CPMT Monthly Update – May 2019

CPMT Calgary Portfolio Management Trust

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Consumers

Portfolio Manager: *Colton Borle*
Investment Analysts: *Breanna Schollaardt, Erik Skoronski*

Consumers Sector Update

Sector Description & Holdings

- **Consumer Staples:** Are essential products such as household goods, food, and beverages, that individuals are unwilling or unable to remove from day-to-day life regardless of their financial situation. This area of the consumers sector is attractive to the CPMT, as these businesses tend to be less cyclical
- **Consumer Discretionary:** Businesses in this sector sell non-essential products, such as apparel, entertainment and leisure, and automobiles. These products are desirable to consumers if their finances permit after necessities are satisfied. The state of the economy influences the purchase of such goods. Due to the sensitivity of discretionary goods to macroeconomic factors, the CPMT prefers names that will remain defensive in a downturn

Current CPMT Consumers Holdings

Staples

Andrew Peller Limited → Wine Producer & Marketer

Costco Wholesale → American Wholesaler

Discretionary

Dollarama → Canadian Dollar Store Operator

Sector Update

- Both Consumer Staples and Discretionary have seen solid returns in 2019, outpacing the index. This may be due to the macroeconomic outlook, wherein consumer staples tend to be more defensive, and outperform in recessions
- The escalation of trade wars between the U.S. and China is causing the entire sector to think carefully about potential global production expansion, and which geographic locations would be the best choice when considering imminent tariffs
- **Tesla (NASDAQ: TSLA)** has fallen behind Ford Motor Company in market capitalization. TSLA's stock price fell below US$200 as of May 19, 2019, for the first time over two and a half years, staying at near this price for the remainder of the month. This is partially attributable to the re-escalation of the trade wars between the U.S. and China, and the potential for TSLA to face larger tariffs in the near future. These tariffs could prevent TSLA from selling its cars to the high-growth electric vehicle market in China
- **Amazon (NASDAQ: AMZN)** consensus estimates predict high share price growth by end of 2022, with predictions of the share price hitting as high as US$3000 which is ~64% higher than the current price of US$1823. Over the quarter, the Company announced Fire TV has over 30 million active users. The new remote includes Alexa and is expanding the accessibility for many apps via the service globally

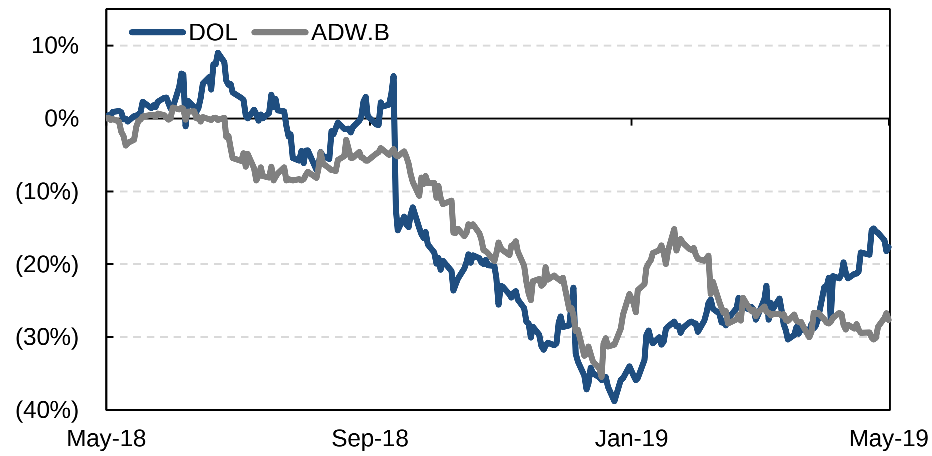
Source: Bloomberg, Company Filings

Consumers Holdings Updates

Dollarama 2019 Performance

- Over fiscal year of 2019, Dollarama (TSX: DOL) opened 65 new stores which was in line with the goal of 60-70 new locations
- Cash dividends for common shareholders have been increased 10.0% as of March 28, 2019 from $0.040 to $0.044 per share
- DOL has moved into the e-commerce space as of January 2019. This move is to entice businesses and customers who buy large amounts in-store to buy in bulk from the website
- Fiscal year gross margin decreased 50 bps, from 39.8% to 39.3%, from 2018 to 2019. This decrease was mainly attributed to the Company's minimization of price increases of products throughout stores. The CPMT will monitor DOL's financials moving forwards as a strong balance sheet is a fund requirement

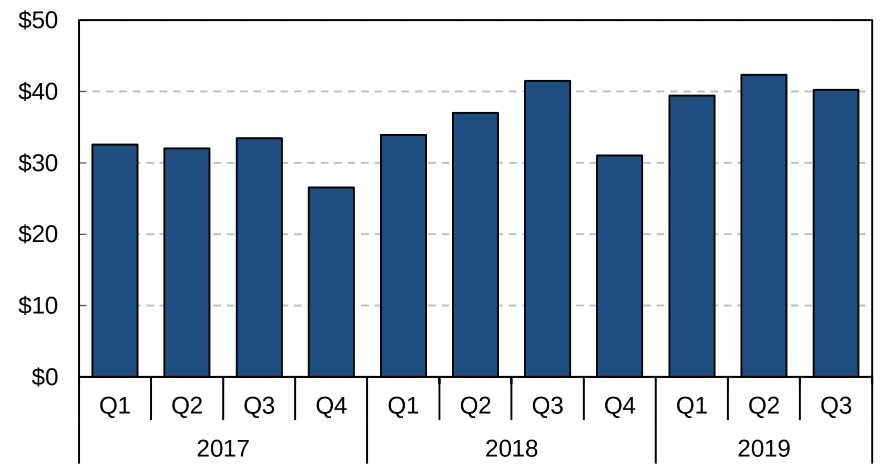
Historical Trading Performance



Andrew Peller 2019 Performance

- Andrew Peller (TSX: ADW.B) reported an increase in sales of 6.3% for the nine months ending December 31, 2018, in comparison with the same period in 2017. This increase can be attributed to the Company's acquisitions of Gray Monk Cellars Ltd, Black Hills Estate Wineries, and Tinhorn Creek Vineyards Ltd
- Gross margin for Q3 2019 was 40.8% in comparison with Q3 2018 which was 41.7%. This is due to poor crop yield internationally, driving the increase in bulk wine prices
- The Company plans to offset this decrease in gross margin moving forward by introducing enhanced cost control methods, and focusing on premium, high-margin products. This strategy may attract luxury focused buyers who value premium products

Andrew Peller Gross Margin(1)



Source: Bloomberg, Company Filings
(1) In millions of dollars

Energy

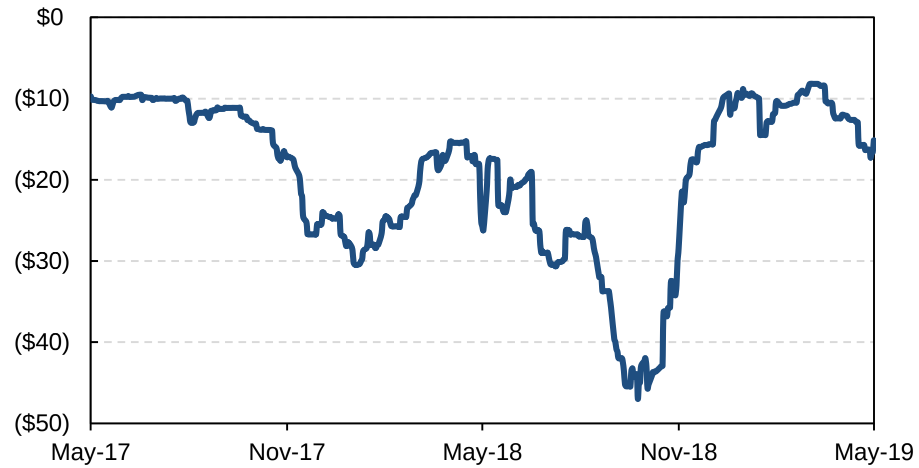
Investment Analyst: *Helena Cherniak-Kennedy*

Oil Outlook

Canadian News Highlights

- On April 16, 2019, the United Conservative Party (UCP) beat the NDP in Alberta's provincial election. Alberta's shift in political power to the UCPs under Jason Kenney implies that numerous legislative changes for Alberta's energy industry are on the horizon. Key policy updates to watch will include Kenney's decision to continue or suspend production curtailments and the crude-by-rail program instituted by former Premier Rachel Notley
- Two bills are currently being debated by Canada's federal government: Bill C-69 (affecting the approval process for energy projects) and Bill C-48 (a potential oil tanker ban off the BC coast). Both have major ramifications for Canada's energy industry. Overall, the CPMT is wary of the uncertainty in the Canadian oil sector, especially in the upstream segment

WTI-WCS Differential (1)



Crude Sector

- **Canada:** Canadian crude continues to face a lack of takeaway capacity, with a shortage of pipelines causing oil to remain landlocked in Alberta. While large WCS differentials have eased since their peak in Q4 2018, long-term solutions such as the Trans Mountain Expansion Project and Keystone XL pipelines are still uncertain and possibly years away. Rail movements of crude and production curtailments are short-term solutions to strengthen pricing. This situation harms upstream E&P companies; however, midstream operators can benefit from arbitrage opportunities created by the supply-demand imbalance
- **U.S:** The Permian remains the largest source of growth in crude for the U.S., with production increasing 383% since 2009 and 23% since 2018. The exponential increase in pipelines out of the Permian and relative lack of refining capacity in the Gulf Coast have created demand for increased export capacity in the region, with crude exports reaching 3.3 mmboe/d in May 2019
- **International:** Conflict in the Middle East has continued to escalate, with recent drone attacks on Saudi Arabia. This has inflicted upward pressure on WTI prices over the past few weeks, offset by concerns over the trade war between China and the U.S., and high U.S. crude inventories. These factors have also resulted in the IEA reducing its 2018 and 2019 oil global demand growth estimates. The IEA also reported that global supply shrunk in April due to the U.S. sanctions on Iran

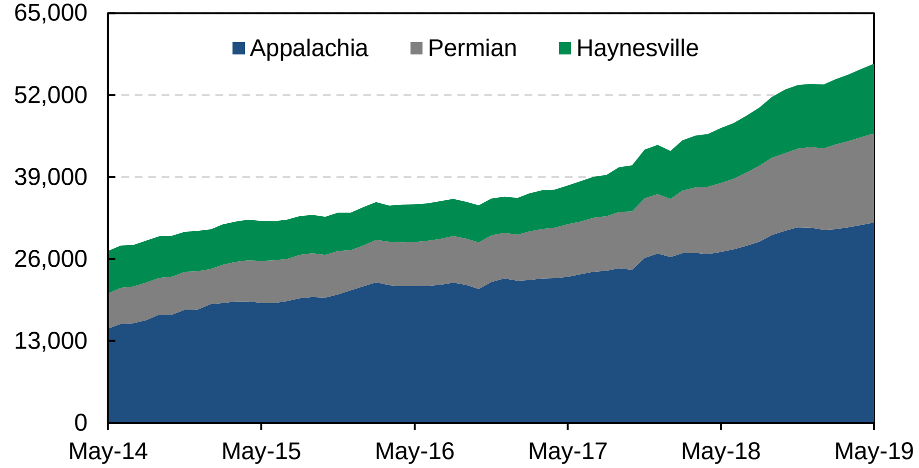
Source: Bloomberg, CBC, CNBC, EIA, Forbes
(1) In US$/bbl

Natural Gas Outlook

Canadian News Highlights

- The AltaGas (TSX: ALA) Ridley Island Propane Export Terminal (RIPET) officially opened on May 28, 2019, with the capacity to ship 1.2mm tons of propane per year to Asia. RIPET is critical for allowing Canadian NGLs to reach global markets, primarily those in Asia. Pembina (TSX: PPL) is currently in the process of building the Prince Rupert Export Terminal on the B.C. coast, which is expected to be completed later this year
- Keyera (TSX: KEY) announced in its Q1 earnings that it has partnered with SEMCams to build the Key Access Pipeline System (KAPS), an NGL and condensate pipeline linking the Montney and Duvernay basins to Fort Saskatchewan and providing needed takeaway capacity

U.S. Natural Gas Production (1) (2)



Gas and NGL Sectors

- **Natural Gas**: Both associated and target gas production continue to grow in North America, with a larger focus being placed on wet gas, rather than dry gas. Since natural gas pricing remains weak and volatile day-to-day, energy companies are looking to extract NGLs out of wet gas to achieve higher netbacks
  - The Appalachia (Marcellus/Utica), Permian, and Haynesville basins remain the largest sources of growth in U.S. gas production
  - Current natural gas inventories are below last year's stocks and below the five year average; however, increased injections are expected going forward
- **Natural Gas Liquids**: NGL demand growth remains strong, with Asia creating the largest demand source worldwide. This is primarily due to its use of propane and butane in petrochemical processing, with more PDH plants expected to be built in China
- A cold winter across North America this year led to high propane demand for heating. As the summer season approaches, NGL stocks are expected to build; current inventories are above both 2017 and 2018 storage levels

Source: Bloomberg, CBC, Company Filings, DrillingInfo, EIA
(1) In mmcf/d
(2) In top 3 U.S. basins

Energy Holdings Update

Enbridge (TSX: ENB)

- ENB reported EBITDA of $3.77B, a 10.7% increase YoY, which beat consensus estimates by 9.0%
- Cash provided by operating activities decreased 31.9% YoY, while distributable cash flow of $2.76B marked a 19.3% increase YoY
- Line 3 pipeline construction in Canada is expected to see completion by the end of May 2019. However, due to difficulty getting approvals from the Minnesota Public Utilities Commission, the in-service target date has been delayed by a year to 2H 2020. The Line 3 pipeline replacement would increase capacity from 370 kbpd to 760 kbpd, adding 390 kbpd of incremental takeaway capacity from the WCSB

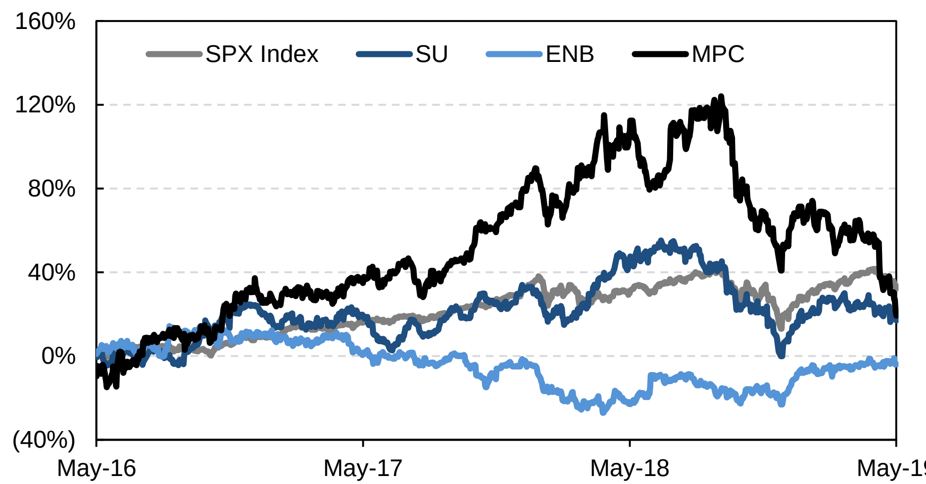
Marathon (NYSE: MPC)

- MPC announced a transaction to merge its two MLPs (MPLX and ANDX) for US$9B (enterprise value of US$14B)
- MPC had slightly disappointing results this quarter. Q1 EBITDA came in at US$1.5B, a 50.0% increase YoY, but below consensus estimates. Refining and Marketing EBITDA was US$93mm, down from US$119mm in 2018. This was attributed to tightening Canadian differentials and weak gasoline margins
- Share repurchases and dividends this quarter totaled US$1.2B. MPC's Total Debt to TTM EBITDA was 1.89x
- MPC's continued integration of its Andeavour acquisition helped boost Q1 total throughput by 63.2% YoY to 3.1 mmbpd, while also leading to US$133mm in realized synergies this quarter

Suncor (TSX: SU)

- SU's earnings were up from 2018 in Q1, with funds from operations (FFO) increasing 19.9% YoY to $2.59B. Net Debt/FFO this quarter was 1.6x, up from 1.5x in Q4 2018
- Total oil sands production was up 15.0% YoY, but came in slightly under guidance at 657.2 mbbl/d, primarily due to mandatory Alberta production curtailments. However, the impact on earnings was largely offset by a record quarter for SU's refining and marketing segment
- A $0.42 dividend per share was declared this quarter, representing a 17.0% increase YoY. SU distributed $662mm in dividends and repurchased $514mm of common shares in Q1

Historical Trading Performance



Source: Bloomberg, CBC, Company Filings

Financials

Investment Analyst: *Dhruv Jindal*

Company Specific Updates

Toronto-Dominion Bank

- TD Bank (TSX: TD) reported Q1 net income growth of 9.0% YoY, while diluted EPS stood at $1.70, implying 10.4% growth YoY. Increased volumes, higher margins, and added AUM in the wealth management segment fueled ~8% YoY revenue growth for Canadian Retail. Canadian Retail further received the "Highest in Customer Satisfaction among the Big Five Retail Banks"
- U.S. retail reported net income of $1.26B, an increase of 29.0% YoY. TD Ameritrade (NASDAQ: AMTD) contributed $258mm to segment earnings, 27.0% increase YoY on an adjusted basis. Wholesale Banking saw a strong improvement over the Q1 2019 loss of $17mm, with a net income of $221mm, reflecting higher trading related revenue, lower PCL (provision for credit losses), and lower non-interest expenses
- On November 1, 2018, TD acquired 100% of the outstanding equity of Greystone for $817mm (funded with $475mm in cash and $342mm in shares). On May 22, 2019, TD's board of directors approved an NCIB for up to 20mm of its common shares. Market conditions and capital adequacy were important factors in the decision. Additionally, TD will become the primary credit card issuer for Air Canada's new loyalty program when it launches in 2020 through to 2030
- TD's Common Equity Tier 1 (CET1) Capital ratio on a Base III fully phased-in basis was a healthy 12.0%, well above the required 7%

Manulife

- Manulife (TSX: MFC) recorded Q1 2019 net income of $2.2B, implying ~54% growth YoY. The increase was driven by higher gains from investment-related experience, direct impact of markets, and core earnings growth. Diluted core EPS was $0.76 and appreciated ~19% YoY. MFC beat analysts consensus EPS estimates of $0.70. ROE stood at 20.1%, growing 6.0% YoY. Dividend per common share also saw a 14.0% YoY increase
- A 15.0% increase in core earnings was a result of several factors including: new business in U.S. and Asia, higher investment income on surplus portfolio, improved expense efficiency (lowered by 2.1%), and increased ROI in new mutual funds and segregated funds
- New business value totaled $520mm with ~31% growth YoY. All geographical segments contributed to this, with Canada, U.S., and Asia seeing ~27%, 400% growth, and ~23% YoY growth, respectively. U.S. growth was a result of actions to improve margins (higher redemptions due to the rationalization of investment management teams) and a more favorable product mix
- MFC's Life Insurance Capital Adequacy Test ratio stood at a healthy 144.0%. Additionally, MFC reported negative Global Wealth and Asset Management net flows of $1.3B compared to positive net flows of $10B last year. This decline was driven by lower gross flows in retail and institutional asset management

Source: Company Filings

Company Specific Updates

Mastercard

- Mastercard (NYSE: MA) reported Q1 2019 net income of $1.9B, an increase of 25.0% YoY. EPS stood at $1.78, implying a 19.0% growth YoY, comfortably beating market estimates of $1.66
- The increase in net income was driven by a ~17% increase of switched transactions, a ~12% increase in gross dollar volume, and a ~13% increases in cross-border volumes. These increases were offset by an increase in rebates and incentives due to new and renewed agreements and increased volumes. Total operating expenses decreased 5.0%, and other income was favorable YoY due to higher investment income driven by higher interest rates
- During Q1 2019 MA repurchased approximately 8.7mm shares, costing $1.8B and paid $340mm in dividends. Quarter-to-date through to April 25, the company repurchased an additional 2mm shares at a cost of $467mm, leaving $4.5B remaining under current repurchase program authorizations
- MA strives for innovation through developing new products with partners such as Apple and Goldman Sachs, and contributes to overall company improvement through expanding the geographic footprint of its real-time payment solutions

Brookfield Asset Management

- Brookfield Asset Management (TSX: BAM) had a strong Q1 and reported $1.1B in FFO, net income of $1.3B, and diluted EPS of $0.58. The gross annual run rate of fees plus targeted carry has seen a ~25% CAGR over the past five years
- BAM announced and completed numerous transactions over the quarter. The acquisition of Healthscope Limited, the second largest private hospital operator in Australia, was announced for $4B, while the acquisition of Clarios, the leading global supplier of automotive batteries, was closed for $13B. The Company further agreed to acquire a $1.5B mixed use office-complex in central Shanghai. Finally, BAM announced an asset management partnership with Oaktree Capital Management (NYSE: OAK) to take the company private in a joint venture for $4.8B; BAM will acquire ~62% of OAK. The acquisition is expected to close in Q3 2019
- BAM's AUM has seen a 15% CAGR over the past five years to stand at $366B. After the OAK transaction, total AUM will be $485B. BAM's cash available for reinvestment or distribution to shareholders has grown by a 23% CAGR over the past five years to stand at $2.4B
- BAM raised $18B of private capital over the last 12 months, which included the closing of a $15B flagship real-estate fund. The Company also continued closes in its flagship private equity fund and long-life real estate and infrastructure funds. Investors are seeking to invest in real assets, which is evident from recent fundraising and is positive for BAM

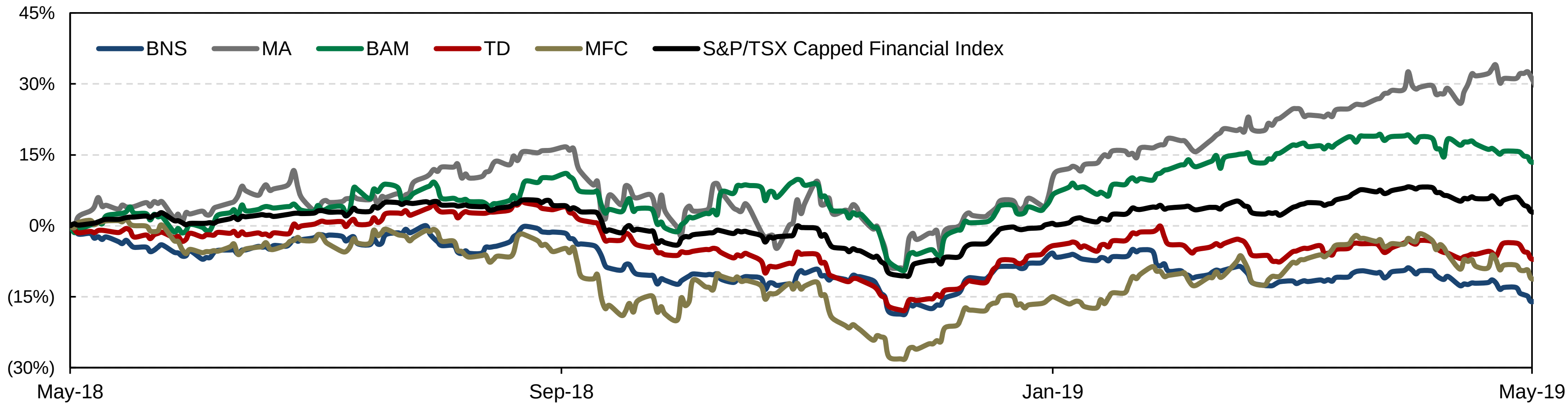
Source: Company Filings

Company Specific Updates

The Bank of Nova Scotia

- Scotiabank (TSX: BNS) reported Q2 2019 net income of $2.3B, growing 4% YoY and 1% QoQ. Diluted EPS stood at $1.73, growing 2% YoY and 1% QoQ. Capital position remains strong with CET1 Ratio at 11.1% (internal capital generation of 21bps). The Company repurchased 4mm shares during the quarter and 7.25mm shares YTD
- BNS provided an integration update for material acquisitions. BNS is on track to exceed ~$0.15 adjusted diluted EPS accretion in 2020
  - **BBVA Chile:** Increase in combined market share for loans YoY (~+20bps). Successfully migrated BBVA credit card portfolio in Q2 2019. Integration execution on track and expected to be completed by Q4 2019
  - **Wealth Management Acquisitions (MD Financial, Jarislowsky Fraser Limited):** Positive AUM/AUA growth in Q2 2019 and since acquisition. MD surpassed $50B in assets for the first time in history. Customer retention rates are higher QoQ and above pre-acquisition levels. Acquisition-related synergies are on track. Scotia Private Banking now co-located in all major MD offices
- Canadian Banking saw strong deposit growth of 11% (Personal 8%; Non-Personal 15%), higher NIM (+3bps), and good expense management. International Banking delivered strong performance across the Pacific Alliance (revenue growing 22% YoY). Global Banking and Markets recovered from Q1 2019 with higher revenue and better expense management (net income growing 25% QoQ)

CPMT Financial Holdings Performance vs Financial Index



Source: Bloomberg, Company Filings

Health Care

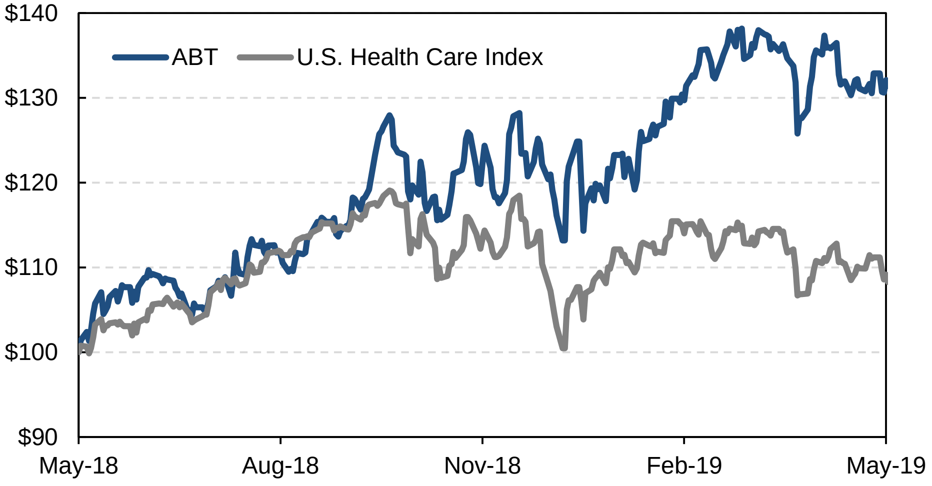
Portfolio Manager: *Brian Timmerman*
Investment Analyst: *Jose Menjivar*

Abbott Laboratories

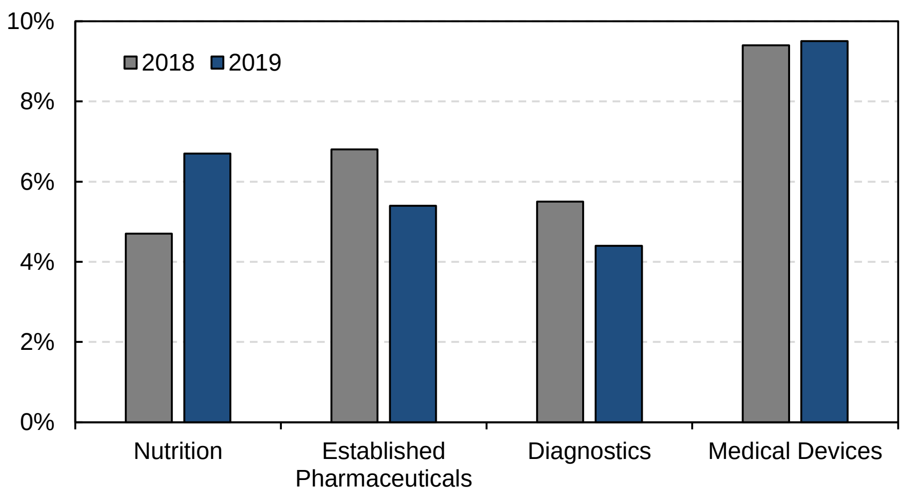
Financial Highlights and Outlook

- Abbott Laboratories (NYSE: ABT) reported its Q1 financial results on April 17, 2019
- ABT's revenue grew 7.1% organically with disappointing overall diagnostics growth of 0.22%. This segment was negatively impacted by a major purchase order timing shift in Africa
- The Company achieved an outstanding 80.1% growth on FreeStyle Libre Glucose monitors over the quarter, which is expected to allow ABT to exceed its organic growth outlook for the rest of the year
- In January, ABT received FDA approval for the expansion of MitraClip, a device to treat secondary mitral regurgitation. The launch of Alinity diagnostics is expected to drive growth in 2020

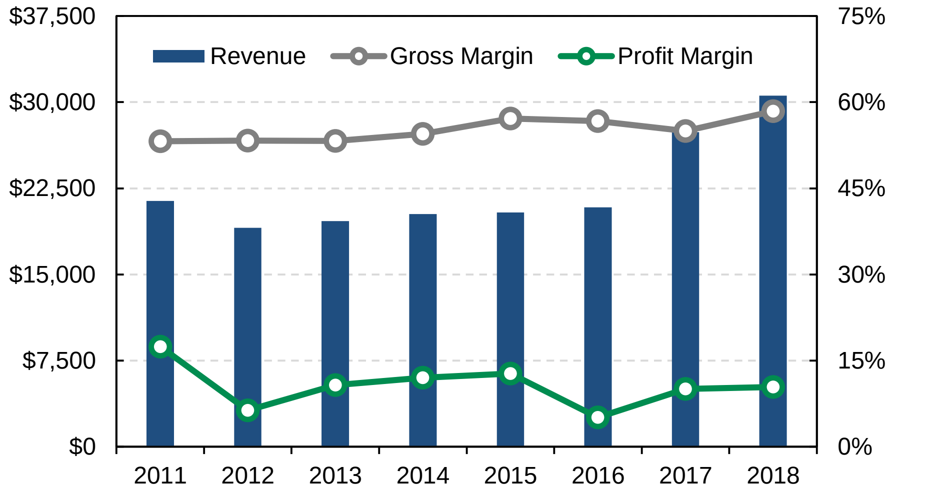
Total Return (Value of $100)



Q1 Organic Sales Growth by Business Segment



Revenue and Margins[1]



Source: Bloomberg, Company Filings

(1) Revenues in US$mm, profit margin calculated with net income adjusted for non-recurring items

Amgen

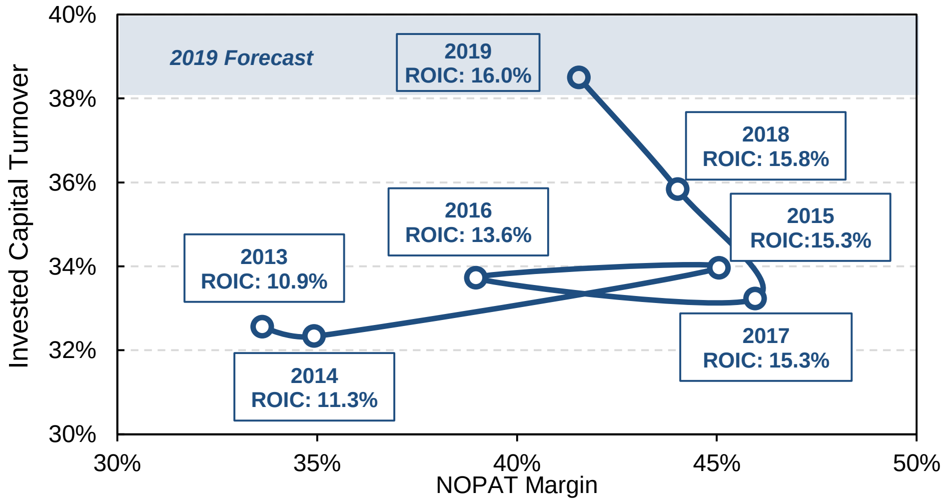
Financial Highlights

- Amgen (NASDAQ: AMGN) released Q1 earnings on April 31, 2019
- The Company experienced a total revenue decrease of ~1% YoY, partially attributed to downward pricing pressures on newer drugs. Continued pricing pressures may arise from alternative health care payment models in response to political concerns on the overall sector
- AMGN launched two biosimilar drugs in 2018, resulting in a US$21mm increase in biosimilar revenues over the quarter
- AMGN's mature drugs, such as *Epogen*, *Aranesp*, and *Sensipar*, have seen declines as generic players enter the market when older patents expire

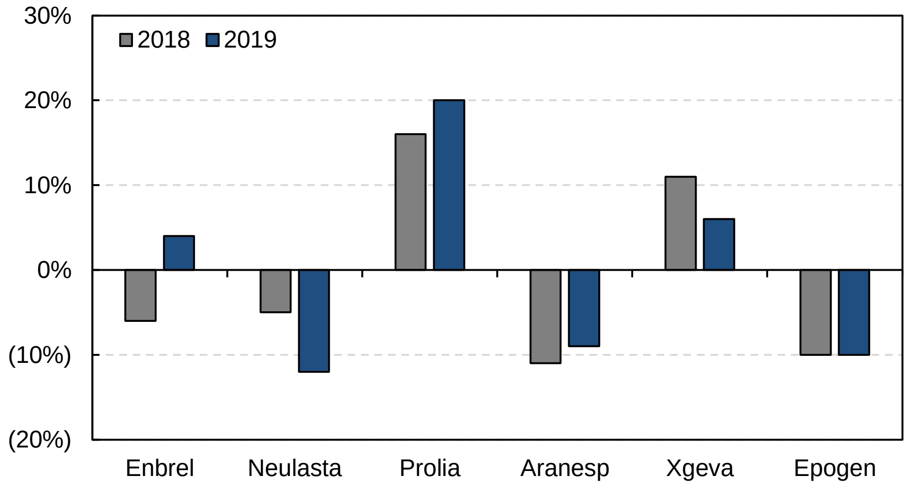
Key Developments and Outlook

- AMGN raised its lower-end guidance by US$200mm on revenue, as well as a $0.15 raise on non-GAAP EPS
- *AMG 420(BCMA BiTE molecule) and AMG 212(PSMA BiTE molecule)* dose escalations to be presented at the American Society of Clinical Oncology's meeting in June
- AMGN is expecting to release data of at least 10 molecules in its oncology pipeline, spanning drugs for Multiple Myeloma, Leukemia/Lymphoma, and solid tumors
- The Company stated that "*AMG510* Phase 1 study was completed very rapidly due to good tolerability", hinting there may be substantial tumor shrinkage. Additionally, AMGN announced the acquisition of Nuevolution, a cancer R&D firm

ROIC Decomposition[1]



Q1 Sales Growth By Major Product



Source: Bloomberg, Company Filings

(1) NOPAT calculated as EBITA less cash taxes, Invested Capital excludes Goodwill and includes treasury stock repurchases

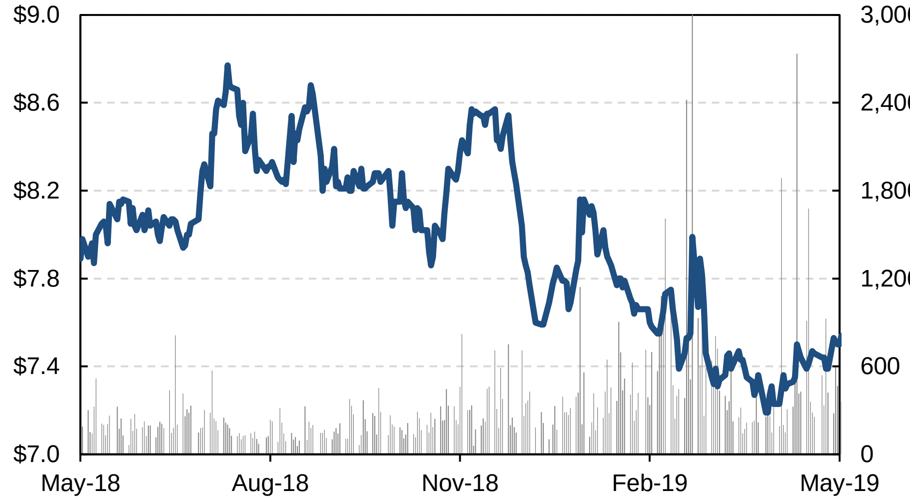
Knight Therapeutics

Knight

Financial Highlights

- Knight Therapeutics (TSX: GUD) released Q1 earnings on May 9, 2019
- GUD's revenue and net income decreased ~6% YoY and ~25%, YoY respectively, mostly attributed to $1.5mm of legal and advisory fees from a proxy battle between GUD and dissident shareholder, Meir Jakobsohn, CEO of Medison Biotech
- GUD entered into a licensing agreement with Puma Biotech during the quarter, earning it the exclusive right to commercialize *Nerlynx* in Canada, a breast cancer treatment drug
- Additionally, the Company secured a loan and an exclusive license agreement with Triumvira to commercialize its future approved products in Canada

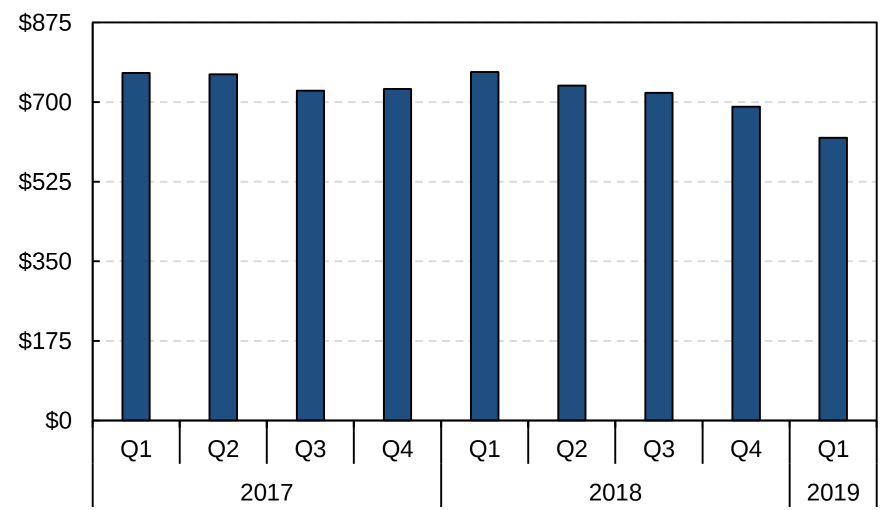
Recent Trading Performance(1)



The Proxy Battle

- Medison Biotech and affiliates, an Israeli biotechnology firm, owns 7.3% of GUD. Medison undertook a campaign aiming to replace the entire slate of GUD directors, including CEO Jonathan Goodman
- Medison claimed that GUD failed to implement its strategic business plan, stating that the board is not investing enough of the company's cash. The dissidents complain that Goodman owns more stock in a competitor company than his own
- On May 7, 2019, shareholders voted overwhelmingly in favor of management**,** finding Jakobsohn's plan to aggressively invest cash into risky R&D counter to GUD's original investment thesis

Cash Balance(2)



Source: Bloomberg, Company Filings
(1) Volume Axis of Historical Trading Performance in thousands
(2) Cash, cash equivalents, and marketable securities, in $mm

Industrials

Portfolio Manager: *Faiz Dossa*
Investment Analysts: *Hayley Hicks*, *Willie Li*

Industrials Sector Update

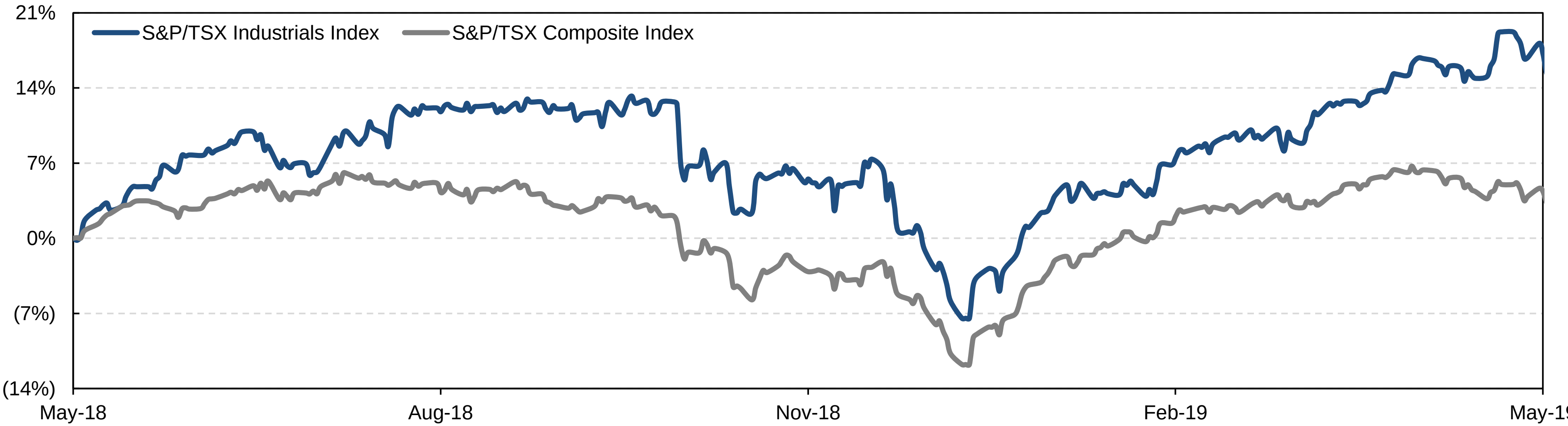
Sector Holding Update

- CNR was down 3.17%, TIH was down 14.73%, and WCN gained 2.84% during the month of May 2019
- The CPMT believes that the industrial portfolio is positioned defensively for the current China-U.S. trade war
- TIH has the greatest exposure to the trade war, with the majority of its profits coming from China. However, it is a good name to hold in the event that the trade war resolves
- CNR and WCN operate in the U.S. and Canada and will not be as severely impacted as other industrial companies. Canadian markets will benefit from the US removing steel and aluminum tariffs on Canada. However global economic growth will stall if the trade war continues to escalate and offset Canadian growth

Sector News

- The S&P/TSX Composite Industrials Index (TSX: STINDU) gained 3.2% during May 2019
- The U.S. increased tariffs on $200B of Chinese imports from 10% to 25%. The U.S. removed steel and aluminum tariffs, of 25% and 10% respectively, on Canada and Mexico. The U.S. will implement a 5% tariff on all Mexican imports effective June 10, 2019. If Mexico retaliates with their own tariff, then U.S. economic growth will stall and possibly inverse as China and Mexico are U.S.'s first and third biggest trade partners
- The CPMT believes that the industrial sector will demonstrate drastically slowed growth with the potential for loss given the volatility and economic strain as a result of the trade war

Composite Industrial Index Return vs Composite Index Return



Source: Bloomberg

Canadian National Railway Update

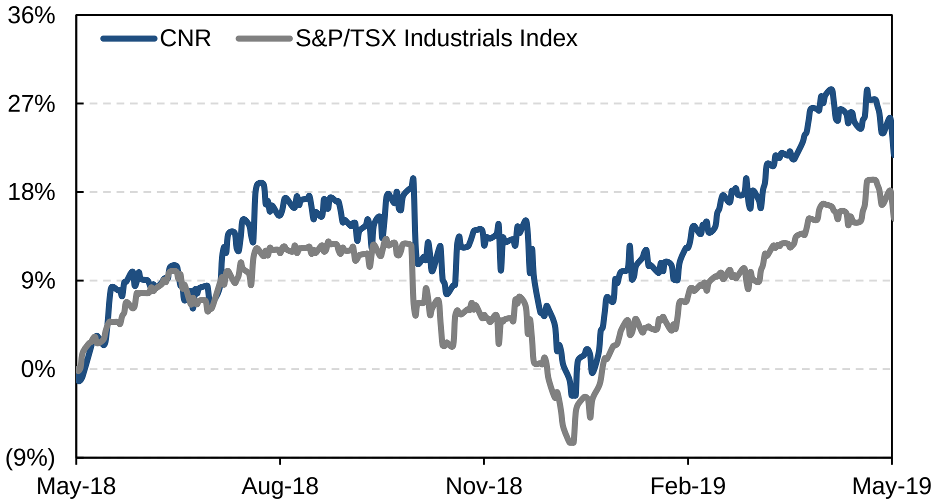
Company News

- CNR released 2019 Q1 earnings on April 29, 2019
  - The adjusted EPS was $1.08, which is up 17.0% YoY, but missed the consensus estimate of $1.18 share. Revenue increased by 11.0% YoY to $3.54B. Operating income increased by 5.0% YoY to $1.1B and operating ratio increased from 1.7 to 69.5% YoY
- CNR acquired the TransX Group of Companies in March 2019
  - TransX is one of Canada's largest and oldest transportation companies. CNR and TransX had a supply chain partnership prior to this acquisition
  - CNR aims to strengthen their intermodal business, especially the refrigerated segment

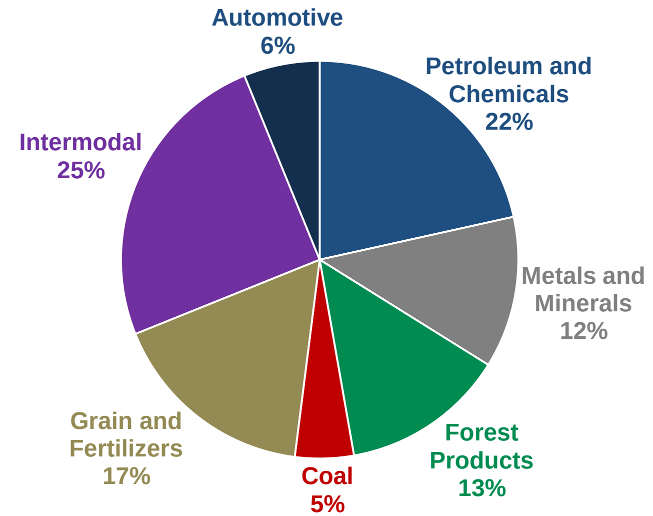
Future Outlook

- CNR expects single-digit volume growth in terms of revenue ton miles
- Dividends increased 18.0% YoY
  - CNR aims for 35.0% adjusted-dividend payout ratio
  - Their current annual dividend is $1.90 at a 1.6% yield
- CNR is on track with its plan to repurchase 22mm common shares by January 31, 2020
- The CPMT believes that CNR will show significant revenue growth despite the trade war as the Company operates purely in Canada and the U.S. Intermodal revenue growth will be a key indicator in determining the success of the acquisition

CNR vs Industrials Index



Revenue Segment Breakdown(1)



Source: Bloomberg, Company Filings

(1) As of QI 2019

Toronmont Industries Update

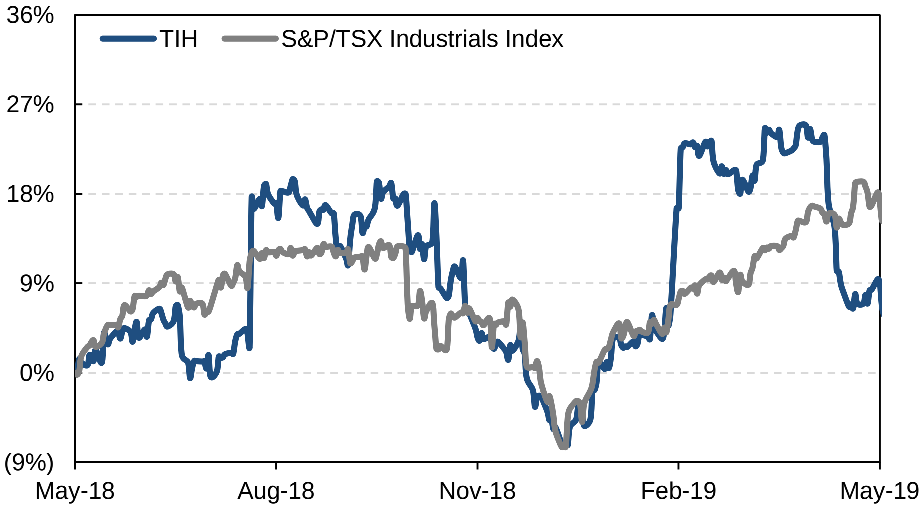
Company News

- TIH released 2019 Q1 earnings on May 2, 2019
  - EPS was reported at $0.48, a 27.0% increase YoY; however, earnings missed estimates of $0.50. Revenues and operating income increased 3.0% and 19.0% YoY respectively
- TIH is a retailer for Caterpillar Inc. (NYSE: CAT) who reported Q1 EPS of $2.94 versus the estimate of $2.85
  - The CFO of Caterpillar Inc. anticipates that the company will lose market share in China, should the current China-U.S. trade war continue
  - CAT is ~50.0% of the Equipment Group which generates ~91.0% of TIH's overall revenue

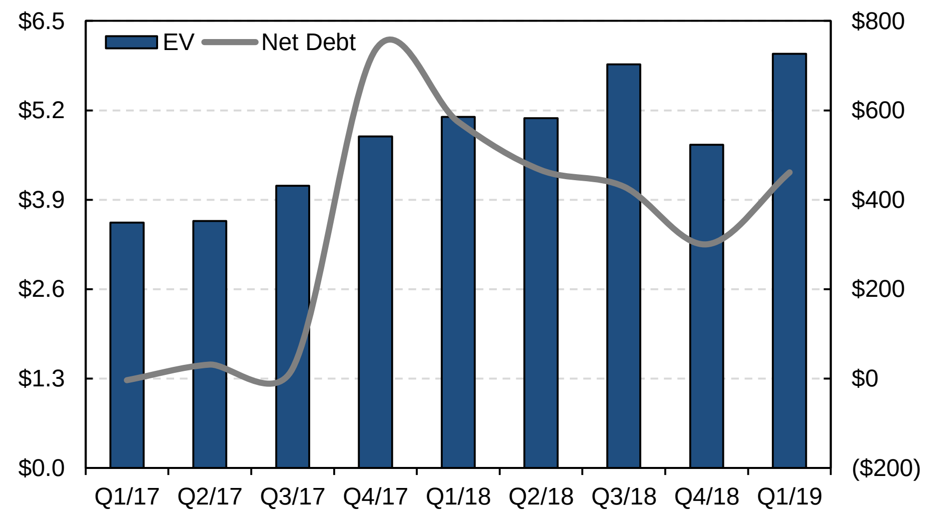
Future Outlook

- Equipment Group sales for mining and construction declined compared to last year
  - This led to a 21.0% decrease in bookings and 9.0% decrease in backlogs with respect to the end of 2018 Q1
- TIH CIMCO reported higher product support revenue this quarter but lower package sales in both recreational and industrial markets in both Canada and U.S.
  - Overall expenses and product support margins declined, offsetting the individual impacts on overall revenues
  - Recreational orders increased and industrial orders decreased with the expectation that all backlog will be delivered this year

TIH vs Industrials Index



TIH Debt Over Time (1)



Source: Bloomberg, Company Filings

(1) EV in billions and Net Debt in millions

Waste Connections Update

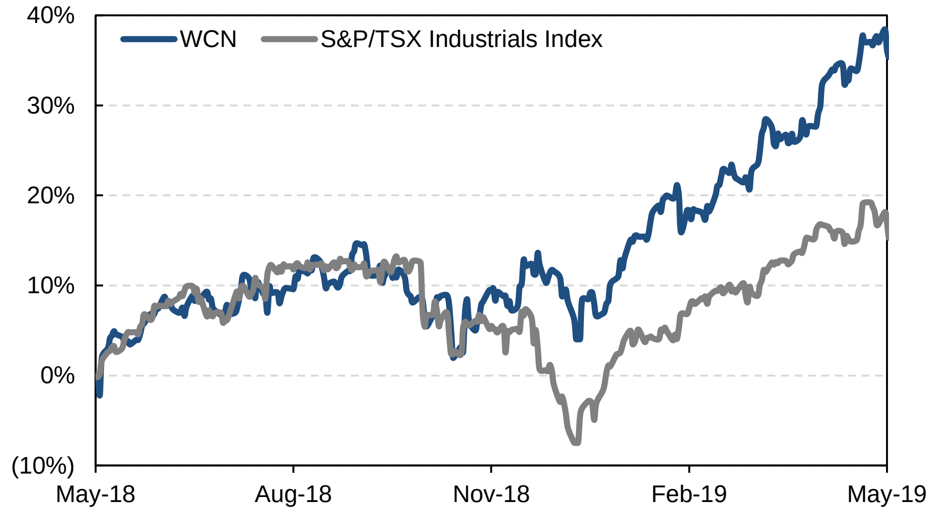
Company News

- WCN released 2019 Q1 earnings on April 24, 2019
  - EPS was reported at $0.48, representing an increase of 10.0% YoY, below estimates of $0.52 per share. EBITDA margin was 31.0%, exceeding outlook for the quarter
- Board member Robert H. Davis passed away April 6, 2019
  - All other nominees were elected as directors on May 17, 2019; there is no news regarding electing another member
- WCN reported growth of 5.0% in solid waste prices, which exceeded optimistic outlooks. Their solid waste disposal and transfer segment and solid waste recycling segment contributed ~25% to total revenues. The industry expects slow growth alongside its cyclical nature so similar growth is not expected

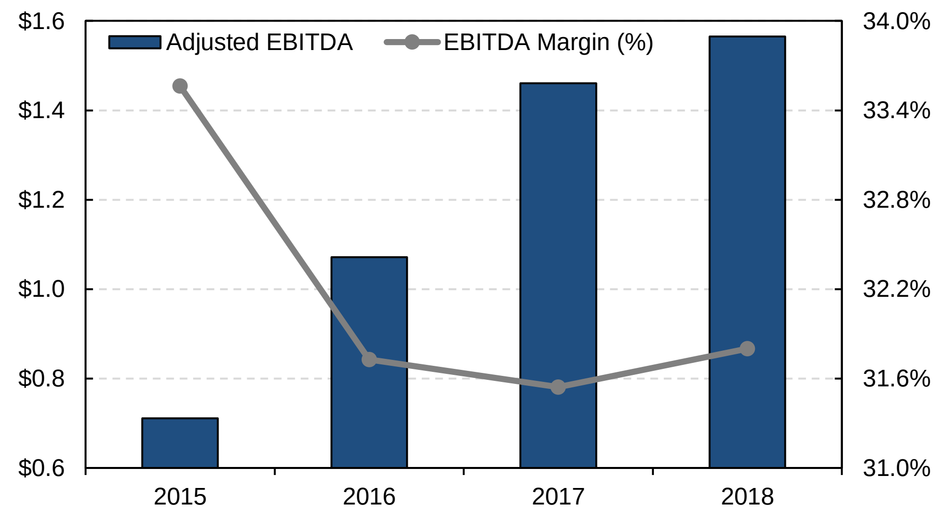
Future Outlook

- Recycling paper prices declined to $34/ton from 2018 average
  - Paper accounts for 60-70% of recycling basket for most companies; this translates to a headwind of $20/ton
- BBB+ rating was assigned, by Fitch's Ratings, to WCN's issuance of $500mm of senior unsecured notes due 2029
  - EBITDA margins exceeded 30.0% and FCF margins 15.0%; 5-10% higher than most peers. FCF/adjusted debt expected to remain in mid-teens
- The CPMT believes that WCN will demonstrate steady growth similar to that of the sector given the Company's steady growth and minimal exposure to the trade war. EBITDA margins may decrease in the future given the decline in recycling paper prices

WCN vs Industrials Index



EBITDA ($B) (1)



Source: Bloomberg, Company Filings

(1) The sharp EBITDA Margin decrease is a result of the Company's acquisition of Progressive Waste

Information Technology

Portfolio Manager: *Colton Borle*
Investment Analysts: *Breanna Schollaardt, Erik Skoronski*

Information Technology Sector Update

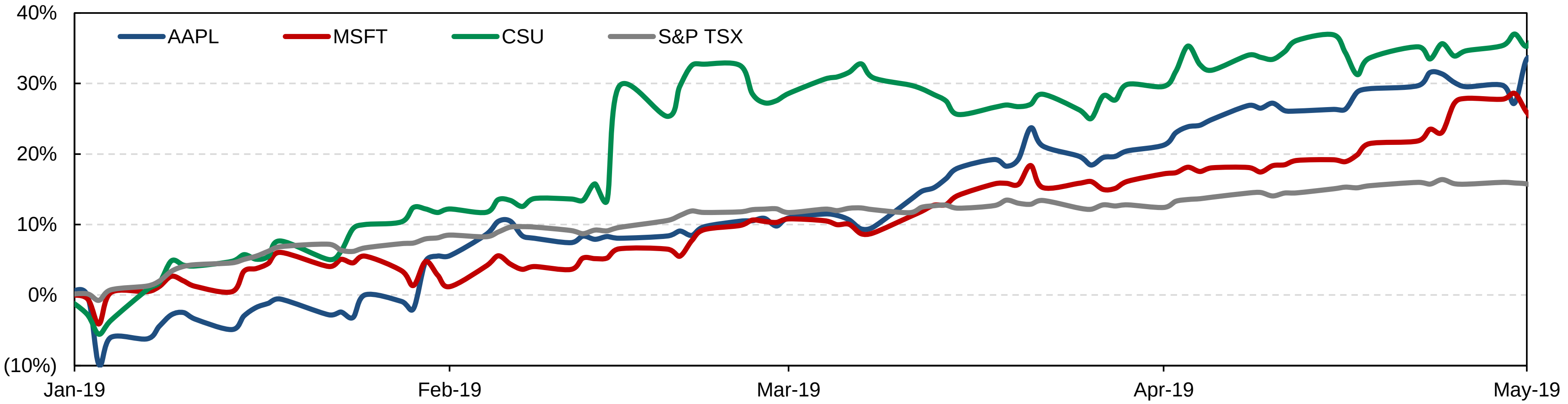
Sector Overview

- Technology stocks had an average performance in the first quarter of 2019, declining later into the quarter and into May
- Trade tensions between the U.S. and China are likely the cause of poor IT stock performance. Companies that produce consumer electronics may be caught in the crossfire of tariffs
- These tensions were partly sparked by a scandal involving Huawei, a Chinese technology company, over alleged economic espionage and violation of U.S. sanctions on Iran
- Many technology companies are shifting from asset-sale revenue to service and licensing revenue. Saturation in the device market, as well as the opportunity to generate revenue on second-hand devices are primary drivers

Company Updates

- Apple (NASDAQ: AAPL) posted quarterly earnings that were well-received and boasted a substantial increase in revenues from services. This trend may continue through to other companies, as technology hardware markets become saturated. Growing trade tensions pushed AAPL's share price down throughout May as new tariffs would spike up shipment costs
- Microsoft's (NASDAQ: MSFT) cloud-service division, Azure, holds promising returns as demand for cloud service increases
- Constellation Software (TSX: CSU) experienced strong quarterly results, with increases in revenue and net income of 14.0% and 5.0%, respectively. This was mainly driven by growth in software licensing in both the private and public sectors

Technology Holdings Trading Performance



Source: Bloomberg, Company Filings

Materials

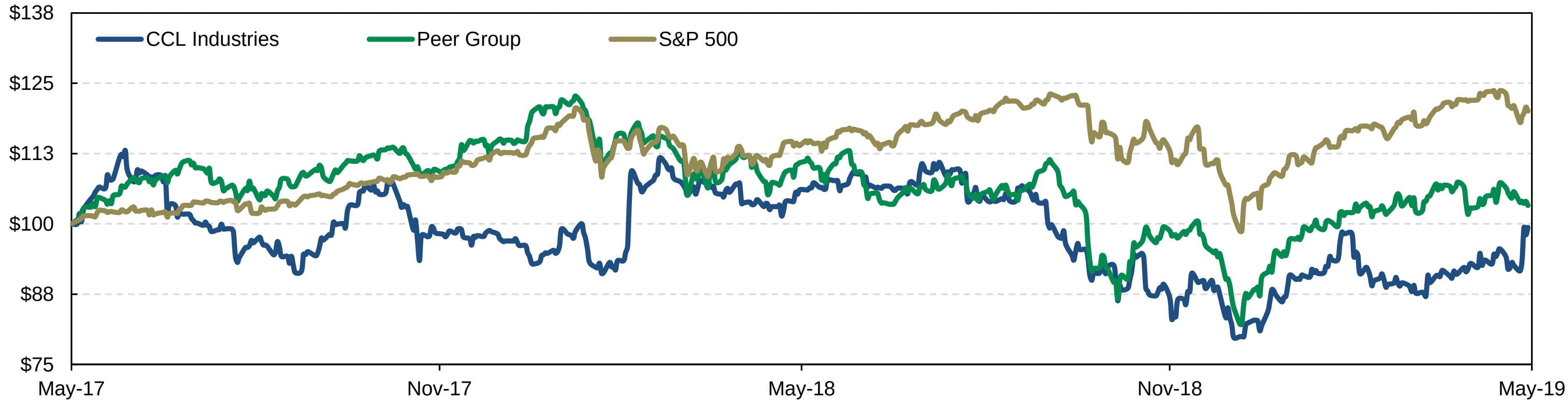
Investment Analysts: *Akash Sekar*

Materials Sector Overview

CCL Industries Q1 2019 Update

- CCL Industries (TSX: CCL.B) reported Q1 results in May 2019
  - Revenue increased by 8.6% YoY, driven by a 5.4% increase in the sales of the CCL segment, as North American sales increased by mid-single digits YoY
  - Avery sales were driven by the acquisition of Easy2Name Ltd. in January 2019, while international sales amounted to ~29.0% of revenue. While Innovia sales increased by 56.6% YoY through continued results of the Treofan acquisition in July 2018
- CCL's Operating Income increased 2.1% YoY, due to improved results from Avery and Innovia
  - Avery's operating income grew 16.3% YoY, while Innovia grew 94.7% YoY due to results from the Treofan acquisition
- Major Acquisitions
  - CCL has had several major acquisitions in 2019 including acquiring Olympic Holding B.V. for $13.6M, and Easy2Name Ltd. for $2.5M, enabling CCL to expand Avery's direct-to-consumer online offerings to the U.K. markets. With a well-diversified product mix, these acquisitions enable the Company to enter and grow revenues in international markets

CCL Performance vs. Peers[1] (Value of $100)



Source: Bloomberg, Company Filings
(1) Peer Group includes: WRK, SEE, IP, AVY, BLL, PKG, WPK

Real Estate

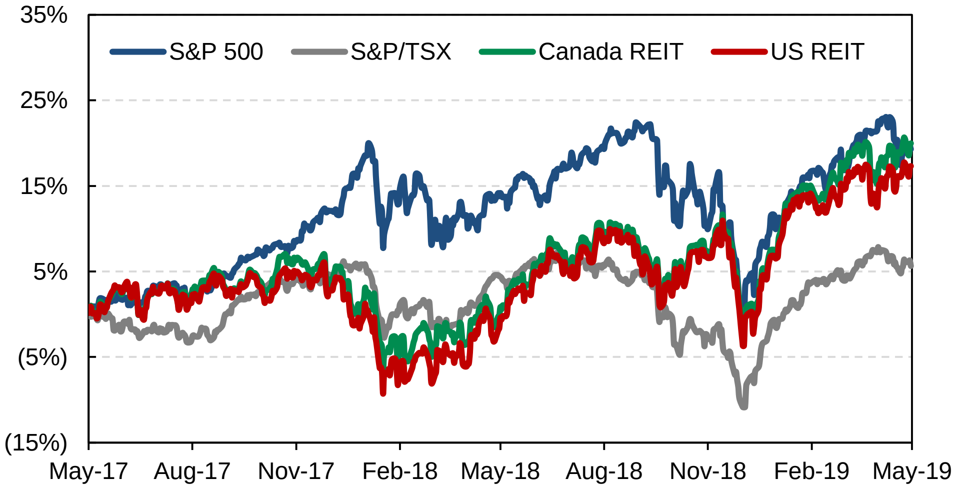
Portfolio Manager: *Faiz Dossa*
Investment Analysts: *Hayley Hicks, Willie Li*

Real Estate Overview

Sector Overview

- The S&P/TSX Real Estate Index (SPTSRE Index) outperformed the TSX by 6.1% in May, while the U.S. Real Estate Index underperformed the TSX by 2.1%. Canadian interest rates remain stable at 1.75%
- During May, 27,700 jobs were added to the Canadian economy. This followed after 106,600 jobs added in April; the biggest one-month gain since 1976. Unemployment fell to 5.4%, compared to 5.7% in April
- The Bank of Canada Governor, Stephen Poloz, announced that interest rates will remain unchanged through the remainder of 2019. Poloz cited the Bank of Canada's 50 bps increase since 2017 has shown little impact on borrowing costs for mortgage renewals, largely due to the recent decline in U.S. Treasury bond yields. Given recent slow economic growth and global trade tensions, policymakers could discuss a rate reduction in late 2020
- Increased transparency and disclosure of stable rates tightens risk premiums and relieves downward pressure on property prices, enabling fair property estimates and encourages market equilibrium. Data suggests the nation's housing sector is stabilizing, given the recent correction in Toronto and Vancouver housing markets due to tightening mortgage regulations and imposing taxes on foreign buyers
- Canadian building permit value increased 2.1%, driven by 4-year construction contracts in Western Provinces. The value of residential permits decreased 1.5%, mainly due to lower construction intentions in Ontario and Québec

S&P/TSX Daily Returns



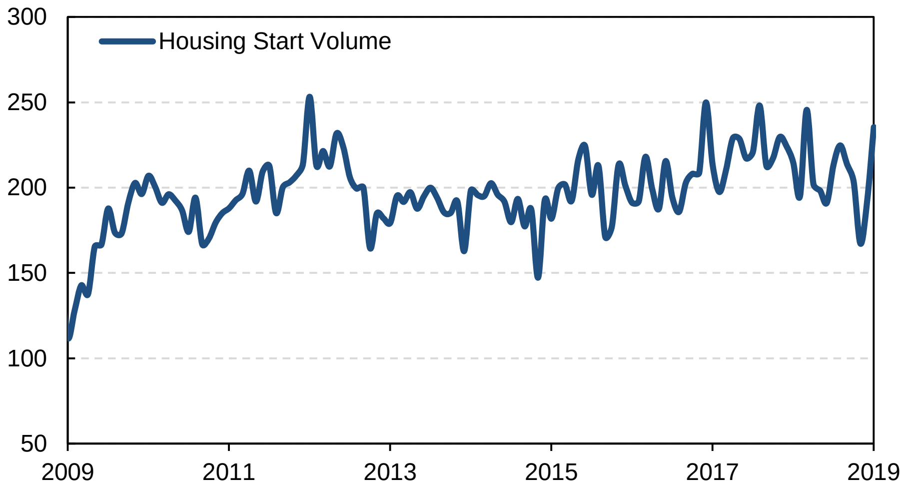
Notable Monthly Headlines

- Canadian Money Laundering Reports indicated $46.7B of illegally obtained money was invested in Canadian real estate properties in 2018, of which, $7.4B and $10B were laundered in the provinces of B.C. and Alberta, respectively
- The reports released by the Canadian Federal Government highlight that the impact of these scandals inflated the Canadian housing market 5.0%
- Prime Minister Justin Trudeau stated Bill Blair, Canadian Minister of Border Security and Organized Crime Reduction, is focused on strengthening the auditing programs within the 2019 budget to counteract the impact on Canadians and prevent further scandals

Source: Bloomberg, News Reports

Real Estate Sector

April Housing Starts Performance[1]



Housing Starts

- Canadian housing starts surged 22.6% (191,981 units) since March, in which builders started work on an annualized 235,460 units in April, representing the highest level in 10 months. This gain was driven by new multi-unit construction in Toronto and Vancouver
- Housing sales increased across Canada in April, inching up 3.6% from March and were 4.2% higher than a year earlier, according to the Canadian Real Estate Association. April sales were up in about 60% of markets, with the condo-dominant Greater Toronto Area accounting for over half of the national gain
- The 30-year fixed-rate mortgage rate fell ~40 bps, causing an influx of mortgage application submissions during the month

Future Outlook

- Digital Property Technology (PropTech) is revolutionizing and streamlining business operations in real estate partnerships, alliances, and solutions to support scalable, agile, and efficient business models. This includes software platforms to digitize the loan management process for banks and vertical integration to improve efficiencies and reduce lead time. In 2008, only $20mm was invested in PropTech; that figure increased to ~$4B in 2018. While this represents only 5.0% of total venture capital funding and 20.0% of fintech funding, interest in PropTech has grown considerably over the last decade
- Alberta Premier Jason Kenney's goal is to revise Albertan mortgage stress tests to better reflect the Albertan demographic and economic conditions. The mortgage stress test came into effect in January 2018 during the middle of Alberta's post-oil price shock-fueled recession. Kenney believes it is preventing Albertans from homeownership, and it is unfair to punish Albertans for the overheated housing markets in Toronto and Vancouver
  - Kenney's remarks came following a pessimistic 2019 housing market forecast from CREB, which is expecting Calgary home prices to fall by an average of 2.3% over the course of the year. The sliding prices expected in 2019 are a continuation of a four-year trend of declining sales activity and rising inventory in the Calgary housing market
  - The IMF disagrees with this revision, proposing more cooperation to maintain stable regulations and encourage the market to slow

Source: Bloomberg, News Reports
(1) April Housing starts units in 000s, May data has not yet been released

Telecommunication Services

Portfolio Manager: *Colton Borle*
Investment Analysts: *Breanna Schollaardt, Erik Skoronski*

Telecommunication Sector Update

Sector Overview

- A major competitive focus driving the sector is on how providers will build proper infrastructure to roll out the 5G network
- The 600 MHz auction in Canada ended April 4, 2019 with only nine providers acquiring licensing rights. Of the top three providers in Canada, only Rogers Wireless (TSX: RCI.B) and TELUS (TSX: T) participated in the auction
- High competition within the sector is resulting in competitive pricing between service providers, as well as add-ons to existing plans to attract and solidify new and current customer bases
- An issue loyal customers are noting is the emphasis many companies place on attaining new customers rather than retaining clients

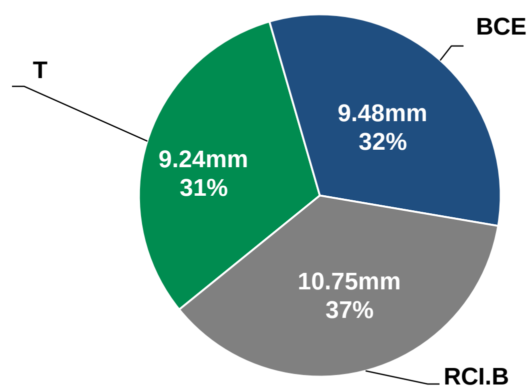
Canadian Telecommunications Providers

- The three main telecommunications companies Canada-wide had mixed performance over the quarter. While T and Bell Mobility (TSX: BCE) had strong quarters, RCI.B had disappointing results
- BCE had a strong quarter and reported a 2.6% increase in operating revenue YoY, as well as a 6.9% increase in adjusted EBIDTA YoY
- RCI had a weak performance in Q1 2019, reporting a ~1% decrease in revenues YoY. This decrease was reflective of a ~12% decrease in wireless equipment revenue, and media revenue. Media revenue decreased largely due to distribution of Major League Baseball

President Trump & 5G Networks

- On May 15, 2019 President Donald Trump signed an executive order that prevents U.S. firms from using telecommunications equipment from sources deemed as national security threats
- Huawei has been placed on an entity list in the U.S. Once a company is placed on this list, an application for permission to purchase certain equipment from the U.S. is required
- Huawei has been offered a general license for 90 days to continue to purchase U.S. equipment until August 19, 2019. Companies are now dealing with the decision of maintaining relations with Huawei, or partnering with another company to roll out 5G. This may create enormous delays of up to 18 months in the deployment of 5G

Top Three Total Wireless Customers



Source: Bloomberg, Company Filings

TELUS Update

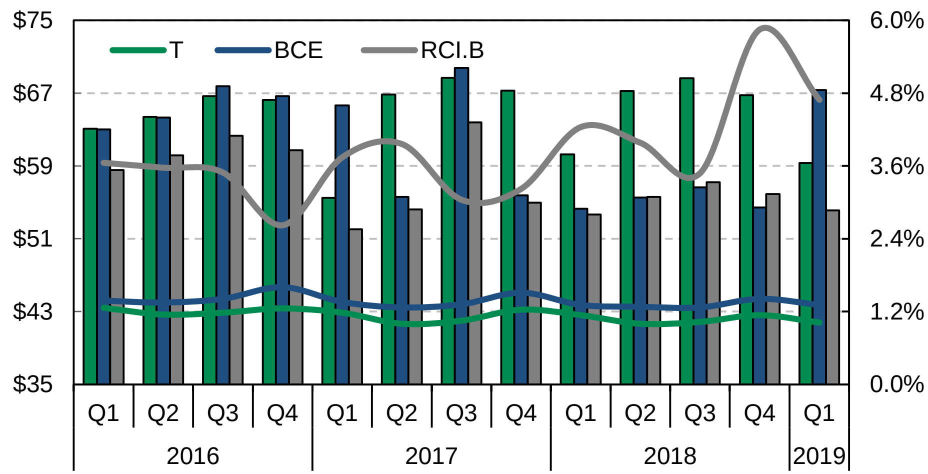
Telus Q1 2019 Performance

- T announced the focus on semi-annual dividend increases, with annual increases between 7-10% from 2020 to the end of 2022
- Revenue increased 3.8% YoY, with wireless and wireline data services contributing 55% and 45% of revenues, respectively
- Over Q1 2019, T reported a mobile phone churn rate of 1.02%, demonstrating the Company's strong retention programs and focus on customer loyalty
- T has altered the way it will report its wireless segment. Rather than reporting postpaid and prepaid wireless, the Company will report based on mobile and communication devices. The CPMT believes this a more accurate way in reporting T's business segments in the future

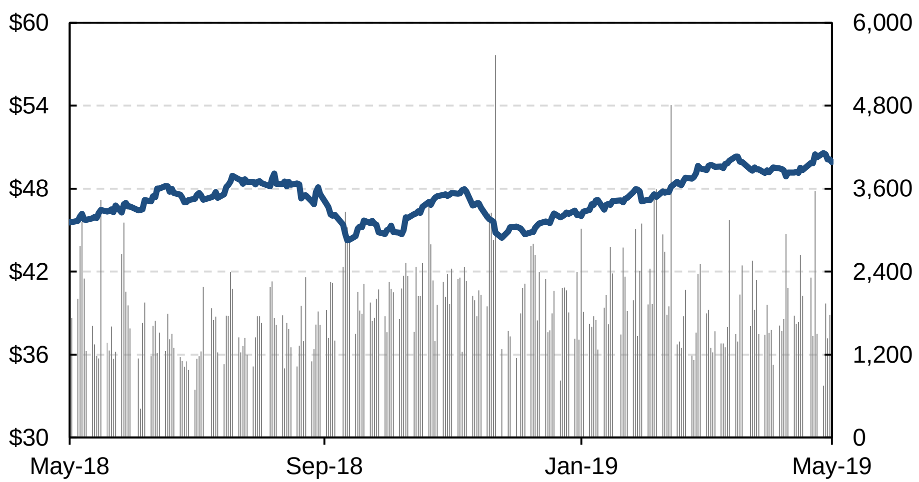
600 MHz Licensing Auction

- T was one of the nine companies to receive 20-year licensing for 600 MHz in the auction, which took place from March 12, 2019 to April 4, 2019
- 600 MHz carries signals over a lower frequency spectrum, which is able to be transmitted over longer distances and infiltrate structures better than higher frequency signals
- 600 MHz is projected to assist telecommunications companies in providing reliable 5G for customers
- RCI also participated in the auction and was granted licensing for 600 MHz throughout Canada. RCI won the largest amount of licenses, 52, and T came in second place with 12

Postpaid Cellular Churn Rate and ARPU(1)



Historical Trading Performance(2)



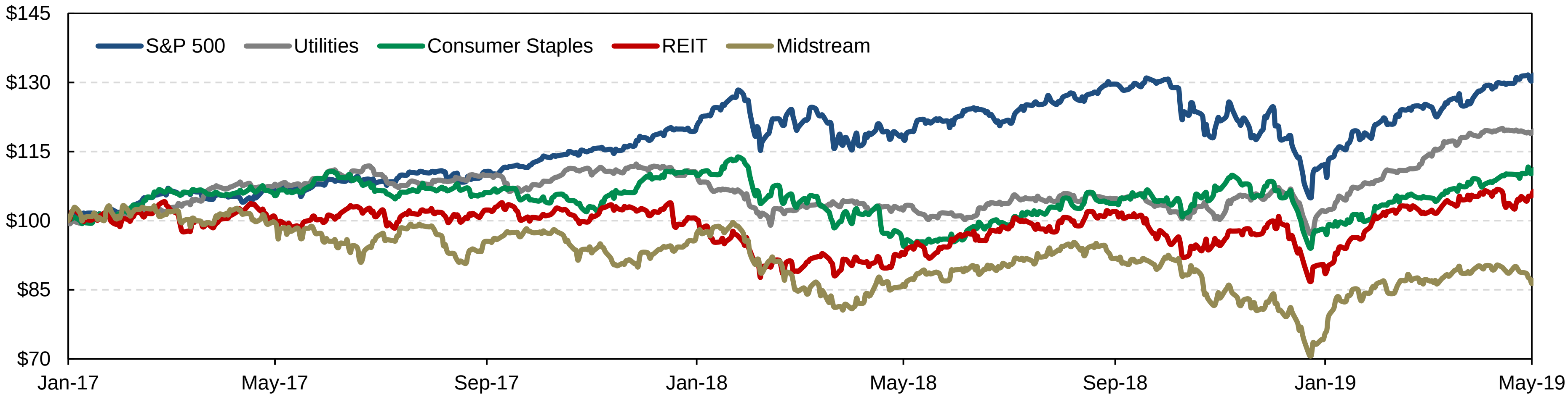
Source: Bloomberg, Company Filings
(1) Bars show ARPU and lines show Churn Rate
(2) Volume in thousands

Utilities

Investment Analyst: *Akash Sekar*

Utilities Sector Overview

Utilities Performance vs. Other Sectors (Value of $100)[1]



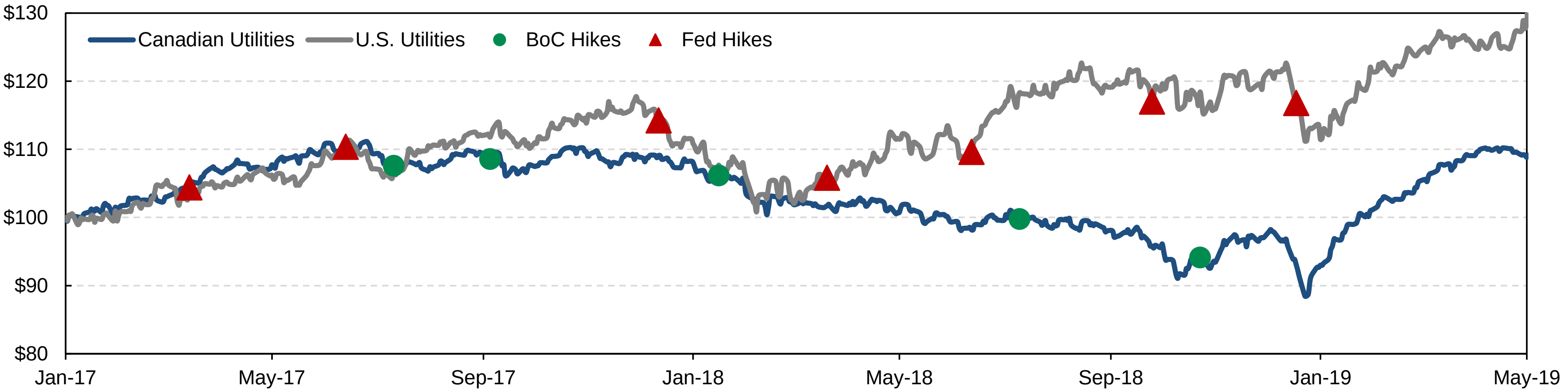
Sector Overview

- North American M&A market has been lagging through the first half of 2019
  - Global value of M&A deals in the industry has fallen to its lowest level since 2012. Executives in the industry cite the relapse in Q4 2018 hindering activity
  - Asset deals are expected in the renewables space, which will likely drive M&A activity
  - The largest deal to date was ENMAX Corp.'s acquisition of Emera Maine from Emera Inc (TSX: EMA)
  - Other notable deals include Columbia Power Corp. acquiring a ~51% interest in the Waneta Expansion hydroelectric project from Fortis Inc (TSX: FTS); and Brookfield Renewable Partners (TSX: BLX) divesting a ~25% interest in a hydroelectric profile
- Renewables has accounted for ~20% of the deal value in the industry YTD
  - Governments around the world continue to apply pressure for countries to decrease reliance on fossil fuels, and move into climate change projects. For instance, Germany aims to shut down 84 coal-fired plants by 2038, while Norway wants to completely phase-out investments into oil and gas exploration

Source: Bloomberg, PwC
(1) Utilities, Consumer Staples, REIT and Midstream consist of a grouping of U.S. Companies

Utilities Sector Overview

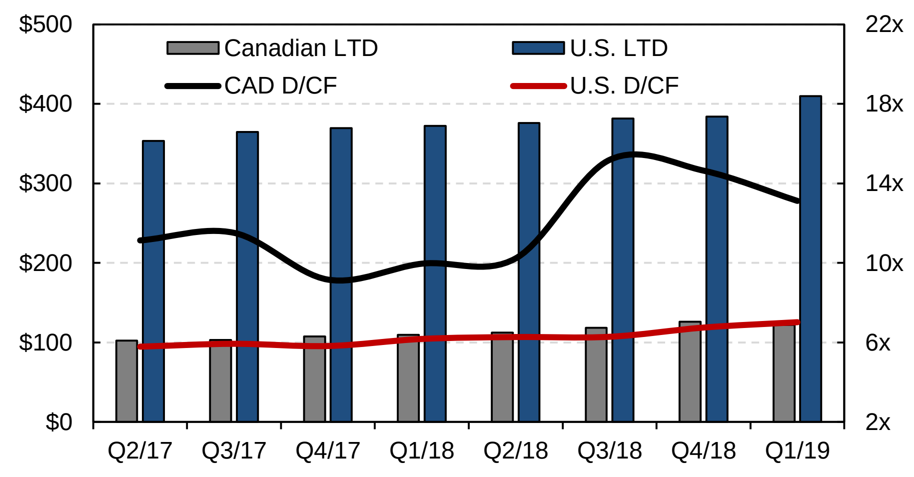
Impact of Interest Rates on Utilities (Value of $100)



Impact of Interest Rates

- Canadian Utilities have produced stable returns over the last two years, despite the BoC raising interest rates five times over the period. U.S. Utilities have produced strong returns over the last two years, despite seven Federal Reserve rate hikes
    - With the FOMC announcing they do not expect any rate changes during the rest of 2019, North American utility companies remain attractive as they continue to produce stable returns in a stable interest rate environment
    - Given the current stable interest rate environment, investment into utility companies may increase due to their attractive dividend yields. However, with high long-term debt outstanding, higher rates could lead to increased interest expense and lower distributable cash flow

Historical Debt (US$B) & D/CF



Source: Bank of Canada, Bloomberg, Federal Reserve

Utilities Sector Overview

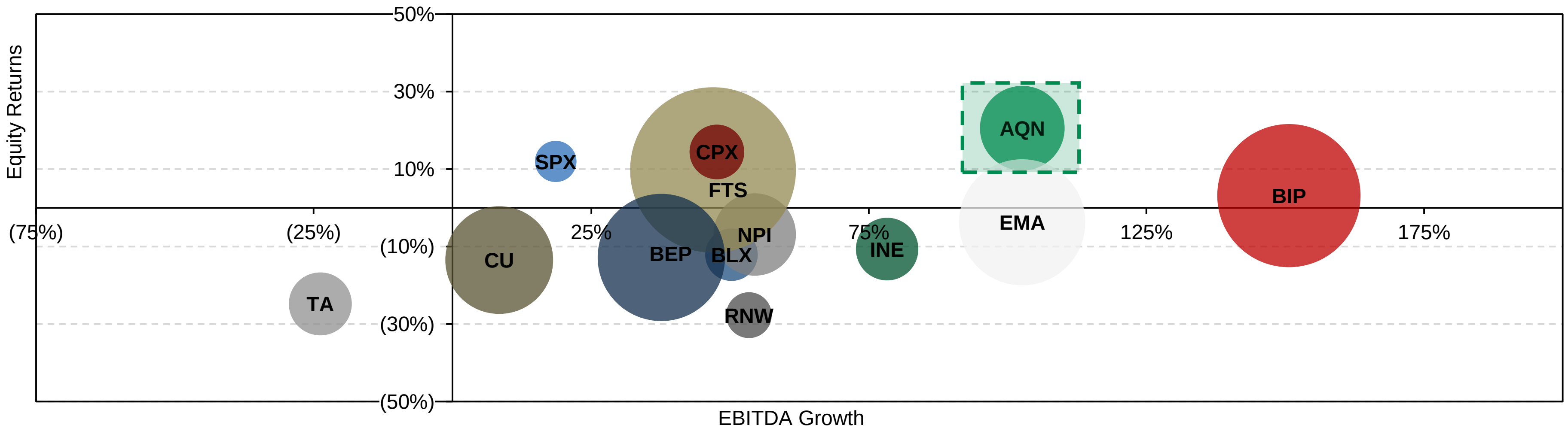
Algonquin Q1 2019 Update

- The CPMT's sole Utilities holding, Algonquin Power & Utilities (TSX, NYSE: AQN), released its Q1 results in May
  - AQN's board approved a 10.0% increase in the dividend, increasing it to US$0.56 per share
  - Revenue declined YoY due to lower pass-through commodity costs in electricity, water and gas facilities, and lower wind production in the U.S.
  - AQN continued its trend towards renewable projects in North America, with the development of multiple transmission projects in Ontario, and issuance of $300mm of "Green Bonds"

The CPMT Investment Thesis for AQN

- Ability to create and grow shareholder value
  - Strong track record of delivering on growth initiatives through EPS expansion and dividend increases
- Inorganic growth through accretive acquisitions
  - Successful acquisitions in generation and distribution provide growth opportunities beyond contracted cash flows
- Disciplined management style
  - Surgical in acquisition target selection and project construction in the renewables sector
- AQN's large renewables profile allow it to stand apart from its peers, through large EBITDA growth, and equity returns

Equity Returns vs. 3-Year EBITDA Growth



Source: Bloomberg, Company Filings