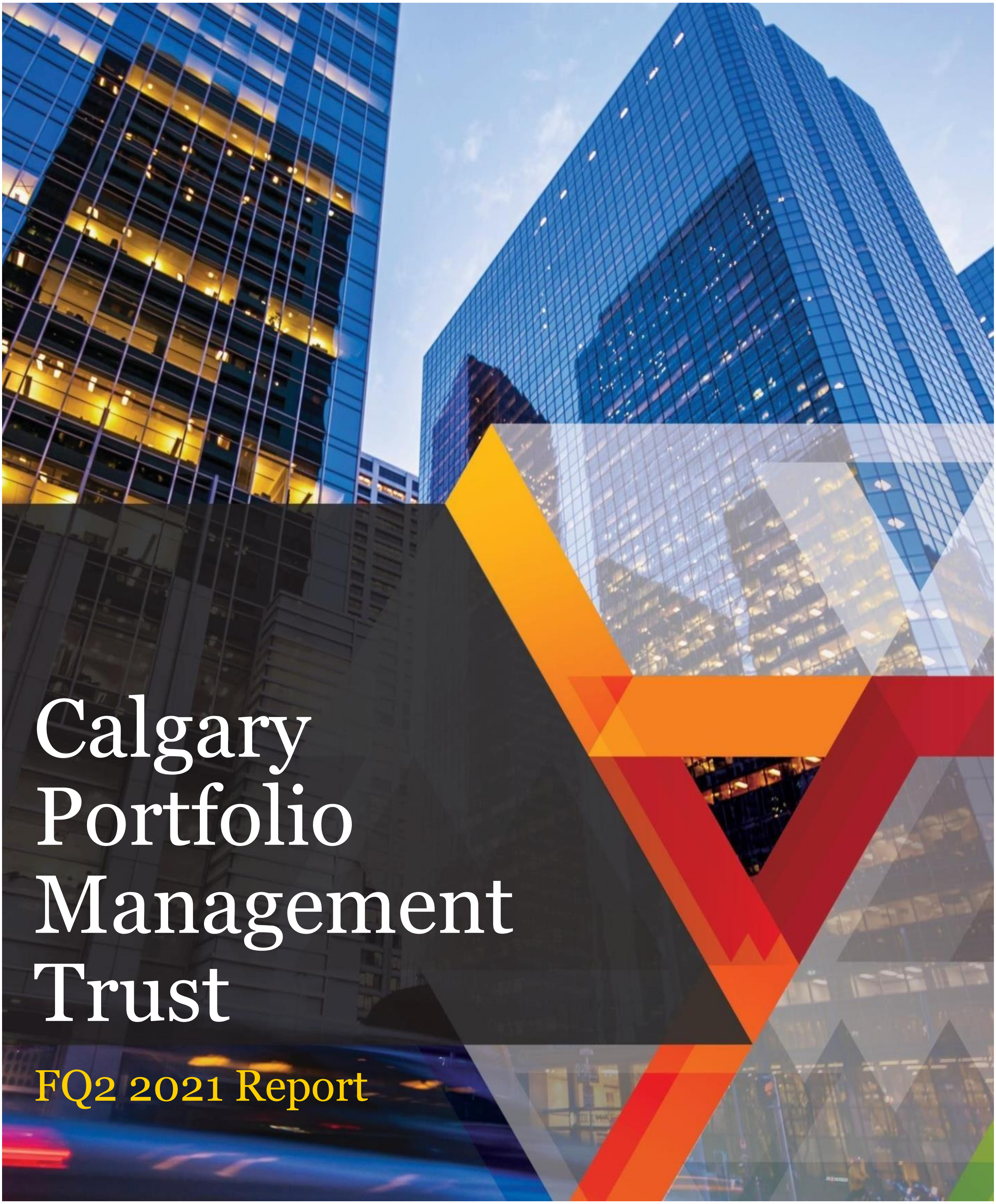

Calgary Portfolio Management Trust

FQ2 2021 Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2021 would like to extend our gratitude to the Board of Trustees for its continued commitment to and engagement with the program. We would also like to sincerely thank the CFA Society of Calgary and the CPMT alumni for their commitment and support. Finally, we would like to thank all of our supporters in the Calgary business community for their vested interest in the program.

A vital component of the CPMT experience is the mentorship program, which provides students with invaluable support ranging from technical expertise to career guidance. The CPMT is grateful for all of the professionals who have made themselves available to students for the upcoming year. We have learned an enormous amount from our mentors and look forward to another year of collaborative mentorship.

Another important part of the CPMT is the speaker series program, where industry professionals take valuable time out of their days to speak with the Fund. The CPMT team is grateful to all of those professionals that have made the time to speak with us. The knowledge and relationships built through these engagements have greatly contributed to the ongoing improvement and success of the Fund.

After expanding our investment universe two years ago to include U.S. equities, the Fund currently sits at a 40/60 weighting between Canadian and U.S. equities. Following an eventful year of reshaping the portfolio in response to the COVID-19 induced market downturn, the Fund aims to carry the momentum and rigor of last year's work into the new fiscal year. The CPMT intends to remain focused and agile in the face of continued market volatility and macroeconomic uncertainty, retaining our commitment to a bottom-up approach of allocating funds to high-quality names that fit our investment mandate of: (1) high caliber management team, (2) sustainable competitive advantage, (3) strong balance sheet, and (4) growing free cash flow. We will continue to evaluate investment decisions in the context of portfolio strategy and our macroeconomic outlook.

Involvement in the CPMT program offers invaluable exposure to a challenging and scholastic environment, creating an unrivaled student experience. We hope that the ongoing effort put forth by students, along with external support, will continue to develop knowledgeable and skilled graduates from the program. We are eager to continue to innovate and improve the program and strive to maintain our commitment to excellence.

Sincerely,

Akash Sekar, Portfolio Manager

Breanna Schollaardt, Portfolio Manager

Dhruv Jindal, Portfolio Manager

Erik Skoronski, Portfolio Manager

Hayley Hicks, Portfolio Manager

Hayley Hicks

Helena Cherniak-Kennedy, Portfolio Manager

Jose Menjivar, Portfolio Manager

Willie Li, Portfolio Manager

Class of 2021

Biographies

CPMT CLASS OF 2021

AKASH SEKAR
Portfolio Manager
5th Year, Finance/Economics

Akash joined the CPMT in March 2019 as an Investment Analyst. He is excited to broaden and strengthen his knowledge of valuation, financial markets, and portfolio management during his time in the program. He is currently working towards a combined degree in Finance and Economics and is looking to attain a career in the capital markets upon graduation. This past summer, Akash worked at Credit Suisse as an Investment Banking Summer Analyst, where he will be returning full-time upon graduation. He has completed previous summer internships at Whitecap Resources as an Accounting Summer Student and Crescent Point Energy in its Corporate Planning group. In addition to his passion for finance, he enjoys playing and watching hockey, basketball, and golf.

BREANNA SCHOLLAARDT
Portfolio Manager
4th Year, Finance

Breanna joined the CPMT in March 2019. She is extremely grateful for the opportunity to learn from her peers, mentors and alumni and is hoping to develop and improve her financial modeling, equity research, and portfolio management skills. In Summer 2020, Breanna worked at Hugessen Consulting as a Summer Analyst and will be returning upon graduation. She is majoring in finance and completed a summer internship at AECOM in the project controls department during Summer 2019. Upon graduation, she would like to explore a career in consulting or equity research. In her spare time, Breanna enjoys yoga, dancing, photography, reading, and overall health and wellness.

DHRUV JINDAL
Portfolio Manager
4th Year, Finance/Data Science (Minor)

Dhruv joined the CPMT as an Investment Analyst in March 2019. He is grateful for gaining hands-on experience in valuation, financial modeling, and equity research through the CPMT program. Dhruv is currently working at Shell as an Operations Business Analyst Intern in the Trading & Supply department. He has completed past internships at Parex Resources as a Capital Markets and Corporate Planning Summer Student and at Suncor Energy as an Oil Sands Finance & Planning Student. Upon graduation, he intends to obtain his CFA designation and pursue a career in capital markets or trading. In his spare time, Dhruv enjoys listening to music and podcasts.

ERIK SKORONSKI
Portfolio Manager
5th Year, Finance/Software Engineering

Erik joined the CPMT in March 2019 as an Investment Analyst. He is excited to continue expanding his knowledge of capital markets, financial analysis, and portfolio management throughout his time in the program. Erik is working towards a dual degree in Finance and Software Engineering and intends to pursue a career in financial technology upon graduation. Erik recently completed a Co-op at BMO Capital Markets in its Real Estate Investment Banking group. Previously, Erik worked at Ayrshire Group in its Real Estate and Venture Capital teams as a Private Equity Summer Analyst. Outside of work and academia, Erik enjoys coding games, playing guitar, hiking, and snowboarding.

HAYLEY HICKS
Portfolio Manager
5th Year, Finance

Hayley joined the CPMT in March 2019. She is excited to continue strengthening her knowledge in fundamental equity valuation and analysis across multiple sectors and financial markets, and gain portfolio management experience during her time in the program. She wishes to use her experiences and learnings to inspire others and give back to the program for future students. Hayley is currently working towards her degree in Finance, and recently began preparing for the CFA Level 1 designation in December 2020 after completing a semester abroad at the Emlyon Business School based in the Saint-Etienne, France campus. Hayley completed a summer internship with Mackenzie Investments as an Inside Sales Assistant after previous finance internships at Suncor Energy and Leith Wheeler Investment Counsel. In addition to her passion for Finance, she is also a member of Women in Capital Markets, and volunteers with Metis Family Calgary Services. She enjoys playing volleyball, maintaining an active and healthy lifestyle, and learning the French culture and language as she works towards her bilingual certificate.

HELENA CHERNIAK-KENNEDY
Portfolio Manager
4th Year, Finance/Mathematics

Helena joined the CPMT in March 2019. She would like to thank the Board of Trustees, faculty, speakers, and alumni for their generosity in supporting the program and furthering students' finance educations. Helena looks forward to expanding her knowledge about portfolio management, valuation, and equity research through the program. With a passion for financial and mathematical analysis, she is pursuing a dual degree in Finance and Math and intends to obtain her CFA designation following graduation. In addition to the CPMT, Helena is on the Finance team for Inter-Collegiate Business Competition (ICBC), having previously competed on the Business Policy and Human Resources teams, and was VP External of the student club, Women in Science and Engineering. She will be joining Credit Suisse next summer as an Investment Banking Summer Analyst in the Energy and Infrastructure group in Calgary. Helena previously completed three summer internships at Plains Midstream Canada in its Futures and Derivatives Trading, Acquisitions and Strategic Planning, and Crude Assets groups. In her spare time, Helena enjoys playing piano, as well as golfing, playing tennis, and hiking.

JOSE MENJIVAR
Portfolio Manager
5th Year, Finance/Computer Science

Jose joined the CPMT in March of 2019 as an Investment Analyst. He looks forward to the continuous experiential learning opportunities in the program and is excited to continue expanding his knowledge in valuation, fundamental analysis, and portfolio management. He is currently working towards completing his dual major degree focusing on Finance and Computer Science and plans to obtain his CFA designation after graduation. Jose intends to pursue a career in capital markets and wants to leverage his education on both technology and business. He will be joining Barclays Capital next summer as an Investment Banking Summer Analyst in the Natural Resources group. Jose previously completed two summer internships, one at Bluesky Equities as a Summer Analyst, and another one at the Creative Destruction Lab as a Venture Analyst. Jose enjoys hiking, reading, playing guitar, and programming.

WILLIE LI
Portfolio Manager
5th Year, Finance/Software Engineering

Willie joined the CPMT in March 2019 as an Investment Analyst and would like to extend his thanks to the Board of Trustees, speakers, alumni, and other mentors for their continued support of the program. He is eager to apply his knowledge of capital markets while gaining hands-on experience in financial modeling, portfolio management, and equity research. Willie is currently working towards a dual degree in Finance and Software Engineering and is currently completing a 16-month internship at Shareworks by Morgan Stanley as a software developer. Upon graduation, he intends to pursue a career in quantitative analysis and obtain a master's in financial mathematics. Outside of work and academics, Willie enjoys reading, basketball, and derivative trading.

CPMT CLASS OF 2021

ABHISHEK SEWAK
Investment Analyst
4th Year, Finance/Actuarial Science

Abhishek joined the CPMT in March 2020 as an Investment Analyst, and is thankful to all the Board of Trustees, mentors, and alumni who continue to enrich the student experience in Finance. He is excited to gain insights into financial modeling, equity research and overall portfolio management skills. In addition to the program, Abhishek is involved with the Faculty of Science as a Social Media Ambassador and competed in the JDC West Case Competition as a Finance Delegate. He completed an internship with the Fidelity Investments as an Inside Sales Advisor and accomplished the Exam Probability through SOA this summer. Upon graduation, Abhishek would like to attain the CFA designation and explore a career in Equity Research or Capital Markets. In his spare time, Abhishek enjoys reading non-fiction books, hiking, playing & watching cricket, and travelling.

JACK MORGAN
Investment Analyst
3rd Year, Finance

Jack joined the CPMT in March 2020 as an Investment Analyst seeking to broaden and refine his skills and knowledge in capital markets. He is thankful to the Board of Trustees, alumni, and mentors who have made this opportunity possible. Jack recently completed a summer employment term with Canadian Natural Resources as a Joint Venture Accountant and is pursuing a career in Capital Markets. In his free time Jack enjoys basketball, guitar, and spending time with his family.

KATIE TU
Investment Analyst
3rd Year, Finance

Katie joined the CPMT in March 2020 as an Investment Analyst. She is grateful for the opportunity to develop her financial modelling and equity research skills through the program. She looks forward to learning about capital markets and portfolio management from peers, mentors, and speakers. Next summer, she will be joining CIBC World Markets as an Investment Banking Summer Analyst in the Global Infrastructure and Power group. Outside of school and work, Katie volunteers regularly as a merchandiser at Dress for Success Calgary, a non-profit organization that provides professional attire to help women succeed in the mainstream workplace. In her spare time, Katie enjoys listening to music, watching movies, exercising at the gym, and traveling.

KIAN SADEGHI
Investment Analyst
3rd Year, Finance

Kian joined the CPMT in March 2020 as an Investment Analyst. He is looking forward to expanding his knowledge in portfolio management, equity research, valuation, and financial markets throughout the program. In addition to the CPMT, he is a member of the University of Calgary Trading Team. This past summer, Kian worked as a Summer Analyst at Landstar Development Corp. Upon graduation, he intends to pursue a career in capital markets, as well as obtain his CFA designation. In his spare time, Kian enjoys playing soccer, basketball, and listening to music.

SINA HADJIAHMADI-ARDAKANI
Investment Analyst
3rd Year, Finance

Sina joined the CPMT in March 2020 as an Investment Analyst. He would like to thank the Board of Trustees, speakers, faculty, and mentors for their support of the program. He looks forward to gaining a greater understanding of capital markets, financial valuations, and portfolio management. Currently, Sina is completing an eight-month internship as a Business Development Intern at the National Digital Asset Exchange (NDAX). Sina intends to pursue a career in capital markets and obtain his CFA designation upon graduation. During his spare time, Sina enjoys playing hockey, chess, and listening to podcasts.

STEPHEN NGUYEN
Investment Analyst
3rd Year, Finance

Stephen joined the CPMT in March 2020 as an Investment Analyst. He is excited to increase his knowledge in valuation and financial markets during his time in the program. Upon graduation, he wishes to obtain his CFA designation. Stephen completed an eight-month internship Canadian Natural Resources Ltd. and is currently at SAP for a four-month internship. Prior to his enrolment in the Finance program at the University of Calgary, Stephen completed a bachelor's degree in Piano Performance at McGill University. In his spare time, Stephen enjoys swimming, poker, and Formula One.

Portfolio Strategy and Sector Views

OVERVIEW

During FY2021, the CPMT aims to supplement pitches and the analysis of new companies with a holistic view of the portfolio. This page provides a brief summary of the CPMT's outlook on each sector which will help shape future capital allocation decisions. The CPMT investment philosophy is centered on intrinsic value combined with systematic investment selection. A systematic approach ensures discipline in purchase and sale decisions, maintains a focus on owning high quality businesses, and reduces the probability of errors. The Portfolio Managers will seek investments that offer quality management, competitive advantages, strong balance sheets, and growing free cash flow, all while at an attractive valuation. The CPMT continues to research companies that we believe are defensive while fitting our mandate, and that will outperform amidst slowing global growth and rising trade tensions. We continue to monitor the U.S. and Canadian yield curves, credit spreads, the labor market, and corporate profits in light of our defensive sentiment and believe that our efforts will lead to outperformance over the next year. The COVID-19 pandemic, and its lasting economic impacts, will be a continual area of consideration for us as we evaluate potential names, placing an increased importance on mandate fit and the ability to remain resilient and defensive in the current circumstances.

CONSUMER DISCRETIONARY

We view the Consumer Discretionary sector with cautious optimism when looking for names that fit our portfolio mandate and macroeconomic outlook. With the current economic environment, the potential for increases in COVID cases leading to a second wave of government induced shutdowns, and the U.S. 2020 presidential election, we see meaningful risks on the horizon that could impact consumer confidence and the overall sector. However, we are comfortable remaining 4.34% overweight with our current holdings due to the diversification and variety of offerings which cater to all income brackets, and the strong brand recognition and operational excellence the current names provide. Dollarama (TSX: DOL) was re-evaluated this quarter and has our increased attention in relation to mandate fit and its fulfillment of the original thesis.

CONSUMER STAPLES

The CPMT is content remaining overweight by 1.46% in Consumer Staples due to positive historical performance of the sector during economic downturns. We have a favourable view towards the sector given its defensive nature and historical outperformance during recessionary periods. The addition of Proctor and Gamble (NYSE: PG) in the last quarter of 2020, coupled with our holding of Costco (NASDAQ: COST) offer the Fund defensive sector holdings and strong diversification.

ENERGY

The CPMT is comfortably 2.4% underweight in Energy relative to the benchmark. Given the recent challenges in the energy sector following the crude oil price crash and demand destruction induced by COVID-19, the CPMT expects depressed crude pricing, lower production, and storage constraints to extend into next year. As such, we remain convicted on the Fund's decision in late 2018 to divest all E&P holdings and instead will maintain exposure to energy through companies with distinct competitive advantages and the ability to generate free cash flow throughout commodity price cycles. We will continue to seek companies with limited or diversified exposure to commodity prices and will monitor the mandate fit of our current energy holdings, Suncor Energy (TSX: SU) and Enbridge (TSX: ENB).

FINANCIALS

The CPMT believes its financial holdings are well diversified and is comfortable remaining 3.86% underweight relative to our blended benchmark. The global economic downturn caused by COVID-19 is expected to continue to adversely affect banks' business with a significant increase in Provision for Credit Losses and decline in interest rate margins. The CPMT's outlook is a slow recovery for the banks and the Fund will closely monitor current holdings JPMorgan Chase & Co. (NYSE: JPM) and Toronto-Dominion Bank (NYSE: TD) going forward. Brookfield Asset Management (TSX: BAM) is well-positioned for growth in private markets. The digital payments industry will continue to grow with increasing e-commerce and consumer spending, thus, the CPMT is optimistic on Mastercard (NYSE: MA) as a holding.

HEALTH CARE

The CPMT is comfortable remaining 8.97% overweight in Health Care due to the sector's capability of achieving high revenue growth and margins through R&D investment, with historical outperformance amidst the COVID-19 pandemic. Both Amgen, Inc. (NASDAQ: AMGN) and Abbott Laboratories (NYSE: ABT) displayed resiliency and innovation, with strategic alliances to develop solutions to the current unmet medical need. Given the historically low beta and cyclicality, and evolving medical solutions and services, the sector presents an opportunity to support growth in the medical community that is also defensive in recessionary periods. The CPMT believes the diversification achieved across AMGN, ABT, Knight Therapeutics (TSE: GUD), and Intuitive Surgical (NASDAQ: ISRG), offer the Fund strong diversification within the Healthcare space.

INDUSTRIALS

The Industrials sector performs best when there is economic expansion. The CPMT believes that we are currently experiencing a global economic recovery. Worldwide, there has been a reduction of interest rates, a boom in housing starts, and steady GDP recovery. The Fund currently holds Canadian National Railway (TSX: CNR), Cintas (NASDAQ: CTAS), and Waste Connections (NYSE: WCN) within the sector. The CPMT is currently overweight in the Industrials sector and is committed to attaining the benchmark weighting while holding companies that will provide growth to the portfolio. The CPMT will continue to evaluate sector holdings to assess their economic resiliency going forward.

INFORMATION TECHNOLOGY

The Information Technology sector offers tremendous growth and diverse business models that makes it appealing for the CPMT to hold companies in the sector. The COVID-19 pandemic has also exhibited a newfound defensiveness for infrastructure and software-as-a-service companies in the swift transition to distributed workforces. The additions of Microsoft and Apple (NASDAQ: MSFT, AAPL) to the Fund have diversified our existing holdings in the sector and have proven to be companies with a strong foothold in the cloud computing market. We will continue to monitor the sector for names that can attribute similar growth and differentiation, but we are comfortable with our current position.

MATERIALS

The CPMT is currently 4.4% underweight in Materials relative to the benchmark, with CCL Industries (TSX: CCL.B) as our lone holding in the sector. Given the widespread impacts of COVID-19, and subsequent government induced shutdowns, the CPMT is exploring U.S. specialty chemicals names that have shown resiliency through past recessionary periods, which we believe can add value to the fund and follow our defensive stance.

REAL ESTATE

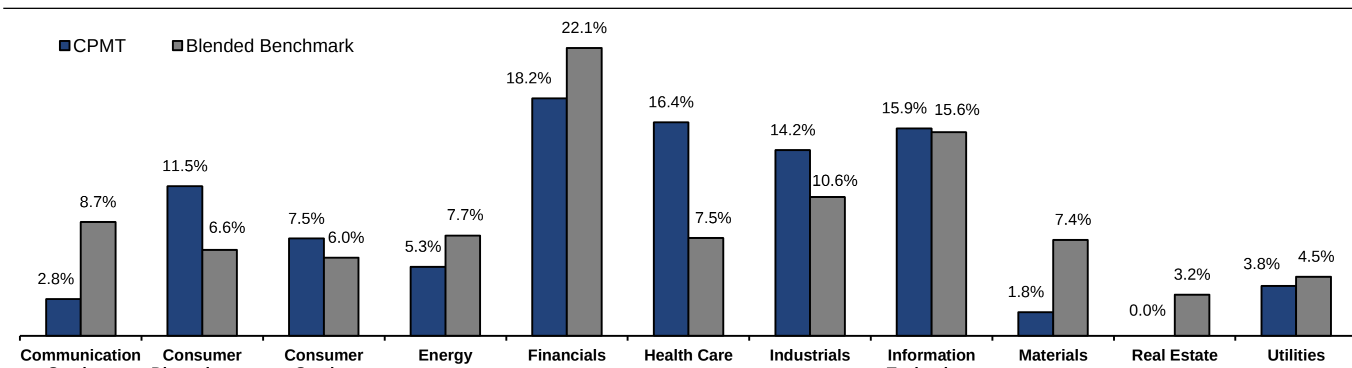
The CPMT remains uninvested in the North American Real Estate sector. Prior to the COVID-induced economic crisis, the CPMT believed that with historically low interest rates, the Federal Reserve could only logically raise target rates going forward, which would weigh on REIT valuations. However, the Federal Reserve's announcement that rates would remain at current lows for at least two years encourages the fund to enter a position in the space. Specifically, the fund believes that the repatriation of supply chains, coupled with an even greater focus on e-commerce will benefit the industrial real estate sector. Additionally, we expect to see opportunities in technology-related infrastructure real estate, which is poised to benefit from current widespread digitization and increasing communication needs. We will continue to monitor these subsectors for companies with sound fundamentals that can benefit from a resurging market.

TELECOMMUNICATIONS

The CPMT is currently underweight in the Communication Services sector, and we are focusing our efforts on finding companies within the sector that will fit our mandate. We currently hold TELUS (TSX: T) as our sole holding in the sector but are evaluating the strength of the U.S. telecommunications companies to get more exposure on the expansion of 5G. We will also be evaluating the media names within the sector to understand their business model in greater detail and find companies that may both meet our mandate and maintain defensiveness in a post-pandemic market. We believe that adding a quality name to bring our Telecommunications sector holdings in-line with our benchmark weight will benefit the portfolio.

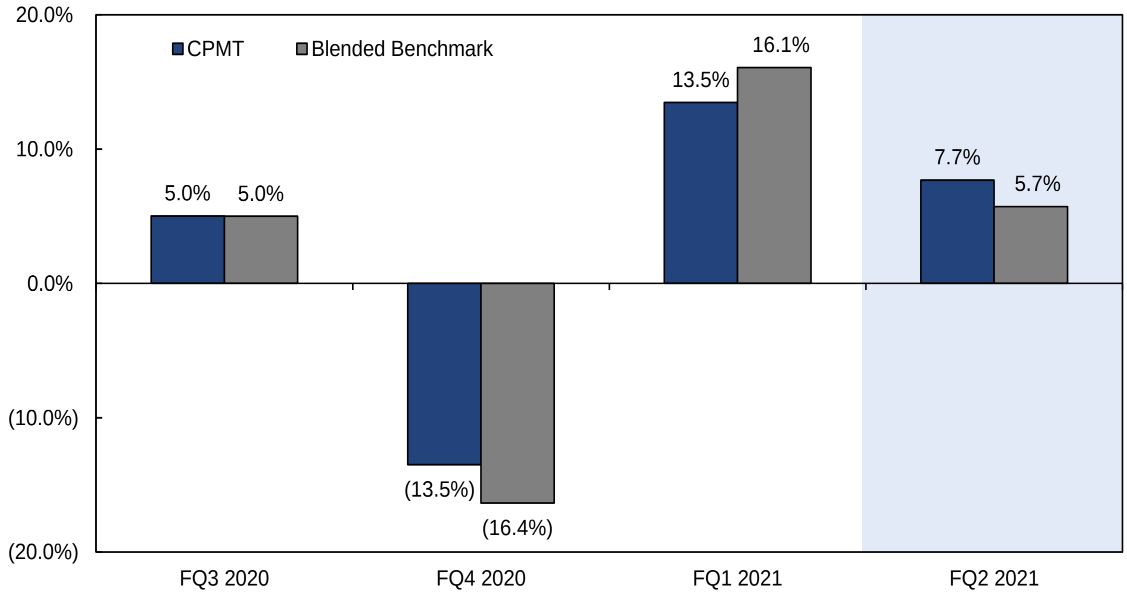
UTILITIES

The CPMT is currently in line for Utilities relative to the benchmark. As the world begins to move towards green energy projects the CPMT was able to add NextEra Energy, one of the largest renewables' companies' in North America, to the portfolio in Q4 2020. Given the drastic cuts in interest rates by both the Federal Reserve and the Bank of Canada, utilities are expected to thrive in the current economic environment due to its high dividend yield and regulated cash flows. The CPMT remains comfortable with its current weighting, and during the FY may add to it given our defensive outlook.

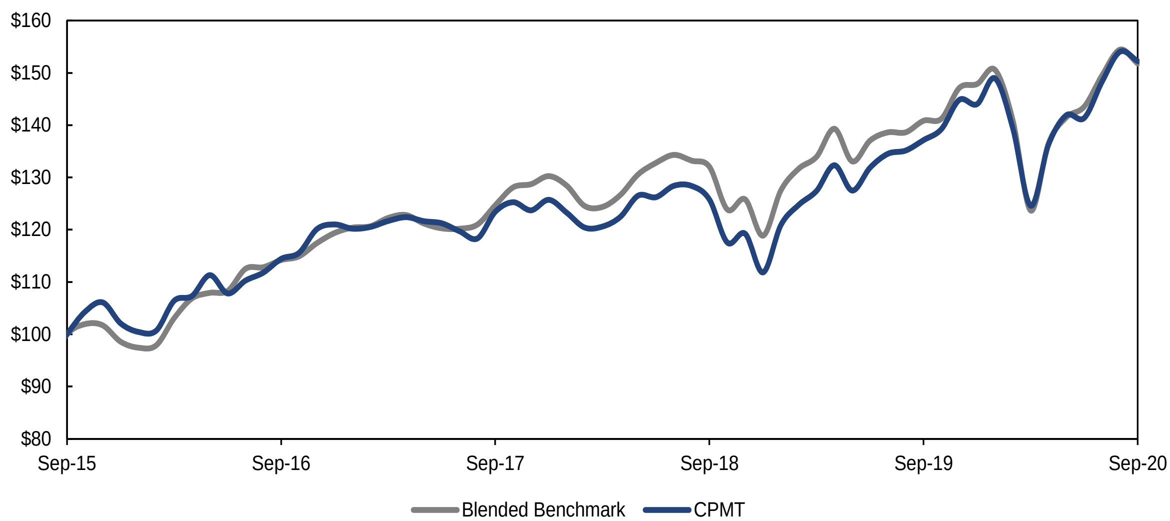


Quarterly Snapshot - FQ2 2021

CPMT and Benchmark Total Return (TTM)



Value of $100 (since September 30, 2015)

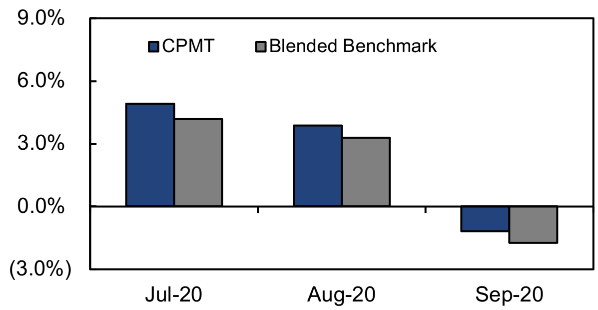


Fund Universe

	FQ2	1 Year	3 Year	5 Year	10 Year
CPMT	7.68%	11.00%	7.24%	8.77%	5.70%
Blended Benchmark	5.71%	7.74%	6.76%	8.70%	6.56%
Blended Benchmark Difference	1.97%	3.26%	0.48%	0.07%	(0.86%)

Quarter in Review

QUARTERLY RETURN



NOTE TO STAKEHOLDERS

The CPMT Class of 2021 would like to extend our gratitude to the Board of Trustees, the CFA Society of Calgary, and CPMT alumni for their continued involvement and support of the program. We would like to thank all of our supporters in the Calgary business community for their vested interest in the program and those professionals who have volunteered their time to be a part of the mentorship program. This mentorship provides students with invaluable support, ranging from technical expertise to career guidance, and more.

Involvement in the CPMT program offers unique exposure to a challenging, rewarding, and scholastic environment, creating an unrivaled student experience. The goal of the Fund is to succeed long into the future and support student opportunities. This goal is driven by our commitment to research within the Fund as well as donating 4% of the 3-year trailing AUM annually in support of collaborative financial research.

OVER THE QUARTER

The Fund returned 7.68% over the quarter, 197 bps above the blended benchmark 5.71%. Our outperformance can be largely attributed to the Health Care, Energy, and Industrials sectors but was offset by underperformance in Materials and Consumer Discretionary. The Fund currently has 40/60 Canada/U.S. equity exposure. We are comfortable being overweight U.S. names due to the quality and growth profiles of our U.S. holdings, but will continue to seek companies with a mandate fit in both Canada and the U.S.

Over FQ2, the Fund did not conduct a significant amount of transactional activity, but rather focused on technical development and company research. In late August, members of the Fund participated in a virtual Financial Modeling Course run by Jamie Wilkie (CPMT '04) from the Marquee Group, allowing us to improve our Excel proficiency and financial analysis.

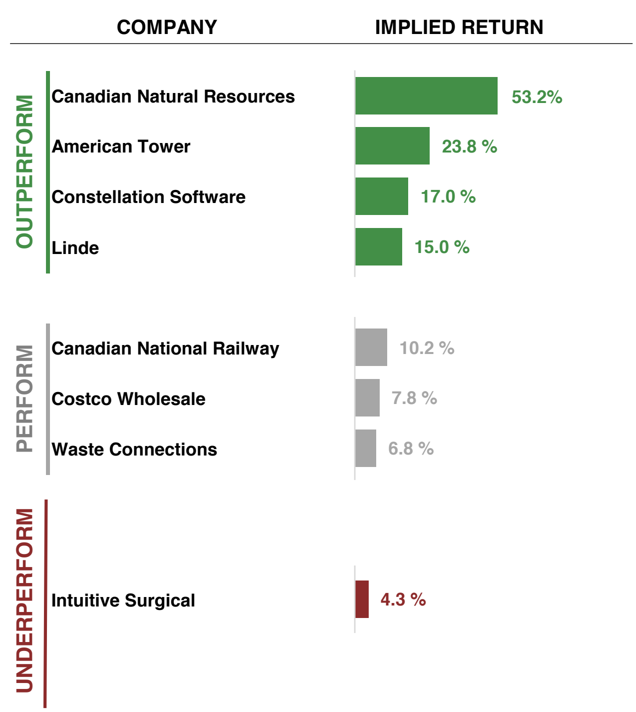
Furthermore, the summer training program for new Investment Analysts culminated in a pitch day in early September, during which the Investment Analysts presented preliminary pitches on a number of viable investment options for the CPMT portfolio. This resulted in three names that we are excited to conduct further due diligence prior to making an investment decision: NASDAQ: ERIC, TSCO; and NYSE: AMT.

The Fund would also like to thank TD Securities and Tudor, Pickering, & Holt for hosting virtual speaker series for the Fund over the quarter.

While no new names were purchased over FQ2 2021, the Fund actively managed its position in NASDAQ: AAPL. Following the rally in tech stocks, the CPMT trimmed its position in AAPL twice in August and early September to meet compliance requirements of a maximum 7% AUM in any given name. We subsequently added to our position in late September following the correction in the NASDAQ. While we retained a strong conviction on AAPL's fundamentals throughout this time period, active management allowed us to realize incremental returns.

Looking forward, the Fund expects a number of pitches and company updates in the upcoming quarter through which we will continue to ensure the alignment of the portfolio with the CPMT investment mandate.

NEW RECOMMENDATIONS



*Note: Reflects implied upside as of September 30, 2020

American Tower

Real Estate
NYSE: AMT
Market Outperform | Buy

September 30, 2020

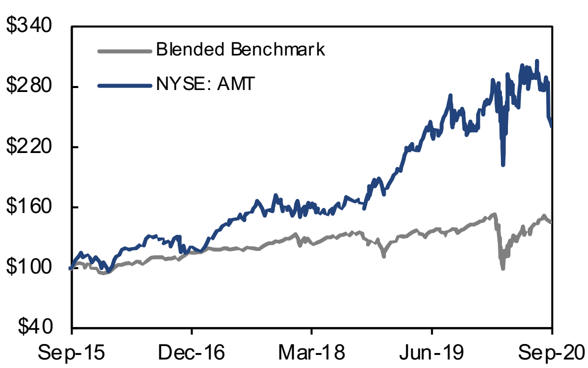
Hayley Hicks, Portfolio Manager
Stephen Nguyen, Investment Analyst

Return on Investment	
Current Share Price	$241.73
Target Price	$295.00
Dividend Yield	1.80%
Holding Period Return	24%
Conviction Rating	1

Market Profile	
52-Week Range	$174.32 - $272.20
Market Capitalization (US$mm)	$112,623
Net Debt (US$mm)	$23,900
Enterprise Value (US$mm)	$136,523
Beta (5-Year Monthly)	0.37

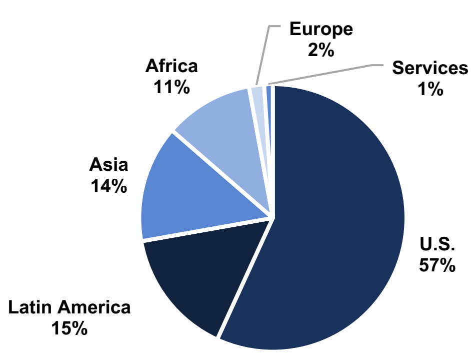
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$7,761	$8,133	$8,645
EBITDA (US$mm)	$4,970	$5,258	$5,671
EPS	$4.17	$5.05	$5.86
EV/EBITDA	27.5x	26.0x	24.1x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Geographical Revenue Breakdown (2019)



Source: Company Filings

Business Description

American Tower Corporation (NYSE: AMT) is an American real estate investment trust (REIT) that owns, operates, and develops multitenant communications real estate. The Company owns and operates a portfolio of ~181K communications sites, which it leases to wireless service providers, broadcasters, and other communication service providers. AMT reports in two segments: Property and Services. The Property segment includes five regional segments: U.S., Asia, Africa, Latin America, and Europe. In 2011, AMT reorganized itself to qualify as a REIT for tax purposes and officially became a REIT in 2012. The Company's major customers include AT&T (NYSE: T), T-Mobile (NASDAQ: TMUS), and Verizon Wireless (NYSE: VZ), which accounted for ~51% of AMT's total property segment revenues as of FY2020. The Company is based in Boston, Massachusetts and was formed in 1995 as a subsidiary of American Radio Systems. AMT is currently led by Tom Bartlett, who became the Company's CEO in 2020.

Industry Overview and Outlook

Telecommunications REITs own and manage infrastructure real estate—specifically, fiber cables, wireless infrastructure, and telecommunications towers—and generate revenue by collecting rent from tenants. Companies in the industry are expected to benefit from the positive outlook for telecommunications globally; as C-band spectrum becomes available and 5G activity across the industry increases, the global telecommunication service market is expected to rise to US$1.4T by 2022, representing a five-year CAGR of 3.6%. International markets will be a key driver for growth, as large multinational tenants are expected to invest ~US$30B in their networks by the end of 2020.

There are three characteristics that make the Telecommunications REIT industry attractive to investors:

(1) High Lease Renewal Rates: Tenants will typically renew existing leases as repositioning a site in a telecommunications network can be expensive and alternative sites may not be available. Churn rates have traditionally averaged between 1% and 2% of tenant billings per year.

(2) High Operating Margins: Adding new equipment or tenants to an existing infrastructure site has minimal associated operating costs. In certain international markets, expenses such as fuel costs are reimbursed completely or shared by the tenant.

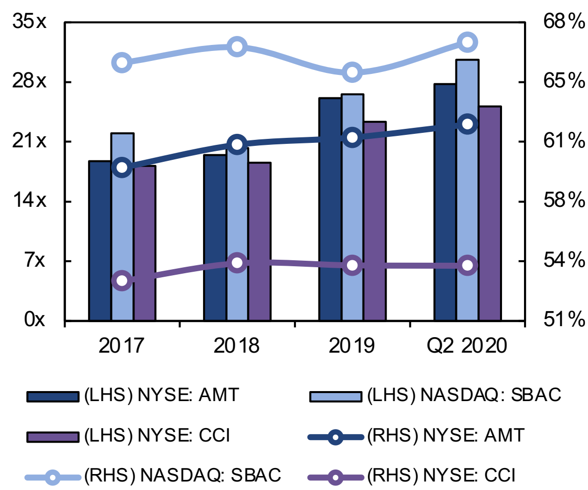
(3) Low Maintenance Capital Expenditures: Historically, low levels of CapEx are required annually to maintain existing communications sites. For instance, AMT's non-discretionary CapEx made up ~2% of its overall capital deployment from 2010 to 2020.

Corporate Strategy and Growth

As part of its 'Stand and Deliver' strategy—a ten-year strategic plan that began in 2018—AMT has outlined four broad initiatives:

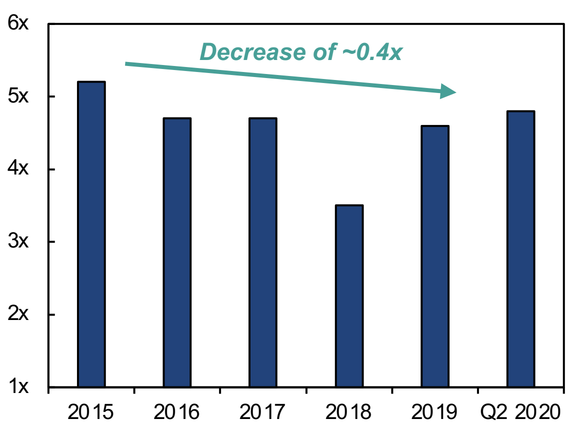
(1) Drive Operational Efficiency: To streamline internal processes and drive margin expansion, AMT strives to maximize lease growth in its existing portfolio, while investing in and deploying energy solutions.

Figure 2: LTM EV/EBITDA & LTM EBITDA Margin



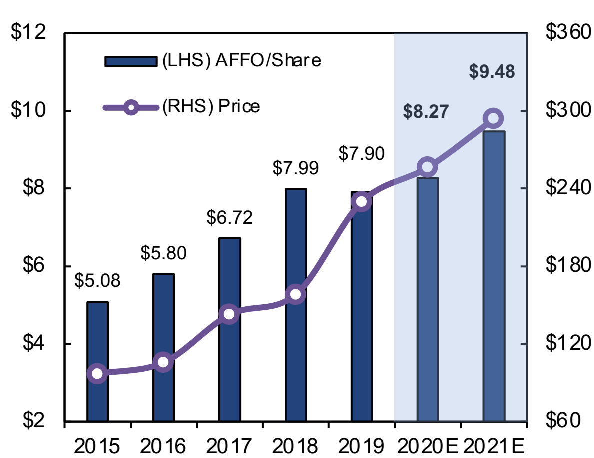
Source: S&P Capital IQ

Figure 3: Net Leverage Ratio (Net Debt / LTM EBITDA)



Source: Company Filings, S&P Capital IQ

Figure 4: AFFO vs Share Price



Source: Company Filings, CPMT Estimates

(2) Grow Portfolio and Capabilities: Strategic acquisitions have been the key to AMT's success in the past and will continue to be vital for its sustained growth in the future. Over the past five years, the Company has acquired ~100K communications sites. AMT has also constructed over 14K communications sites, with ~30% of the sites built in 2019. As mobile technologies develop in emerging markets, AMT expects to scale its tower construction initiatives.

(3) Focus on Innovation: The Company created an innovation initiative in 2017 as 5G emerged as a growth opportunity within the industry. AMT aims to generate ~US$1.7B in revenue through this initiative by 2027.

(4) Enhance Industry Leadership: AMT intends to become the preferred communications real estate partner for existing and new tenants globally by working closely with industry, NGOs, and government bodies to expand mobile broadband.

Competitive Landscape

AMT's main competitors include Crown Castle (NYSE: CCI) and SBA Communications (NASDAQ: SBAC).

Crown Castle: CCI is the U.S.'s largest provider of shared communications infrastructure with a portfolio of ~40K cell towers and ~80K route miles of fiber. The Company has yet to expand into international markets.

SBA Communications: SBAC manages a portfolio of ~32K communications sites in 14 markets throughout the Americas and South Africa. SBAC's site development business line focuses on assisting wireless service providers in maintaining their networks.

Mandate Fit

Competitive Advantage: AMT's competitive advantage comes from the Company's wide customer base and its ability to integrate acquisitions seamlessly over the years. Unlike its peers, AMT is poised to benefit from the rapid development of telecommunications networks in international markets such as India.

Strong Balance Sheet: Although AMT's current ratio sits at 0.5x as of 2019, the Company has decreased its net leverage ratio by ~0.4x over the past five years. As of Q2 2020, AMT has over US$5B in total liquidity.

Quality Management: CEO Tom Bartlett has over 30 years of industry experience, joining AMT in 2009 as Executive Vice President and Chief Financial Officer. Prior to joining AMT, he served as the Corporate Controller at Verizon prior to joining. AMT has placed a focus on diversity, with more than half of its board members belonging to minority groups.

Growing Free Cash Flow: AMT has grown its dividends and FCF at a CAGR of ~20% and ~14% over the past decade, respectively. The CPMT believes that AMT will generate over US$7.5B in FCF over the next two years due to accelerating leasing demand from 5G in the U.S. and 3G/4G coverage buildouts in international markets.

Investment Thesis and Valuation

The CPMT views AMT as an attractive investment due to its clear mandate fit and large global footprint. Although the Company trades at a premium compared to its competitors, we believe that this is warranted given AMT's robust margins and high growth opportunities. We arrived at a target price of $295 for AMT based on a 50/50 blend of two methods: (1) DCF valuation assuming a WACC of 5.2% and a terminal growth rate of 2.3%; and (2) P/AFFO multiple of 30x applied to a 2021E AFFO of $9.48.

Canadian National Railway

Industrials
TSX: CNR | NYSE: CNI
Market Perform | Hold

September 30, 2020

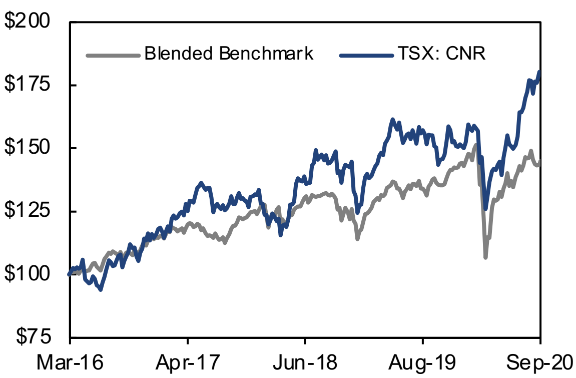
Erik Skoronski, Portfolio Manager
Sina Hadjiahmadi-Ardakani, Investment Analyst

Return on Investment	
Current Share Price	$141.81
Target Price	$154.00
Dividend Yield	1.62%
Holding Period Return	10%
Conviction Rating	2

Market Profile	
52-Week Range	$95.90 - $142.68
Market Capitalization ($mm)	$100,784
Net Debt ($mm)	$14,238
Enterprise Value ($mm)	$115,022
Beta (5-Year Monthly)	0.89

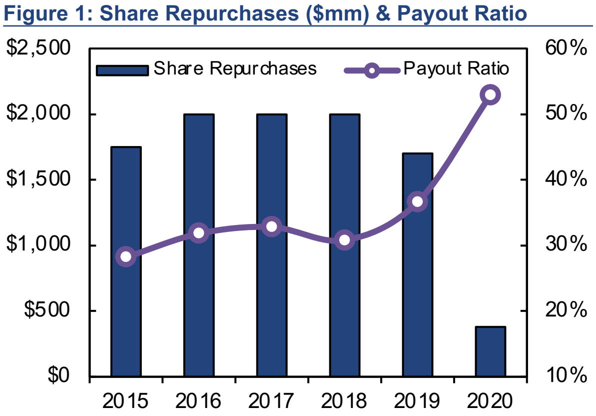
Metrics	2020E	2021E	2022E
Revenue ($mm)	$14,624	$15,634	$16,689
EBITDA ($mm)	$6,914	$7,682	$8,155
EPS	$5.71	$6.09	$6.57
EV/EBITDA	16.6x	15.0x	14.1x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Share Repurchases ($mm) & Payout Ratio



Source: Company Filings

Business Description

Canadian National Railway Company (TSX: CNR) operates in the transportation industry with a primary focus on railways. CNR has the only transcontinental railway in North America, as its network of ~32,000km spans to the coasts of the Atlantic, the Pacific, and the Gulf of Mexico. The Company offers fully integrated rail and related transportation services that include intermodal transportation, freight forwarding, trucking, warehousing, and distribution.

Industry Overview

The North American rail transportation industry saw a decline in annual revenue in 2020 due to the adverse economic impacts of the COVID-19 pandemic. Total 2020 revenues in the U.S. and Canada are expected to decline by 14.1% and 3.3%, respectively. Border closures between the two countries reduced the demand for freight transportation, which is a significant driver for the industry's performance. In the near term, lower consumer activity is expected to reduce downstream demand for freight transportation. However, the industry is forecasted to experience sustained growth in revenue, with the U.S. and Canadian markets seeing annual revenue growth of 3.4% and 3.7% over the next five years, respectively. The industry's positive outlook is attributed to improving trade volumes, consumer confidence, agricultural demands, and manufacturing output. These factors increase the demand for domestic and foreign goods transportation, which in turn enables the industry to expand. Nonetheless, the transportation of certain commodities, such as coal, is expected to fall in the coming years due to lower demand.

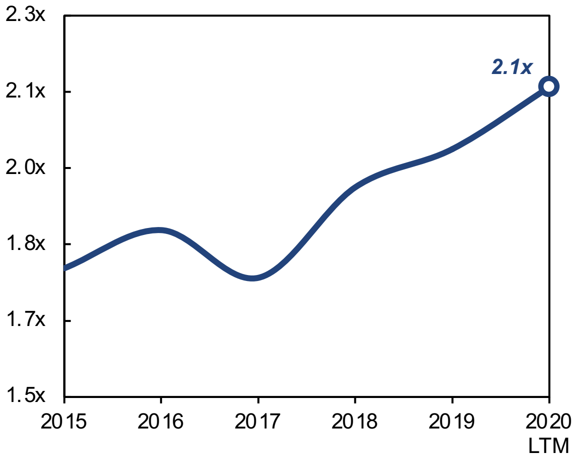
Balance Sheet Health

CNR continues to showcase balance sheet strength, as the Company has increased its current ratio from a 0.6 – 0.7x range to 0.9x in the most recent quarter. Additionally, CNR has been very consistent in maintaining a debt ratio of ~0.6x over every quarter in the last five years. The Company has also maintained its interest coverage ratio at over 16.5x in recent quarters, which is in line with its historical range.

Management Team

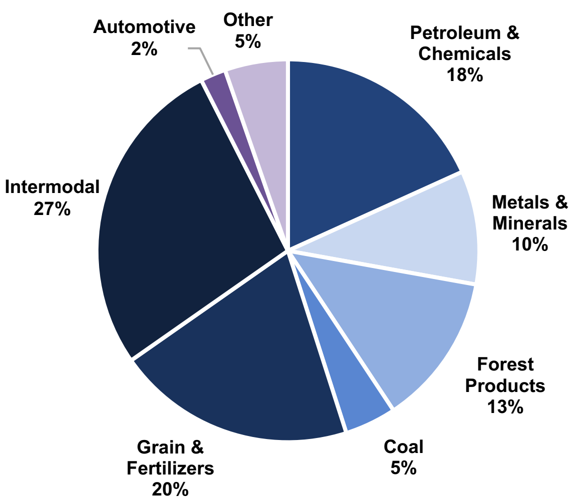
CNR is led by President and CEO Jean-Jacques Ruest, who has been with the Company for over two decades. The Company's disciplined and balanced approach to capital allocation has consistently created value for its customers and shareholders for decades. This has been achieved through conducting accretive acquisitions and continually growing dividends. Although share repurchases paused in 2020, CNR has increased its dividend every year since its IPO in 1996, and 2020 dividends rose by 7% YoY. Despite the pandemic's economic setbacks, the Company remains committed to its long-term strategy of making high-quality investments, enforcing cost controls, and incorporating innovative technologies into operations. Most notably, these commitments are evident in CNR's recent $2.9B capital investment plan that primarily focuses on expanding its grain transportation. Additionally, over 80% of CNR's employees are involved in the Company's Employee Share Investment Plan and own over $700mm in CNR stock as of September 2020.

Figure 2: LTM Total Debt/EBITDA Multiple



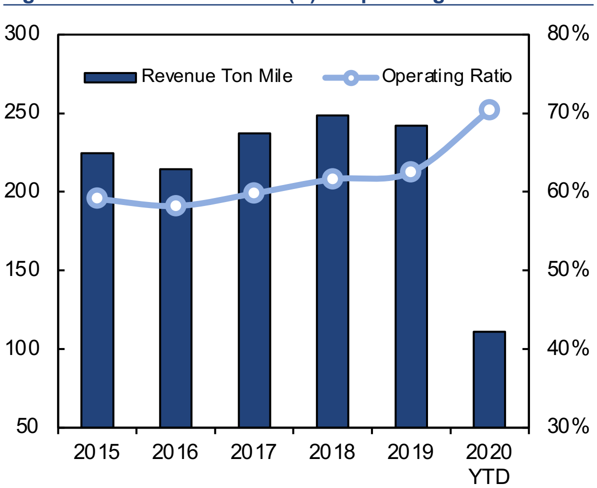
Source: Company Filings

Figure 3: Q2 2020 Revenue Breakdown by Segment



Source: Company Filings

Figure 4: Revenue Ton Mile (B) & Operating Ratio



Source: Company Filings

Growing Free Cash Flows

CNR's FCFs have increased at a CAGR of ~3.5% over the last seven years. Furthermore, the Company announced during the pandemic that it is committed to generating at least $2.5B in annual FCFs in order to maintain its targeted 2020 dividend growth of 7%.

Competitive Advantage

One of CNR's greatest advantages comes from its ability to grow volumes and its network through acquisitions, strategic partnerships, and investments. The Company targets projects that create incremental rail volume and cost synergies. For example, CNR's TransX transaction allowed it to obtain expertise in logistics, temperature-controlled offerings, and supply chain networks, which drove incremental rail volumes in its intermodal unit. The Company's new contract with Teck Resources (TSX: TECK.A) increased its shipment volumes by transporting steelmaking coal to new markets on Canada's west coast. Another competitive advantage for the Company is its use of new technologies. CNR's implementation of autonomous track inspections and automated inspection portals uses the latest sensor and A.I. technology, allowing the Company to monitor tracks and fleets at any time without operational disruptions.

ESG Considerations

CNR places significant importance on conducting operations in an efficient, ethical, environmentally responsible, and safe manner that develops a more sustainable future. As a result, CNR leads its North American peers by consuming ~15% less fuel per gross ton-mile of freight transport and has improved its locomotive emission intensity by 38% over the past 25 years. The Company was the first of its North American peers to set a 29% reduction target for its carbon emissions by 2030 (based on 2015 levels). CNR has also set a target of having ~30% of its executive team be composed of women (and at least 33% of directors being women). Much of the Company's executive compensations are based on ESG objectives on safety, environmental impacts, and fuel efficiency.

Risks

With falling oil prices, other forms of fuel-intensive transportation, like trucking, can reduce the rail industry's market share. Growing trade tensions can also curtail the industry's expansion if barriers are imposed. Lastly, the decline of energy commodities demand could significantly decrease CNR's volumes and impact its top-line growth.

Revised Investment Thesis and Valuation

CNR was valued through a 50/50 blended DCF and comparable analysis against peers (TSX: CP, NASDAQ: CSX, NYSE: KSU, NSC, UNP). Using a peer group average EV/EBITDA multiple of 13.9x and a WACC of 4.64%, the CPMT arrived at a target price of $154, which corresponds to a 10% holding period return. The EV/EBITDA multiple used in the comparative analysis was chosen due to the debt-heavy nature of the rail transportation industry. The model is revenue-based, with estimates generated using a combination of historical growth rates and Company announcements and outlook. The Fund's original investment thesis on CNR was that it displays strong financial performance, with diverse revenue streams across North America, making it resilient during economic fluctuations. The CPMT maintains this stance as CNR has held operating ratios at competitive levels while increasing transport volumes. Furthermore, CNR's expansion into the grain industry and investments in innovative technologies support the Fund's outlook.

Canadian Natural Resources

Energy
TSX: CNQ | NYSE: CNQ
Market Outperform | Buy

September 30, 2020

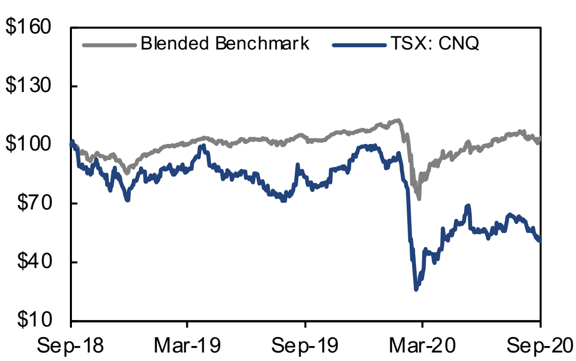
Helena Cherniak-Kennedy, Portfolio Manager
Katie Tu, Investment Analyst

Return on Investment	
Current Share Price	$21.34
Target Price	$31.00
Dividend Yield	7.97%
Holding Period Return	53%
Conviction Rating	1

Market Profile	
52-Week Range	$11.00 - $42.15
Market Capitalization ($mm)	$25,203
Net Debt ($mm)	$22,787
Enterprise Value ($mm)	$47,990
Beta (5-Year Monthly)	2.10

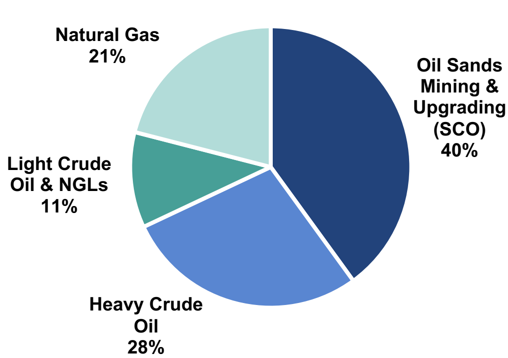
Metrics	2019A	2020E	2021E
Revenue ($mm)	$22,871	$16,084	$18,658
EBITDA ($mm)	$11,551	$5,847	$7,932
Total Debt/EBITDA	1.82x	3.59x	2.65x
EV/EBITDA	4.2x	8.2x	6.1x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: CNQ Production Mix



Source: Company Filings

Business Description

Canadian Natural Resources (TSX: CNQ) is a senior independent oil and gas producer with operations in Western Canada, the U.K. North Sea, and offshore West Africa. The Company has a well-diversified portfolio of assets with a balanced mix of natural gas, light crude oil, heavy crude oil, bitumen, and synthetic crude oil (SCO). With a longstanding counter-cyclical acquisition strategy, CNQ is a major consolidator of properties throughout its core areas. Most recently, in August 2020, CNQ entered into an agreement to acquire Painted Pony Energy (TSX: PONY) for $461mm (~1% of CNQ's EV).

CNQ's core operations consist of the following segments:

Exploration and Production: CNQ is the largest producer of natural gas and primary heavy crude oil in Canada. It owns one of the largest undeveloped land bases in Western Canada, with exposure to major natural gas and crude oil plays including the Montney, Deep Basin, and Pelican Lake. This segment also includes light crude oil production in the North Sea and offshore West Africa.

Oil Sands Mining and Upgrading: CNQ produces SCO through bitumen mining and upgrading operations at the Horizon Oil Sands and through its interest in the Athabasca Oil Sands Project.

Midstream and Refining: CNQ's midstream asset portfolio is comprised of crude oil pipeline systems (ECHO and Pelican Lake), a 50% ownership in an electricity cogeneration plant at Primrose, and a 50% working interest in the North West Redwater Partnership.

Industry Overview

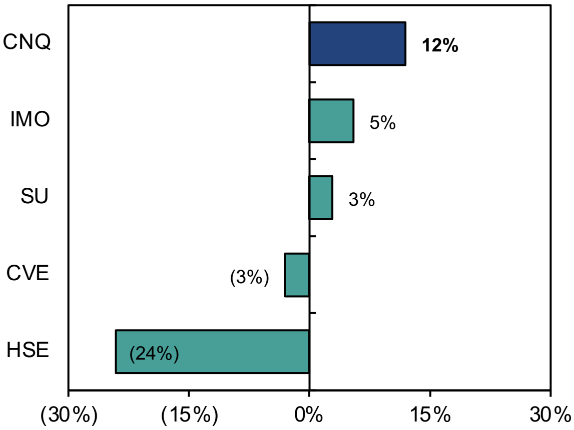
Canada is the fourth largest oil producer in the world and has the third largest proved oil reserves. The Canadian oil and gas industry has been significantly impacted by global events in 2020 and resulting volatility in WTI pricing. However, the CPMT expects oil prices to continue slowly recovering from early-2020 troughs induced by the dual supply (OPEC+ price war) and demand (COVID-19) shocks, as demand gradually returns and supply remains in check due to OPEC+ supply caps and slowed U.S. shale growth. North American supply and demand dynamics have led to tighter differentials for Canadian heavy oil prices, which will be further supported by expected pipeline expansions (Line 3, TransMountain, and Keystone XL). Regulatory risks and environmental scrutiny remain ongoing concerns for the oil and gas industry. The resilience of energy companies will depend upon balance sheet strength to support leverage and capital allocation flexibility to preserve FCF.

Within the Canadian oil and gas industry, CNQ's peer group consists of integrated energy companies (TSX: CVE, HSE, IMO, SU), senior E&P companies (TSX: OVV), and oil sands producers (TSX: MEG).

Mandate Fit

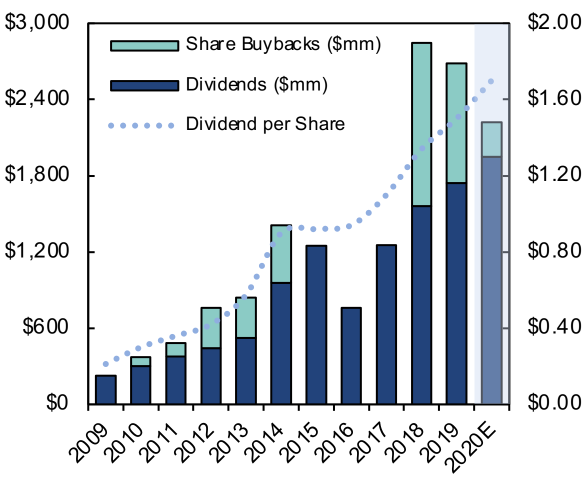
Growing Free Cash Flow: CNQ leads its peers in FCF generation, with an FCF yield of 12% compared to a peer average of -5%. In response to depressed commodity prices in early 2020, CNQ reduced capital expenditures by $1.4B from its original $4B budget. These cuts, along with G&A and operating cost savings, allowed the Company to preserve $2.2B of FCF. CNQ's low maintenance capital requirements (75% lower than peer average) and balanced (cont.)

Figure 2: CNQ LTM FCF Yield vs Peers



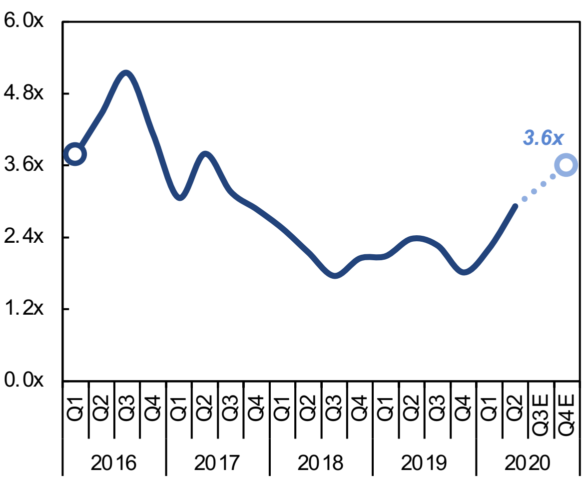
Source: CPMT Estimates, S&P Capital IQ

Figure 3: CNQ Shareholder Return



Source: Company Filings, CPMT Estimates

Figure 4: CNQ LTM Total Debt / EBITDA



Source: Company Filings, CPMT Estimates

portfolio of oil and natural gas have afforded it the flexibility to adjust spending in response to industry challenges without a detrimental impact on production. CNQ's 5-year FCF CAGR is 17%; while FCF is not expected to grow in 2020, we expect positive FCF, which is ahead of many peers and testament to the durability of CNQ's FCF.

Strong Balance Sheet: At the end of Q2 2020, CNQ's net debt-to-capital and LTM Debt/EBITDA were 40.5% and 3.0x, respectively. Debt metrics were elevated compared to 2019 levels, as net debt increased by almost $2B in the first half of 2020; however, management has stated its anticipation of exiting 2020 with net debt that is in line with 2019 levels, indicating a strong commitment to debt reduction. With $0.2B in cash and $3.9B in available credit facilities, the CPMT believes that CNQ is in a strong liquidity position to maintain resiliency in the current commodity price environment.

Competitive Advantage: While the commodity-based nature of the oil and gas industry makes it highly competitive, CNQ sets itself apart from peers through: (1) its low decline reserve base (10% corporate decline rate with 77% of production composed of long-life low decline liquids); (2) industry-leading breakevens (operating breakeven of US$25 - 26 WTI and FCF breakeven of US$30 - 31 WTI, including dividends); and (3) its demonstrated commitment to returning capital to shareholders. CNQ has increased dividends for 20 consecutive years (19% 10-year CAGR). Management also employs disciplined and flexible capital allocation with share buybacks; the Company suspended its buyback program in March 2020 to preserve capital in response to low oil prices.

Quality Management: CNQ is led by a Management Committee composed of 19 members from its management group. Management has demonstrated its ability to create long-term shareholder value through operational discipline, effective cost controls, commitment to balance sheet health, and importantly, commitment to environmental stewardship. With a focus on innovative technology to facilitate the reduction of its environmental footprint, CNQ has undertaken industry-leading carbon capture, sequestration, and storage projects; piloted a zero-emission primary heavy oil pad site; and invested in research into biofuel production, among other GHG emission reduction initiatives.

Attractive Valuation: Our target price of $31 was determined by applying a projected 7.5x EV/EBITDA multiple to our 2021E EBITDA of $7.9B. The projected multiple is in line with the peer group's (TSX: CVE, HSE, IMO, OVV, SU) average NTM EV/EBITDA multiple of 7.51x as well as CNQ's two-year historical average multiple of 7.45x. With a total implied return of 53% (including a robust 8% dividend yield), CNQ's current valuation provides an attractive entry point.

Investment Thesis

The CPMT views CNQ as a top-tier Canadian producer with long-life assets and a demonstrated track record of capital discipline. CNQ's emphasis on returning capital to shareholders, with an 8.0% dividend yield, and compelling valuation, render the name an attractive investment within the energy sector. While we recognize the significant macroeconomic and regulatory risks in Canadian oil and gas, CNQ has demonstrated an ability to generate positive FCF throughout cycles of depressed and volatile commodity prices. Currently, the Fund holds a position in SU (a leading integrated Canadian producer) at a 1 conviction. However, CNQ's exposure to natural gas and leading FCF yield distinguish it from SU and offer additional channels for upside. Pending further due diligence, the Fund looks to add CNQ to its energy portfolio at a 1 conviction.

Constellation Software

Information Technology
TSX: CSU
Market Outperform | Hold

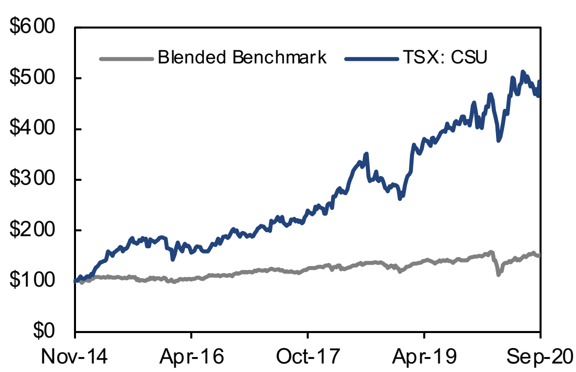
September 30, 2020
Erik Skoronski, Portfolio Manager
Kian Sadeghi, Investment Analyst
Sina Hadjiahmadi-Ardakani, Investment Analyst

Return on Investment	
Current Share Price	$1,479.63
Target Price	$1,726.00
Dividend Yield	0.36%
Holding Period Return	17%
Conviction Rating	2

Market Profile	
52-Week Range	$1,144.07 - $1,631.83
Market Capitalization (US$mm)	$31,356
Net Debt (US$mm)	$145
Enterprise Value (US$mm)	$31,501
Beta (5-Year Monthly)	0.58

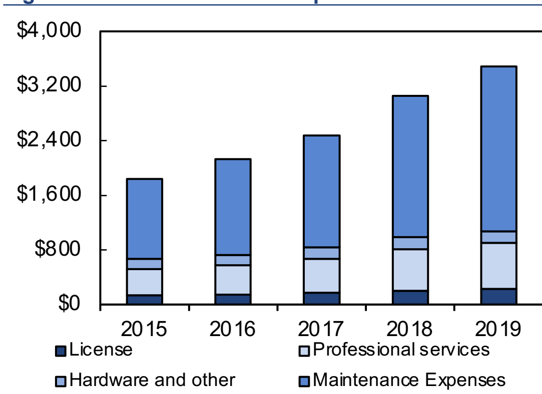
Metrics	**2020E**	**2021E**	**2022E**
Revenue (US$B)	$3,802	$4,213	$4,692
EBITDA (US$B)	$1,063	$1,116	$1,243
EPS	$17.71	$21.07	$26.87
EV/EBITDA	29.6x	28.2x	25.4x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Historical Sales Composition



Source: Thomson Reuters Eikon

Business Description

Constellation Software Inc. (TSX: CSU) develops, installs, and customizes software with a focus on acquiring, managing, and building vertical market software businesses. CSU's market is split into the public and private sector. Its public sector segment is focused on developing and distributing software solutions to government and government-related entities, which is done through the Company's business units: Volaris, Harris, and Total Specific Solutions. Its private sector segment develops and distributes software solutions to commercial entities, which is conducted by the Company's Jonas, Perseus, and Vela business units.

Industry Overview

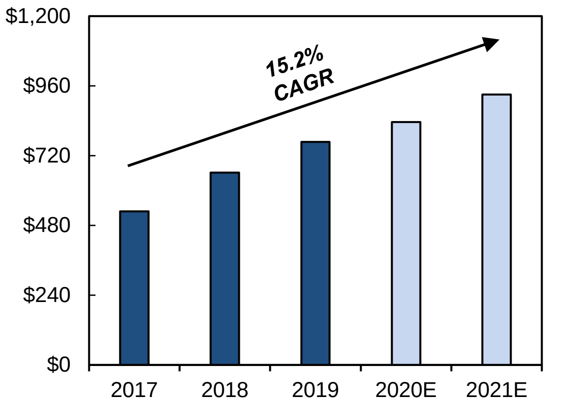
The software industry is very capital intensive and has seen a significant rise in competition. Currently, large market players tend to acquire smaller participants and external competitors that specialize in emerging software markets or unserved industries. Such acquisitions enable dominant companies in the industry to compete in increasingly diverse markets and grow their top-lines with innovative industry-specific solutions. Although the number of enterprises entering the space tends to increase annually, acquisitions are expected to continue as larger players benefit from the accumulation of vast amounts of intellectual property.

Growth in corporate profits and consumer spending tends to drive the industry's growth. In fact, the industry is shifting towards distributing software that utilizes cloud systems and generating more revenue from a subscription-based business model, rather than selling additive software updates. As a result of this shift, companies that distribute products on the internet are expected to be acquisition targets, alongside companies that innovate with new technology, including artificial intelligence and machine learning.

Management Team

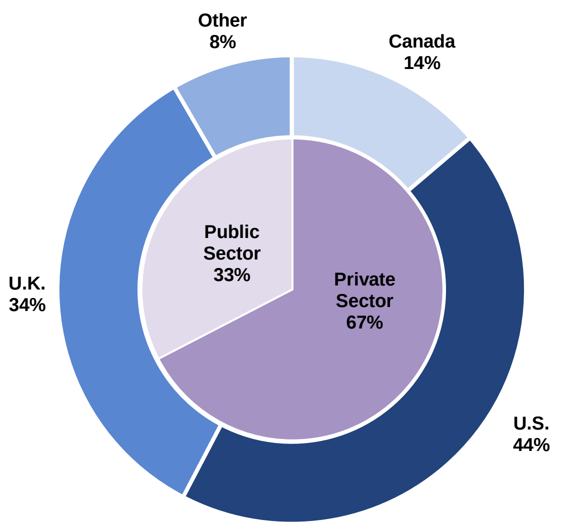
Mark Leonard founded CSU in 1995 and currently serves as the President and Chairman of the Board. He has extensive experience in venture capital, having worked within the field for over 11 years prior to founding the Company. CSU does not have an acting Chief Executive Officer and rather opts to appoint individual leaders of each holding company with Leonard overseeing the overall operation. CSU's executive compensation is heavily tied to the Company's share performance. Notably, Mark Leonard is the Company's sixth-largest shareholder with ~430K shares, representing 2.04% of the total market capitalization. Other significant shareholders within the company include: Mark Miller (Chief Operating Officer), Dexter Salna (President of Constellation Homebuilder Systems), and Barry Symons (member of the Board of Directors) who control 1.32%, 1.18%, and 0.72% of total shares, respectively. CSU has paid a steady annual dividend of US$4.00 per share, totalling to US$85mm paid out in each of the last five years. Furthermore, CSU does not have a share repurchase plan in place. By maintaining steady minimal payouts, CSU is able to focus on directing capital towards acquisitions.

Figure 2: Free Cash Flow Generation (US$mm)



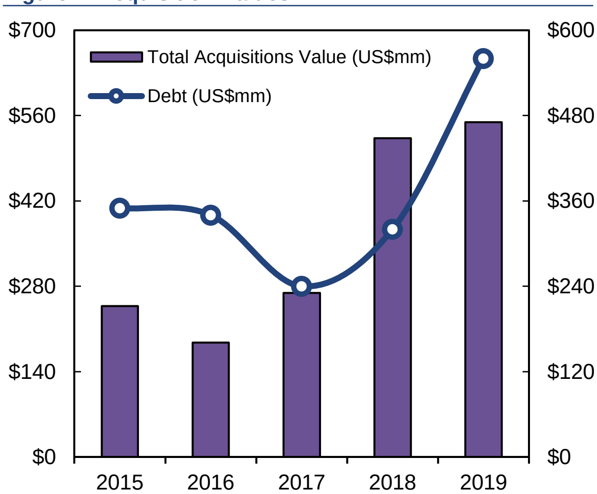
Source: CPMT Estimates, S&P Capital IQ

Figure 3: Q2 2020 Revenue By Region & Sector



Source: Thomson Reuters Eikon

Figure 4: Acquisition Values



Source: Company Filings

Balance Sheet and Growing Free Cash Flows

Historically, CSU has refrained from depending on debt by maintaining a consistent Total Debt/EBITDA multiple of ~0.1x over the last five years. The Company's disciplined use of debt enables it to have a conservative balance sheet. Furthermore, CSU's operations require minimal maintenance capital, allowing them to deploy capital towards acquisitions. Additionally, the Company has grown FCFs at a CAGR of ~18% over the last five years, showcasing management's ability to generate exceptional capital growth at a sustainable rate.

Competitive Advantage and Recent Acquisitions

CSU continues to develop its portfolio of offerings through acquisitions that display an exceptional management team, consistent profitability, and above-average growth. This year's acquisition of Catalyst Computer Systems, a business management software supplier, is aimed at expanding Perseus' market share in the U.K. dealership software markets. The deal is expected to increase the Company's insights into the industries it serves, which will aid the enhancement of new technologies that can better serve its customers' needs. Moreover, CSU's May 2020 acquisition of Tune, a Seattle-based marketing startup, is directed at further developing Perseus' presence in the marketing industry. Tune's software allows companies to manage their marketing partnerships, which is expected to complement CSU's June 2019 purchase of Cake Software, Tune's top competitor. An anticipated merger between Tune and Cake Software should present many opportunities and efficiencies for Perseus in the space. The consistency of quality transactions year-over-year solidifies the Trust's view that CSU can continue to grow by acquiring exceptional businesses at a reasonable price and improve the acquirees operations to benefit from its cash flows.

Original Investment Thesis

The CPMT's original investment thesis on CSU was built upon several factors. The Company was expected to have robust growth in future FCFs, coupled with an ability to compound capital at an attractive ROIC. Additionally, the Fund valued how CSU's management compensation structure aligned management's interests with shareholders, preventing potential dilutions. Management's proven track record of delivering shareholders value and the stock's attractive valuation made CSU a desirable addition to the CPMT's portfolio.

Revised Valuation, Investment Thesis and Risks

A 50/50 blend of a 10-year DCF analysis and comparable companies' analysis was used to value CSU. The 10-year DCF followed the Gordon Growth model and incorporated a terminal growth rate of 1.5%, a WACC of 8.0%, and an NTM EV/EBITDA exit multiple of 21.1x, to derive a target price of $1,726. Moreover, the CPMT maintains its previous thesis on the name, as the Company continues to demonstrate strong management, balance sheet capacity, and growth-oriented acquisition strategies. Increasing competition among acquisitions in the software industry can subsequently reduce the availability of suitable acquisitions for the Company. CSU's scope of operations are larger than ever and the Company needs to maintain its acquisition strategy to match its historical growth. Management has indicated that if transactions become too expensive to conduct rationally, they would look to expand to different industries. However, should acquisitions dry up, CSU is expected to return all of its capital back to its shareholders.

Costco Wholesale

Consumer Staples
NASDAQ: COST
Market Perform | Hold

September 30, 2020

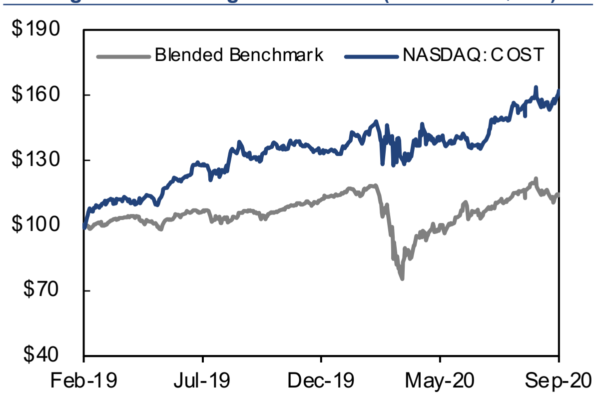
Breanna Schollaardt, Portfolio Manager
Jack Morgan, Investment Analyst

Return on Investment	
Current Share Price	$355.00
Target Price	$380.00
Dividend Yield	0.80%
Holding Period Return	8%
Conviction Rating	3

Market Profile	
52-Week Range	$279.85 - $358.86
Market Capitalization (US$mm)	$156,650
Net Debt (US$mm)	$18
Enterprise Value (US$mm)	$156,668
Beta (5-Year Monthly)	0.69

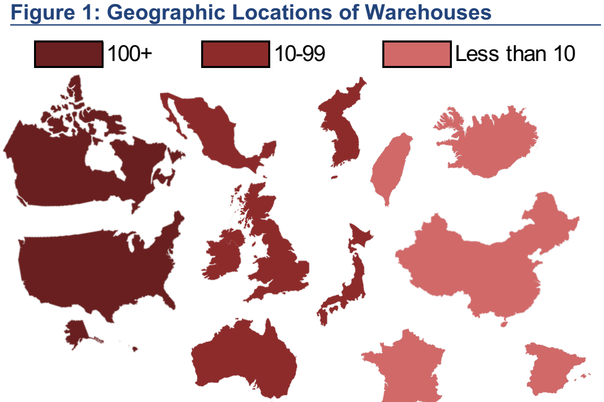
Metrics	**2020E**	**2021E**	**2022E**
Revenue (US$B)	$154	$181	$193
EBITDA (US$mm)	$6,437	$8,473	$10,543
EPS	$8.52	$12.51	$15.79
EV/EBITDA	24.3x	18.5x	14.9x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Geographic Locations of Warehouses



Source: Company Filings

Business Description

Costco Wholesale Corporation (NASDAQ: COST) operates an international retail chain of 795 membership warehouses across 12 countries and is headquartered in Issaquah, Washington. COST is recognized as the world leader in consumer retail, dedicated to quality, efficiency, and efficacy in its business operations. As the second-largest retailer in the world, COST provides wholesale goods at competitive prices through a multitude of products, many of which are under its signature Kirkland brand. COST also provides a wide range of home and business services, including insurance, telecommunications, storage, payroll, and travel.

Original Investment Thesis

The CPMT purchased COST in February 2019. COST not only met the mandate points at the time, but also stood out as a robust name that consistently exhibited impressive earnings beats from 2015-2018. COST is a defensive company with a solid capital structure and successful skeletal operating style, supported by quality management. When this position was entered, COST traded at a premium to its peers; which was deemed warranted by COST's strong competitive advantage, brand recognition, and extensive market share, driving name attraction.

Industry Overview and COVID-19 Impact

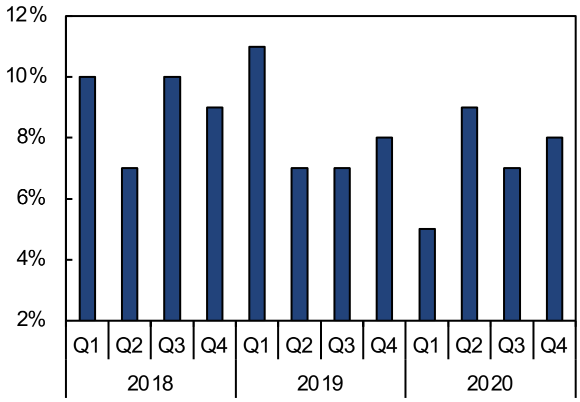
The U.S. warehouse clubs and supercenters industry is heavily dominated by four companies. Currently, Walmart Supercenters (NYSE: WMT) holds a ~73% market share with COST in second at ~21%. COST's hold of the market in Canada is much stronger with a ~58% share and WMT in second at ~19%. WMT is COST's main competitor through its namesake stores as well as Sam's Club stores. BJ's Wholesale Clubs Inc. (NYSE: BJ) and Meijer Inc. are two of COST's more minor competitors in the space. While WMT's namesake stores have continued to fair well, the Company closed 67 Sam's Club's locations in 2018. Higher levels of disposable income are beneficial to this industry as individuals are usually enticed to buy higher-priced baskets; however, due to the staple-like nature of many of its products sold, COST and its competitors can remain competitive in an economic downturn. Over the past five years, industry revenue has increased at an annualized rate of 1.3%, mainly due to increases in per capita disposable income and consumer spending. Due to the impact of consumer stockpiling in response to the COVID-19 pandemic, industry revenue is anticipated to rise by 6.6% throughout 2020. Despite this large increase in the year of 2020, five-year revenue forecasts are uncertain due to the lasting impacts the pandemic may have on the economy.

Mandate Fit

COST continues to fulfill the CPMT's mandate in the following ways:

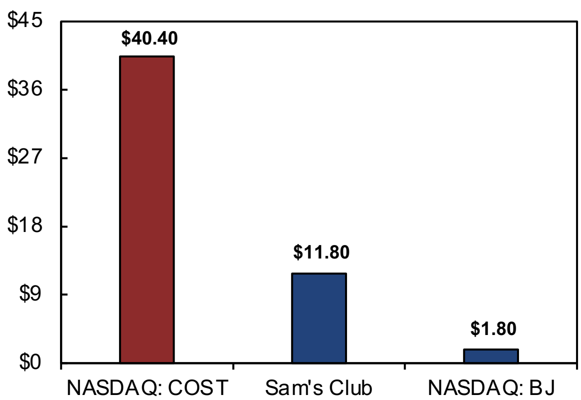
Quality Management: Craig Jelinek has been in his current position as CEO since 2012. Prior to his present role, Jelinek held multiple positions throughout the Company, enabling him to have extensive knowledge of the business model and company operations. Through consistent share repurchases and dividend increases, as well as the occasional special dividend, COST ensures stable value creation for shareholders.

Figure 2: Comparable Store Sales Growth



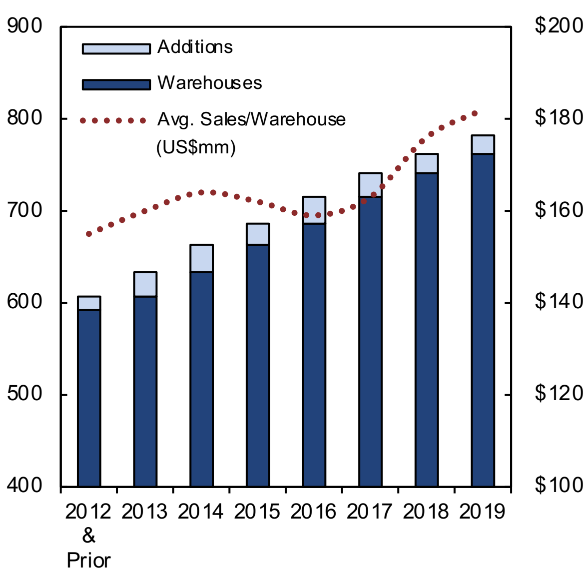
Source: Company Filings

Figure 3: Average Sales Per SKU



Source: Street Research

Figure 4: Warehouse Additions & Avg. $/Warehouse



Source: Company Filings

Competitive Advantage: One of the main advantages for COST is its subscription-based business model. This provides it with recurring revenue through membership fees that make up ~70% of EBIT. Additionally, COST boasts strong comparable store sales and comparable e-commerce growth, with its most recent fiscal year reporting 8% and 50%, respectively.

Strong Balance Sheet: The Company has a large cash balance offering the ability to cover its debt position almost completely. COST's Net Debt/EBITDA is notably low at ~0.01x in comparison with its main competitor WMT's of ~2.54x.

Growing Free Cash Flows: COST boasts a five-year FCF CAGR of 26%. The Company consistently returns value to shareholders and continues to allocate capital to expanding its number of warehouses throughout the U.S. and internationally.

Recent Company Performance and COVID-19 Response

Due to the COVID-19 pandemic and the staple-like nature of COST, increases in net sales for all quarters of the fiscal year 2019 were achieved. COST did note substantial increases in SG&A expenses due to amplified sanitation requirements and incremental wage increases, which negatively impacted net income in Q3 2020. The Company notes member habits and demand have changed due to the pandemic, resulting in higher out-of-stock positions in specific products. These changes in consumer habits drove an increase in net sales for all quarters despite temporary closures throughout the optical, hearing aid, and photo departments and restricted service in food courts. COST's e-commerce platform received increased demand largely due to many members choosing to shop online rather than in-store. E-commerce currently makes up ~6% of net sales, a 2% increase YoY. Shopping frequency was down 1.2% internationally but saw an increase of 1.2% for the U.S. for the most recent quarter with average basket size increasing by 12.7%.

Current Risks

COST's lack of buy-online, pick-up in-store ("BOPIS") is currently an area to consider as many competitors in the industry are offering this feature. The BOPIS trend gained momentum throughout the COVID-19 pandemic. Current outlooks are varied if COST requires a BOPIS feature. COST already offers a strong e-commerce platform, and the ability to charge pick-up fees for BOPIS may eventually be removed, which offers little profitability for many retailers. Traffic trends at COST have generally returned to positive, in contrast to the majority of the retail industry. The Company also boasts a stronger sales velocity than any other retailer or club format store.

Revised Valuation and Thesis

The revised valuation for COST returned a $380 target price offering an 8% holding period return. While COST has fared well in the current economic environment, revenue assumptions were slightly adjusted to remain conservative in the short-term. The target price was achieved through a five-year 50/50 blended Gordon Growth (5.9% WACC with a 2% terminal growth rate) and an EBITDA exit multiple of 15.5x. The CPMT believes COST's premium valuation is warranted due to the Company's best-in-class business model and ability to offer resilient performance throughout the current economic conditions. COST has a devoted customer base boasting ~90% renewal rates and consistent comparable-store sales growth. The Fund will continue to monitor COST's performance and valuation to ensure it continues to fulfill the mandate.

Intuitive Surgical

Health Care
NASDAQ: ISRG
Market Underperform | Trim

September 30, 2020

Hayley Hicks, Portfolio Manager
Jose Menjivar, Portfolio Manager

Return on Investment

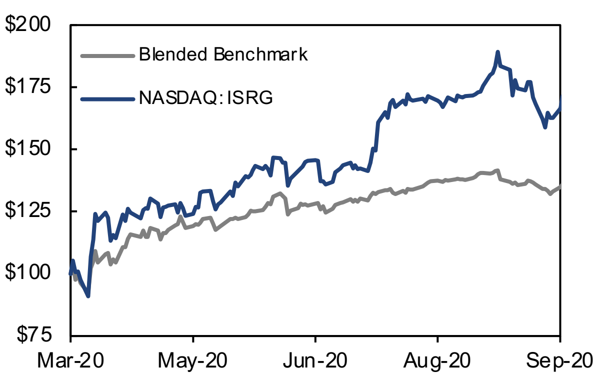
Current Share Price	$709.54
Target Price	$740.00
Dividend Yield	0.00%
Holding Period Return	4%
Conviction Rating	2

Market Profile

52-Week Range	$360.50 - $778.83
Market Capitalization (US$mm)	$83,035
Net Debt (US$mm)	($6,361)
Enterprise Value (US$mm)	$76,673
Beta (5-Year Monthly)	0.94

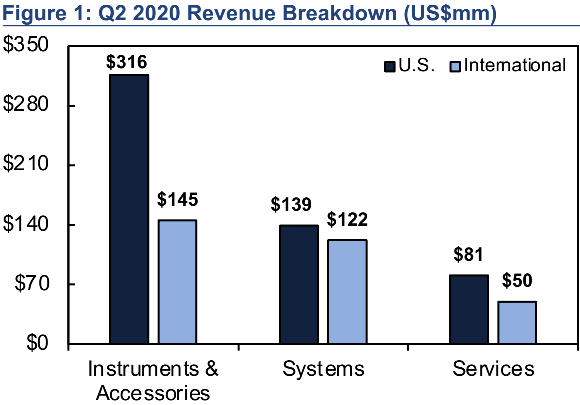
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$4,052	$4,687	$5,546
EBITDA (US$mm)	$1,422	$1,835	$2,136
EPS	$4.49	$7.33	$14.33
EV/EBITDA	53.9x	40.5x	35.9x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Q2 2020 Revenue Breakdown (US$mm)



Source: Company Filings

Business Description

Intuitive Surgical, Inc. (NASDAQ: ISRG) specializes in standardized design and integrative manufacturing of robotic surgical equipment. The Company's da Vinci X and Xi surgeon console and vision cart components are universal and interchangeable within its portfolio of advanced instruments. The Company designs, manufactures, and markets da Vinci Surgical Systems, EdoWrist Instruments, Ion endoluminal Diagnostic systems, vision products, and accessories comprising of sterile drapes to ensure sterile fields during surgery. ISRG markets to hospitals across the U.S. and internationally, recently starting direct operations in India and Taiwan.

Product Pipeline

The da Vinci Surgical Systems advances Management of Information Systems (MIS) across a wide spectrum of surgical procedures, with each generation improving overall operating room (OR) efficiency, inventory management, precision, and streamline port and placement.

Systems: The da Vinci Surgical Systems include surgeon's consoles, patient-side carts, 3-D vision systems, skills simulators, da Vinci Xi integrated table motions, and Firefly fluorescence imaging products. Generations include the da Vinci X, da Vinci iX, da Vinci Xi, and da Vinci SP (Single-Port). Da Vinci Xi is ISRG's most capable system, with integrated table motion, automated OR efficiency, and multi-quadrant access**.** The da Vinci SP differs from previous generations through its narrow-access focus. It has a single arm that delivers three multi-jointed instruments and a fully wristed 3D HD camera for visibility and control. Notably, China recently approved 154 da Vinci Xi systems, which will be implemented via a partnership between ISRG and Fosun.

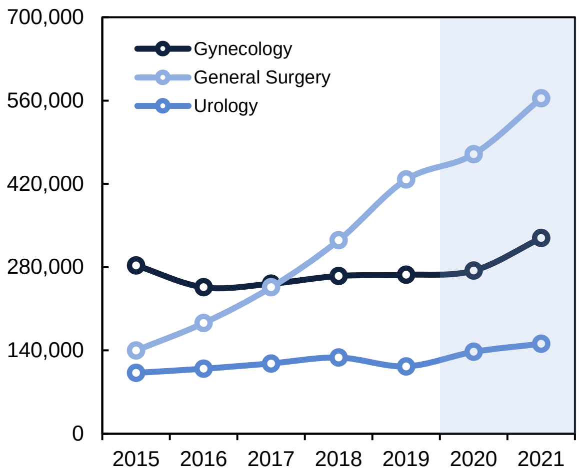
Instruments and Accessories: ISRG manufactures EndoWrist instruments, such as forceps, scissors, electrocautery tools, scalpels, and other surgical tools. EndoWrist is a minimally invasive technological approach inspired by the human hand and uses graspers, needle drivers, and energy instruments to enable surgical precision with a greater range of motion. In addition, the Company offers the EndoWrist Stapler, a wristed stapling instrument for the resection, transection, and creation of anastomoses. Lastly, ISRG's EndoWrist One Vessel Sealers are wristed single-use instruments for bipolar coagulation and mechanical transection of vessels up to 7mm in diameter.

The Ion Endoluminal System was FDA-approved in 2019 and is a robot-assisted platform for minimally invasive biopsy in the lung. It is an ultra-thin, maneuverable catheter praised for its level of stability.

Industry Overview

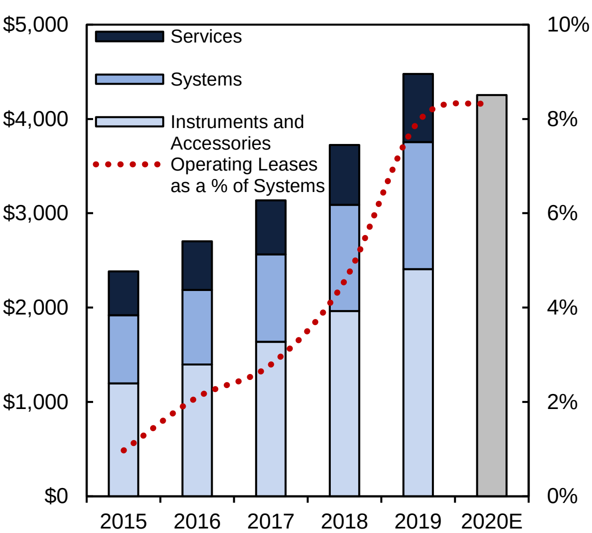
ISRG has enjoyed an effective monopoly within the robotic surgery subindustry of medical devices since the Company's inception in 1995. However, the COVID-19 pandemic has created a need for hospitals to shift resource allocation away from elective procedures towards sanitization and personal protective equipment.

Figure 2: U.S. Procedure Growth



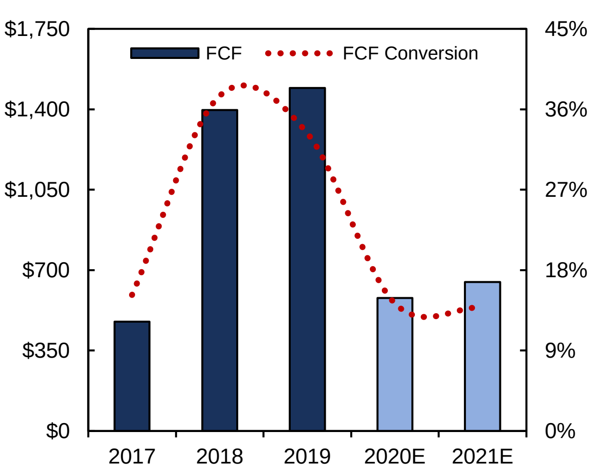
Source: Company Filings, CPMT Estimates

Figure 3: Revenue Breakdown Over Time (US$mm)



Source: Company Filings, CPMT Estimates

Figure 4: FCF Generation (US$mm) & Conversion



Source: Company Filings, CPMT Estimates

These resource allocation shifts, coupled with uncertain COVID-19 vaccine timelines, amount to a general lack of visibility on hospitals' capital budgets. Even with ISRG's industry entrenchment (achieved through extensive surgeon education, capital deployment, and first mover advantage), constrained hospital capex will continue to create sales uncertainty.

The competitive landscape within the industry has been slowly changing over time. Johnson & Johnson (NYSE: JNJ), and Medtronic (NASDAQ: MDT) are in the process of developing alternative robotic surgery offerings. However, JNJ's system is expected to undergo human clinical trials in the second half of 2022, which could delay product launches to late 2024. MDT has provided little clarity on its product launch, but it is expecting to file for a U.S Investigational Device Exemption (IDE) in the coming months to collect usage data. Additionally, Medicaroid, a Japanese health care company, received regulatory approval for its robotic surgery device in Japan for urology purposes. Although the market acknowledged this as a surprise release, Japan represents a small percentage of ISRG's revenue. COVID-19 has delayed competition for da Vinci systems, but competition will inevitably enter the market in upcoming years. The CPMT believes that ISRG's market positioning, extremely high switching costs for hospitals, and high recurring revenues (Services and Instruments and Accessories, comprising ~73% of total revenue), will continue to sustain ISRG's FCF generating capacity and allow it to maintain its competitive advantage.

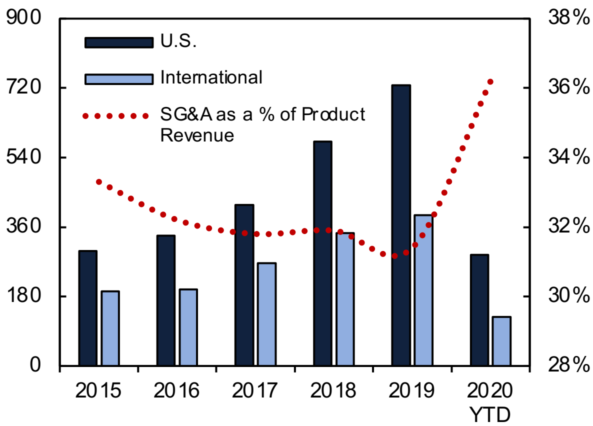
COVID-19 Response

From July to September, robotic procedure scheduling saw capacity reductions at ~50%, largely due to postponements of surgeries, distancing and capacity restrictions, and overall patient fear of COVID-19. Despite this, gynecology and urology procedures remained above ~65% capacity, acting in ISRG's favour as these are the largest operational markets the Company services. For October to December, surgeons anticipate improvement in robotic procedure capacity and operations up to normal levels, with certain procedures on hold until the pandemic recedes. Cancer and cardiac cases are most likely to proceed in coming months. Surgeons expect gynecology, urology, and colorectal to recover quickly in Q4 2020, indicating a prioritization of urgent elective procedures, as well as an increase in patient willingness to undergo surgery. In 2019, ISRG received FDA approval for certain transoral otolaryngology procedures in adults, radical tonsillectomies, and tongue base resections for da Vinci SP. However, the Company delayed the start of IDE trials for colorectal due to COVID-19.

Risks and Catalysts

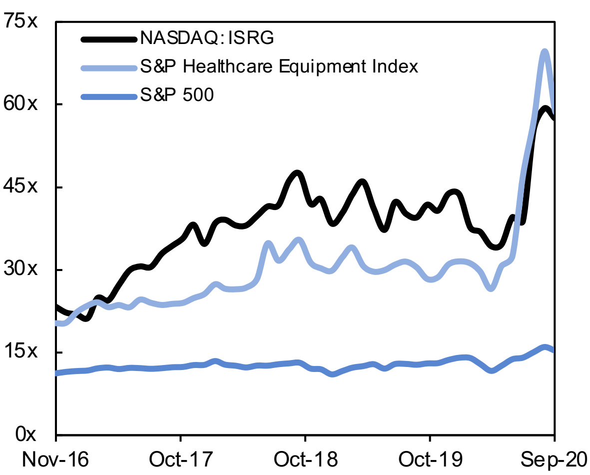
Risks in the near term include lagging hospital capital expenditures. 68% of respondents in a survey conducted by J.P. Morgan indicated decreased YoY investment in surgical equipment. However, the CPMT believes ISRG can mitigate this risk through the increase of capital invested in its internal "Intelligent Surgery" division. The Company defines intelligent surgery as "an integrated, insight driven approach, built on a deep understanding of surgical team needs, a comprehensive family of smart systems and instruments, and actionable digital insights", which has fruitfully produced instruments, such as Ion and Iris. Other notable risks include decreased additional development and slower expected growth for new systems (Xi, SP, and Ion). **Catalysts** for ISRG include increased flexibility in purchasing plans for hospitals, new product cycles for SP/Ion, and the Company's expansion into international markets.

Figure 5: Systems Shipped vs SG&A Over Time



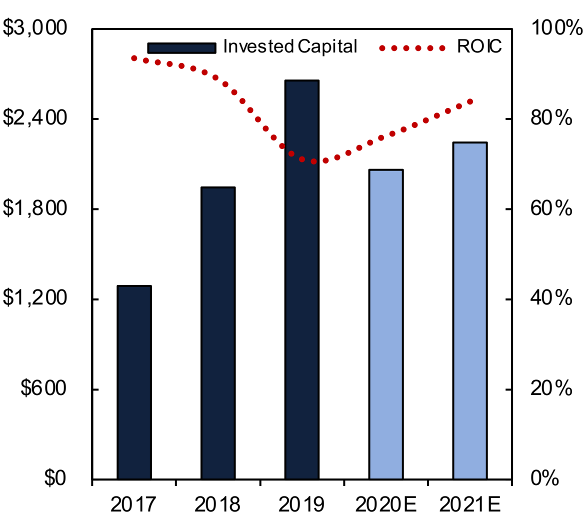
Source: Company Filings

Figure 6: LTM EV/EBITDA vs Relevant Indices



Source: S&P Capital IQ

Figure 7: Invested Capital (US$mm) vs ROIC



Source: Company Filings, CPMT Estimates

Developments and Re-evaluation Rationale

The CPMT entered a position in ISRG in March 2020. Given the tumultuous market conditions over the last six months, we decided it would be sound to revisit valuation and our outlook going forward. ISRG has yet to provide any guidance for year-end 2020 and 2021; however, some key developments have the potential to substantially disrupt its revenue model going forward. ISRG announced its “Extended Use Program”, which will roll out in Q4 2020. This program will allow select da Vinci Xi/X consumables to be used 12-18 times, as opposed to its current 10-time limits. The Company will also lower the price of certain instruments used in lower acuity procedures (cholecystectomy, benign hysterectomy, inguinal hernia), which would lower costs enough for these procedures to be competitive with conventional surgery. Lost revenue is expected to be partially offset by higher average system prices.

Revised Valuation

In our updated valuation, we maintained our previous terminal growth rate of 3.5% while adjusting WACC to 6.5%. We increased our target price from $650 to $740 to reflect a lower interest rate environment and a market that is valued fundamentally higher on hopes of strong post-pandemic recovery gains. We adjusted our 2020 growth to be largely negative, with SG&A and operating expenses kept higher for 2020/21 due to COVID response measures and a transition to lower price points for consumables. We expect price-cutting measures to enhance ISRG’s market penetration and allow for more procedures to use da Vinci systems. However, we anticipate that ISRG’s valuation multiples will compress as competition enters the market and challenges ISRG’s monopoly status within the robotic surgery market, albeit unpredictably.

Investment Thesis and Considerations

Our original investment thesis was grounded on ISRG’s clear mandate fit, ample opportunities for target market expansion (from a product and geographic perspective), and financial flexibility that allows for better service to customers (operating leases, usage increases, lower accessory prices). After re-evaluating the name, the CPMT continues to view ISRG as a compelling investment opportunity. The Fund believes that the long-term fundamentals of the robotic surgery market are still intact. However, in the short term, constrained hospital capital expenditures are inevitable. ISRG continues to fit all mandate points, with the temporary exception of growing FCF due to unprecedented market circumstances. Remarkably, the Company continues to build on its competitive advantage through its pricing strategies, ensuring better entrenchment in the market before competition establishes itself. Additionally, ISRG’s R&D has continued to strengthen its product pipeline. The Ion Endoluminal System and Iris Augmented Reality device are promising diagnostic devices that expand ISRG’s target market. Notably, regulatory approval for the da Vinci SP system is advancing for different procedures. Lastly, a Chinese quota on Xi systems will provide ISRG with predictable CF from the region.

Extremely high valuations remain a concern as the market continues to rise in hopes of a COVID vaccine, which the CPMT will continue to watch closely. Additionally, lower utilization rates (-27%) on da Vinci systems during the pandemic are worrisome. Due to these clear short-term headwinds, the fund decided to Trim the position down to 4% from 5.5% AUM to maintain our current conviction at 2. The CPMT remains confident on ISRG as a long-term holding.

Linde

Materials
NYSE: LIN
Market Outperform | Buy

September 30, 2020

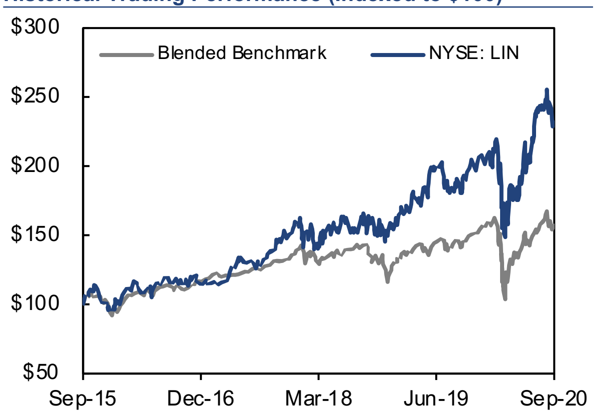
Akash Sekar, Portfolio Manager
Abhishek Sewak, Investment Analyst

Return on Investment	
Current Share Price	$238.13
Target Price	$270.00
Dividend Yield	1.62%
Holding Period Return	15%
Conviction Rating	2

Market Profile	
52-Week Range	$150.00 - $260.23
Market Capitalization (US$B)	$126
Net Debt (US$B)	$13
Enterprise Value (US$B)	$139
Beta (5-Year Monthly)	0.73

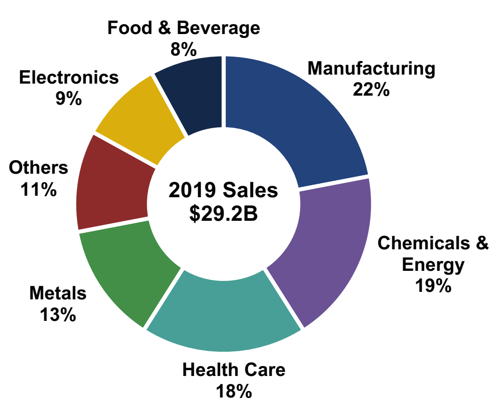
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$26,764	$28,369	$29,539
EBITDA (US$mm)	$8,382	$9,213	$9,750
EPS	$7.78	$8.86	$9.76
EV/EBITDA	16.5x	15.0x	14.2x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: End Markets Revenue



Source: Company Filings

Business Description

Linde Plc (NYSE: LIN), is world's largest industrial gas company, and is headquartered in Dublin, Ireland. LIN was formed in October 2018 through a business combination between Linde AG and Praxair and is known for being a major technological innovator in the industrial gas industry. The Company produces and distributes industrial gases through operating facilities which are designed and engineered in-house. The primary products for the industrial gas segment are atmospheric gases (oxygen, nitrogen, and argon) and process gases (carbon dioxide, helium, hydrogen, etc.). The Company also designs and builds equipment that produces industrial gases primarily for internal use, resulting in a wide range of gas production and processing services for the Company's customers.

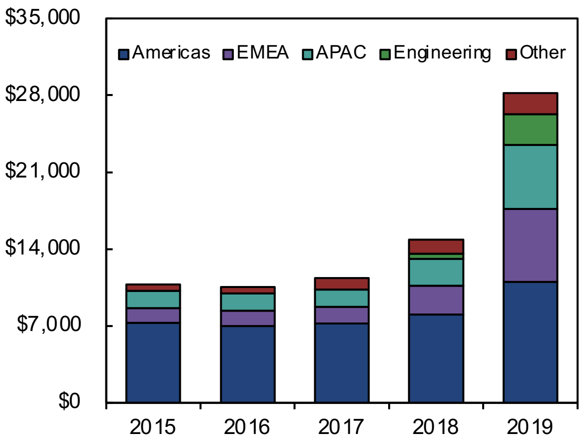
Merger of Praxair and Linde AG

On June 1, 2017, Linde AG and Praxair, Inc. announced their intentions to enter into a business combination agreement, creating a leading industrial gas company. The deal was financed through an all-stock merger of equal transaction, with the combined entity operating under the name "Linde Plc". The merger united Linde's extensive leadership in engineering and technology with Praxair's efficient operating model, creating the largest player in the global industrial gas business. This allowed for the combined entity to create a more diverse and balanced end-market portfolio while establishing strong positions in key geographies. The combined entity is expected to realize US$1.1B of synergies through cost reductions, most of which will manifest in 2020 and 2021. The combined entity diversifies its geographical reach and improves its financial stability emerging as a more sustainable enterprise. LIN reported annual sales of ~US$28B in 2019, compared to ~US$15B in 2018, an increase of approximately 90% YoY. The Company also reported an after-tax return on capital of 11.6%, representing a slight increase of 1.3% YoY. However, LIN has yet to realize the full potential after the merger and will continue to undergo cost reductions which are expected to result in margin expansion.

Industry Overview

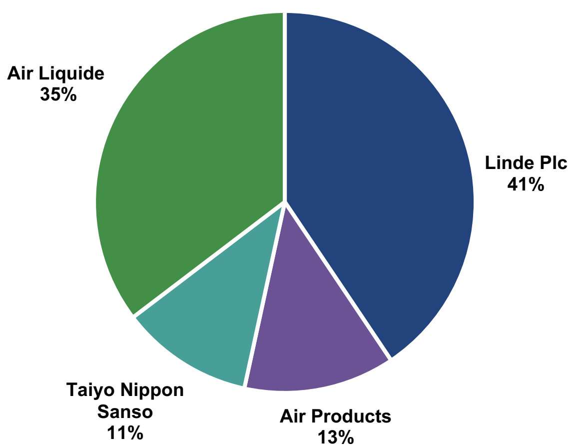
LIN operates in the highly concentrated global industrial gas industry. The industry has four major players (EPA: AI, NYSE: APD, NYSE: LIN, Taiyo Nippon Sanso), with LIN holding a significant 41% market share (Figure 3). Over the last few years, industry consolidation (Praxair/Linde, Air Liquide/Airgas) has allowed for an increase in pricing power, leading to increased profitability for companies in the space and giving rise to a competitive oligopoly. The industry tends to be less cyclical as compared to the overall chemical industry, which is highly fragmented and has growth heavily dictated by the direction of the economic environment. The industry is tied to global industrial production dynamics, which has seen declining demand across the world due to the COVID-19 pandemic but has began to pick up in recent months as stay-at-home restrictions are lifted. Players within the industry have focused over the last few decades on improving returns on capital by creating innovative solutions that can enhance product quality, energy efficiency and manufacturing productivity across a wide range of end-markets.

Figure 2: Segmented Revenue (US$mm)



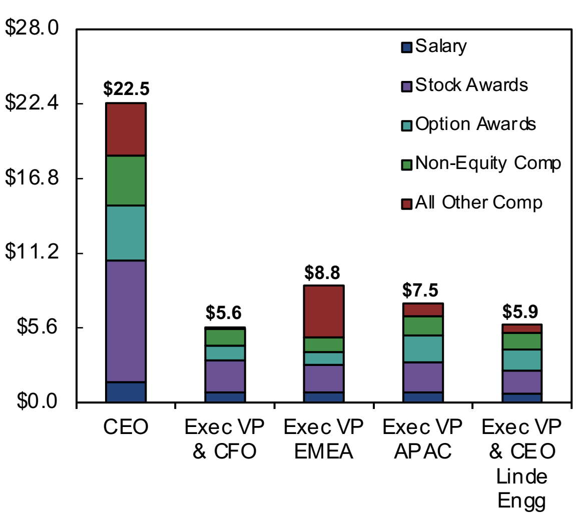
Source: Company Filings

Figure 3: Global Industrial Gas Market Share (2019)



Source: Company Filings

Figure 4: Total NEO Compensation (US$mm)



Source: Company Filings

Overall, in comparison to the broad chemical industry, the industrial gas market tends to be more defensive due to long-term supply contracts and large project backlogs. In addition to limited commodity price risk, this enables stable revenue streams as companies pass on the cost of raw materials through pricing formulas and tolling arrangements in their contracts with customers.

Operational Overview

LIN operates through three main modes: production, distribution and engineering. LIN uses air as a raw material and produces a large amount of atmospheric gases such as oxygen, nitrogen and argon through cryogenic air separation. The Company can also produce rare gases like krypton, neon and xenon through other air separation techniques. LIN's process gasses are usually produced through the separation of carbon dioxide (purchased from a chemical plant or refinery), which is then used to produce commercial and food grade carbon dioxide. The Company mainly produces hydrogen and carbon monoxide through steam methane reforming of natural gas, or by purifying by-products of chemical and petrochemical plants through the use of electrolysis.

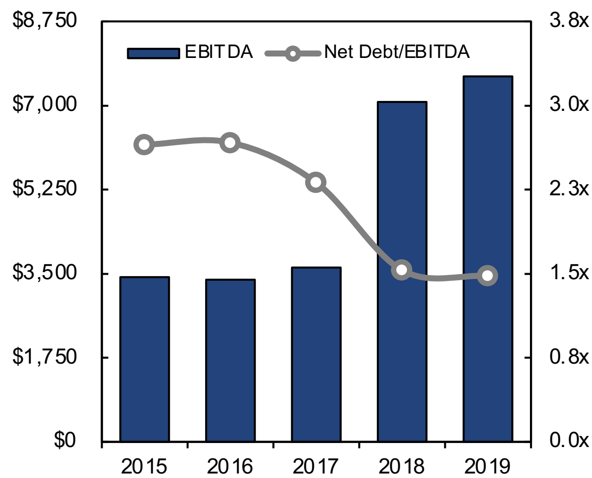
With respect to the distribution, LIN delivers its product to customers through three methods: 1) on-site; 2) merchant/liquid bulk; and 3) packaged gas. On-site delivery is primarily used for customers that require a large volume of product (usually oxygen, nitrogen and hydrogen), and are supplied to customers via pipeline, backed by requirement contracts ranging between 10-20 years. Merchant distribution is associated with liquid gases where deliveries are made by tanker trucks to customers' storage facilities; these are typically sourced through requirement contracts ranging between 3-7 years. Lastly, packaged gases are meant for customers requiring small volumes of gas that are distributed in cylinders. These are usually sold under short-term supply contracts that span 1-3 years. The Company delivered its products through all three main distribution modes prevalent in this industry, out of which the packaged mode accounted for 40% of all sales whereas merchant and on-site made up 28% and 24% of the total sales, respectively. LIN also has a global engineering business that focuses on a variety of gas plant and air separation markets and operates plants on behalf of customers under long-term gas supply contracts.

Mandate Fit

Strong Balance Sheet: Post-merger, LIN has been able to decrease its Net Debt/EBITDA significantly from ~2.3x to ~1.5x, which is ~1x lower than the industry median. LIN also boasts a strong 14.1x interest coverage ratio, which is well above the industry average of 5.1x. As LIN continues the integration process from the merger and further synergies are realized, it is expected that the Company will be able to achieve a ROE and ROA in the high single digits, bringing it closer to the levels Praxair had displayed as a standalone entity.

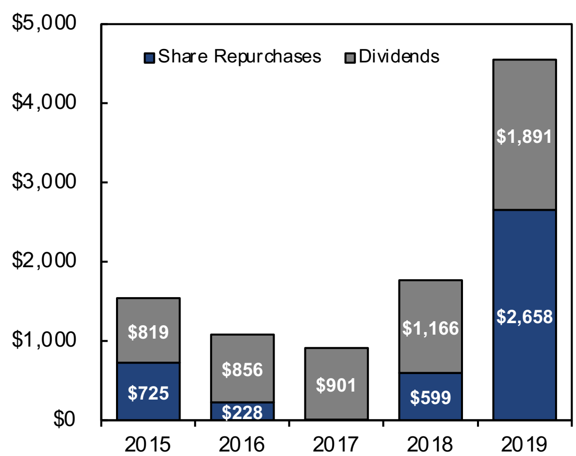
Competitive Advantage: The merger has provided LIN with economies of scale and expanded its global reach. LIN has been investing heavily in R&D to provide more sustainable products to its customers with increased profit margins. Due to the enhanced financial stability resulting from the merger, LIN has been able to venture into clean energy projects. The Company signed a memorandum of understanding with CNOOC to jointly develop China's hydrogen for the mobility industry. LIN is also be responsible for constructing the world's first hydrogen refueling station for passenger trains in Germany.

Figure 5: EBITDA (US$mm) & Net Debt/EBITDA



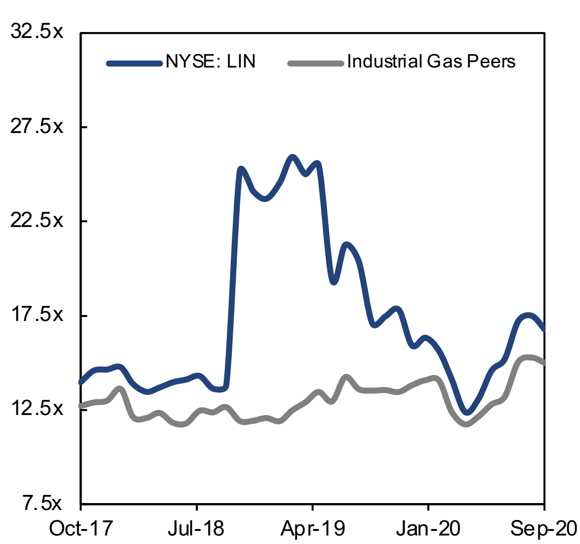
Source: Company Filings

Figure 6: Capital Returned to Shareholders (US$mm)



Source: Company Filings

Figure 7: EV/LTM EBITDA



Source: S&P Capital IQ

Growing Free Cash Flow: LIN has consistently been able to create value for shareholders, showcased through its ability to grow FCF over the last 5 years at an outstanding CAGR of ~17%. While this metric is inflated due to the merger of Praxair and Linde AG, the Company was able to grow FCFs by a CAGR of ~25% between 2012 and 2017, illustrating its history of strong FCF generation. LIN has also been able to maintain a solid EBITDA margin of ~29%, which is expected to exceed the low-30% margin that Praxair employed through cost synergies expected to be realized through 2021.

Strong Management Team: Stephen F. Angel, formerly led Praxair as its President and CEO, and now serves as the President and CEO of Linde. His extensive experience in the industry adds tremendous value to the combined entity. The Company has experienced robust sales growth and cost synergies through the merger and is expecting to realize additional synergies through 2021. LIN was able to return US$7.7B to shareholders in 2019. LIN also increased its annual dividend by 6% for 2019, with US$1.9B paid in total dividends in the year.

Attractive Valuation: LIN currently trades at an EV/LTM EBITDA multiple of 16.9x, which is slightly above the average multiple of its industrial gas peers (14.9x). Due to LIN's position as the largest industrial gas company in the world, coupled with its ability to leverage its engineering business, the CPMT believes LIN deserves to trade at a slight premium to its industrial gas peer group.

Key Risks

The pandemic has resulted in decreased industrial activity and increased demand uncertainty for industrial gases. Additionally, some of LIN's customers operating in the chemicals, energy, and metals industries are exposed to cyclical revenue generation which may adversely affect the demand for LIN's products. A second wave of the ongoing pandemic could result in another slowdown in industrial activity, which may lead to lower global demand for industrial gases. However, LIN's resilient business model, coupled with its large investments in clean energy projects, presents growth opportunities for the Company. LIN is well-positioned to continue its growth platform through its large, high-quality project backlog, supported by its defensive end-markets. Additionally, gradual improvement in China's industrial activity, increased orders from the healthcare sector and food & beverage storage facilities, and continued demand from space projects are expected to offset any headwinds in the event of a second wave.

Investment Thesis

LIN has continued work on integrating Praxair and Linde AG, which is expected to result in significant upside from cost reductions and cross-selling opportunities. Given increased industrial activity across the world, LIN can leverage its position as the world's largest industrial gas company to continue penetrating existing geographies and end-markets. This, coupled with its engineering segment should see the combined entity continue to lead the industrial gas industry in terms of returns to capital and profitability. Given that a large portion of LIN's management team is composed of Praxair executives, the CPMT believes that LIN will be able to successfully integrate the businesses by its stated goal of 2021 and realize most of its estimated ~US$1.1B of synergies. Due to the highly concentrated, oligopolistic nature of the industrial gas industry, we believe that LIN is well-positioned to take advantage of favorable pricing power and increasing industrial production around the world, leading to higher demand for industrial gases and Linde's expertise.

Waste Connections

Industrials
TSX: WCN | NYSE: WCN
Market Perform | Hold

Calgary Portfolio Management Trust

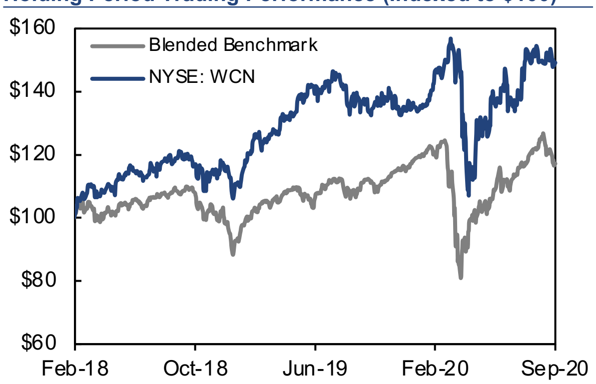
September 30, 2020
Dhruv Jindal, Portfolio Manager
Kian Sadeghi, Investment Analyst

Return on Investment	
Current Share Price	$103.72
Target Price	$110.00
Dividend Yield	0.71%
Holding Period Return	7%
Conviction Rating	2

Market Profile	
52-Week Range	$71.47 - $105.00
Market Capitalization (US$mm)	$27,185
Net Debt (US$mm)	$3,927
Enterprise Value (US$mm)	$31,112
Beta (5-Year Monthly)	0.60

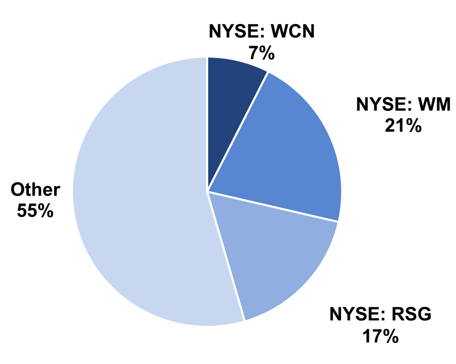
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$5,362	$5,630	$5,968
EBITDA (US$mm)	$1,572	$1,765	$1,865
EPS	$2.48	$3.02	$3.24
EV/EBITDA	19.8x	17.6x	16.7x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Waste Services Industry Market Share



Source: IBISWorld

Business Description

Waste Connections (NYSE: WCN) is the third-largest non-hazardous solid waste services company in North America. The Company provides waste collection, transfer, disposal, and recycling services in mostly exclusive and secondary markets in the U.S. and Canada. Through its R360 Environmental Solutions subsidiary, WCN is a leading provider of non-hazardous E&P waste treatment, recovery, and disposal services in several of the U.S.'s most active natural resource producing areas. Throughout 41 U.S. states and 6 Canadian provinces, WCN is committed to providing superior services to residential, commercial, industrial, and E&P customers. The Company also provides services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

Industry Overview

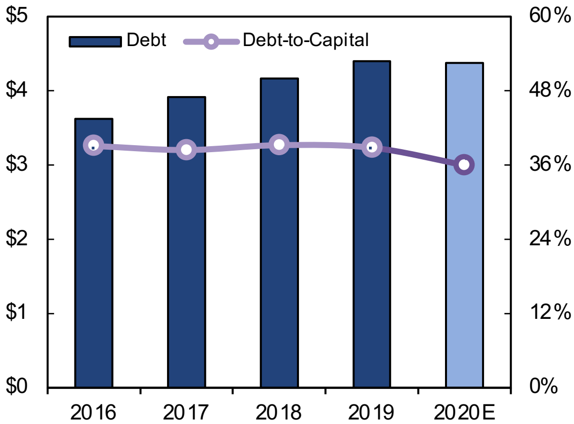
Throughout the COVID-19 pandemic, the essential nature of waste services provided resiliency relative to other industries affected by the shutdowns. Given the need to provide personal protective equipment to employees, waste service businesses saw an increase in operating costs. Additionally, the industry's local and highly competitive nature saw most companies experience a large reduction in volume in April, but have seen minor improvements as economies around the world begin to reopen. Despite the necessity of the industry's offerings, the future of the waste management industry is heavily correlated to levels of economic activity, particularly that of manufacturing and industrial production. As of August 2020, U.S. industrial production had risen for four consecutive months. Even with steady growth in production levels, a resurgence in lockdowns has the potential to derail the progress made within the industry and take companies back to April levels.

Major industry competitors include Nuverra Environmental Solutions (NYSE: NES), Republic Services (NYSE: RSG), and Waste Management (NYSE: WM). Competition for collection accounts is primarily based on price while landfill accounts are based on tipping fees, geographic locations, and quality of operations.

Competitive Advantage

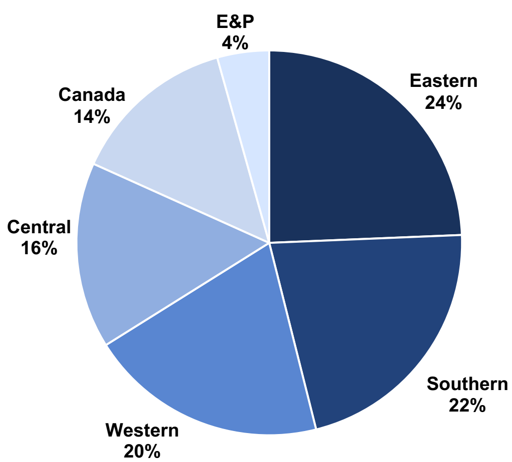
WCN seeks to avoid competitive urban markets by focusing on providing quality waste management services to smaller rural markets. Within these markets, the Company is able to hold a high market share through exclusive contracts, vertical integration, and asset positioning, which in turn reduces customer churn rates. By maintaining exclusive contracts to hold collection services, WCN maximizes operating efficiency by controlling waste streams. Contrary to its waste management operations, the Company targets competitive urban markets for the locations of its disposal sites. By having disposal capacity close to waste streams, the Company can minimize the costs of transporting waste to disposal sites. Finally, WCN manages operations on a decentralized basis, which allows the Company to identify and address customer needs in a cost-effective manner. This method of management allows WCN to succeed in rural markets that may not be attractive to competitors.

Figure 2: Debt (US$B) vs Debt-to-Capital Ratio



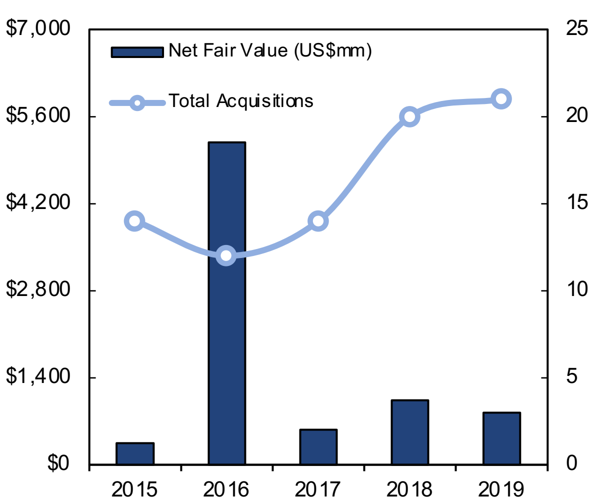
Source: Thomson Reuters Eikon

Figure 3: 2019 Revenue Segments



Source: Thomson Reuters Eikon

Figure 4: Yearly Acquisitions Value vs Total Acquisitions



Source: Company Filings

Strong Balance Sheet

WCN continues to hold a strong balance sheet throughout the COVID-19 pandemic. The Company increased cash on hand to US$790.6mm from ~US$326.7mm while raising total debt to US$4.8B from US$4.4B, resulting in a current net debt position of US$4.0B. WCN's debt-to-equity ratio jumped to 0.74x after holding an average of 0.63x for the previous three years; debt-to-capital rose to 43% after averaging 39% over the same period. WCN's ability to maintain cash flows despite unfavourable conditions has allowed the Company to pay US$105.6mm in share repurchases and payout US$96.9mm in dividends throughout 2020 YTD.

Management and Corporate Governance

WCN's management team is led by President and CEO Worthing F. Jackman, who has served in the role since July 2019. He succeeded Ronald J. Mittelstaedt, who transitioned to the role of Executive Chairman. Jackman took over the role after having held various positions since joining the Company in 2003, including CFO. Under his leadership, the Company has paid out US$422.4mm in dividends and share repurchases. The current management team has emphasized expanding operations through completing acquisitions in new and existing markets by developing an acquisition discipline based on a financial, market, and management criteria to evaluate opportunities. Despite challenges from the COVID-19 pandemic, WCN remains committed to navigating the current uncertainties while continuing to work towards long-term growth. This has been exemplified by the Company's management declaring a quarterly dividend of US$0.19 per share. It has also renewed its normal course issuer bid, allowing the Company to repurchase up to 5% of current shares outstanding.

Revised Valuation

A five-year DCF with a WACC of 4.2% was used to arrive at WCN's $110 target price. The model consisted of a 50/50 blend of the Gordon Growth model (assuming a perpetual growth rate of 2.0%) and a peer group mean 16.0x EV/EBITDA exit multiple.

Investment Thesis and Risks

The CPMT's original investment thesis was based on organic revenue growth, EBITDA expansion, and a strong management team. CPMT was further convicted on WCN's track record in past acquisitions as well as the acquisition pipeline going forward.

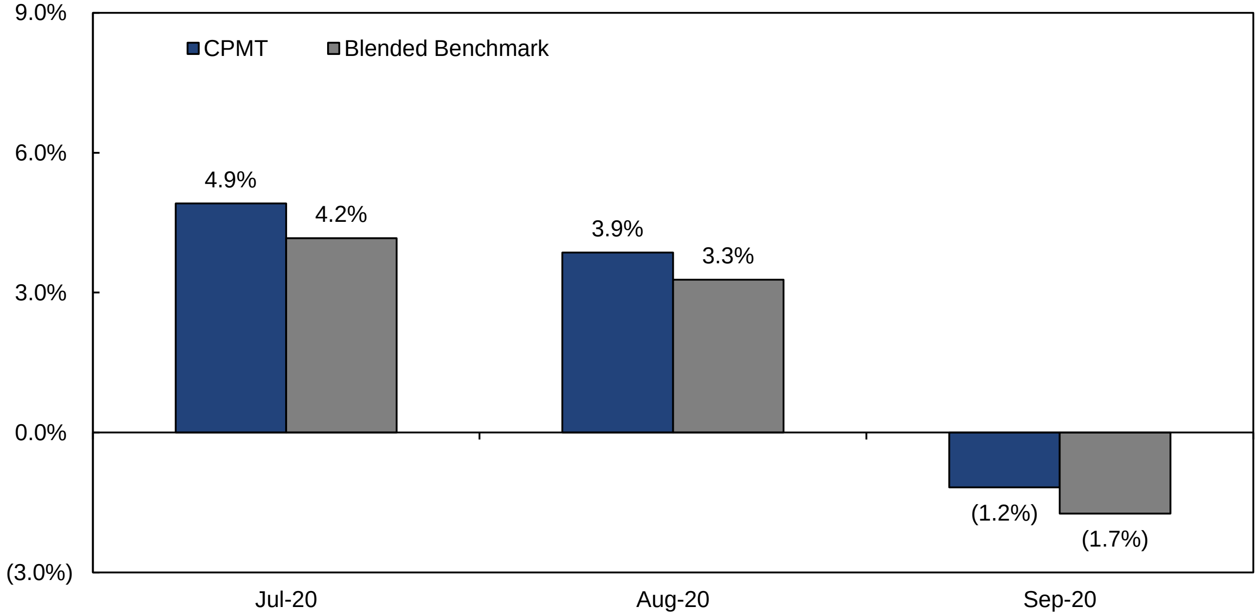
WCN intends to expand its scope of operations by acquiring waste businesses in new markets. Acquisition efforts typically focus on markets where WCN can: (1) provide waste collection services under exclusive arrangements such as franchise agreements, municipal contracts, and government certificates; (2) provide vertically integrated collection and disposal services; and (3) gain a leading market position in a niche market through the provision of treatment and disposal services. WCN's experienced management, decentralized operating strategy, and financial strength make WCN an attractive buyer for certain waste collection and disposal acquisition targets.

CPMT remains convicted on the name and the initial investment thesis as continued organic growth and a strong management team with an exceptional track record are foundational to driving value creation in terms of EBITDA expansion. Going forward, given the nature of WCN's operations, the Company's ability to sustain cash flows will depend on its ability to obtain operating permits to expand capacity limits and/or develop new landfills.

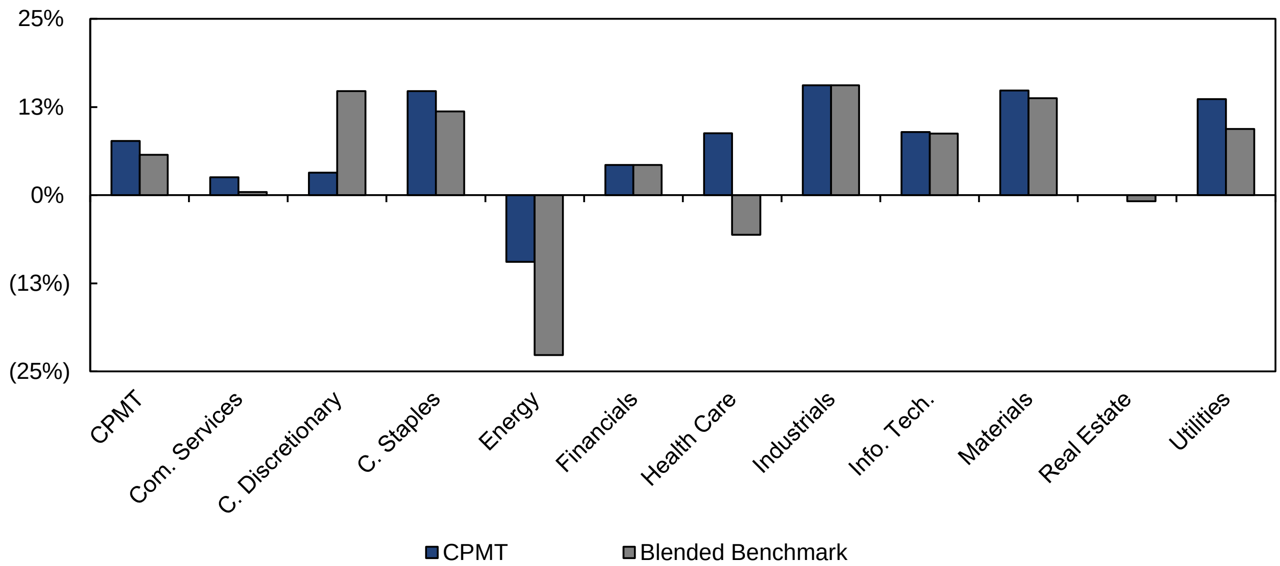
Compliance and Performance

QUARTERLY PERFORMANCE

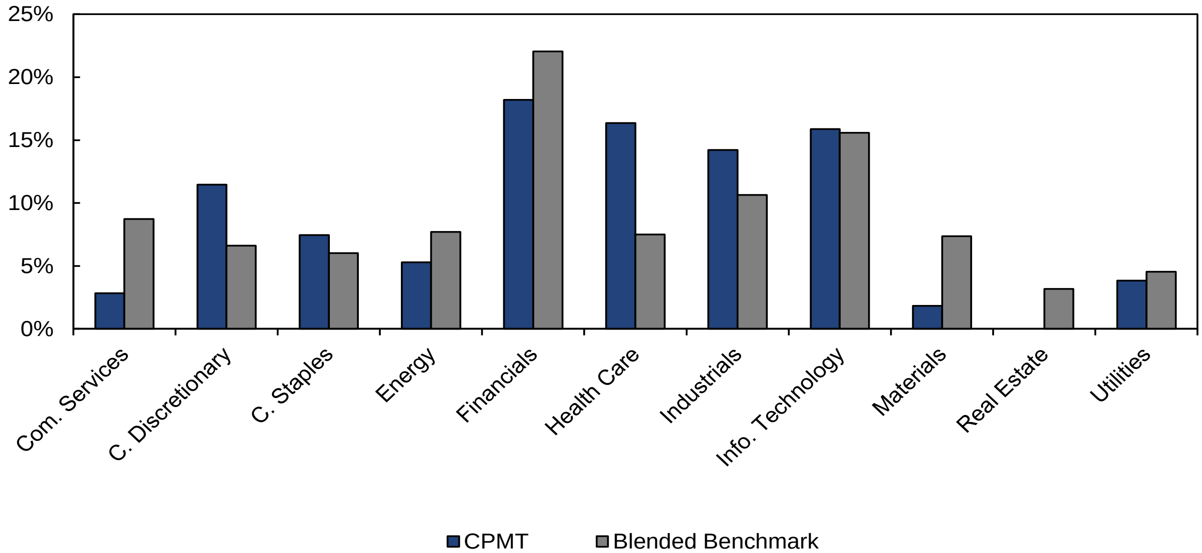
CPMT and Blended Benchmark Monthly Returns



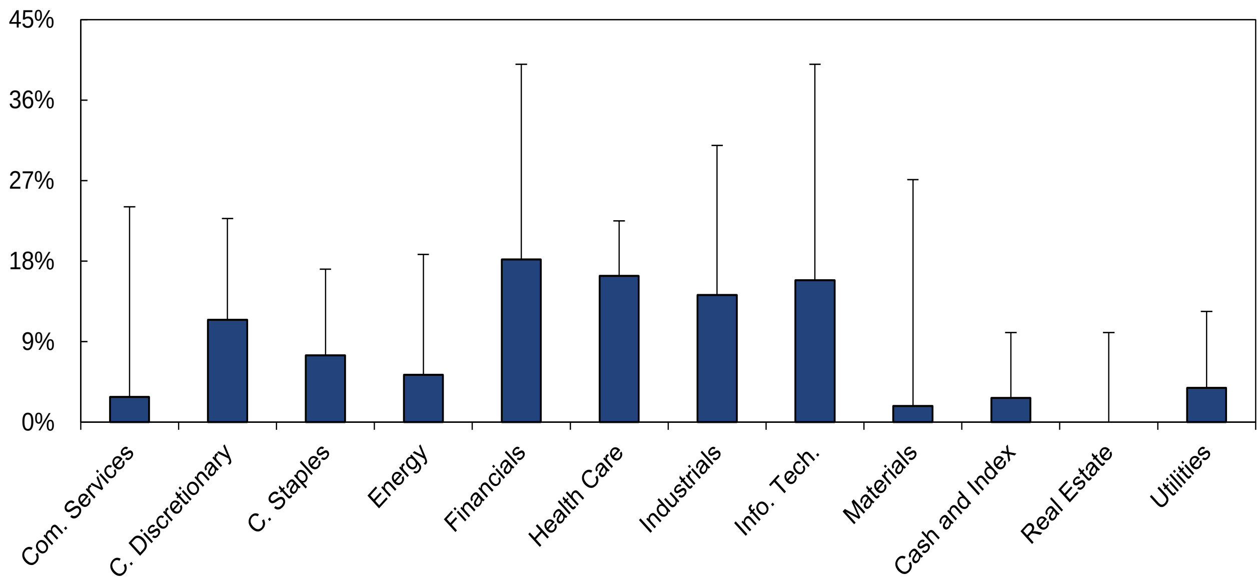
CPMT and Blended Benchmark Quarterly Sector Returns



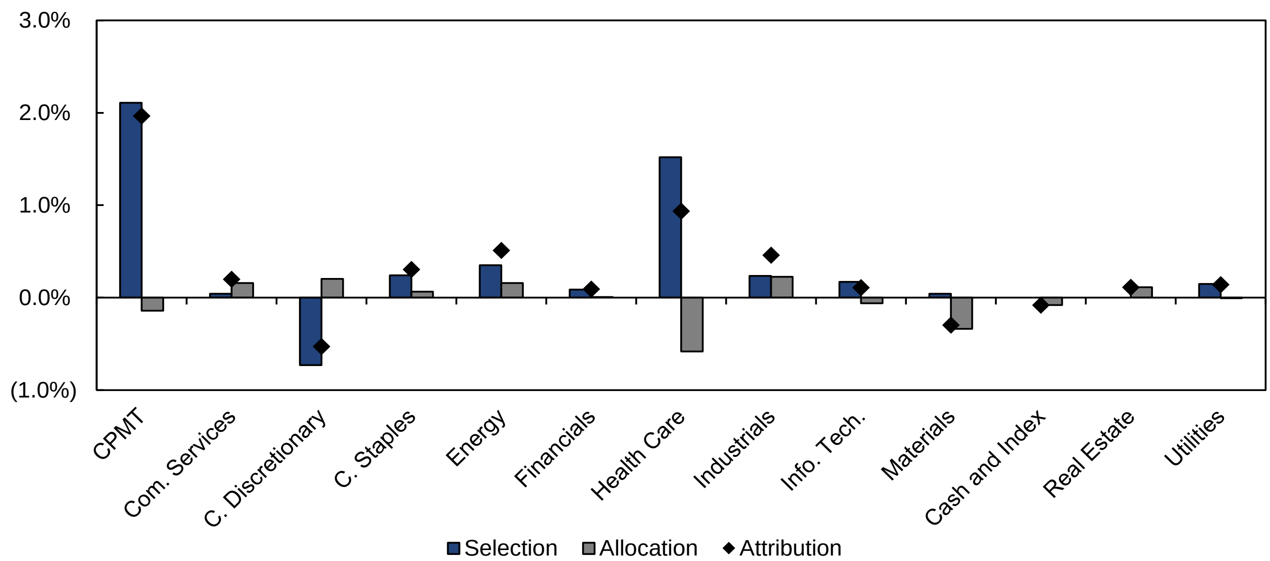
CPMT and Blended Benchmark Asset Breakdown



CPMT Sector Weights vs Maximum Weight



Attribution Analysis (FQ2 2021)



CPMT Attribution Analysis

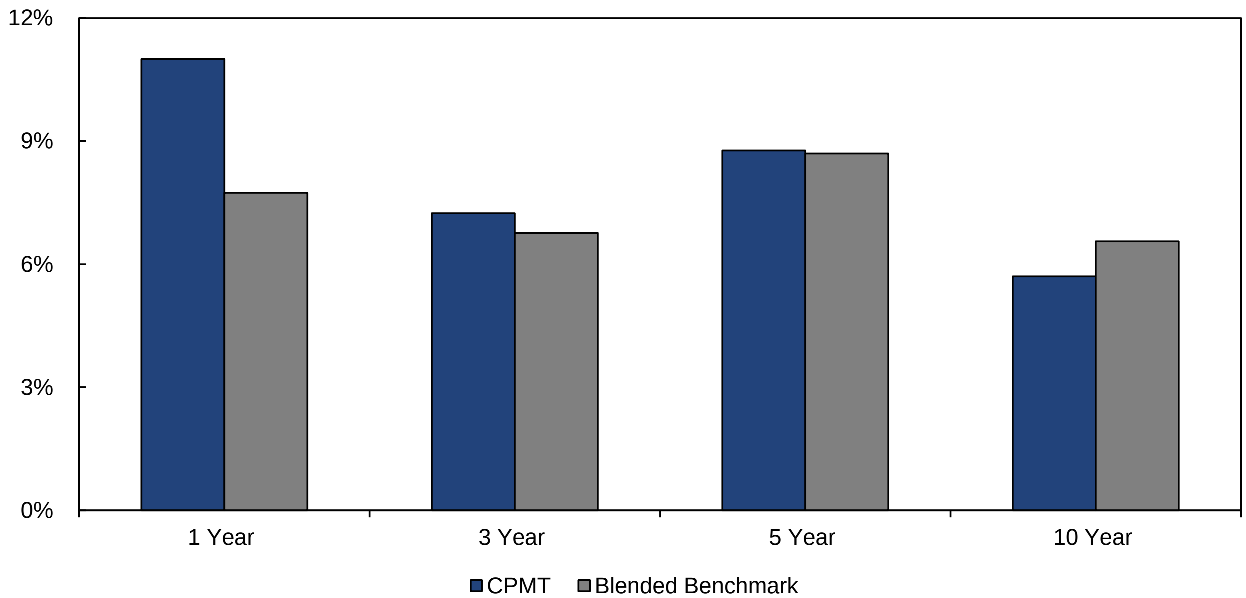
FQ2 2021	Attribution	Allocation	Selection
CPMT	1.97%	(0.14%)	2.11%
Communication Services	0.20%	0.16%	0.04%
Consumer Discretionary	(0.53%)	0.20%	(0.73%)
Consumer Staples	0.30%	0.06%	0.24%
Energy	0.51%	0.16%	0.35%
Financials	0.09%	0.01%	0.09%
Health Care	0.94%	(0.58%)	1.52%
Industrials	0.46%	0.22%	0.24%
Information Technology	0.11%	(0.06%)	0.17%
Materials	(0.30%)	(0.34%)	0.04%
Other	(0.08%)	(0.08%)	0.00%
Real Estate	0.11%	0.11%	0.00%
Utilities	0.14%	(0.01%)	0.15%

1 Year	Attribution	Allocation	Selection
CPMT	3.26%	(1.73%)	4.99%
Communication Services	0.23%	0.52%	(0.29%)
Consumer Discretionary	(0.75%)	0.10%	(0.85%)
Consumer Staples	0.54%	0.14%	0.40%
Energy	0.14%	0.10%	0.04%
Financials	0.73%	0.04%	0.69%
Health Care	1.61%	(1.62%)	3.24%
Industrials	2.44%	0.58%	1.86%
Information Technology	(1.37%)	(1.03%)	(0.34%)
Materials	(0.84%)	(0.85%)	0.01%
Other	0.43%	0.44%	(0.00%)
Real Estate	(0.34%)	(0.24%)	(0.10%)
Utilities	0.43%	0.10%	0.33%

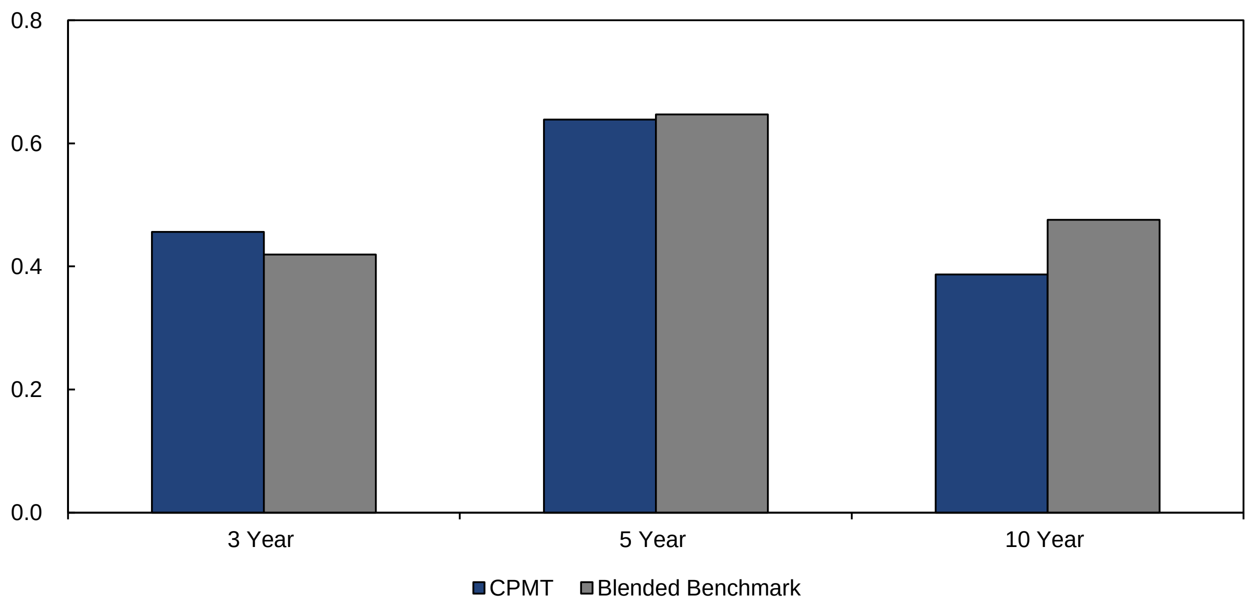
Compliance and Performance

LONG TERM PERFORMANCE

CPMT and Blended Benchmark Total Return (Annualized)



CPMT and Blended Benchmark Composite Index Sharpe Ratios



The CPMT Long Term Performance Targets

		1 Year		3 Year		5 Year		10 Year
Absolute Returns (annualized)								
CPMT (1)	✔	11.00%	✔	7.24%	✔	8.77%	✘	5.70%
Relative Returns (bps)								
Blended Benchmark (2)	✔	326	✘	48	✘	7	✘	(86)
Risk Adjusted Returns (bps)								
Blended Benchmark (3)	✔	342	✘	65	✘	38	✘	(62)

(1) Performance target of 7.0% annual returns.

(2) Performance target to exceed the Blended TSX & S&P 500 Benchmark by 100 bps.

(3) Performance target to exceed the Blended TSX & S&P 500 Benchmark by 100 bps on a risk adjusted basis.

CPMT Long Term Performance Details

	1 Year	3 Year	5 Year	10 Year
Annualized Return				
CPMT	11.00%	7.24%	8.77%	5.70%
Blended Benchmark	7.74%	6.76%	8.70%	6.56%
Annualized Volatility				
CPMT	17.84%	13.69%	11.76%	11.04%
Blended Benchmark	18.98%	13.90%	11.46%	10.59%
Sharpe				
CPMT	0.62	0.46	0.64	0.39
Blended Benchmark	0.44	0.42	0.65	0.48

APPENDICES

Appendix 1: CFA Code of Ethics

The following is the CFA Code of Ethics to be complied with at all times by Fund Managers:

- To act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- To place the integrity of the investment profession and the interests of clients above personal interests.
- To use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- To practice and encourage others to practice in a professional and ethical manner that will reflect credit on ourselves and the profession.
- To promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- To maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

Appendix 2: Account Activity

CPMT Transactions Log

FQ1	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
ATZ	22-Apr-20	Buy	700	$14.20				
ATZ	22-Apr-20	Buy	700	$14.13				
ABT	22-Apr-20	Sell	32	$77.88	$96.34	CAD	$590.72	23.70%
AMGN	22-Apr-20	Sell	24	$192.09	$236.00	CAD	$1,053.86	22.86%
AQN	22-Apr-20	Sell	1100	$12.77	$19.92	CAD	$7,869.95	55.99%
NEE	22-Apr-20	Buy	58	$243.91				
PG	27-Apr-20	Buy	60	$117.59				
Total							$9,514.53	44.96%

FQ2	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
APPL	10-Aug-20	Sell	44	$62.33	$112.28	USD	$1,677.93	80.13%
APPL	4-Sep-20	Sell	33	$62.33	$130.83	USD	$1,720.32	109.90%
APPL	24-Sep-20	Buy	15	$107.87		USD		
Total							$3,398.25	92.89%

Appendix 2: Account Activity

Dividend Summary

April, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
TD	30-Apr-20	$0.79	$316.00
JPM	30-Apr-20	$0.90	$121.50
Total			**$437.50**

July, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
T	02-Jul-20	$0.29	$198.05
CSU	10-Jul-20	$1.36	$19.02
JPM	31-Jul-20	$0.90	$121.50
TD	31-Jul-20	$0.79	$316.00
Total			**$654.57**

May, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
DOL	08-May-20	$0.04	$19.32
MA	08-May-20	$0.56	$39.03
MA	08-May-20	$0.40	$3.60
AAPL	14-May-20	$0.82	$59.04
ABT	15-May-20	$0.50	$90.58
COST	15-May-20	$0.70	$45.50
WCN	19-May-20	$0.26	$33.75
Total			**$290.82**

August, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
MA	07-Aug-20	$0.51	$40.67
DOL	07-Aug-20	$0.04	$19.32
APPL	13-Aug-20	$0.82	$59.04
COST	14-Aug-20	$0.70	$45.50
ABT	17-Aug-20	$0.48	$70.32
PG	17-Aug-20	$0.79	$47.44
WCN	18-Aug-20	$0.25	$32.16
Total			**$314.45**

June, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Jun-20	$0.81	$486.00
AMGN	08-Jun-20	$1.60	$96.00
MSFT	11-Jun-20	$0.51	$61.20
NEE	15-Jun-20	$1.40	$81.20
SU	25-Jun-20	$0.21	$84.00
CNR	30-Jun-20	$0.58	$143.75
CCL.B	30-Jun-20	$0.18	$36.00
BAM.A	30-Jun-20	$0.16	$91.44
Total			**$1,079.59**

September, 2020			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Sep-20	$0.78	$468.00
AMGN	08-Sep-20	$1.60	$96.00
MFST	10-Sep-20	$0.51	$61.20
NEE	15-Sep-20	$1.40	$81.20
SU	25-Sep-20	$0.21	$84.00
BAM.A	30-Sep-20	$0.16	$88.80
CCL.B	30-Sep-20	$0.18	$36.00
CNR	30-Sep-20	$0.58	$143.75
Total			**$1,058.95**

CPMT Holdings - September 30, 2020	Market Cap	Conviction	Position Size			Target Price		Stock Price	Total Return	
Financials			Current	Target	Difference	Prior	Current	End of Period	QTD	TTM
Brookfield Asset Management	Large	2	4.39%	4.00%	0.39%	$95.00	$63.00	$44.06	(1.40%)	(2.50%)
JPMorgan Chase & Co.	Large	2	3.08%	4.00%	(0.92%)	$146.00	$115.00	$96.27	2.40%	(14.20%)
Mastercard	Large	3	6.34%	6.00%	0.34%	$359.00	$347.00	$338.17	14.40%	26.10%
Toronto Dominion	Large	3	4.37%	6.00%	(1.63%)	$75.00	$65.00	$61.65	1.80%	(15.90%)
Information Technology										
Apple Inc	Large	3	6.21%	6.00%	0.21%	$78.00	$120.00	$115.81	27.00%	109.80%
Constellation Software	Large	2	3.67%	4.00%	(0.33%)	$1,320.00	$1,726.00	$1,479.63	(3.50%)	11.80%
Microsoft Corp.	Large	2	5.99%	4.00%	1.99%	$200.00	$200.00	$210.33	3.40%	54.30%
Materials										
CCL Industries	Mid	1	1.82%	2.00%	(0.18%)	$67.00	$68.00	$51.34	17.00%	(6.30%)
Energy										
Enbridge	Large	3	4.14%	6.00%	(1.86%)	$52.00	$52.00	$38.90	(5.80%)	(15.10%)
Suncor	Large	2	1.15%	4.00%	(2.85%)	$30.00	$30.00	$16.26	(29.00%)	(59.20%)
Consumer Discretionary										
Aritzia	Mid	2	4.33%	4.00%	0.33%	$24.00	$24.00	$17.43	(8.30%)	22.90%
Dollarama	Large	2	3.97%	4.00%	(0.03%)	$51.00	$53.00	$51.04	13.00%	7.00%
Ross Stores, Inc.	Large	2	3.17%	4.00%	(0.83%)	$135.00	$135.00	$93.32	9.50%	(12.70%)
Consumer Staples										
Proctor & Gamble	Large	1	1.98%	2.00%	(0.02%)	$132.00	$145.00	$138.99	16.20%	18.10%
Costco	Large	3	5.48%	6.00%	(0.52%)	$330.00	$380.00	$355.00	17.10%	22.80%
Telecommunications										
Telus	Large	2	2.82%	4.00%	(1.18%)	$57.00	$57.00	$23.43	2.90%	(1.30%)
Healthcare										
Abbott Laboratories	Large	2	3.82%	4.00%	(0.18%)	$93.00	$115.00	$108.83	19.00%	34.20%
Amgen	Large	2	3.62%	4.00%	(0.38%)	$250.00	$260.00	$254.16	7.80%	32.00%
Intuitive Surgical, Inc.	Large	2	5.73%	4.00%	1.73%	$650.00	$740.00	$709.54	24.50%	34.20%
Knight Therapeutics	Mid	2	3.19%	4.00%	(0.81%)	$9.00	$9.00	$5.80	(17.40%)	(21.60%)
Industrials										
Canadian National Railway	Large	3	6.28%	6.00%	0.28%	$130.00	$154.00	$141.81	18.10%	24.90%
Cintas Corp.	Large	2	4.74%	4.00%	0.74%	$320.00	$320.00	$332.83	25.00%	28.70%
Waste Connection Inc.	Large	2	3.19%	4.00%	(0.81%)	$125.00	$110.00	$103.72	8.80%	13.40%
Utilities										
Nextera Energy	Large	2	3.82%	4.00%	(0.18%)	$282.00	$282.00	$277.56	15.60%	13.70%