Calgary Portfolio Management Trust

FQ1 2020 Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2020 would like to extend our gratitude to the Board of Trustees for its continued commitment 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 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.

Following an eventful year of entering the U.S. market and a comprehensive reshaping of the portfolio, the CPMT aims to carry the momentum and rigor of last year's work into the new fiscal year. The Fund currently sits at a 60/40 weighting between Canadian and U.S. equities, and we aim to reach our 50/50 target within the next several months. The CPMT plans to execute this transition prudently, only 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. Additionally, we 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 will strive to maintain our commitment to excellence.

Sincerely,

Ben Dimnik, Portfolio Manager

Brian Timmerman, Portfolio Manager

Colton Borle, Portfolio Manager

Faiz Dossa, Portfolio Manager

Lucas Peters, Portfolio Manager

Mahdis Sadeghi, Portfolio Manager

Nicole Livingston, Portfolio Manager

Scott McNichol, Portfolio Manager

Class of 2020

Biographies

CPMT CLASS OF 2020

BEN DIMNIK
Portfolio Manager
5th Year, Finance
Ben joined the CPMT in March 2018 as an Investment Analyst. Ben is looking forward to improving his portfolio management, financial modeling, and valuation skills. Over his Bachelor of Commerce, Ben has worked for Pivotal Capital as a Market Research Assistant and for RS Energy Group as a Research Associate Intern. This summer, Ben is completing an internship at CIBC World Markets as a Corporate Banking Summer Analyst. Upon graduation, he is hoping to pursue a career in capital markets and looks to obtain his CFA designation. In his spare time, Ben enjoys playing hockey, golf, and hiking in the mountains.

BRIAN TIMMERMAN
Portfolio Manager
4th Year, Finance
Brian joined the CPMT in March 2018. He would like to thank the Board of Trustees, speakers, and alumni for their continued support of the program. Brian hopes to continue gaining hands-on experience in intrinsic valuation, portfolio management, and equity research through the CPMT program. This summer, Brian is working at ARC Financial as a Junior Investment Analyst. Outside of the CPMT, Brian is also a member of the University of Calgary Trading Team which placed 2nd overall at the Rotman International Trading Competition 2019. Upon graduation, he intends to pursue a career in capital markets, as well as obtain his CFA designation. In his spare time, Brian enjoys playing chess, hiking, skiing, and reading.

COLTON BORLE
Portfolio Manager
5th Year, Finance
As a Portfolio Manager, Colton is eager to continue learning about capital markets, valuation, and portfolio management from the extensive community of alumni, peers, and industry professionals that surround the CPMT. He is currently in the midst of a consulting internship with Deloitte as a Technology Strategy and Transformation Summer Analyst. In the coming year, Colton is looking forward to taking a mentorship role with the Investment Analyst class and improving the program as much as he can for future years. Following graduation, Colton hopes to attain his CFA designation and pursue a career in Capital Markets. Colton enjoys soccer, podcasts, and hiking in his spare time.

FAIZAAN DOSSA
Portfolio Manager
5th Year, Finance
Faizaan joined the CPMT program as an Investment Analyst in March 2018. He has enjoyed equity research and broadening his financial knowledge over the last year and looks forward to his role as a Portfolio Manager next year. Faizaan intends to write his CFA Level 1 in 2019 and is excited to further his capital markets competency over the summer. He is thankful for the opportunity that the CPMT provides and appreciates the continued support that the Board of Trustees, speakers, and alumni offer. In his spare time, Faizaan enjoys bodybuilding, time outdoors, and reading.

LUCAS PETERS
Portfolio Manager
5th Year, Finance
Lucas joined the CPMT in March 2018 as an Investment Analyst. Lucas is excited to expand his knowledge of capital markets, valuation, and portfolio management throughout his time in the program. This summer, Lucas is working at J.P. Morgan as an Investment Banking Summer Analyst. Last summer, he worked as a Private Equity Summer Analyst for Macritchie, after spending the fall semester on a Co-op term with Mackenzie Investments. In addition to his interest in finance, Lucas enjoys golfing and playing hockey.

MAHDIS SADEGHI
Portfolio Manager
5th Year, Finance
Mahdis joined the CPMT program in September 2017 as an Investment Analyst and would like to extend her thanks to the Board of Trustees, speakers, alumni, and mentors for their continued support. Mahdis is excited to gain hands-on experience in research, intrinsic valuation, and portfolio management throughout this academic year. Currently, Mahdis is completing a summer internship with Citi as a Corporate Banking Summer Analyst. Her previous experience includes internships with RS Energy and the British Columbia Investment Management Corporation's Corporate Bond Fund. Upon graduation, she intends to pursue a career in capital markets and obtain her CFA designation. In addition to her interest in finance, Mahdis enjoys hiking and snowboarding.

NICOLE LIVINGSTON
Portfolio Manager
5th Year, Finance
Nicole joined the CPMT in March 2018 as an Investment Analyst. She would like to thank the Board of Trustees, speakers, and mentors for giving her the opportunity to develop professionally alongside talented peers. Nicole is currently completing a summer internship in Securities Research with Kempen & Co. in Amsterdam. She aims to pursue a Masters in Quantitative Finance, followed by a career in capital markets upon graduation. Outside of academia and work, Nicole loves to travel, learn languages, and cook. She also physically challenges herself through competitive boxing and Brazilian jiu-jitsu.

SCOTT MCNICHOL
Portfolio Manager
5th Year, Finance/Chemical Engineering
Scott joined the CPMT in March 2018 as an Investment Analyst. He would like to thank the Board of Trustees, faculty, speakers, and alumni for their guidance and program support. He is grateful for the unique opportunity to expand his research, valuation, and portfolio management knowledge. Scott is working on a dual degree in Finance and Chemical Engineering and intends to pursue a career in capital markets upon graduation. Scott is currently working at Credit Suisse as an Investment Banking Summer Analyst. Last summer, he was an Engineering Summer Student at Husky Energy, and prior to that was a Summer Student in the Engineering Group at Sproule. Outside of work and school, Scott is an avid golfer and played competitively for a number of years.

CPMT CLASS OF 2021

AKASH SEKAR
Investment Analyst
4th 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. Akash is currently completing a summer internship with Whitecap Resources as an Accounting Summer Student, and he previously completed two summer internships with Crescent Point Energy in their Corporate Planning group. In addition to his passion for Finance, he enjoys playing hockey, basketball, and golf as well listening to podcasts about the aforementioned interests.

BREANNA SCHOLLAARDT
Investment Analyst
3rd 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. Breanna is a finance major, currently spending her summer as an intern at AECOM in the project controls department. Upon graduation she would like to explore a career in consulting or equity research. In her spare time, Breanna enjoys yoga, dancing, reading, and overall health and wellness.

DHRUV JINDAL
Investment Analyst
3rd Year, Finance/Data Science (Minor)

Dhruv joined the CPMT as an Investment Analyst in March 2019. He is looking forward to gaining hands-on experience in valuation, financial modeling, and equity research through the CPMT program. In addition to the CPMT, he is a member of the University of Calgary Trading Team and competed in the JDC West and Van Berkom JMSB Small Cap case competitions this past year. This summer, Dhruv is working as a Capital Markets and Corporate Planning Summer Student at Parex Resources and will be joining Suncor Energy for an 8-month co-op term as an Oil Sands Finance Student this fall. Upon graduation, he intends to pursue a career in capital markets, as well as obtain his CFA designation. In his spare time, Dhruv enjoys listening to music and podcasts.

ERIK SKORONSKI
Investment Analyst
4th Year, Finance/Software Engineering

Erik joined the CPMT in March 2019 as an Investment Analyst. He is excited to expand his knowledge of capital markets, financial analysis, and portfolio management throughout his time in the program. Erik is working on a dual degree in Finance and Software Engineering and intends to pursue a career in capital markets upon graduation. He is currently working as a Private Equity Summer Analyst at Ayrshire Group in their Real Estate and Venture Capital teams. Outside of work and academia, he enjoys contributing to fintech projects, listening to podcasts, snowboarding, and cycling.

HAYLEY HICKS
Investment Analyst
4th Year, Finance
Hayley joined the CPMT in March 2019 as an Investment Analyst. She is excited to strengthen her knowledge in fundamental equity valuation, strengthen her analysis across multiple market sectors and financial markets, and gain vital portfolio management experience during her time in the program. She also wishes to use her experiences and learnings to inspire others and give back to the program for future students. She is currently working towards her degree in Finance and wishes to obtain her CFA post-graduation while pursuing a career in the capital markets. Hayley is currently completing 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 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
Investment Analyst
3rd Year, Finance/Mathematics
Helena joined the CPMT in March 2019 as an Investment Analyst. 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 is excited to learn about portfolio management, valuation, and equity research through the program. She is currently pursuing a combined degree, majoring in finance and math. In the summer of 2018, Helena worked as a Futures and Derivatives Trading Intern at Plains Midstream Canada, where she is working again this summer in its Acquisitions and Strategic Planning division. Upon graduation, Helena intends to pursue a career in capital markets and obtain her CFA designation. In her spare time, Helena enjoys playing piano and clarinet as well as golfing, playing tennis, and hiking.

JOSE MENJIVAR
Investment Analyst
4th Year, Finance/Computer Science
Jose joined the CPMT in March of 2019 as an Investment Analyst. He is looking forward to the continuous experiential learning opportunities in the program and is excited to further expand his knowledge in valuation, fundamental analysis, and portfolio management specifically focusing on the energy sector. He is currently working towards completing his dual major degree focusing in Finance and Computer Science and plans to obtain his CFA designation after graduation. Jose intends to pursue a career in capital markets, somewhere he can leverage his technical knowledge in both finance and computer science. He is currently completing an internship with the Creative Destruction Lab as Venture Analyst. In his free time, Jose enjoys hiking, reading, playing guitar, and researching new technologies.

WILLIE LI
Investment Analyst
4th 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 modelling, portfolio management, and equity research. Willie is currently working towards a dual degree in Finance and Software Engineering. Upon graduation, he intends to pursue a career in capital markets and obtain his CFA designation. Outside of work and academics, Willie enjoys reading, basketball, gymnastics, and financial software development.

Portfolio Strategy and Sector Views

OVERVIEW

During FY2020, 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 continues to research companies that we believe are defensive while fitting our mandate, and will outperform amidst slowing global growth and rising trade tensions. In the U.S., although the Fed's tone has become more dovish versus December 2018, and with a possible rate cut in the near term, we remain disciplined with our approach to positioning the portfolio defensively in terms of both sector weighting and security selection. Moreover, we believe our views on optimal sector weightings will become increasingly important as the looming economic slowdown approaches and intra-stock correlations increase, which limit the effectiveness of security selection. In Canada, the BoC is maintaining a more neutral policy stance but we expect its tone to become more dovish amidst slowing growth and exposure to U.S.-China trade headwinds. 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.

CONSUMER DISCRETIONARY

We view the Consumer Discretionary sector with cautious optimism when looking for names that fit our portfolio mandate and macroeconomic outlook. With global growth slowing and central bank's policy shifting from normalization to stimulus, we see the threat of a looming recession as negative for the overall Consumer Discretionary sector. A recession will cause a slowing in consumer activity which will reduce the wholesale demand for discretionary items and will subsequently result in poor performance for the sector under those circumstances. That said, we are currently underweight our blended index by 4.2% and have Dollarama (TSX: DOL) as our lone sector holding, which we believe is well positioned to outperform in a recession environment. We believe that we should be more aligned with our benchmark weight, and that we can find an additional defensive company within the sector that will outperform in a slowing macroeconomic environment.

CONSUMER STAPLES

We are comfortable being slightly overweight in Consumer Staples given the positive historical performance of the sector during economic downturns. We added Costco (NASDAQ: COST) to the Fund at the beginning of 2019, and it has returned 22% thus far. This is an indication that COST is a high-quality name and investor sentiment is targeting defensive names. Our other holding is Andrew Peller (TSX: ADW/A), which is a long-term holding that has remained a part of the Fund as the CPMT sees growth potential in the name. The CPMT will weigh the growth potential of ADW/A during an economic downturn and see if it would be prudent to swap for a more traditional Consumer Staples company that will offer better performance.

ENERGY

The CPMT aims to be underweight in Energy relative to the benchmark. Since the decision in late 2018 to divest all E&P holdings, the CPMT will maintain exposure to energy through companies with distinct competitive advantages and the ability to generate free cash flow throughout commodity price cycles. The CPMT believes the North American gas market will remain oversupplied in the near term and oil prices may stay near marginal economic levels due to prolific shale production growth from the U.S. As such, we continue to seek companies with limited or diversified exposure to commodity prices and will continue to evaluate the mandate fit of our current energy holdings.

FINANCIALS

The CPMT recognizes the current 7.1% overweight in Financials holdings. As such, we are assessing whether to maintain or trim our weighting, given our overall view of the market. Similarly, we will be evaluating the split between Canadian and U.S. names (currently 4/5 are Canadian) to determine whether to bring the split in line with the Fund target of 50/50. Macroeconomic indicators and our overall market view will be used to determine an appropriate split.

HEALTH CARE

The CPMT is currently slightly overweight in Health Care relative to the benchmark given new positions in Abbott Laboratories and Amgen. We are comfortable with our overweight position as the industry tends to display the competitive advantages and free cash flow generation we seek through our mandate. Additionally, the space is attractive due to its non-discretionary nature and the aging North American demographic. However, valuations within the sector remain elevated, and the CPMT will remain diligent in evaluating new potential investments in order to ensure price is reasonable when compared to intrinsic value.

INDUSTRIALS

The Industrials Sector performs best when there is economic expansion. The CPMT does not believe that these are the current global conditions. Worldwide, there has been a reduction of interest rates, a slowing of housing starts, reduced GDP growth, and other pre-recessionary signs. The CPMT currently holds Canadian National Railway (TSX: CNR), Toromont (TSX: TIH), and Waste Connections (TSX: WCN) within the sector. The CPMT is committed to obtaining the benchmark weighting within the sector but recognizes the importance of holding companies that will provide growth as well as follow the defensive approach to the portfolio. The CPMT will continue to monitor the sector as well as macroeconomic events to ensure the fund will not underperform in Industrials.

INFORMATION TECHNOLOGY

The Information Technology sector offers tremendous growth and highly diverse business models that makes it appealing for the CPMT to search for companies that fit our mandate and drive high returns through growth. Although we continually look for high growth names, we find that the market values growth at a vast premium that often does not align with our valuation objectives, which is why we are currently slightly underweight the sector. The CPMT has recently added Microsoft and Apple (NASDAQ: MSFT, AAPL) to the Fund under the justification that they have extreme differentiation and astounding power to leverage their market position into new areas of long-term significance (e.g. cloud). We will continue to monitor the sector for growth and differentiated names, but we are comfortable with our current position.

MATERIALS

The CPMT is currently 1.8% underweight in Materials relative to the benchmark, with CCL Industries as our only holding in the sector. The Fund may further look into names in the space that can continue to add value to the Fund, but must follow our defensive stance.

REAL ESTATE

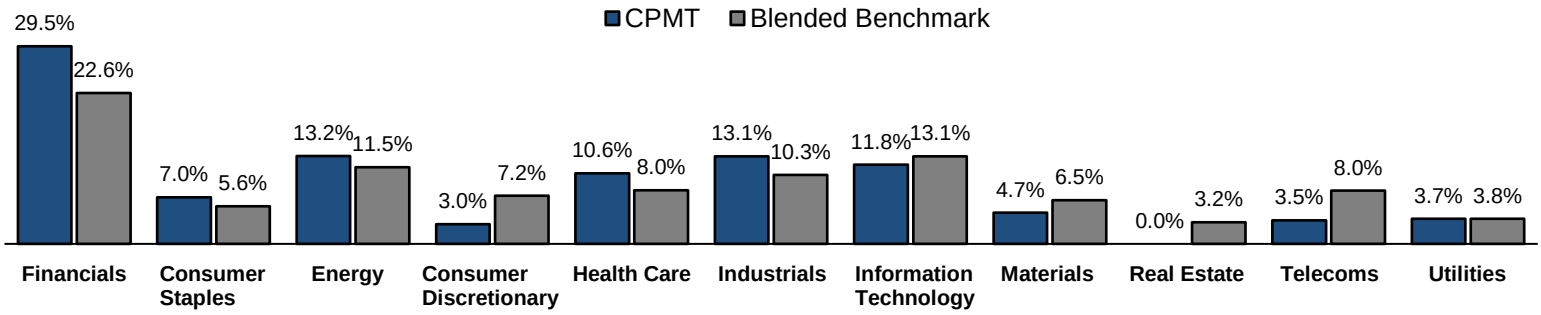
Although the CPMT does not currently hold any Real Estate securities, we will continue to research U.S. listed securities for opportunities to bring the sector weighting in line. The REIT industry remains a strong sector moving into the recent quarter and the Fund sees the industrial and healthcare REITs as industries with strong potential for attractive investment within the sector.

TELECOMMUNICATIONS

The CPMT is currently underweight 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 will be evaluating the strength of the U.S. telecommunications companies as a means to get more early exposure to the roll out of 5G. We will also be evaluating the media names within the sector to understand their business model in greater detail and to see if there are any media companies that fit our mandate while being insulated from an economic downturn. We believe that we should be adding to our Communication Services sector holdings to be more in line with our benchmark weight.

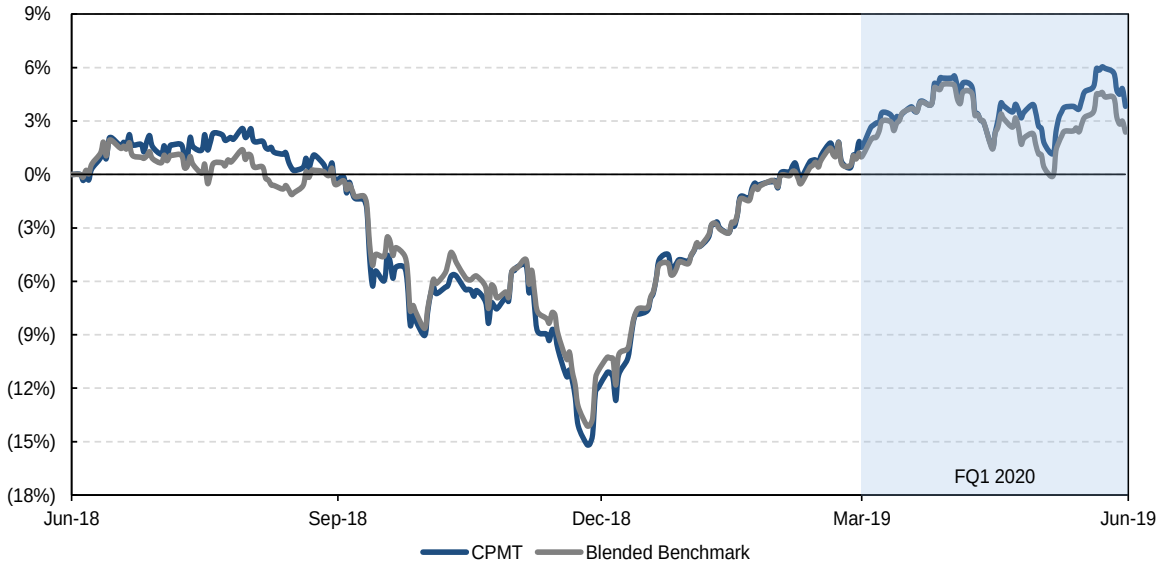
UTILITIES

The CPMT is currently 0.1% underweight in Utilities relative to the benchmark. The CPMT is comfortable with our current weighting, although we will be putting an increased focused on finding a fully regulated utility to add to our sector holdings over the year. Given the increasingly dovish interest rate environment in the U.S., we believe that the Utilities sector will outperform our blended benchmark due to strong divided yields eclipsing progressively lower interest rates and bond yields. We are targeting regulated Utilities because their low betas and returns that are more insulated from lower industrial load common during an economic downturn.

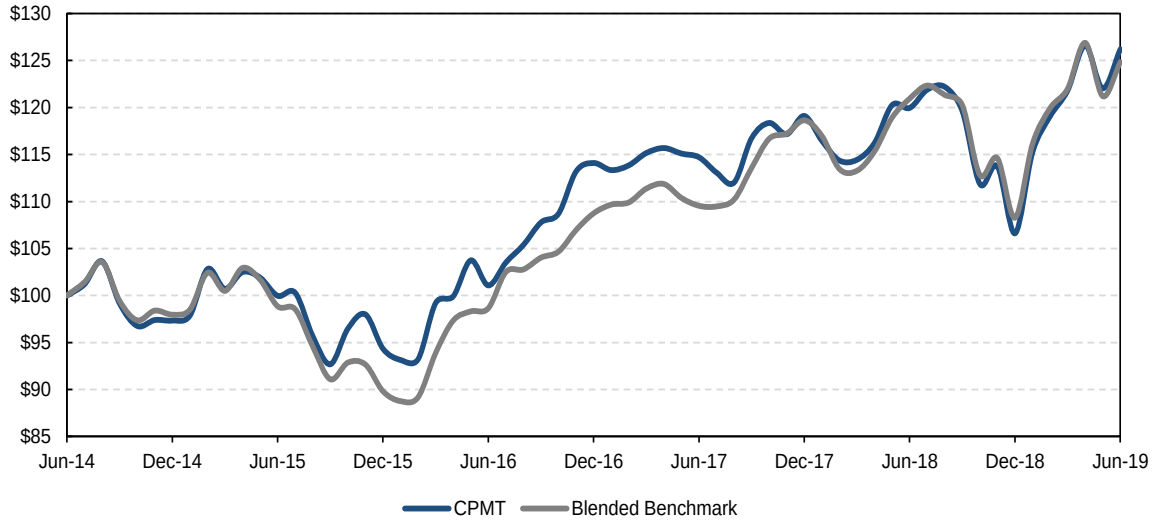


Quarterly Snapshot - FQ1 2020

CPMT and Benchmark Total Return (TTM)



Value of $100 (since June 30, 2014)

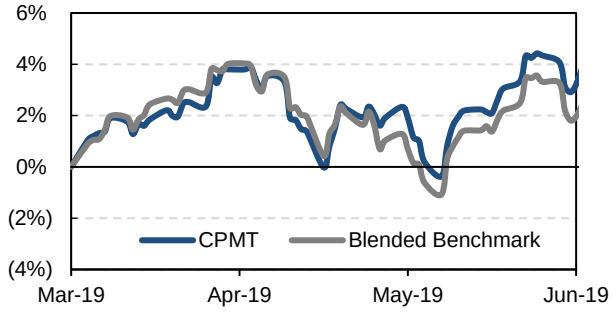


Fund Universe

	FQ1	1 Year	3 Year	5 Year	10 Year
CPMT	3.83%	4.48%	5.63%	4.05%	5.32%
Blended Benchmark	2.38%	3.22%	8.16%	4.54%	7.72%
Blended Benchmark Difference	1.46%	1.26%	(2.54%)	(0.49%)	(2.41%)

Quarter in Review

QUARTERLY RETURN



NOTE TO STAKEHOLDERS

The CPMT Class of 2020 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 quarter marked the beginning of a new fiscal year for the Fund, following an eventful year transitioning into the U.S. equity markets. We continued to make progress towards our goal of a 50/50 weighting of Canada vs. U.S. equity exposure, and hope to complete the transition over the next several months.

The first action taken by the Fund during the quarter was to divest our remaining position in CGI Group (TSX: GIB/A) to help fund new positions in the U.S. market. We viewed the technology consulting space as less defensive in nature and believed ongoing competition from other consulting firms could continue to drive margins downwards. The CPMT decided to seek more differentiated business models within the IT space which led to the initiation of a 4% position in Microsoft (NASDAQ: MSFT) early in the quarter.

MSFT's dominant market share, track record of FCF growth, and unique position within the U.S. technology sector made it an attractive name from both a mandate fit and portfolio allocation perspective.

A 4% position in Amgen (NYSE: AMGN) was also initiated early in the quarter, as the Fund looked to increase its exposure to the U.S. Health Care sector given our broadened investment universe. We believe AMGN is a name with a history of robust free cash flow generation that trades at an attractive valuation relative to intrinsic value.

We had a high volume of internal pitches nearing the end of the academic year due to our continued focus on transitioning half of our portfolio to the U.S. After much internal debate and deliberation, we ultimately decided to establish new 4% positions in both Apple (NASDAQ: AAPL) and Marathon Petroleum (NYSE: MPC). The CPMT was attracted to AAPL due to its significant brand loyalty and ability to monetize its device base through expanding its service and digital payment offerings, while also checking all the boxes as per our mandate. Our new position in MPC is an opportunity to gain exposure to the U.S. downstream and midstream energy markets after MPC's recent transformative acquisition of Andeavor. We believe that MPC is now the dominant player in an industry with little threat of new entrants, and should be able to take advantage of wide Canadian oil differentials.

Lastly, the Fund trimmed Toromont Industries (TSX: TIH) from a 4.2% weighting down to 3.2%. TIH had become an overweight name in the portfolio following its strong performance over the past years, so the position was trimmed in order to help fund some our new investments in the U.S. Additionally, the Fund was still overweight Industrials and looked to reduce the sectors weighting to shift to industries less exposed to macroeconomic headwinds.

In our FQ1 2020 quarterly report, we decided to focus the one pagers on our current portfolio of holdings in order to recalibrate our theses on each of our names before continuing our transition to a 50/50 Canada and U.S. weighted portfolio. This exercise forced us to reflect on our convictions for each of our current names and served as a great learning opportunity for the new Investment Analyst class. We look forward to continuing to update our stakeholders on our portfolio transition in the following quarter.

TRANSACTION LOG

COMPANY	OLD AUM	NEW AUM
CGI	1.7%	0.0%
Microsoft	0.0%	4.0%
AMGEN	0.0%	4.0%
MARATHON	0.0%	4.0%
Apple	0.0%	4.0%
TOROMONT	4.2%	3.2%

*Note: AUM reflects time of transaction, not end of FQ1 2020

NEW RECOMMENDATIONS

	COMPANY	IMPLIED RETURN
OUTPERFORM	Enerplus	84.2 %
	Marathon Petroleum	29.1 %
	Andrew Peller	25.2 %
	Microsoft	21.5 %
	Amgen Inc.	19.0 %
MARKET PERFORM	TELUS	12.1 %
	Abbott Laboratories	12.0 %
	Tormont Industries	10.7 %
	Costco Wholesale	10.3 %
	Knight Therapeutics	10.1 %
	Canadian National Railway	9.0 %
	Dollarama	8.9 %
	Enbridge	8.0 %
	Constellation Software	7.4 %
	Suncor Energy	4.7 %

*Note: Reflects implied upside as of June 30, 2019

Abbott Laboratories

Health Care
NYSE: ABT
Market Perform | Hold

June 30, 2019

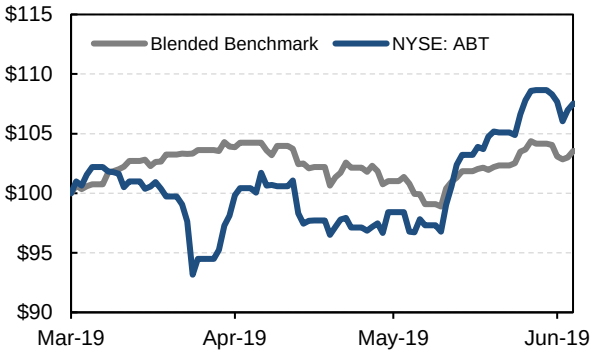
Jose Menjivar, Investment Analyst
Brian Timmerman, Portfolio Manager
Helena Cherniak-Kennedy, Investment Analyst

Return on Investment	
Current Share Price (US$)	$84.10
Target Price (US$)	$93.00
Dividend Yield	1.46%
Holding Period Return	12%
Company Quality (CQ) Score	3.6
Conviction Rating	2

Market Profile	
52-Week Range (US$)	$63.07 - $88.76
Market Capitalization (US$mm)	$148,368
Net Debt (US$mm)	$15,439
Enterprise Value (US$mm)	$163,807
Beta (5-Year Monthly)	1.13

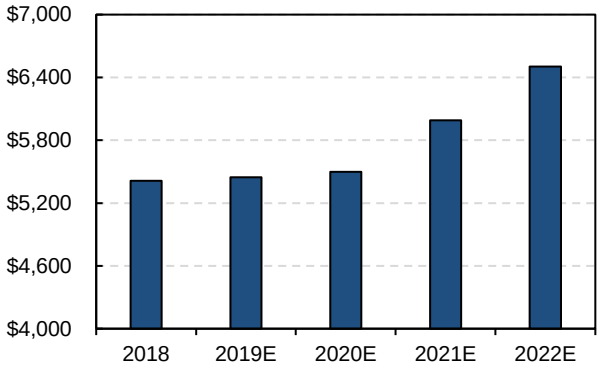
Metrics	2019E	2020E	2021E
Revenue (US$mm)	$31,326	$34,681	$38,244
EBITDA (US$mm)	$5,854	$8,533	$9,410
EPS (US$)	$3.24	$3.62	$4.05

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Free Cash Flow Estimates (US$mm)



Source: CPMT Estimates, Company Filings

Business Description

Abbott Laboratories (NYSE: ABT) is a health care company that engages in the discovery, development, production, and sale of various health care related products. The Company operates in four segments: Nutrition, Established Pharmaceuticals, Diagnostics, and Medical Devices. ABT has significant exposure to emerging markets, with ~65% of revenues generated outside the U.S, which has allowed the company to enjoy geographic revenue diversification.

Original Investment Thesis

The CPMT entered the position with the conviction that ABT's many competitive advantages, including strong FreeStyle Libre and MitraClip adoption and accurate trend identification by management, would continue to create value for shareholders into the future. We expected the Established Pharmaceuticals segment to be driven by the Company's efficient international market penetration strategies. In the Diagnostics segment, growth was expected to be driven by rising efficiency trends in hospitals. The Medical Devices segment (a combination of the Cardiovascular and Neuromodulation segment with the Diabetes Care segment) is forecasted to see a ~14% five-year revenue CAGR , driven mostly by the higher incidence of chronic and pre-existing conditions. We stated no expectation of significant growth in the Nutrition segment, as ABT has robust market share domestically and internationally. We anticipated aging demographics to be a revenue driver in virtually all segments. The Company fits the CPMT's mandate well because of management's exceptional track record, high levels of insider ownership, compelling competitive advantages, and a ~7% five-year free cash flow CAGR.

Outlook and Developments:

During 1Q19, ABT beat consensus earnings expectations by 3.3%, with worldwide sales growing 7.1% organically. Established Pharmaceuticals revenues saw a 5.4% increase organically. The Diagnostics segment grew a marginal 0.2%, and saw an organic YoY decline due to the very strong flu season of 1Q18, while Nutrition grew 6.7% organically YoY. Medical devices' 9.5% organic growth can be partially attributed to the 80.1% YoY organic growth of the FreeStyle Libre Glucose monitor. Since management engages in strategic portfolio shaping, ABT's ability to forecast trends and make investments accordingly can be observed through its healthy organic growth rates. To maintain this position, the CPMT would like to see meaningful growth in the newly FDA approved MitraClip and Alinity Diagnostics, as underperformance of the Company's organic pipeline would demonstrate a lack of ability by management to identify profitable growth sectors.

Revised Valuation and Investment Thesis

A five-year DCF valuation of ABT was conducted, applying a 7.8% WACC and a 50/50 Gordon Growth/ EV/EBITDA Exit Multiple blend. This resulted in a target price of $93.00, implying a 12% upside to the stock. The CPMT estimates a ~9% five-year revenue CAGR, which we believe is appropriate given the Company's market share consolidation. ABT's management track record of strategic decisions, 40 years of increasing dividends, and increasing levels of insider ownership reiterates that this is a strong holding. Although ABT took on elevated debt levels in recent years to finance acquisitions, the CPMT is comfortable with management's commitment to delever, with 1Q19 Net Debt/EBITDA sitting at 2.3x.

Amgen

Health Care
NYSE: AMGN
Market Outperform | Hold

June 30, 2019

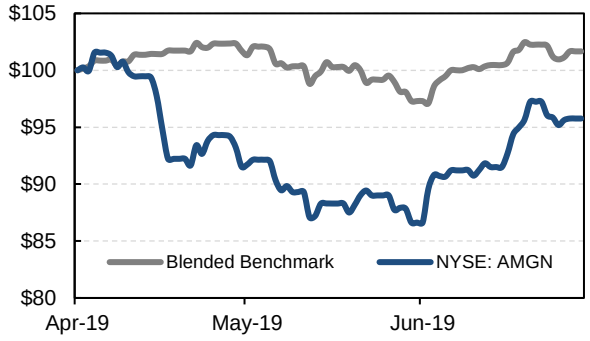
Brian Timmerman, Portfolio Manager
Helena Cherniak-Kennedy, Investment Analyst
Jose Menjivar, Investment Analyst

Return on Investment	
Current Share Price (US$)	$184.28
Target Price (US$)	$214.00
Dividend Yield	2.84%
Holding Period Return	19%
Company Quality (CQ) Score	3.5
Conviction Rating	2

Market Profile	
52-Week Range (US$)	$166.30 - $211.90
Market Capitalization (US$mm)	$110,513
Net Debt (US$mm)	$4,625
Enterprise Value ($USmm)	$115,138
Beta (5-Year Monthly Industry Beta)	1.01

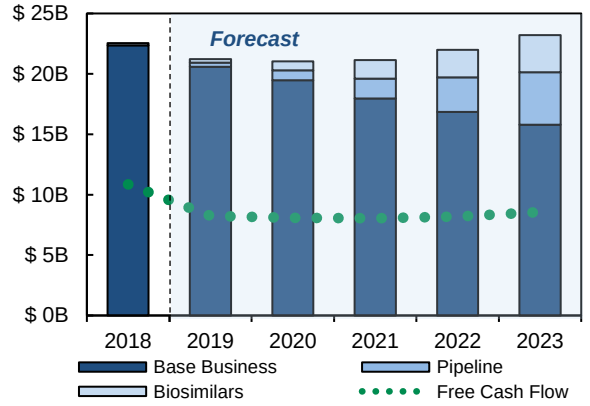
Metrics	2019E	2020E	2021E
Revenue (US$mm)	$22,353	$22,177	$22,293
EBITDA (US$mm)	$9,835	$9,758	$9,809
FCF Yield	7.6%	7.4%	7.4%
EV/EBITDA	11.8x	11.9x	11.8x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Revenue Build and Free Cash Flow (US$)



Source: Company Filings, CPMT Estimates

Business Description

Amgen (NYSE: AMGN) is a global biotechnology company with a product focus in cardiovascular, bone health, oncology/hematology, neuroscience, inflammation, and biosimilars. The Company generates the majority of its revenue from the U.S., and focuses primarily on areas of high unmet medical need. AMGN posesses a promising product pipeline, with cancer treatment remaining a key therapeutic area of focus.

Original Investment Thesis and Holding Period Developments

The CPMT purchased AMGN early in the quarter due to its compelling growth opportunities, underappreciated pipeline, and favourable industry dynamics driven by an aging North American demographic. AMGN has shown consistent results and robust free cash flow generation with an ~11% CAGR over 7 years, leading to a substantial return of capital to shareholders through its dividend and share buyback programs. We believe that the strong economic moats inherent in AMGN's business paired with growing demand will allow the Company to compound capital over a long time horizon. Since AMGN's shares are trading at an attractive valuation (11.8x 2019E EV/EBITDA) compared to both intrinsic value and its peer group average of 13.0x 2019E EV/EBITDA, the decision was made in April 2019 to allocate capital to the name.

Since investing in AMGN, a few notable developments have affectied our outlook. In late May, AMGN announced a deal where it acquired a Danish biotechnology firm, Nuevolution, for US$167mm. Nuevolution is a small molecule drug discovery platform and had been in collaboration with AMGN in its R&D effort for a number of years. The CPMT views the deal positively as the long term thesis on AMGN relies on the strength of its pipeline to compensate for declining revenue from legacy drugs.

Later in the quarter, promising results came back from AMGN's phase 1 study on the KRAS inhibitor AMG 510. The inhibitor targets an important and previously undruggable gene that can cause cancer, and is the first KRAS inhibitor to reach clinical testing. This presents an attractive drug opportunity for AMGN given that the gene has broad involvement across multiple types of tumors. We believe that the market has still attributed little value to AMGN for its early to medium-term pipeline and therefore remain convicted on the name.

Revised Valuation

We have updated our DCF model for AMGN given Q1 results and news affecting our outlook. Additionally, an industry beta calculated from comparable peers was added to our model to better account for the noise inherent in individual beta calculations. Our current target price for the equity is $214/share resulting in a 19% implied holding period return.

Current Investment Thesis and Outlook

The CPMT believes that AMGN's management team is both highly skilled and experienced, which remains a very important consideration in evaluating a biotech company. AMGN has also continued to demonstrate its ability to create value through a growing ROIC of ~16% that is above its cost of capital. In considering these factors with AMGN's attractive valuation, the CPMT remains convicted on the name. AMGN operates a high margin business with an ability to generate sustainable free cash flow, and should remain a defensive holding in a downturn. Although long-term risks do exist surrounding drug reform and political uncertainty, the industry mitigates these through self-policing and it will remain difficult for policy makers to enact major structural change.

Andrew Peller

Consumer Staples
TSX: ADW/A
Market Outperform | Hold

Calgary Portfolio Management Trust

ANDREW PELLER LIMITED

June 30, 2019

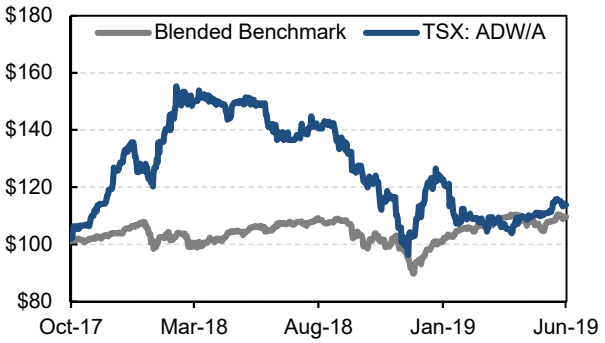
Ben Dimnik, Portfolio Manger
Colton Borle, Portfolio Manager
Erik Skoronski, Investment Analyst
Breanna Schollaardt, Investment Analyst

Return on Investment	
Current Share Price	$13.75
Target Price	$17.00
Dividend Yield	1.57%
Holding Period Return	25%
Company Quality (CQ) Score	2.8
Conviction Rating	2

Market Profile	
52-Week Range	$11.64 - $17.71
Market Capitalization (mm)	$495
Net Debt (mm)	$155
Enterprise Value (mm)	$650
Beta (5-Year Monthly)	0.39

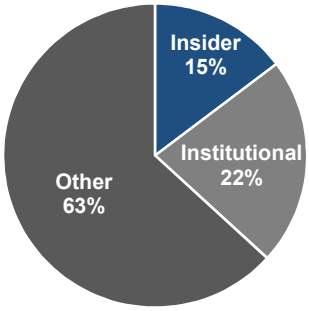
Metrics	2019A	2020E	2021E
Revenue (mm)	$364	$407	$409
EBITDA (mm)	$48	$49	$51
EPS	$0.87	$0.98	$1.05
EV/EBITDA	13.5x	13.3x	12.7x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Andrew Peller Limited Class A Ownership



Source: Company Filings

Business Description

Andrew Peller Limited (TSX: ADW/A) is one of the largest producers and marketers of award-winning wines in Canada. ADW also imports wine from international markets to complement domestic brands so as to serve the desires of the Canadian wine consumer. In addition, ADW owns and operates nine wineries across Canada and recently acquired three wineries in British Columbia. ADW also has over 100 retail locations under its control as well as a wholly owned subsidiary, GVI, a leader in personal winemaking products.

Original Investment Thesis

ADW holds a market leading position in the Canadian wine industry, which has high barriers to entry primarily due to the high capital requirements of starting a full-scale winery. ADW is currently the largest publicly traded winemaker in the Canadian space, with a market share of 14.4%. In addition, ADW's diverse selection of award-winning brands makes the Company front-runners among a premium selection of wines at over 30 prestigious Michelin Star restaurants. These restaurants include fine culinary establishments, such as Gordon Ramsay at Royal Hospital Road, which offers two bottles of Peller Estates wine. ADW has demonstrated a strong record of accomplishment as it has grown its market share by a 1.9% CAGR over the last eight years. Residing in a fragmented industry, ADW has the option to grow inorganically, as all but one competitor in the Canadian wine market has a market share of less than ~3%. With a clean balance sheet sporting a Debt/Equity of ~71%, Net Debt/EBITDA of 3.1x, and a 2019 Interest Coverage Ratio of 6.6x, ADW's capitalization is in line with its peers to finance projects in the pipeline.

Revised Valuation

The CPMT valued ADW using a five-year DCF analysis with an exit EV/EBITDA multiple of 11.6x. The multiple was derived from taking an average of ADW's competitors in the alcoholic beverage space and is in-line with precedent transactions. The target price was calculated with a 50% weighted DCF with an EV/EBITDA exit multiple of 11.6x, 25% weighted relative EV/EBITDA valuation (11.6x), and 25% weighted P/E relative valuation (18.8x). This valuation implies a price target of $17.00 with a holding period return of 25%.

Current Investment Thesis and Outlook

ADW is a strong company with a notably experienced board, an excellent 46% dividend payout ratio, and the ability to create long-term returns for shareholders. That said, we remain apprehensive about adding to the position given its high historical volatility, which we will monitor closely to ensure that the company's future performance aligns with investors expectations in the coming quarters, while satisfying the CPMT mandate. ADW has a strong brand presence in each of its product lines, as well as diversification in spirits and whisky products. Its strategy to cover diverse market channels positions the Company to absorb new customers and increase its market share, adapt dynamically to changing consumer buying patterns and preferences, and to retain existing customers that have a strong affinity to its 24 year-old brand. Consumer Staples are generally defensive holdings and ADW fits the bill of having a solid dividend, low beta, and a solid track record of creating value for shareholders over the long-term.

Canadian National Railway

Industrials
TSX: CNR
Market Perform | Hold

June 30, 2019

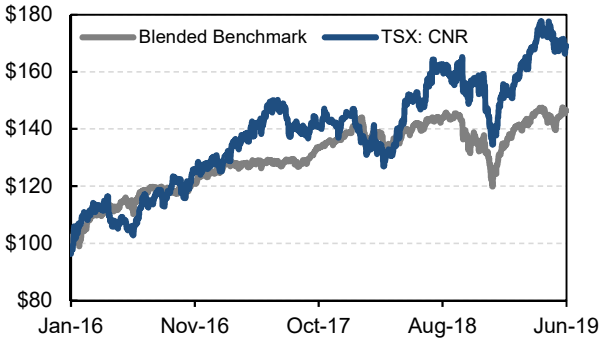
Faiz Dossa, Portfolio Manager
Hayley Hicks, Investment Analyst
Willie Li, Investment Analyst

Return on Investment	
Current Share Price	$121.20
Target Price	$131.00
Dividend Yield	1.77%
Holding Period Return	10%
Company Quality (CQ) Score	3.1
Conviction Rating	2

Market Profile	
52-Week Range	$96.46 - $127.96
Market Capitalization (B)	$87
Net Debt (B)	$12
Enterprise Value (B)	$100
Beta (5-Year Monthly)	0.93

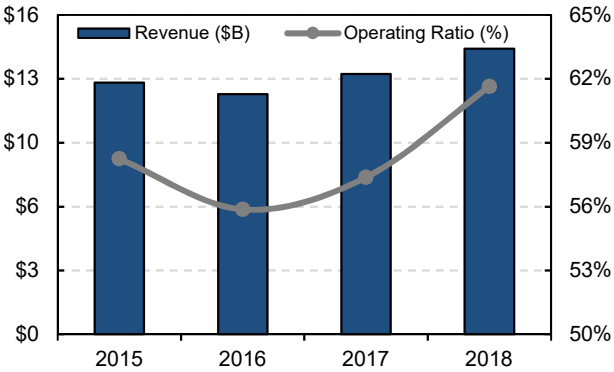
Metrics	2019E	2020E	2021E
Revenue (mm)	$15,423	$16,560	$17,796
EBITDA (mm)	$7,660	$8,224	$8,838
EPS	$6.54	$7.23	$8.01
EV/EBITDA	13.0x	12.1x	11.3x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Historical Revenue and Operating Ratio



Source: Company Filings

Business Description

Canadian National Railway (TSX: CNR) is a Canadian railroad company that employs over 24,000 people. It transports over $250B worth of goods every year through its 32,000km railroad network, situated across North America. Headquartered in Montreal, CNR is currently the largest freight railway company in Canada and the second largest in the U.S. The Company's main sources of revenue are well-diversified and include the transport of petroleum and chemicals, metals and minerals, forest products, coal, grain and fertilizers, intermodal products, and automotive products. As of the most recent quarter, the two highest sources of freight revenue were intermodal and petroleum and chemicals respectively.

Original Investment Thesis

CNR had a strong operational and financial performance, experienced management team, and healthy balance sheet. The Company had strong profitability margins and sustainable financial performance over the past three years, reflected by its top-line, EPS, and dividend growth at 5%, 7%, and 9% CAGRs respectively. CNR's business model includes seven main sources of revenue (with Intermodal and Petroleum & Chemicals making up 23% and 19% of overall revenue respectively), which better positioned the Company to face economic fluctuations, and enhanced the Company's potential for growth opportunities within any of the seven revenue streams. CNR consistently had one of the lowest operating ratios, at 58.2% as of year end 2015, relative to peers (TSX: CP, NYSE: UNP at 60.0% and 63.1%, respectively), which was one of the most important measures of railroad efficiency.

Revised Valuation

CNR was valued through a blended DCF and comparable analysis against peers (TSX: CP, NYSE: UNP). The DCF valuation and comparative analysis were assigned weights of 60% and 40%, respectively because CNR is currently the largest company in the Canadian railroad industry by market size, and therefore trades at a premium. Additionally, a majority of its peers primarily operate in the U.S., whereas CNR operates throughout all of North America. The multiple considered in the valuation was EV/EBITDA due to the debt heavy nature of the industry. Using a 6.9% WACC led to a valuation of $131 per share, with a 10% holding period return. The model is revenue-based, with estimates generated using a combination of historical growth rates in addition to Company announcements and outlook.

Current Investment Thesis and Outlook

CNR has historically seen higher revenue in the third and fourth quarters relative to the first and second quarters of 2019, mostly due to a seasonal increase in grain and fertilizer shipments. The Company has been accumulating debt since 2017, for general corporate purposes, but is still at a lower overall debt to equity ratio of 15.8% (increased from 13.4% in Q2 2017) relative to peers (TSX: CP, NYSE: UNP at 20.8% and 23.0%, respectively). With respect to the effects of the 2019 trade war resulting in U.S. China tariffs, CNR's exposure will be limited, but the effect of the trade war can still be seen in the increased operating ratio for 2018. The Company's 2018 TransX acquisition should aid in lowering the operating ratio in future years by lowering operating expenses related to CNR's intermodal segment. Revenue and free cash flow for the Company have also increased historically at CAGRs of 6% and 3% respectively, and both are forecasted to steadily increase at 7% and 4% respectively.

Constellation Software

Information Technology
TSX: CSU
Market Perform | Hold

CPMT Calgary Portfolio Management Trust

CONSTELLATION SOFTWARE INC.

June 30, 2019

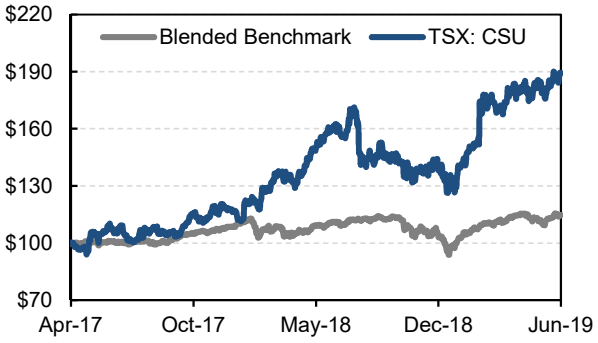
Colton Borle, Portfolio Manager
Ben Dimnik, Portfolio Manager
Erik Skoronski, Investment Analyst
Breanna Schollaardt, Investment Analyst

Return on Investment	
Current Share Price	$1,234.25
Target Price	$1,320.00
Dividend Yield	0.43%
Holding Period Return	7%
Company Quality (CQ) Score	3.4
Conviction Rating	2

Market Profile	
52-Week Range	$796.92 - $1,320.32
Market Capitalization (mm)	$26,156
Net Debt (mm)	($220)
Enterprise Value (mm)	$25,936
Beta (5-Year Monthly)	0.66

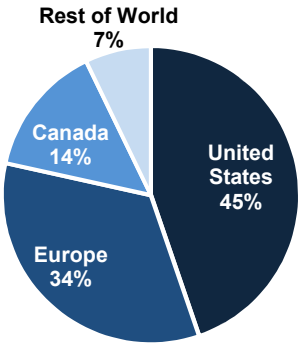
Metrics	2019E	2020E	2021E
Revenue (mm)	$2,949	$3,426	$3,854
EBITDA (mm)	$718	$889	$1,021
EPS	$13.40	$15.80	$18.40
EV/EBITDA	36.1x	29.2x	25.4x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Geographic Revenue Segments (2018)



Source: Company Filings

Business Description

Constellation Software (TSX: CSU) is an acquirer of vertical market software (VMS) businesses that provide critical enterprise resource planning and software solutions to address the business needs of its clients and marketplace. CSU integrates them to drive free cash flow, ROIC, and organic growth. CSU has six major operating units; Volaris, Harris, Jonas, Vela Software, Perseus Group, and Total Specific Solutions, which manage subsets of smaller businesses across over 100 markets globally.

Original Investment Thesis

The CPMT's original investment thesis for CSU was based on multiple tenets. CSU was viewed as having strong prospects for growing FCF, with an ability to compound capital at an impressive ROIC. Additionally, its management compensation structure effectively aligned management interests with shareholders, preventing dilution of shareholders. The proven value generation provided by the management team and attractive valuation rendered it a desirable addition to the CPMT portfolio.

Revised Valuation

CSU has exceeded the CPMT's expectations of performance with its strategic deployment of capital and aquisitions, further reinforcing its significant growth potential, high ROIC, and steady organic growth. Our valuation was derived from a 10-year DCF analysis (7.94% WACC) using an equal-weighted exit multiple (21.2x) and Gordon growth model to calculate its terminal value. The CPMT contemplates a price target of $1,320.

Current Investment Thesis, Outlook, and Risks

The CPMT believes that CSU has the management philosophy, balance sheet capacity, and acquisition strategy to continue to acquire companies with high profitability and competitive advantages at reasonable valuations. CSU maintains a database of upwards of 40,000 potential acquisition targets and it is currently expanding its development team to grow acquisitions from ~40 to ~100 per year. The CPMT is confident in CSU's ability to reach this goal due to the stringent acquisition criteria it applies to each potential target, its ~$717mm cash balance, and its role as the acquirer of choice in the VMS space. CSU acquires a company and improves its operating business to realize its target return. By contrast, CSU has no exit horizon, so it takes a long-term view to promote sustainable growth and financial health. The CPMT believes that CSU will continue to drive shareholder value with its unique acquisition and integration strategies.

The CPMT recognizes the two major risks associated with CSU are the availability of suitable acquisitions and the increasing competition in the VMS space. While CSU has carved out a sizable and highly profitable niche in the VMS space, which has attracted increasing amount of competition, CSU has a market penetration of only 1.7%. Management has indicated that if suitable acquisitions in VMS become too expensive to rationally acquire, they would be open to companies in a new asset moat industry, but in the event that acquisitions dry out and such a business doesn't exist, CSU will return all of its capital to shareholders. The CPMT believes that such an event is unlikely in the short to medium term given CSU's large and growing database of acquisition targets, but competition and availability of acquisitions prevails as a meaningful concern.

Costco Wholesale

Consumer Staples
NYSE: COST
Market Perform | Hold

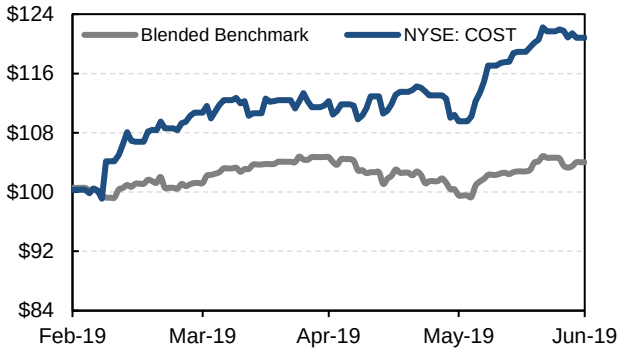
June 30, 2019
Ben Dimnik, Portfolio Manager
Colton Borle, Portfolio Manager
Breanna Schollaardt, Investment Analyst
Erik Skoronski, Investment Analyst

Return on Investment	
Current Share Price (US$)	$264.26
Target Price (US$)	$279.00
Dividend Yield	0.98%
Holding Period Return	7%
Company Quality (CQ) Score	3.6
Conviction Rating	2

Market Profile	
52-Week Range (US$)	$189.51 - $284.31
Market Capitalization (US$mm)	$116,219
Net Debt (US$mm)	($765)
Enterprise Value (US$mm)	$115,454
Beta (5-Year Monthly)	0.92

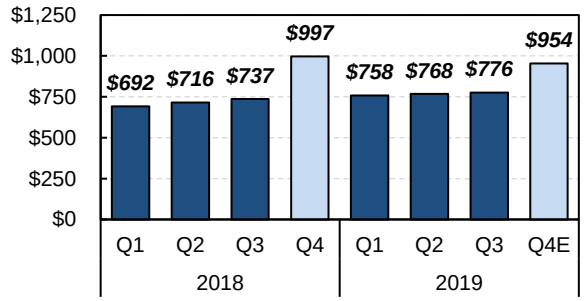
Metrics	2019E	2020E	2021E
Revenue (US$B)	$150	$154	$157
EBITDA (US$mm)	$5,909	$6,662	$7,603
EPS (US$)	$8.14	$11.05	$13.12
EV/EBITDA	19.8x	17.5x	15.4x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Membership Fee Revenue (US$mm)



Source: Company Filings, CPMT Estimates

Business Description

Costco Wholesale (NASDAQ: COST) is an American membership-only wholesaler operating worldwide. The Company falls under the consumer staples category, as most of COST's products are non-cyclical. COST ensures loyal customers by providing low prices enticing customers to purchase a membership, which feeds the Company's main source of income (70% of EBIT as of Q3 2019).

Original Investment Thesis

COST fulfilled all of the Fund's major requirements for an investment decision. Notably, its (1) strong balance sheet (negative Net Debt position), (2) quality management, and (3) growing free cash flow were the main areas of focus. COST's ability to remain defensive in uncertain economic environments, above-average same-store-sales growth (SSS), and strong subscription-based model were areas of interest to the Fund, driving the original investment thesis.

Revised Valuation

The revised valuation for COST was achieved by using a 50/50 blend of a five-year DCF Gordon Growth with a WACC of 7.1% at a 2% terminal growth rate, and an EV/EBITDA exit multiple of 10.94x. By using a base market outlook, the valuation returned a conservative target price of $279 offering a 7% holding period return. Thus far COST has fulfilled the Funds original anticipation of promising returns.

Current Investment Thesis and Outlook

COST continues to satisfy the Fund's investment requirements through its strong SSS (up 6% in Q3 2019) and ability to remain defensive in a downturn. In additions, COST's durable performance is supported by its:

(1) Strong Balance Sheet: Through capital allocation the Company ensures solid revenues, ROA, and ROE. COST's ROA and ROE have remained similar YoY averaging 8.7% and 26.9%, respectively. Walmart (NYSE: WMT), one of COST's main competitors, ROA and ROE have dropped the past 2 years to an average of 4.4% and 10.3%, respectively. COST's balance sheet boasts of its strong management and policies offering the ability to continually reinvest, repurchase shares, and offer strong dividend growth.

(2) Quality Management: Craig Jelinek had experience in various CEO positions of different divisions within COST, before becoming CEO and President in 2012. His expertise falls under operations and merchandising, and influenced COST's many advances in these areas. Richard Galanti became CFO in 1993 and a director in 1995. Due to his longevity on the board, he has an extensive knowledge of the Company's business model and areas to grow.

(3) Growing Free Cash Flow: Due to healthy free cash flow generation, the Company has been able to steadily increase dividends (CAGR of 14%) and reinvest into the business. Membership fees enable the Company to maintain strong margins and remain a top-tier name in a competitive industry.

(4) Competitive Advantage: Because the core of COST's business model and main reliance for EBIT is membership fees (70%), the Company is less dependent on the sales of goods. This offers an advantage over competitors, as COST can sustain its low prices while still generating a large amount of revenue. Due to continued additions of stores and expansion, the Company is able to maintain its strong and competitive SSS growth.

Dollarama

Consumer Discretionary
TSX: DOL
Market Perform | Hold

June 30, 2019

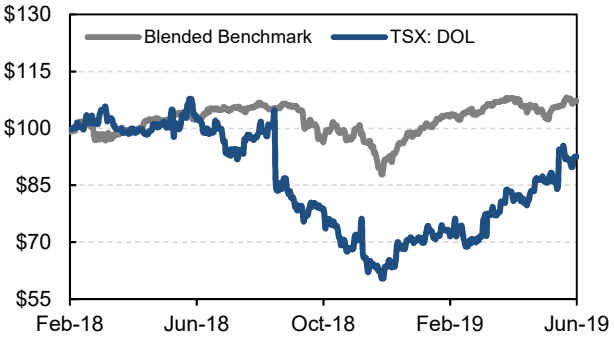
Ben Dimnik, Portfolio Manager
Colton Borle, Portfolio Manager
Breanna Schollaardt, Investment Analyst
Erik Skoronski, Investment Analyst

Return on Investment	
Current Share Price	$46.07
Target Price	$50.00
Dividend Yield	0.35%
Holding Period Return	9%
Company Quality (CQ) Score	3.7
Conviction Rating	2

Market Profile	
52-Week Range	$30.12 - $52.49
Market Capitalization (mm)	$14,501
Net Debt (mm)	$1,852
Enterprise Value (mm)	$16,352
Beta (5-Year Monthly)	0.72

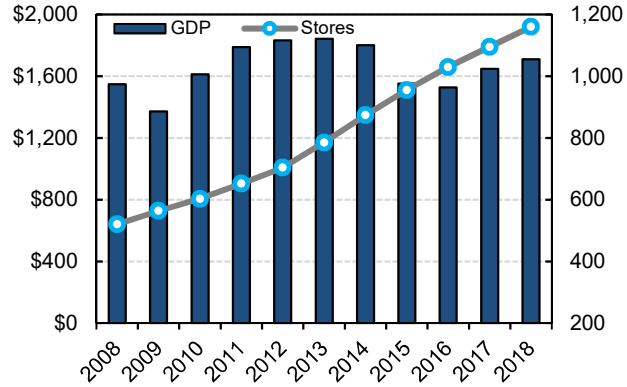
Metrics	2019A	2020E	2021E
Revenue (mm)	$3,549	$3,620	$3,704
EBITDA (mm)	$884	$940	$952
EPS	$1.48	$1.90	$2.17
EV/EBITDA	18.5x	17.4x	17.2x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Canadian GDP ($B) and DOL Stores



Source: Company Filings, IBIS, Statistics Canada

Business Description

Dollarama (TSX: DOL) is the second largest dollar store company in Canada, with 1,236 stores. DOL sells its products up to a price point of $4 and largely caters to customers who seek value and convenience. All of DOL's stores are corporately owned and are generally located in high-traffic areas. The average store size is ~10,247 sq. ft., with new stores typically reaching annual sales of $2.3mm within the first two years and have a payback period of around two years.

Industry Overview

DOL is well entrenched in the Canadian Dollar Store industry with a ~70% market share and a dominant presence in every province within Canada. Four other dollar store companies also operate in the space, with Dollar Tree (NASDAQ: DLTR) being the largest competitor at a ~14% market share. The remaining three competitors are private companies that operate using a franchise model and cumulatively hold ~16% of the market. DLTR has a significant presence in the U.S. with ~15,000 stores and has seen its market share double since entering Canada in 2010. However, since 2015, the Company has only opened 18 new stores whereas DOL has opened 270. This has resulted in DLTR's market share falling from 15% to 14% over the last three years and indicates that the Company is facing potential difficulties in competing with DOL in the Canadian market.

Original Investment Thesis

The CPMT's original investment thesis on DOL was that the Company was positioned for long-term growth in Canada given that the saturation of dollar stores in the market was low. The Fund also recognized the potential to expand into the Latin American market. The Company was also well-positioned to continue to grow and protect its market share given its industry leading profit margin, brand name, and scale. With regards to DOL's portfolio fit, the CPMT believed that the name would provide protection in the event of an economic downturn given consumers tend to cut costs and shop at stores like DOL during difficult economic times.

Revised Valuation

The CPMT has revised the valuation of DOL for the quarter. By way of DCF and comparable companies analyses, the CPMT has derived a new target price of $50. The previous target price was set at $59.00 or $177.00 before DOL executed a 3-for-1 stock split. For the DCF valuation, a 75/25 blend of Gordon Growth (6.9% WACC and 2.5% terminal growth rate) and an exit multiple of 14x EV/EBITDA was used. A higher weighting was attributed to Gordon Growth as there are minmal public comparable companies making the EV/EBITDA multiples highly skewed. The CPMT expects the potential upside from current pricing to be ~11%.

Current Investment Thesis and Outlook

The CPMT is in the process of transitioning the portfolio to a defensive strategy. DOL, as mentioned, is a brand name with affordable prices that individuals will turn to in economic downturns. Additionally, DOL is still well-positioned for growth in both North America and Latin America. The Company recently acquired a 50.1% stake in Dollarcity, a Latin American value retailer, and launched an ecommerce platform. These two initiatives reinforce our original thesis about DOL's position to capture growth both within North America and developing nations like Latin America.

Enbridge

Energy
TSX: ENB | NYSE: ENB
Market Perform | Hold

June 30, 2019

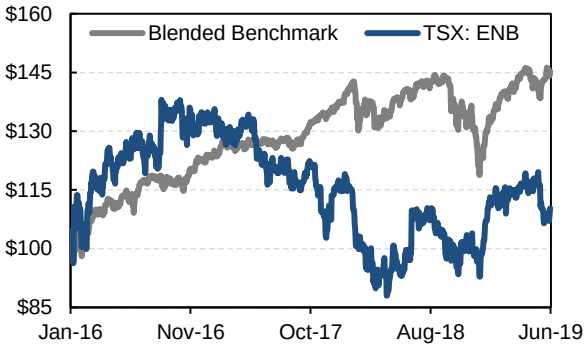
Helena Cherniak-Kennedy, Investment Analyst
Jose Menjivar, Investment Analyst

Return on Investment	
Current Share Price	$47.19
Target Price	$48.00
Dividend Yield	6.26%
Holding Period Return	8%
Company Quality (CQ) Score	3.3
Conviction Rating	3

Market Profile	
52-Week Range	$39.39 - $51.22
Market Capitalization (mm)	$95,504
Net Debt (mm)	$64,092
Enterprise Value (mm)	$159,596
Beta (5-Year Monthly)	1.07

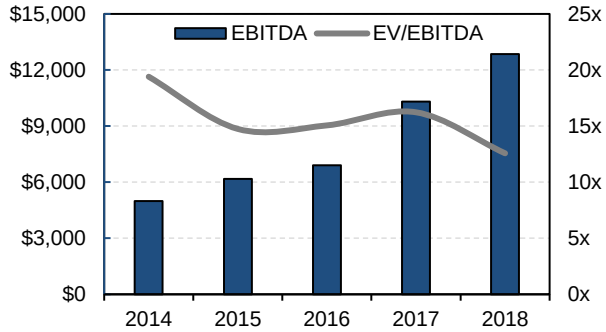
Metrics	2018A	2019E	2020E
Revenue (B)	$46.38	$56.72	$69.52
EBITDA (B)	$12.85	$12.95	$16.70
EV/EBITDA	12.6x	12.5x	11.3x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

EBITDA (mm) and EV/EBITDA



Source: Bloomberg

Business Description

Enbridge (TSX: ENB) is a Calgary-based North American midstream company, owning a vast network of strategically-placed energy infrastructure assets connecting key production basins to large demand hubs, including the U.S. Gulf Coast, U.S. Midwest, and Eastern Ontario. The Company operates in five segments: Liquids Pipelines, Gas Transmission and Midstream, Gas Distribution, Green Power and Transmission, and Energy Services. ENB owns and operates the world's longest crude oil and liquids transportation system, moving 3 mmbbl/d through its Mainline and Express pipelines, which accounts for 62% of U.S.-bound Canadian crude oil exports. The Company also moves 18% of all natural gas consumed in the U.S. through its natural gas pipelines. In 2017, it acquired Spectra Energy, creating $540mm of total run-rate synergies and positioning ENB as the largest energy infrastructure company in North America with an enterprise value of over $166B.

Original Investment Thesis

The CPMT entered its ENB position in January 2016 with a positive view towards stable future cash flows given the Company's world class diverse suite of assets. Management demonstrates a favourable track record of executing on the development of major projects and distributing cash to shareholders with a payout policy of 40 - 50% available cash flow from operations and 75 - 85% of adjusted earnings. Furthermore, ENB's EV/EBITDA multiple was below historic average levels, indicating a good entry point. Since purchase, ENB's share price has underperformed the blended benchmark due to a challenging energy space. However, ENB has consistently raised dividends by 10% and anticipates doing so into 2020, helping boost holding returns.

Revised Valuation

Our current target price for ENB is $48, arrived at through an EV/EBITDA multiple valuation method. We forecasted forward EBITDA for each of ENB's five segments and applied a 2019E EV/EVITDA multiple of 12.5x, calculated as the average of industry comparables (TRP, KMI, WMB, IPL, KEY, PPL, OKE, GEI, and TRGP). EBITDA forecasts considered ENB's future business development projects, while considering the regulatory challenges currently facing the energy sector. When combined with ENB's high dividend yield of 6.26%, this implies a holding period return of 8%.

Current Investment Thesis and Outlook

The CPMT believes that ENB is one of the strongest and most resilient companies in the North American energy space relative to its peers, holding a large portion of the market share and performing strongly relative to the index. While the company is currently facing regulatory challenges to proposed pipeline expansions, its existing extensive asset network has high utilization rates. Furthermore, 98% of ENB's EBITDA comes from stable revenue sources, including take-or-pay and fixed-fee agreements. This low-risk business model gives us confidence in the stability of ENB's future cash flows and fits the CPMT mandate. ENB adopted a disciplined debt reduction program over 2018, divesting $7.8B of non-core assets, primarily in its Canadian midstream segment, to accelerate debt repayment. This program was successful in lowering ENB's debt-to-EBITDA metric, which now sits at 4.7x. ENB's underperformance since purchase does raise concerns for us, as ENB has struggled to maintain reliable EBITDA growth on a non-adjusted basis. Going forward, we will be watching for management's commitment to consistently grow both revenue and EBITDA to generate value for shareholders.

Enerplus

Energy
TSX: ERF | NYSE: ERF
Market Outperform | No Action

Calgary Portfolio Management Trust

enerPLUS

June 30, 2019

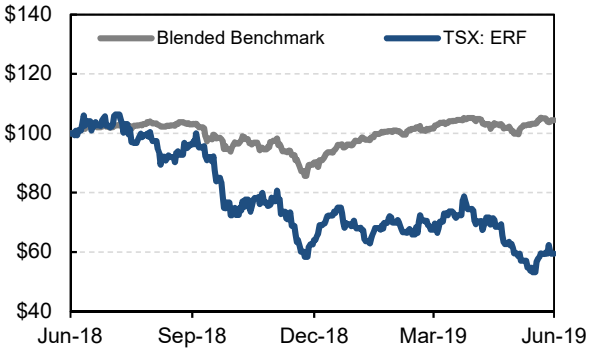
Akash Sekar, Investment Analyst

Return on Investment	
Current Share Price	$9.85
Target Price	$18.00
Dividend Yield	1.47%
Holding Period Return	84%
Company Quality (CQ) Score	3.1
Conviction Rating	N/A

Market Profile	
52-Week Range	$8.15 - $18.04
Market Capitalization (mm)	$2,306
Net Debt (mm)	$334
Enterprise Value (mm)	$2,640
Beta (5-Year Monthly)	2.81

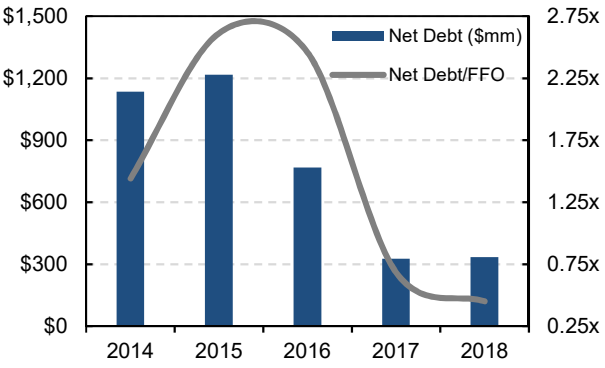
Metrics	2019E	2020E	2021E
Revenue (mm)	$1,298	$1,235	$1,365
Production (boe/d)	99,000	105,551	112,712
Cash Flow (mm)	$545	$544	$542
EV/DACF	5.4x	5.5x	5.5x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Net Debt ($mm)



Source: Company Filings, CPMT Estimates

Business Description

Founded in 1986 and headquartered in Calgary, Alberta, Enerplus (TSX: ERF) is an upstream company that produces and develops crude oil and natural gas assets in Canada and the U.S. Its main operating areas are in North Dakota, Montana, Pennsylvania, Alberta, and Saskatchewan. ERF currently has a geographic production mix of 87% U.S. assets and 13% in Canada.

Industry Overview

The North American upstream industry has suffered over the last four years. In Canada, producers have been exposed to widened price differentials due to the lack of pipeline takeaway capacity in the region. In the U.S., producers have become a net exporter of oil due to the oversupply from shale production. Coupled with tensions with China and weakening global economic growth, the EIA has stated that global demand is expected to decrease over the next few years, leading to lower commodity prices. OPEC has continued to maintain production cuts in order to stabilize commodity prices, allowing North American producers to be able to essentially continue operations.

Operating Areas

Williston Basin: ERF firmly believes the Bakken core will drive revenues over the next few years through the area's high-return production growth. It has currently allocated 80% of 2019 CapEx towards this play, enabling it to grow liquids production by an estimated 10% by year-end 2019. The Montana assets are low decline and a strong free cash flow generator contributing to the longevity of cash flows stemming from this region. As of 2018, production in this area was 42,974 boe/d, making up ~46% of ERF's total production.

Marcellus: ERF contains highly productive and low-cost assets in this region allowing it to generate a consistent free cash flow. This is due to increased pipeline infrastructure in the area, which has led to an increase in the regional prices of gas representing a -$0.30 differential to NYMEX. As future pipeline projects come online in the area, it will further support pricing, leading to increased cash flows. As of 2018, production in the area was 208 MMcf/d, making up ~37% of annual production.

Canadian Waterfloods: ERF operates properties in AB and SK, and develop these locations through secondary and tertiary enhanced oil recovery. Characterized by low declines and large oil in place, ERFs waterflood and polymer flooding techniques continue to drive profitability in this region. As of 2018, the Canadian assets produced 9,897 boe/d, making up ~17% of annual production.

Valuation

ERF was valued based on a 75/25 combination of a EV/DACF multiple of 8.8x, and a 2P NAV model. A higher weighting was placed on the multiple valuation to account for the high-growth occurring in both the Bakken and Marcellus plays, as well, ERFs strengthened balance sheet achieving a Net Debt/FFO of 0.5x during 2018.

Current Investment Thesis and Outlook

While ERF has an attractive valuation, strong balance sheet, high growth plays, and a favorable production mix, the CPMT is placing a No Action recommendation on the company. With the fund continuing its defensive stance, coupled with uncertainty in the North American energy industry, ERF does not fit within the portfolio's holdings at this time.

Knight Therapeutics

Health Care
TSX: GUD
Market Perform | Hold

June 30, 2019

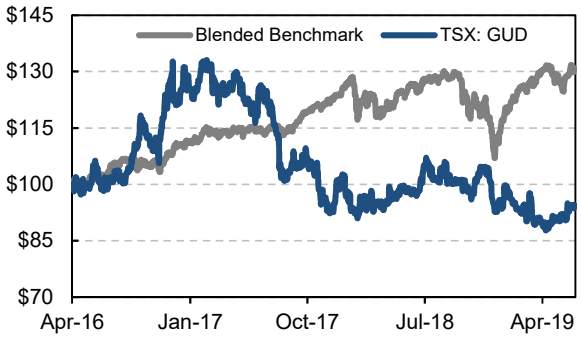
Brian Timmerman, Portfolio Manager
Helena Cherniak-Kennedy, Investment Analyst
Jose Menjivar, Investment Analyst

Return on Investment	
Current Share Price	$7.72
Target Price	$8.50
Dividend Yield	0.00%
Holding Period Return	10%
Company Quality (CQ) Score	3.4
Conviction Rating	2

Market Profile	
52-Week Range	$7.10 - $8.72
Market Capitalization (mm)	$1,103
Net Debt (mm)	($787)
Enterprise Value (mm)	$316
Beta (5-Year Monthly)	0.79

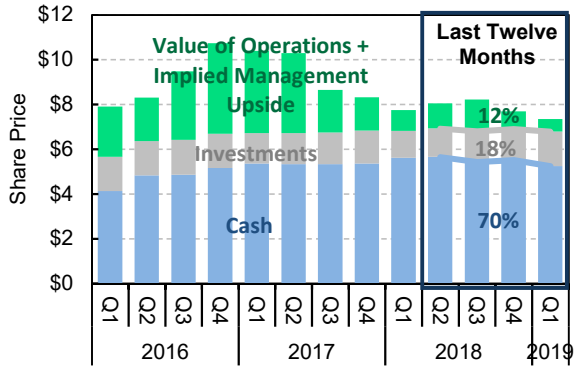
Metrics	2019E	2020E	2021E
Revenue (000s)	$16,227	$22,556	$30,676
Gross Margin (%)	81.1%	82.0%	82.0%
Loan Interest Income (000s)	$5,775	$5,775	$2,479
EBITA (000s)	($7,277)	($2,030)	$3,988

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Implied Value Per Share Buildup



Source: Company Filings, CPMT Estimates

Business Description

Knight Therapeutics (TSX: GUD) is a specialty pharmaceutical company focused on acquiring, in-licensing, and marketing innovative pharmaceutical products to be sold in Canada and select international markets. The Company additionally operates a financial business consisting of a loan portfolio, VC Fund investments, and equity interests in various life science companies. GUD focuses primarily on lower risk commercial and late-stage-development drugs, allowing investors to gain exposure to the specialty pharmaceutical space with little R&D risk.

Original Investment Thesis and Holding Period Developments

The CPMT initiated a position in GUD in early 2016, with a thesis centered on the Company's unique product sourcing strategy and ability to opportunistically transact on non-core asset divestitures from senior pharmaceutical companies. The Company's financial business is used to generate a return on the Company's large cash balance, while also providing a product sourcing avenue. We viewed GUD as the most attractive operator in the Canadian pharmaceutical space, due to the company's lack of debt and highly experienced management team.

However, over the past three years GUD has struggled to generate meaningful product acquisitions or in-licensing deals, with management citing high valuations in the specialty pharmaceutical market. This has resulted in the Company sitting on a large pile of cash since 2016, now representing close to 70% of its current equity value. A lack of activity has reduced investor confidence in GUD's ability to deploy capital in value accretive deals, driving the equity's valuation to new lows in 2019.

Despite a lack of M&A activity, GUD was able to recently expand its pipeline through the in-licensing of multiple new products. The in-licensing of *Mytesi* and *Tenapanor* increased the gastrointestinal portfolio while the Company also acquired commercial rights for *TX-004HR* and *TX-001HR* in Canada and Israel for the treatment of menopause. Additionally, GUD received regulatory approval for *Probuphine*, a treatment for opioid dependence, and *Illuvien*, an implant treating diabetic macular edema.

Revised Valuation

Given the lacklustre performance of GUD's shares over the past year, a full sum of the parts re-valuation was performed. The five segments valued consisted of: Pharmaceutical EV, Cash Balance, Loan Book, Equity and VC Investments, and Equity Interests. GUD's operating pharmaceutical business was valued by applying a forward 10.0x EV/EBITA multiple to projected operating income. Cash, Investments, and its Equity Interests were valued at P/BV multiples of 1.0x, 1.2x, and 1.1x respectively. Lastly, a DCF was conducted at a 15% discount rate to value GUD's outstanding loan book. This resulted in a target price of $8.50/share, implying 10% upside to the market price.

Current Investment Thesis and Outlook

With the market valuing GUD at close to 1.0x P/BV we believe the investment currently presents an asymmetric return profile. Announced acquisitions or in-licensing deals provide significant upside potential while the company's large cash balance and historically low valuation points to limited additional downside risk. The management team remains patient and will not commit capital in value destroying transactions in order to appease impatient shareholders. GUD remains a defensive holding that we believe would significantly outperform in a downturn, as over-levered peers would be forced to divest non-core assets at cheaper valuations.

Marathon Petroleum

Energy
NYSE: MPC
Market Outperform | Hold

June 30, 2019

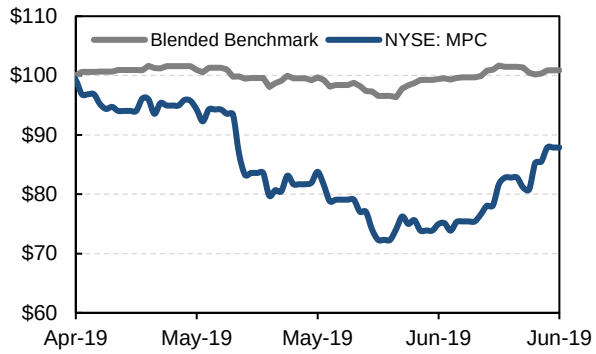
Helena Cherniak-Kennedy, Investment Analyst
Jose Menjivar, Investment Analyst

Return on Investment	
Current Share Price ($US)	$55.88
Target Price ($US)	$70.00
Dividend Yield	3.79%
Holding Period Return	29%
Company Quality (CQ) Score	3.4
Conviction Rating	2

Market Profile	
52-Week Range ($US)	$45.47 - $88.45
Market Capitalization ($USmm)	$37,027
Net Debt ($USmm)	$25,837
Enterprise Value ($USmm)	$62,864
Industry Beta (5-Year Monthly)	1.68

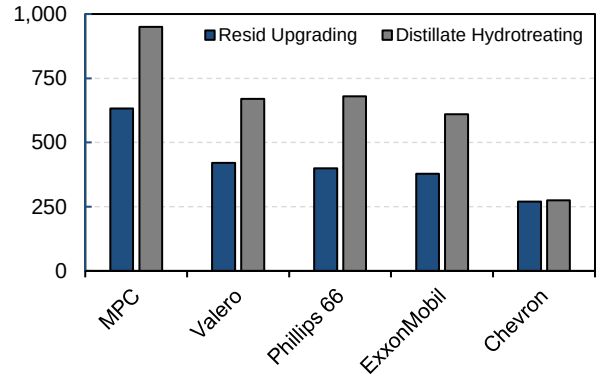
Metrics	2018A	2019E	2020E
EBITDA ($USmm)	$9,666	$13,971	$14,935
R&M EBITDA ($USmm)	$5,072	$6,442	$6,697
Gross Margin (US$/bbl)	$14.03	$17.92	$18.63
Throughput (mbbls/d)	2,274	3,065	3,065

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Resid Upgrading and Hydrotreating Capacities (mbbl/d)



Source: Company Filings

Business Description

Marathon Petroleum Corporation (NYSE: MPC) is a leading integrated downstream U.S. energy company. The Company has three segments: Refining and Marketing, Retail, and Midstream, with the Midstream segment primarily operated through MPLX (NYSE: MPLX) and ANDX (NYSE: ANDX). MPC's acquisition of Andeavour (NYSE: ANDV) on October 1, 2018 added over 1 mmbbl/d of refining capacity while increasing MPC's geographic exposure and scale, making it the largest. refiner in the U.S., with over 3 mmbbls/d of crude oil capacity across 16 refineries.

Original Investment Thesis

When purchased in April 2019, the CPMT was looking to expand into the refinery space as part of our shift away from E&P companies in our energy portfolio. MPC offered competitive advantages, as it had geographically diversified assets in both the midstream and downstream sectors, while also possessing industry leading refining and coking capacities. Furthermore, MPC had an attractive valuation, with a 12-month forward EV/EBITDA of 5.28x versus its peers' average of 5.85x. Having recently acquired ANDV, MPC was poised to realize US$1.4B of synergies and was expected to nearly double EBITDA from 2017 to 2019. This not only provided FCF growth (9.6% 5-year CAGR), but also strengthened MPC's economic moat relative to its competitors. However, we were aware of MPC's operational exposure to crude and gasoline commodity pricing and intended to closely monitor the impact of volatile margins on the Company going forward.

Revised Valuation

Our target price of $70.00 is based on a comparables multiple valuation method. EBITDA for MPC's three operating segments (refining and marketing, retail, and midstream) were forecasted based on growth rate assumptions combined with forward curves for commodity pricing, including 3:2:1 crack spreads. We then applied a 2019E EV/EBITDA multiple of 6.8x, which was calculated using the industry mean of MPC's peers (NYSE: VLO, NYSE: PSX, NYSE: PBF, NYSE: HFC). Given that MPC's current 2019 EV/EBITDA multiple sits at 7.3x, we believe this to be a conservative valuation.

Current Investment Thesis and Outlook

Following our purchase of MPC, we were disappointed to see poor first quarter 2019 performance by the Company, which resulted in an adjusted loss of $0.09 per share, largely due to the impact of weak crude differentials and gasoline margins. While MPC's midstream segment helps offset its degree of downstream price exposure, giving it an advantage over some of its peers, we will be watching the continued impact of volatile margins on the company's free cash flow growth and bottom line going forward to determine if MPC is a fit with our investment mandate.

The CPMT believes MPC will have a significant advantage in the face of upcoming IMO 2020 regulations and crack spreads moving into 2021, based on its expanded crude sourcing capabilities from the ANDV acquisition. IMO 2020 mandates a maximum sulfur content of 0.5% for all marine fuels, meaning that North American crude will require greater upgrading and hydrotreating. With the incremental capacity from ANDV, MPC now possesses an industry leading 750 mbbl/d of highly demanded coking and hydrocracking capacity.

Microsoft

Information Technology
NYSE: MSFT
Market Outperform | Hold

June 30, 2019

Colton Borle, Portfolio Manager
Ben Dimnik, Portfolio Manager
Breanna Schollaardt, Investment Analyst
Erik Skoronski, Investment Analyst

Return on Investment

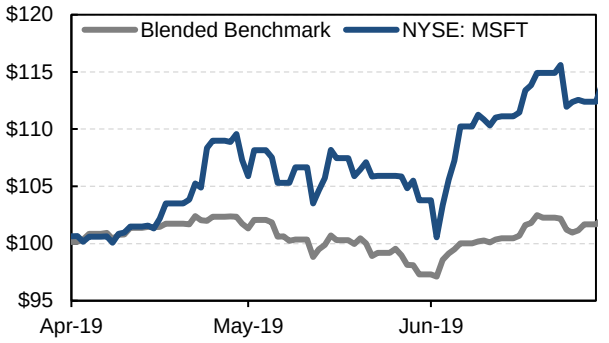
Current Share Price	$133.96
Target Price	$161.00
Dividend Yield	1.35%
Holding Period Return	22%
Company Quality (CQ) Score	3.7
Conviction Rating	2

Market Profile

52-Week Range	$93.96 - $141.68
Market Capitalization (US$B)	$1,023
Net Debt (US$B)	($47)
Enterprise Value (US$B)	$976
Beta (5-Year Monthly)	1.05

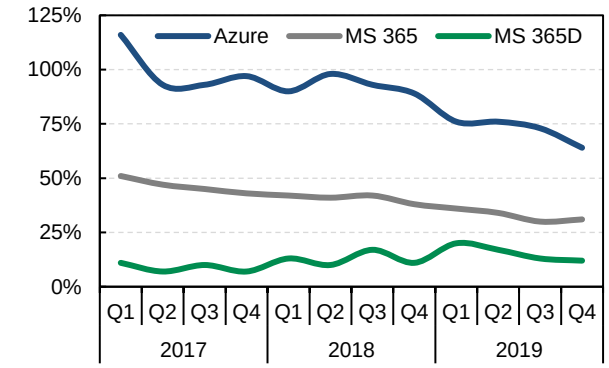
Metrics	2019E	2020E	2021E
Revenue (US$B)	$126	$151	$176
EBITDA (US$B)	$55	$62	$72
EPS	$5.07	$5.30	$6.16
EV/EBITDA	17.2x	15.3x	13.1x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Key Cloud Offerings Growth Rates



Source: Company Filings

Business Description

Microsoft Corporation (NASDAQ: MSFT) develops, licenses, and supports software, services, devices, and solutions worldwide. The Company is headquartered in Redmond, WA. Since inception in 1975, MSFT has rapidly expanded to become a global software giant. The Company has offices in more than 100 countries and employs ~134,000 workers. MSFT reports on three business segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.

Original Investment Thesis

The CPMT entered a position in MSFT in April 2019 based on its strong alignment with our mandate as outlined below:

(1) Strong Balance Sheet: MSFT has been able to achieve strong returns by developing innovative technologies that are complemented by strategic acquisitions and partnerships. MSFT's Net Debt/EBITDA is (0.84x) compared to an industry average of (0.24x). The Company has a strong balance sheet, with ~US$130B in cash, which gives it the flexibility to invest in R&D when required or capitalize on strategic acquisitions where opportune.

(2) Growing Free Cash Flow: Over the past 10 years, MSFT has been able to achieve a FCF CAGR of ~7.5%. MSFT's extremely large market share coupled with a large installed user base and increasing EBITDA margin makes a promising environment for FCF growth.

(3) Quality Management: Satya Nadella and his executive leadership team have a strong track record of returning capital to shareholders (over $35B of repurchases from Q1 2017 to Q4 2019), managing costs, growing revenues, and performing intelligent acquisitions

(4) Competitive Advantage: The CPMT believes that MSFT will continue to outperform the market as a result of its competitive advantages in cloud computing, artificial intelligence, machine learning, and augmented reality. Further, its creation and deployment of software that improves business processes and communication coupled with its ~140mm installed user base has created an economic moat that will benefit the company well into the foreseeable future.

Current Investment Thesis and Outlook

Our thesis has remained largely the same aside from a more developed view on what we see as MSFT's competitive advantage. MSFT Windows OS is deeply imbedded in enterprises and personal computing globally, which has allowed it to build valuable relationships and a brand of delivering high-quality, ubiquitous products. The CPMT views MSFT's ability to build cloud services on top of pre-existing enterprise offerings as its key differentiated advantage. MSFT's MS 365 and MS D365 are significant cloud-based solutions that provide familiar software and application functionality to enterprises while acting as a wedge for the Company to build its differentiated hybrid-cloud offering of a mixture of on premises and cloud solutions. Once enterprises implement Windows OS and a cloud SAAS/PAAS solution to meet their business needs, there is natural progression to implement Azure for its cloud computing and storage needs. Revenue from Azure has been growing at an annualized growth rate of ~88% since 2017, and although it and other cloud growth rates have lowered considerably, we believe the larger size and high margins of the segments still provide enormous growth. The CPMT believes MSFT will continue to produce consistent value from its world-class legacy businesses and its favourable position in cloud.

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Suncor Energy

Energy
TSX: SU | NYSE: SU
Market Perform | Hold

June 30, 2019

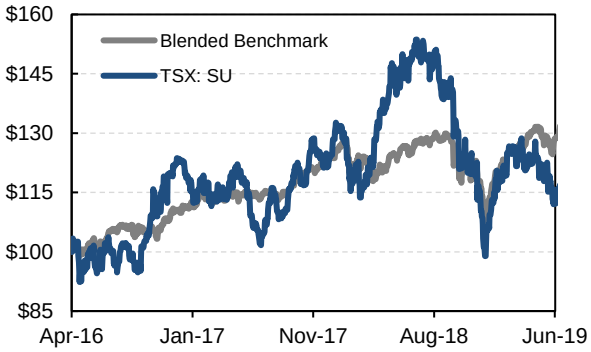
Jose Menjivar, Investment Analyst
Helena Cherniak-Kennedy, Investment Analyst

Return on Investment	
Current Share Price	$40.85
Target Price	$41.00
Dividend Yield	4.31%
Holding Period Return	5%
Company Quality (CQ) Score	3.0
Conviction Rating	2

Market Profile	
52-Week Range	$35.53 - $55.47
Market Capitalization (B)	$63.63
Net Debt (B)	$15.13
Enterprise Value (B)	$78.76
Beta (5-Year Monthly)	1.26

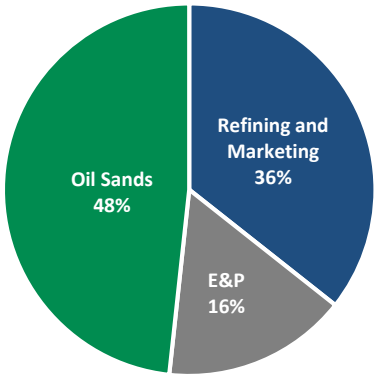
Metrics	2019E	2020E	2021E
Revenue (B)	$39.52	$40.35	$40.89
EBITDA (B)	$14.19	$14.09	$14.12
EPS	$3.37	$3.26	$3.48
EV/EBITDA	5.6x	5.6x	5.6x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Segmented EBITDA Breakdown (2019E)



Source: CPMT Estimates

Business Description

Suncor Energy Inc. (TSX: SU) is an integrated energy company with highly geographically diversified production and revenue streams, including major operations in Canada. The business is comprised of the Oil Sands, Energy and Exploration, and Refining and Marketing segments. SU's heavy oil sands production focuses on the exploitation of the Athabasca oil sands. SU's oil sands base operations include the Millenium and North Steepbank mining operations, its in situ operations include the Firebag and Mackay River sites, and other mining interests include a 54.11% stake in Fort Hills, and a 58.74% stake in Syncrude Mining and Upgrading facility. SU's Exploration and Production (E&P) segment, which makes up ~8% of topline revenue, has offshore production sites in the North Sea, England, and East Coast Canada, as well as Libya and Syria. The Company has refineries in Sarnia, Edmonton, Montreal, and Commerce City, as well as a storage terminal in Burnaby, which allows for distillates to have distribution in major Canadian urban centres. This vertical supply chain integration allows the Company to strategically switch production rates by location depending on production limits that may arise due to regulatory events or unplanned maintenance. Integration also insulates the Company from heavy oil differentials, as nearly 80% of its bitumen is either upgraded or refined. In addition to these segments, the Company has an Energy Trading arm that deals with activities involved in the marketing, supply, and trading of crude and oil by-products. This segment includes a small Renewable Energy asset base with windfarms across Canada.

Original Investment Thesis

When the CPMT initially purchased SU, the Company had just recently announced its interest increase in Fort Hills, which was expected to start production at the end of 2017. This production expansion and the then recent acquisition of Canadian Oil Sands increased upper and lower end production guidance by 25 mbbls/d and 20 mbbls/d respectively. In addition, a historically low valuation for energy companies in the beginning of 2016 rendered SU a very attractive name.

Current Investment Thesis

The CPMT believes SU will continue to be one of the strongest names to hold in the energy space because of management's ability to strategize through low commodity price times. Integration will continue to be key in value creation. SU maintains high production guidance for 2019, and narrowing differentials as well as a lower valuation to peers makes SU a relatively strong name within the space. We expect that SU's integrated nature, track record of strategic decision making, and operational excellence depicted through its highly experienced management and board will continue to create value. The major risks regarding the Company's Oil Sands and E&P operations are uncertainties regarding timely construction of Trans Mountain and Enbridge's Line 3 pipelines.

Revised Valuation

The Company's valuation is in line with original estimates. SU's EV was estimated with a sum of parts valuation applying forward EV/EBITDA multiples to SU's different operating segments. EV/EBITDA multiples for the Oil Sands and R&M segments were 5.8x and 6.1x, respectively. For its E&P segment, a 50/50 blend between EV/EBITDA and EV/DACF multiples was used, for a blended multiple of 3.9x. Revenue and expenses were forecasted for every segment, taking into consideration crude benchmark price outlooks for the year, SU's production and sales guidance, and consideration of increased utilization rates for Syncrude.

TELUS

Communication Services
TSX: T
Market Perform | Hold

June 30, 2019

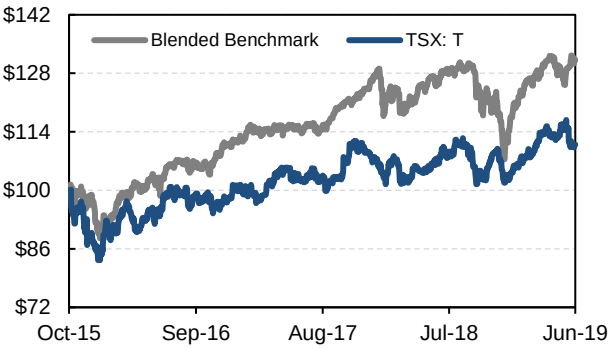
Colton Borle, Portfolio Manager
Ben Dimnik, Portfolio Manager
Breanna Schollaardt, Investment Analyst
Erik Skoronski, Investment Analyst

Return on Investment	
Current Share Price	$48.41
Target Price	$52.00
Dividend Yield	4.65%
Holding Period Return	10%
Company Quality (CQ) Score	3.1
Conviction Rating	2

Market Profile	
52-Week Range	$43.88 - $51.23
Market Capitalization (mm)	$29,112
Net Debt (mm)	$13,787
Enterprise Value (mm)	$42,899
Beta (5-Year Monthly)	0.58

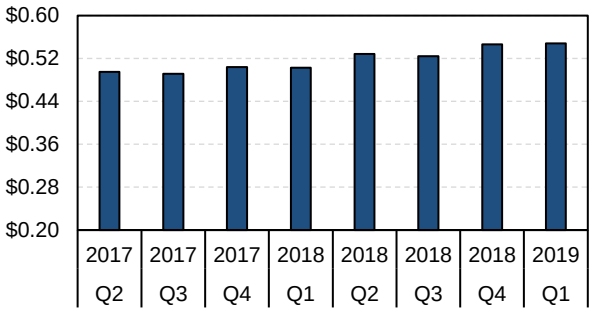
Metrics	2019E	2020E	2021E
Revenue (mm)	$14,722	$14,940	$14,946
EBITDA (mm)	$5,479	$5,448	$5,435
EPS	$2.90	$3.30	$3.73
EV/EBITDA	7.8x	7.9x	7.9x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Dividends (per share)



Source: Company Filings

Business Description

TELUS (TSX: T) is a Canadian telecommunications services provider, operating primarily in Western Canada. T offers an array of products and services in voice, internet, television, entertainment, and video. T reports these categories separately by wireless and wireline revenue segments.

Original Investment Thesis

T holds an advantage due to its focus in Western Canada, as compared to main competitors Rogers Wireless (TSX: RCI) and Bell Communications (TSX: BCE) whose main focus lies in Eastern Canada. Due to T's operational excellence, low blended churn rate when compared to main competitors RCI and BCE, and premium ARPU, the CPMT believes T is a promising holding with these elements driving future growth. T offers the opportunity of a more diversified revenue stream than strictly telecommunications through its entertainment segment, which focuses on TV and internet offerings. The development of its high-speed fibre optic system presented the ability to compete with Shaw Communications (TSX: SJR/B) and produce strong shareholder returns.

Revised Valuation

A five-year DCF, with a WACC of 4.91%, and comparable EV/EBITDA analysis (9.0x) of T's main competitors SJR, RCI, AND BCE, were performed to revalue T. The revaluation ensures an updated and accurate valuation as a result of a change in the market outlook and T's updated service offerings. The valuation was weighted 50/50 producing a target price of $52, implying a holding period return of 5%.

Current Investment Thesis

The Fund's anticipation of rivaling SJR's internet service was correct. T is one of the main internet providers with over 3.1 million households and businesses in Western Canada and Eastern Quebec utilizing T's services. T fits the CPMT's investment mandate in the following ways:

(1) Quality Management: T's CEO Darren Entwistle is the longest serving CEO among global telecommunications incumbents. Throughout his time, he has transformed T from a regional telephone company to a global data and wireless leader with a strong record of producing world-leading results for customers, shareholders, and communities.

(2) Competitive Advantage: T's focus on Western Canada offers an advantage to main competitors who concentrate strongly on Eastern Canada. Due to the geographic focus, T is able to offer rural areas throughout Western Canada stronger connections, in turn strengthening customer loyalty.

(3) Strong Balance Sheet: The Company continues to repurchase shares, with dividends increasing 7.9% YoY in Q1 2019 to $0.54 per share, as well, acquire companies and licensing through auctions, while focusing on its fibre optic network. Through all of these activities the Company has still been able to offer a strong balance sheet to investors.

T has joined with peers offering an "unlimited data plan." The promise of unlimited data is not accurate, as once someone exceeds a certain amount of data, the speed and connection are greatly reduced. The Communication Services sector is poised for a noteworthy year with the promise of 5G networks and unlimited data. The CPMT will continue to monitor the ongoing performance of T and in comparison with other telecommunications companies in the U.S. and Canada.

Toromont Industries

Industrials
TSX: TIH
Market Perform | Hold

TOROMONT

June 30, 2019

Faiz Dossa, Portfolio Manager
Hayley Hicks, Investment Analyst
Willie Li, Investment Analyst

Return on Investment

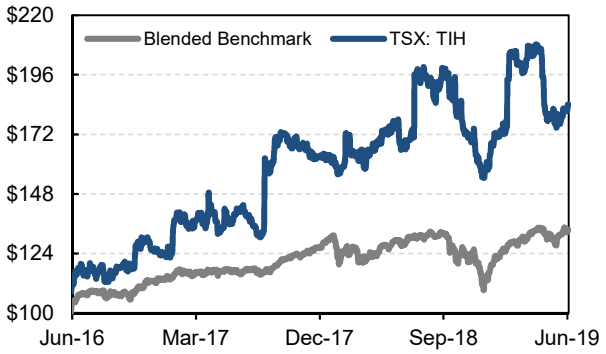
Current Share Price	$62.07
Target Price	$67.71
Dividend Yield	1.63%
Holding Period Return	11%
Company Quality (CQ) Score	2.5
Conviction Rating	2

Market Profile

52-Week Range	$51.02 - $70.62
Market Capitalization (mm)	$5,060
Net Debt (mm)	$300
Enterprise Value (mm)	$5,360
Beta (5-Year Monthly)	1.15

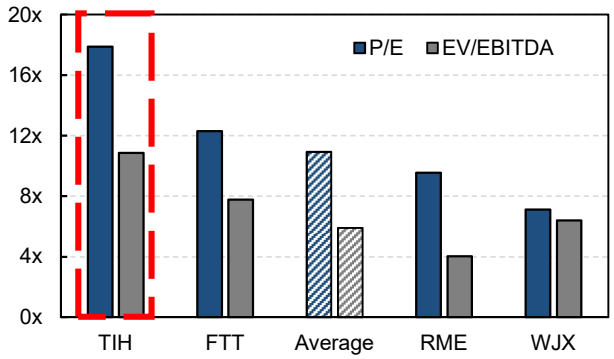
Metrics	2019E	2020E	2021E
Revenue (mm)	$3,558	$3,575	$3,637
EBITDA (mm)	$503	$534	$545
EPS	$3.18	$3.39	$3.42
EV/EBITDA	5.6x	5.3x	5.2x

Holding Period Trading Performance (Indexed to $100)



Source: Bloomberg

Peer Evaluation



Source: Bloomberg and Company Filings

Business Description

Toromont Industries Ltd (TSX: TIH) operates and maintains Caterpillar (NYSE: CAT) dealerships throughout Eastern Canada under its Equipment Group. The Company acquired Hewitt in October of 2017 and took on a significant amount of long-term debt to complete the $1B purchase. Currently, $650mm of debt remains on the balance sheet. However, this has allowed TIH to be the authorized CAT dealer for Québec and most of Ontario and this division is now referred to as Toromont QM. TIH operates in more than 150 locations across Canada and the United States, employing in excess of 6,000 people. In addition to the Equipment Group, TIH also has its CIMCO division which is a market leader in the design, engineering, fabrication, installation, and after-sale support of refrigeration systems in industrial and recreational markets.

Original Investment Thesis

The CPMT began looking into TIH in March 2016. At the time, TIH had an EV/EBITDA of 9.7x, while the comparable EV/EBITDA average was 4.4x. However the CPMT greatly favored the Company's long history of organic growth, high ROE, and high ROIC, and moved to add the name to the portfolio. Additionally, the management team appeared to be aligned with the Company's success due to their high share ownership and significant option-based awards compensation structure. A strong, well-positioned balance sheet has created financial flexibility for the company, further reinforcing its long-term competitive positioning and track record of growth.

Revised Valuation

The valuation of TIH was calculated using a 50/50 blend between a Gordon Growth DCF and an EV/EBITDA Exit Multiple of 13.2x to arrive at the revised target price of $67.71. TIH has exceeded the original target price of the CPMT and after revaluation and updating the Coma, it has been given a Hold rating. The conservative approach was taken as increased tariffs for CAT in China could decrease operating margins for TIH. As of Q1 2019, the Company still trades at a premium in relation to its peers, which the CPMT will continue to evaluate. TIH has a P/E of 17.9x and an EV/EBITDA of 10.9x while the average of the peer group is 19.6x and 13.2x, respectively.

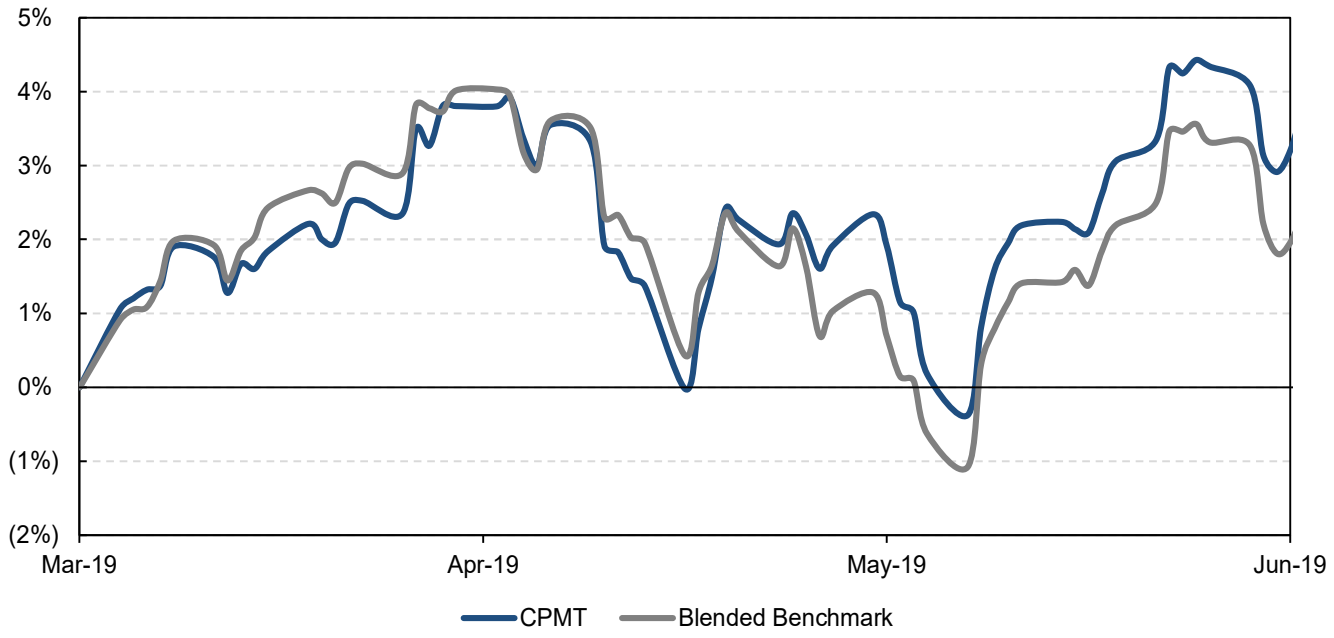
Current Investment Thesis and Outlook

TIH has outperformed the index by 48% throughout its holding period and the CPMT believes the Company is positioned to continue delivering solid performance. TIH has been able to increase FCF consistently over time, as well as increase its dividends. Although Canadian growth continues to be a concern with less than promising macroeconomic forecast over the last several quarters, the Fund remains convicted on TIH due to its continuous construction and country-wide growth, in addition to the Company's strong management. Since Q2 2017, Canada's GDP growth rate has decreased from over 1.0% per quarter to just 0.1% per quarter, with the latter value being the GDP growth rate for the previous 2 quarters. This, in combination with international trade tensions, has resulted in a decrease in the Canadian dollar (8.5% decrease in value relative to the U.S. dollar since Q3 2017), fewer housing starts, and less construction projects than expected. TIH could end up having narrowed profit margins as well as increased holding costs should the situation worsen. The CPMT will continue to monitor construction activity as well as dollar strength.

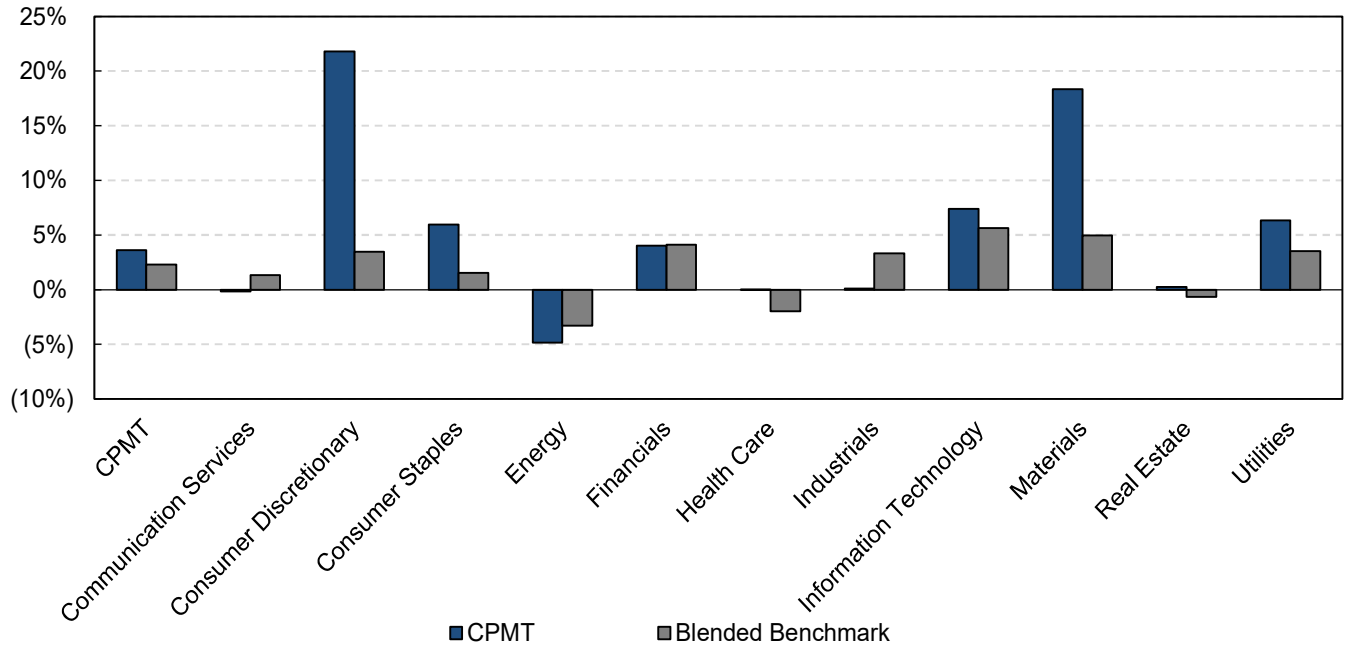
Compliance and Performance

QUARTERLY PERFORMANCE

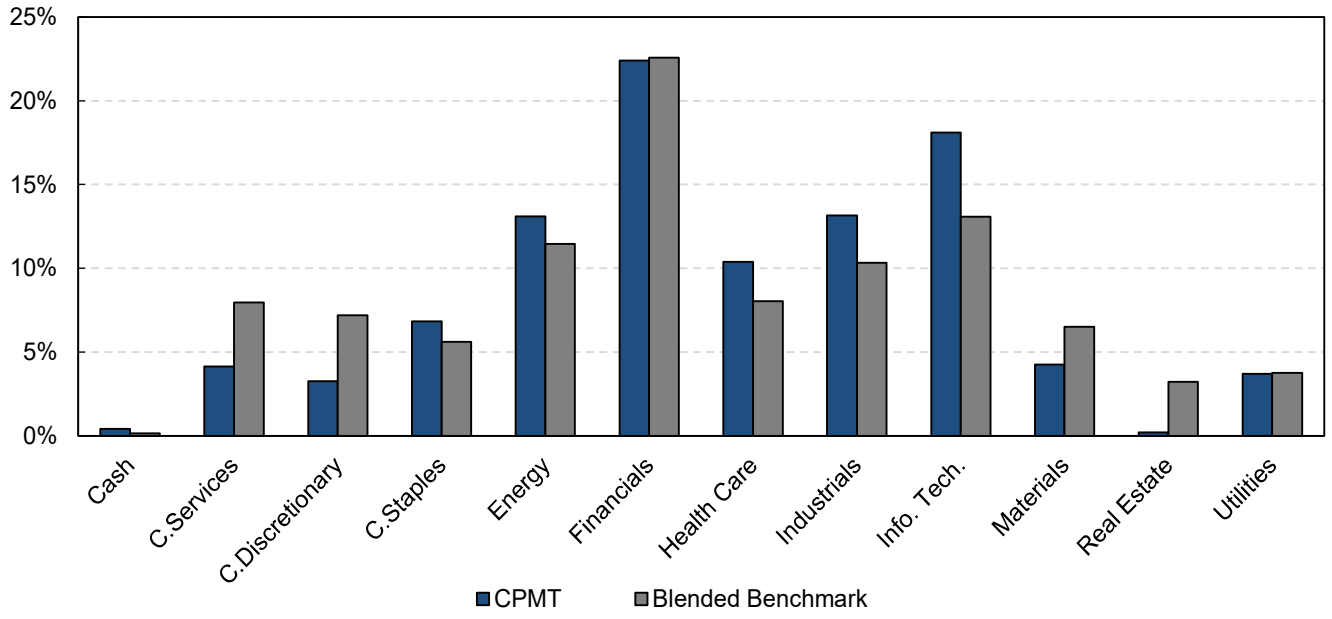
CPMT and Blended Benchmark Total Return



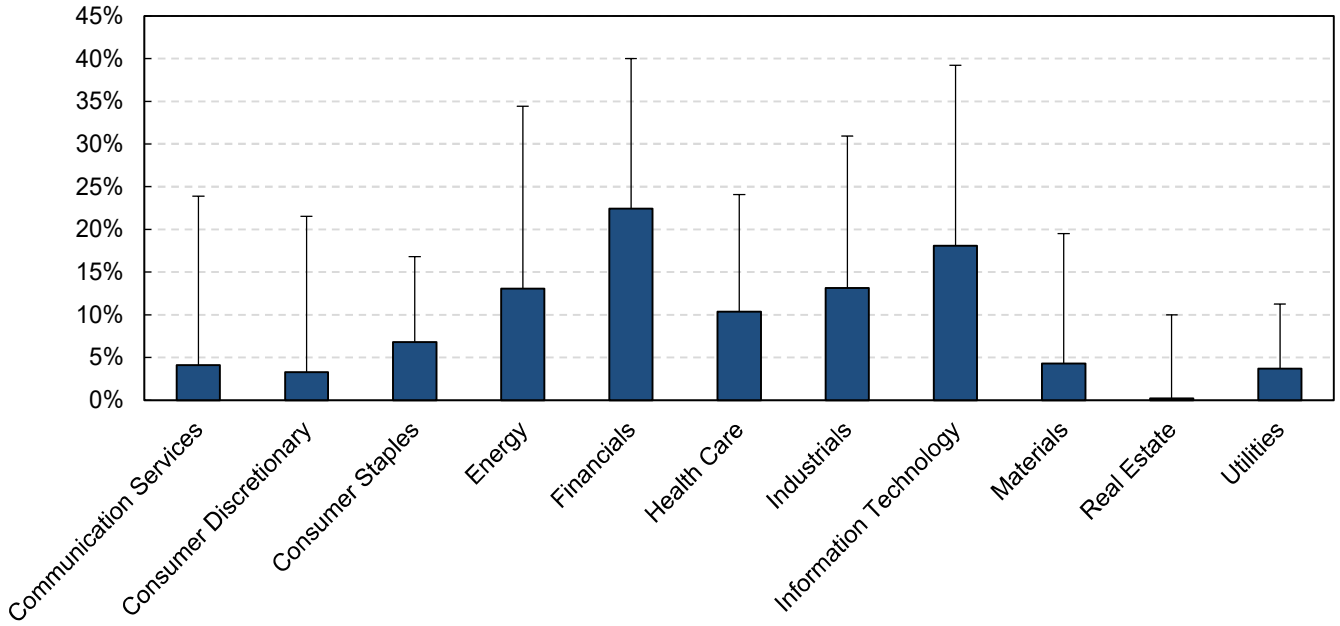
CPMT and Blended Benchmark Sector Returns



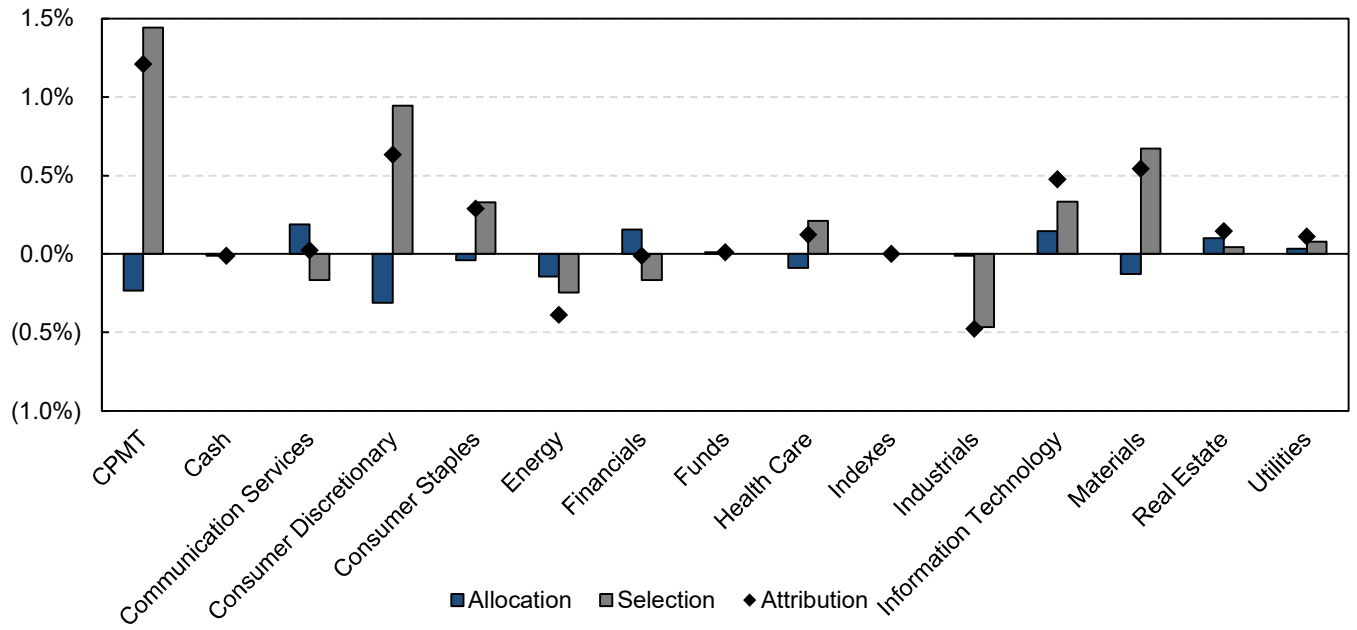
CPMT and Blended Benchmark Asset Breakdown



CPMT Sector Weights vs Maximum Weight



Attribution Analysis

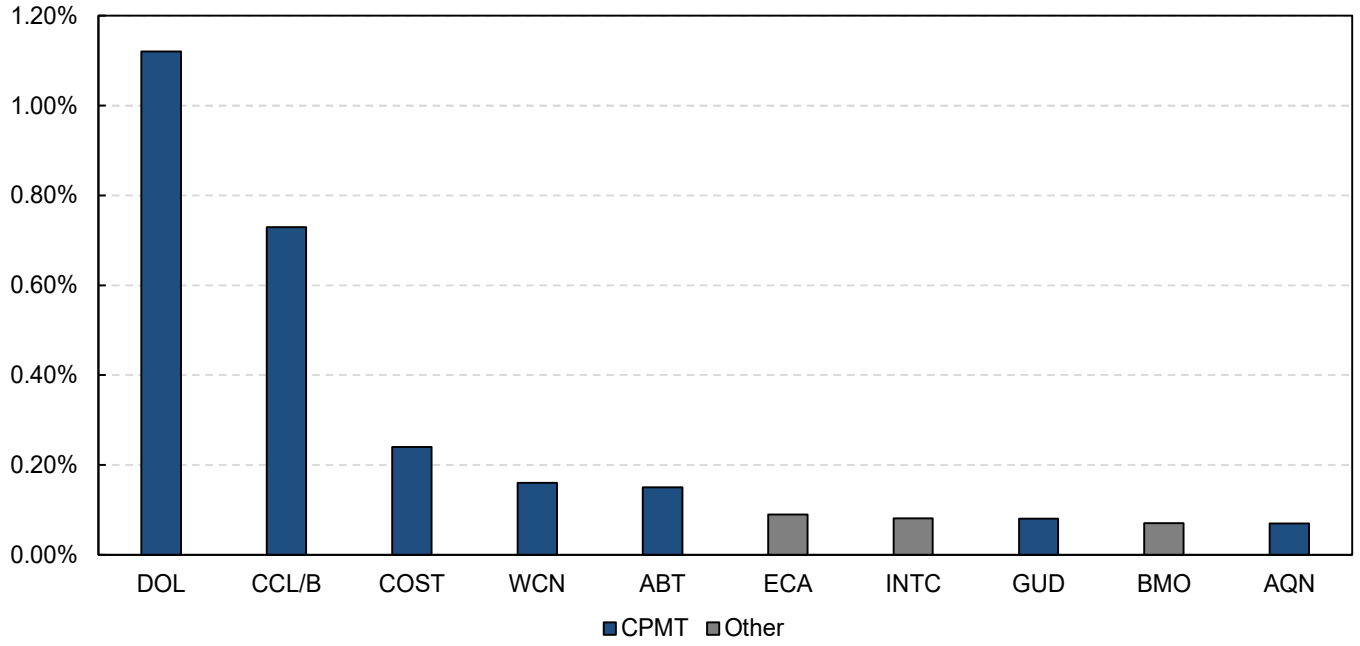


CPMT Attribution Analysis

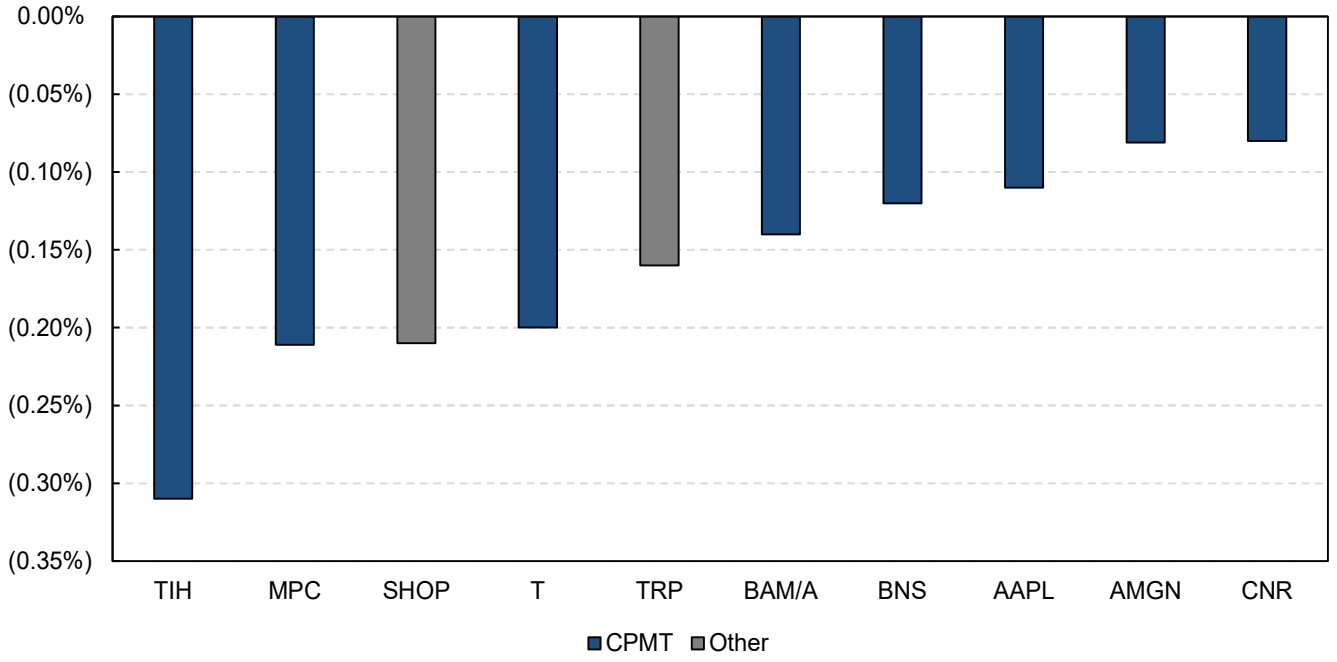
FQ1 2020	Attribution	Allocation	Selection
CPMT	1.21%	(0.23%)	1.44%
Communication Services	0.02%	0.19%	(0.17%)
Consumer Discretionary	0.63%	(0.31%)	0.94%
Consumer Staples	0.29%	(0.04%)	0.33%
Energy	(0.39%)	(0.14%)	(0.24%)
Financials	(0.01%)	0.16%	(0.17%)
Health Care	0.12%	(0.09%)	0.21%
Industrials	(0.48%)	(0.01%)	(0.47%)
Information Technology	0.48%	0.14%	0.33%
Materials	0.54%	(0.13%)	0.67%
Real Estate	0.14%	0.10%	0.04%
Utilities	0.11%	0.03%	0.08%

1 Year	Attribution	Allocation	Selection
CPMT	1.81%	1.48%	0.33%
Communication Services	(0.35%)	(0.03%)	(0.32%)
Consumer Discretionary	0.04%	(0.39%)	0.43%
Consumer Staples	(0.36%)	0.04%	(0.40%)
Energy	0.36%	0.37%	(0.01%)
Financials	0.33%	(0.19%)	0.52%
Health Care	(0.07%)	(0.02%)	(0.05%)
Industrials	0.51%	0.74%	(0.23%)
Information Technology	1.07%	0.64%	0.43%
Materials	0.34%	0.38%	(0.04%)
Real Estate	(0.22%)	(0.35%)	0.13%
Utilities	0.37%	(0.09%)	0.46%

Top 10 Selection Effects



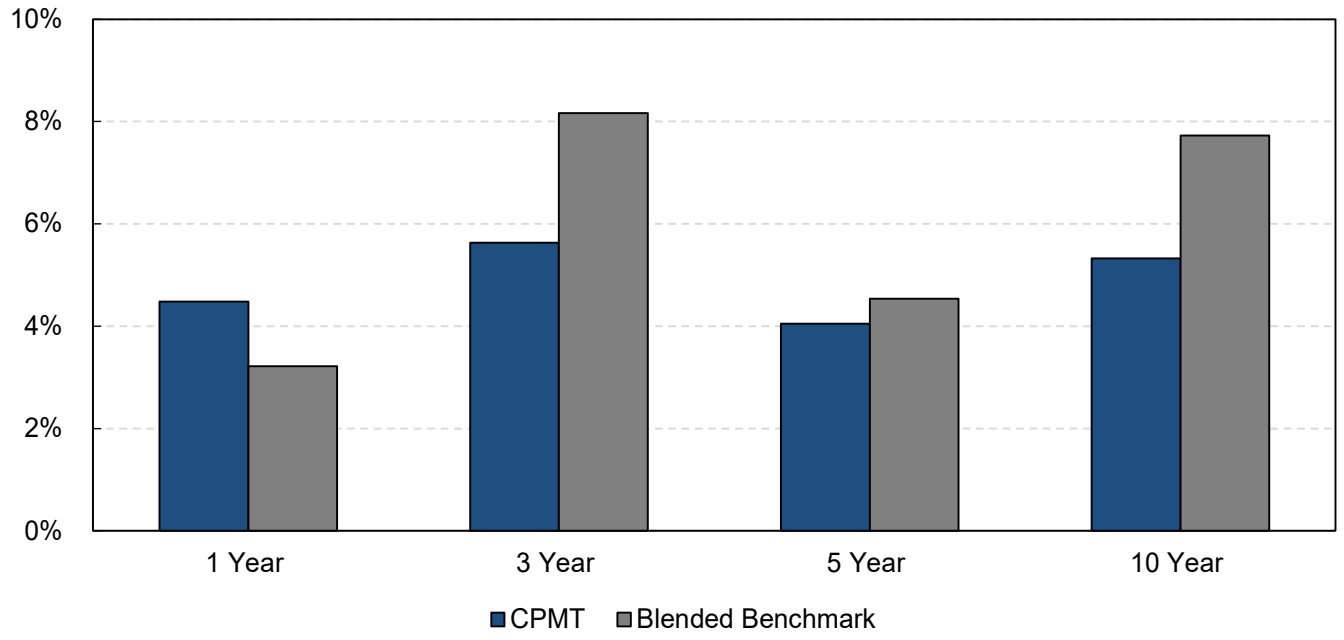
Bottom 10 Selection Effects



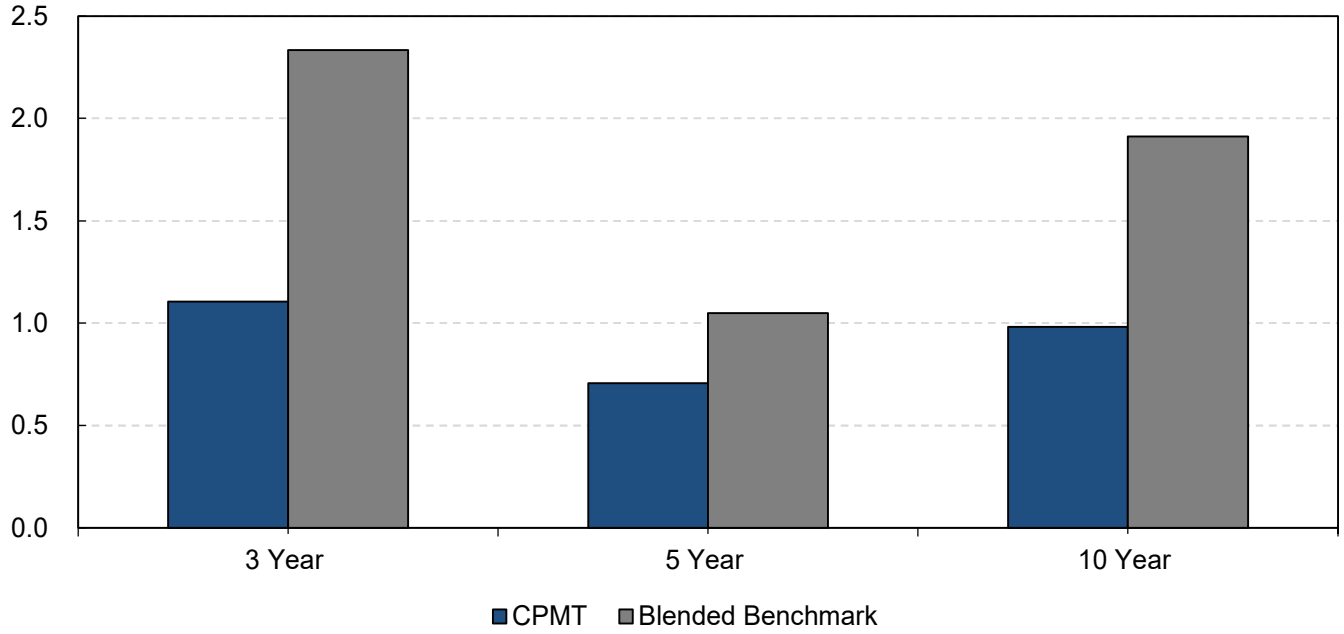
Compliance and Performance

LONG TERM PERFORMANCE

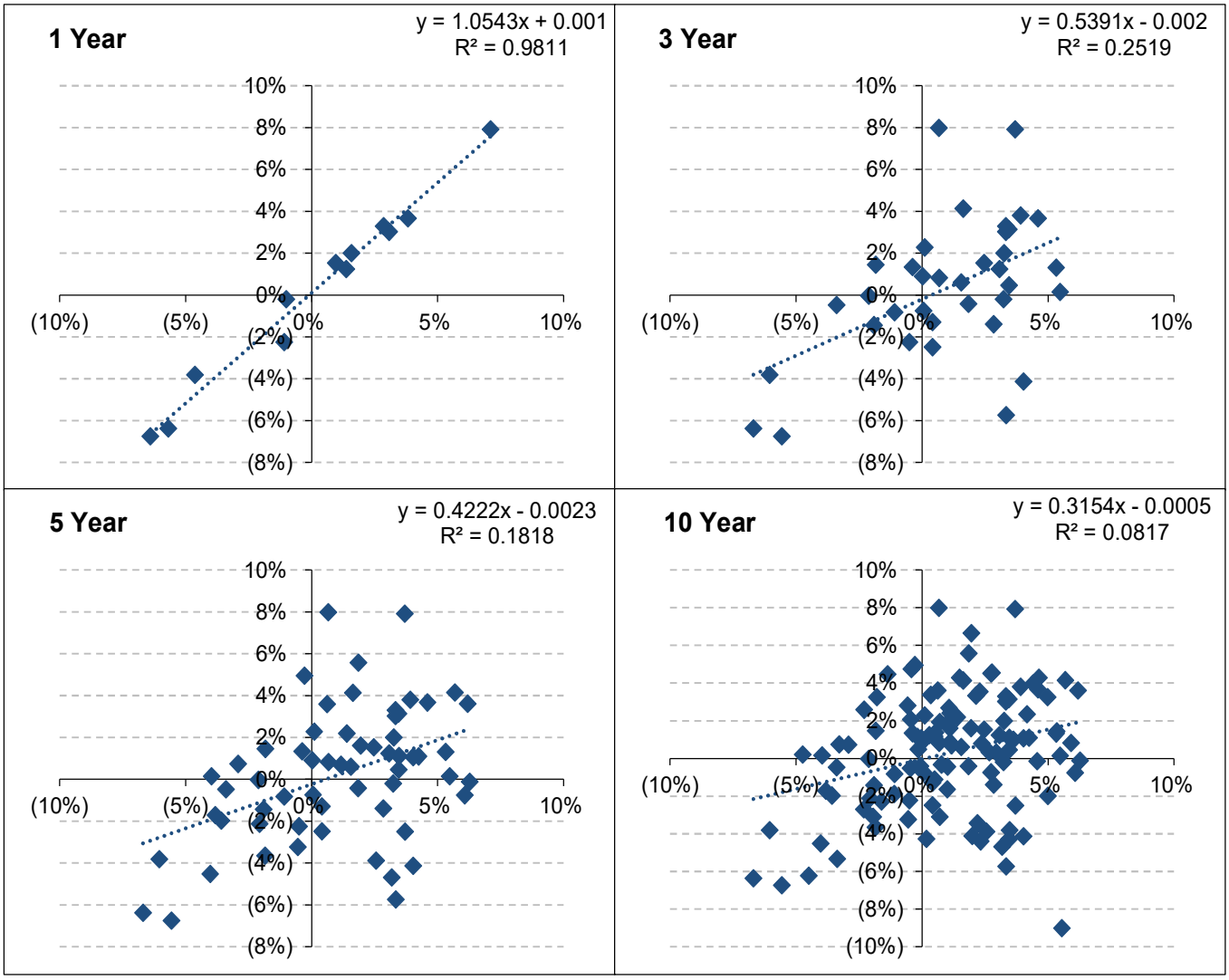
CPMT and Blended Benchmark Total Return (Annualized)



CPMT and Blended Benchmark Composite Index Sharpe Ratios



CPMT and Blended Benchmark Single Linear Regressions on Monthly Returns



The CPMT Long Term Performance Targets

	1 Year		3 Year		5 Year		10 Year
Absolute Returns (annualized)							
CPMT [1]	✗	4.48%	✗	5.63%	✗	4.05%	✗	5.32%
Relative Returns (bps)							
Blended Benchmark [2]	✓	126	✗	(254)	✗	(49)	✗	(241)
Risk Adjusted Returns (bps)							
Blended Benchmark [3]	✗	10	✗	(20)	✗	(23)	✗	(5)

(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	4.48%	5.63%	4.05%	5.32%
Blended Benchmark	3.22%	8.16%	4.54%	7.72%
Annualized Volatility				
CPMT	15.08%	11.49%	11.02%	10.91%
Blended Benchmark	14.17%	10.71%	11.14%	9.88%
Sharpe				
CPMT		1.11	0.71	0.98
Blended Benchmark		2.33	1.05	1.91

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 of Sale	Action	Shares	Purchase Price	Sale Price	Capital Gain	Return
GIB.A	2-Apr-18	Sale	90	$47.72	$ 97.74	$4,501.80	104.82%
IVV	2-Apr-18	Sale	77	$376.50	$ 287.80	($6,829.82)	(23.56%)
MSFT	2-Apr-18	Buy	120	$119.20			
AMGN	2-Apr-18	Buy	75	$192.09			
MPC	10-Apr-18	Buy	230	$63.46			
AAPL	10-Apr-18	Buy	75	$199.69			
TIH	10-Apr-18	Sale	70	$33.96	$ 68.92	$2,447.20	102.94%
IXC	10-Apr-18	Sale	360	$33.85	$ 34.57	$260.28	2.14%
IVV	10-Apr-18	Sale	45	$376.50	$ 289.71	($3,905.46)	(23.05%)
AMGN	24-Apr-19	Buy	9	$179.09			
IVV	24-Apr-19	Sale	6	$376.50	$294.55	($491.69)	(21.77%)
Total						($4,017.69)	(5.99%)

Appendix 2: Account Activity

Dividend Summary

April, 2019			
Equity	**Date**	**DPS**	**Credit**
T	1-Apr-2019	0.545	$185.30
TIH	3-Apr-2019	0.270	$81.00
CSU	5-Apr-2019	28.018	$336.22
ADW.A	5-Apr-2019	0.051	$30.78
AQN	15-Apr-2019	0.170	$187.14
BNS	26-Apr-2019	0.870	$319.29
TD	30-Apr-2019	0.740	$296.00
Total			**$1,435.73**

May, 2019			
Equity	**Date**	**DPS**	**Credit**
MA	9-May-2019	0.773	$38.26
DOL	10-May-2019	0.044	$13.20
ABT	15-May-2019	0.429	$77.20
AAPL	16-May-2019	0.770	$57.75
WCN	22-May-2019	0.215	$28.01
COST	24-May-2019	0.650	$45.50
Total			**$259.92**

June, 2019			
Equity	**Date**	**DPS**	**Credit**
ENB	3-Jun-2019	0.738	$442.80
AMGN	7-Jun-2019	1.450	$121.80
MPC	10-Jun-2019	0.530	$121.90
MSFT	13-Jun-2019	0.460	$55.20
MFC	19-Jun-2019	0.250	$275.00
IVV	21-Jun-2019	2.335	$191.49
SU	25-Jun-2019	0.420	$168.00
CNR	28-Jun-2019	0.538	$134.38
CCL.B	28-Jun-2019	0.170	$57.80
BAM.A	28-Jun-2019	0.214	$80.31
Total			**$1,648.68**

CPMT Holdings - June 30, 2019	Market Cap	Conviction	Position Size			Target Price			Stock Price	Total Return	
Financials			Current	Target	Difference	Prior		Current	End of Period	QTD	TTM
Bank of Nova Scotia	Large	3	5.13%	6.00%	(0.87%)	$87.00	▼	$79.72	$70.34	1.32%	(0.87%)
Brookfield Asset Management	Large	2	4.67%	4.00%	0.67%	$56.00	▬	$56.00	$62.65	0.97%	19.11%
Toronto Dominion	Large	3	6.08%	6.00%	0.08%	$75.00	▬	$75.00	$76.52	6.57%	4.39%
Manulife	Large	3	5.20%	6.00%	(0.80%)	$29.00	▬	$29.00	$23.80	6.45%	5.11%
Mastercard	Large	3	6.34%	6.00%	0.34%	$270.00	▬	$270.00	$264.53	10.05%	21.76%
Information Technology											
Apple Inc	Large	2	3.86%	4.00%	(0.14%)	$218.00	▬	$218.00	$197.92	(2.93%)	(2.93%)
Constellation Software	Large	2	2.94%	4.00%	(1.06%)	$1,034.00	▲	$1,320.00	$1,234.25	9.11%	24.64%
Microsoft Corp.	Large	2	4.19%	4.00%	0.19%	$140.00	▲	$161.00	$133.96	10.44%	10.44%
Materials											
CCL Industries	Large	3	4.34%	6.00%	(1.66%)	$66.00	▲	$70.00	$64.22	19.02%	0.67%
Energy											
Enbridge	Large	3	5.63%	6.00%	(0.37%)	$63.00	▼	$48.00	$47.19	(0.80%)	6.90%
Marathon Petroleum Corp	Large	2	3.35%	4.00%	(0.65%)	$85.00	▼	$70.00	$55.88	(12.99%)	(12.99%)
Suncor	Large	2	3.25%	4.00%	(0.75%)	$47.00	▼	$41.00	$40.85	(4.71%)	(20.96%)
Consumer Discretionary											
Dollarama	Large	2	2.75%	4.00%	(1.25%)	$40.00	▲	$51.00	$46.07	29.37%	(9.22%)
Consumer Staples											
Costco	Large	2	4.82%	4.00%	0.82%	$260.00	▲	$289.00	$264.26	7.04%	21.07%
Andrew Peller	Small	2	1.64%	4.00%	(2.36%)	$16.00	▲	$18.00	$13.75	4.34%	(18.16%)
Telecommunications											
Telus	Large	2	3.27%	4.00%	(0.73%)	$51.00	▲	$52.00	$48.41	(1.02%)	8.43%
Healthcare											
Abbott Laboratories	Large	2	3.94%	4.00%	(0.06%)	$100.00	▼	$93.00	$84.10	3.33%	5.14%
Knight Therapeutics	Mid	2	1.84%	4.00%	(2.16%)	$9.30	▼	$8.50	$7.72	5.18%	(4.10%)
Amgen	Large	2	4.03%	4.00%	0.03%	$246.00	▼	$214.00	$184.28	(5.44%)	(5.44%)
Industrials											
Toromont	Mid	2	2.84%	4.00%	(1.16%)	$77.00	▼	$64.00	$62.07	(8.64%)	10.94%
Canadian National Railway	Large	3	6.02%	6.00%	0.02%	$137.00	▼	$130.00	$121.20	1.76%	14.67%
Waste Connection Inc.	Large	2	3.28%	4.00%	(0.72%)	$130.00	▲	$146.00	$125.10	7.38%	18.25%
Utilities											
Algonquin	Mid	2	3.47%	4.00%	(0.53%)	$15.80	▼	$15.20	$15.87	6.82%	31.14%