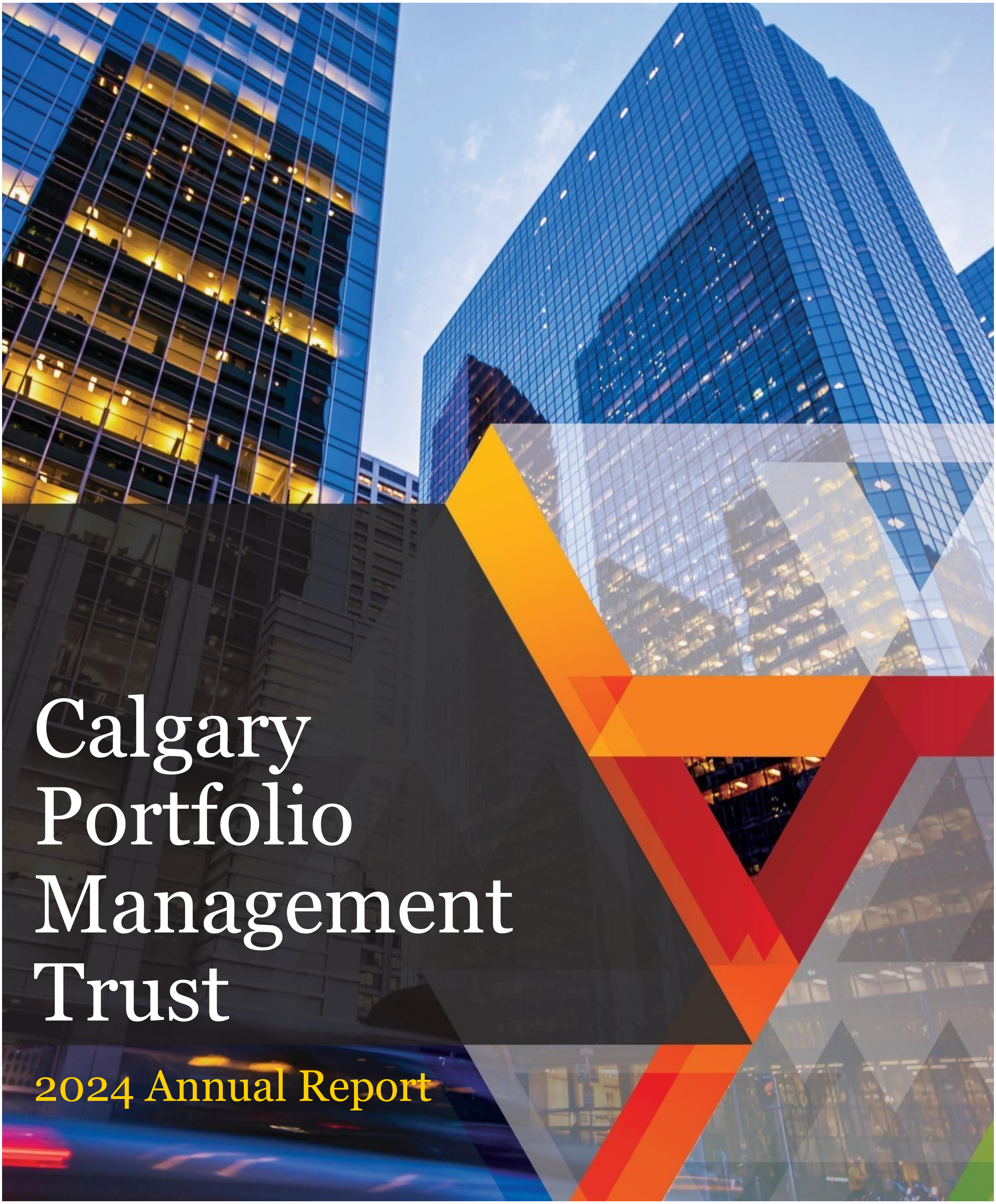

# Calgary Portfolio Management Trust

## 2024 Annual Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2024 would like to extend our gratitude to the Board of Trustees for its continued commitment to and engagement with the program. We would also like to sincerely thank the CFA Society of Calgary and the CPMT alumni for their commitment and support. Finally, we would like to thank all of our supporters in the Calgary business community for their vested interest in the program.

A vital component of the CPMT experience is the mentorship program, which provides students with invaluable support ranging from technical expertise to career guidance. The CPMT is grateful for all 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.

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

After expanding our investment universe five years ago to include U.S. equities, the Fund currently sits at a 37/63 weighting between Canadian and U.S. equities. Following a volatile year in the market, the Fund aims to carry the momentum and rigor of last year’s work into continued fruition into the new fiscal year. The CPMT intends to remain focused and agile in the face of continued market volatility and macroeconomic uncertainty, retaining our commitment to a bottom-up approach of allocating funds to high-quality names that fit our investment mandate of: (1) high caliber management team, (2) sustainable competitive advantage, (3) strong balance sheet, and (4) growing free cash flow. We will continue to evaluate investment decisions in the context of portfolio strategy and our macroeconomic outlook.

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

Sincerely,

**Daniel Krapiwin, Portfolio Manager**

**Jacob Kemp, Portfolio Manager**

**Jeevan Gill, Portfolio Manager**

**João Vitor Beani, Portfolio Manager**

**Joel Homersham, Portfolio Manager**

**Lucas Frame, Portfolio Manager**

**Rebecca Butler, Portfolio Manager**

**Ryan Crisalli, Portfolio Manager**

Class of 2024

# Biographies

## CPMT CLASS OF 2024

**DANIEL KRAPIWIN**
**Portfolio Manager**
**5th Year, Finance**

Daniel joined the CPMT in March 2022 as an Investment Analyst. He is thankful to the Board of Trustees, mentors, and alumni for the continued support in making this opportunity possible. He looks forward to developing a deeper understanding of financial markets, portfolio management, and equity research. Daniel is currently working towards a degree in Finance. In addition to the CPMT, Daniel has been involved with the University of Calgary Consulting Association, JDC West as an International Business Delegate, the McGill International Portfolio Challenge, and the DeNovo Student Investment Fund as both a Portfolio Manager and the VP of Marketing. Daniel has completed two internships at BluEarth Renewables as a Finance Student and at National Bank Financial as a Project Finance Summer Analyst. Daniel is currently working full time at National Bank Financial in its Project Finance team. In his spare time, Daniel enjoys disc golf, golf, hiking, and watching F1.

**JACOB KEMP**
**Portfolio Manager**
**5th Year, Finance / Economics (Minor)**

Jacob joined the CPMT in March 2022 as an Investment Analyst. He is thankful for the Board of Trustees and the alumni base that provide continued support of the program. He is excited to further develop skills in portfolio management, financial modelling, and valuation throughout his time with the program. Jacob is currently working towards completing a degree in Finance with a minor in Economics. In addition to the CPMT, Jacob is involved with the Haskayne Finance Club. Jacob has previously completed internships in Investment Banking, Private Credit, Private Equity, Equity Research, and Oil and Gas with TD Securities, SAF Group, Macritchie, Acumen Capital Partners, and TAQA. Jacob will be joining Alberta Investment Management Corporation as an Analyst upon graduation. In his free time, Jacob enjoys weightlifting, golf, hockey, running, and reading.

**JEEVAN GILL**
**Portfolio Manager**
**5th Year, Finance / Music (Minor)**

Jeevan joined the CPMT in March 2022 as an Investment Analyst. He is excited to develop his skills in equity research, portfolio management, and financial modelling over the course of the program. Jeevan is currently working towards completing a degree in Finance and a minor in Music. In addition to the CPMT, Jeevan was involved with the DeNovo Student Investment Fund, the CFA Research Challenge, and the McGill International Portfolio Challenge. Jeevan is also an active musician in Calgary's jazz community and has performed as a drummer with ensembles such as the University of Calgary Jazz Orchestra and the Calgary Youth Jazz Orchestra. Jeevan previously completed an internship in summer 2022 as a Staff Accountant at Deloitte in its Audit Public group. Jeevan recently completed an internship at Bank of America as an Investment Banking Summer Analyst in its Global Natural Resources & Energy Transition Group, where he will be returning full time upon graduation. In his free time, Jeevan enjoys practicing his drumming, listening to music, and watching basketball.

**JOÃO VITOR BEANI**
**Portfolio Manager**
**4th Year, Finance / Economics (Minor)**

João joined the CPMT in March 2022 as an Investment Analyst, and would like to thank the Board of Trustees, mentors, and alumni for the continued support in making this opportunity possible. João is looking forward to developing a deeper understanding of financial markets, valuation, portfolio management, and equity research throughout the program. João is an international student from Brazil currently working towards a degree in Finance with a minor in Economics. João completed a part-time internship at Pivotal Capital Advisory Group and Summer Internships at Stone Co. as a Corporate M&A Analyst and at IGC Partners as an Investment Banking Analyst. In summer 2024, he will join RBC Capital Markets as an Investment Banking Summer Analyst in the Global Energy Group. In his spare time, João enjoys soccer, tennis, and music.

**JOEL HOMERSHAM**
**Portfolio Manager**
**5th Year, Finance / Economics**

Joel joined the CPMT in March 2022 as an Investment Analyst, and would like to thank the Board of Trustees, mentors, and alumni for the continued support in making this opportunity possible. He is excited to further develop his skills pertaining to portfolio management, equity research and financial modelling throughout his time with the program. Joel is currently working towards a dual degree in Finance and Economics. Joel completed an internship at RBC Capital Markets as an Investment Banking Summer Analyst in the Global Energy Group, where he will be returning full time upon graduation. Previously, Joel completed internships in Private Equity and Energy Services with the Ayrshire Group and West Earth Sciences. In his free time, Joel enjoys playing golf, hockey, and reading.

**LUKE FRAME**
**Portfolio Manager**
**5th Year, Honours Finance / Computer Science**

Luke joined the CPMT in March 2022 as an Investment Analyst with the goal of continuing to develop his skills in and understanding of financial analysis and modeling. Over the next year, he is determined to make a positive contribution to the program and help the University to continue to be a major player in Canadian business academia. Luke recently joined Peters & Co. Limited as a full-time Equity Research Associate but remains committed to the CPMT and looks forward to mentoring and collaborating with the new analyst class. Previously, he completed two summer internships in Equity Research and Institutional Equity Sales & Trading at Peters & Co., in addition to a Winter internship at SAF Group, where he worked as an Investment Analyst. In his free time, Luke enjoys hockey, golf, skiing, mountain biking and camping.

**REBECCA BUTLER**
**Portfolio Manager**
**5th Year, Finance**

Rebecca joined the CPMT in March 2022 as an Investment Analyst, and would like to thank the Board of Trustees, mentors, and alumni for their continued support in making this opportunity possible. Rebecca looks forward to developing a deeper understanding of financial markets, valuation, portfolio management, and equity research throughout the program. Rebecca is currently working towards a degree in Finance and an embedded certificate in Sustainability Studies. In addition to the CPMT, Rebecca teaches piano and music theory. Previously, Rebecca completed two co-op terms at Fidelity Investments as a Calgary Advisor Sales Intern and a Financial Analyst out of Fidelity's Toronto office. Rebecca recently completed an internship at National Bank Financial as an Investment Banking Summer Analyst in the firm's Energy Group, where she will be returning full-time upon graduation. In her spare time, Rebecca enjoys fitness, skiing, wake surfing, music, and coffee.

**RYAN CRISALLI**
**Portfolio Manager**
**5th Year, Finance**

Ryan joined the CPMT in March 2022 as an Investment Analyst, and would like to thank the Board of Trustees, mentors, and alumni for the continued support in making this opportunity possible. Ryan is eager to further develop his skills in financial modelling, equity research, and portfolio management during his time with the program. Ryan is currently working towards a degree in Finance with a minor in Economics. In addition to the CPMT, Ryan is a part of the University of Calgary Trading Team. He has previously completed internships in Commodity Trading, Private Equity, and Oil and Gas with CNOOC International, Caldwell Investment Management, and TAQA. Ryan completed an internship at BMO Capital Markets as an Investment Banking Summer Analyst in the Energy group, where he will be returning full time upon graduation. In his free time, Ryan enjoys hockey, golf, snowboarding, music and traveling.

**CPMT CLASS OF 2025**

**EMMANUEL FIKRESELASSIE**
**Investment Analyst**
**5th Year, Finance / Economics**

Emmanuel joined the CPMT in March 2023 as an Investment Analyst with the aim of furthering his knowledge of financial markets, equity research, and portfolio management. He is extremely grateful for the continued support of CPMT's Board of Trustees, mentors, and alumni who make this opportunity possible. Emmanuel is completing degrees in Finance and Economics and has completed work terms in venture capital, sustainable finance, and fintech through internships at Ayrshire, SDTC, and Neo Financial. In summer 2024, Emmanuel will be joining RBC Capital Markets as an Investment Banking Summer Analyst in its Global Energy Group. In addition to the CPMT, Emmanuel was involved in the CFA Research Challenge and is the Founder of AGB Student Advising. In his leisure time, Emmanuel enjoys playing soccer, basketball, weightlifting, running, and volunteering.

**JACK DEMO**
**Investment Analyst**
**3rd Year, Finance**

Jack joined the CPMT in March 2023 as an Investment Analyst and is looking forward to developing his skills in portfolio management, financial modelling, and qualitative analysis. He is thankful for the Board of Trustees and alumni that have given him the opportunity to learn from the program. Jack is currently completing a degree in Finance. In addition to the CPMT, Jack has been involved with the Haskayne Finance Club, Denovo Student Investment Fund, and participated in the National Investment Banking Case Competition. He completed an internship with Suncor Energy as a Downstream Finance and Planning Analyst in 2023. In summer 2024, he will be joining the BMO Capital Markets Team as an Investment Banking Summer Analyst. In his free time, Jack enjoys fitness, golf, hockey, and podcasts.

**LUKAS FAIRLEY**
**Investment Analyst**
**4th Year, Finance / Economics**

Lukas joined the CPMT in March 2023 as an Investment Analyst. He is looking forward to developing knowledge in portfolio management, financial markets, and financial modeling. He is thankful for the Board of Trustees and the alumni base that continues supporting the program. Lukas is currently working towards degrees in Finance and Economics. In addition to the CPMT, Lukas has been involved with the Haskayne Students' Association, JDC West as an Accounting Delegate, and the DeNovo Student Investment Fund as a Portfolio Manager. In 2023 Lukas completed an internship at Plains Midstream Canada as a Crude Supply Intern. In summer 2024, Lukas will be joining TD Securities as an Investment Banking Summer Analyst in its Global Energy team. Previously, Lukas was a Corporate Development Summer Student at Enbridge. In his spare time, Lukas enjoys golf, hiking, and basketball.

**MAX KONWITSCHNY**
**Investment Analyst**
**3rd Year, Finance**

Max joined the CPMT in March 2023 as an Investment Analyst and is looking forward to further developing his knowledge in equity research and portfolio management. He greatly appreciates the continued support from the CPMT's Board of Trustees, mentors, and alumni in making this opportunity possible. In addition to the CPMT, Max has been involved in the 2023 and 2024 Van Berkom Small Cap Case Competition and bp Trading Competitions. Previously, Max has completed work terms at Inter Pipeline as a Financial Planning and Analysis Intern, and most recently at BMO Capital Markets as an Investment Banking Fall Analyst in the Energy group. In summer 2024, he will be returning to Inter Pipeline as a Corporate Development Intern. In his spare time, Max enjoys astronomy, espresso, and playing hockey.

**SARAH ADAMJEE**
**Investment Analyst**
**3rd Year, Finance**

Sarah joined the CPMT in March 2023 as an Investment Analyst and looks forward to developing her knowledge in equity research, financial modelling, and portfolio management throughout the course of the program. She is thankful for the Board of Trustees and the alumni base that continues supporting the program. Sarah is currently working towards a degree in Finance. In addition to the CPMT, Sarah has been involved with the University of Calgary Consulting Association and JDC West as a Business Strategy Delegate. Previously, Sarah completed an internship with Dream as a Financial Planning and Analysis Intern. In summer 2024, Sarah will be interning with National Bank Financial as an Investment Banking Summer Analyst. In her free time, Sarah enjoys fitness, listening to music, and hiking.

**SOHIL AGRAWAL**
**Investment Analyst**
**4th Year, Finance / Data Science (Minor)**

Sohil joined the CPMT in March 2023 as an Investment Analyst and looks forward to continuing to develop his skills in financial analysis and modeling. He is thankful for the Board of Trustees and the alumni base that continues to support the program. Sohil is current completing a degree in Finance, with a minor in Data Science and Certificate in Entrepreneurial Thinking. With previous experience in consulting and private equity, he is looking forward to applying his skills learned through CPMT in his role as Investment Banking Analyst with BMO's Capital Markets Group in summer 2024. Apart from CPMT, Sohil has competed in numerous international case competitions throughout the past three years, most recently the Inter-Collegiate Business Competition. In his free time, Sohil enjoys basketball, badminton, hiking, watching F1, and is learning golf.

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

Tara joined the CPMT in March 2023 as an Investment Analyst. She is excited to develop her skills pertaining to equity research, portfolio management, and financial modelling over the course of the program. Tara is currently working towards a degree in Finance with a minor in Data Science. In addition to CPMT, Tara has been involved with the CFA Research Challenge, University of Calgary Trading Team, Rotman International Trading Competition and JDC West as an Accounting Delegate and VP Finance. During summer 2023, Tara interned at CIBC World Markets as an Investment Banking Summer Analyst in the Energy, Infrastructure and Transition group. In winter 2024, Tara will complete an internship with Ontario Teachers' Pension Plan in its Private Capital, Global Funds group. In summer 2024, Tara is looking forward to interning at BP as a Commercial Energy Trading Intern. In her spare time, Tara enjoys music, fitness, and F1.

## Speaker Series and Mentorship Program

The CPMT program continues to benefit from our Speaker Series events. Whether downtown, on campus or during out-of-town visits, we thoroughly enjoyed the unique experience gained from speaking with industry professionals. This has provided an invaluable opportunity for students to gain insight regarding potential career paths and current views of capital markets. In addition, our industry contacts have been actively involved in portfolio mentoring. We would like to thank the following individuals for their time, involvement and support of the CPMT.

| **2023 - 2024 CPMT Speaker Series** | |
|---|---|
| **Firm** | **Organizer(s)** |
| Advent International | Peter James |
| AXA Investment Managers | Ly Nguyen |
| BMO Capital Markets | Karim Merali / Samuel Baba |
| Canada Infrastructure Bank | Carl Landry / Aniket Sagar |
| CIBC Capital Markets | Akash Sekar / Katie Tu |
| CPP Investments | Pascal Keutgens |
| Evercore | Logan Heidt / Alex Lee |
| H.I.G. Capital | Andrew Liau |
| HSBC | Cora Pettipas |
| Invico Capital | Allison Taylor |
| London Stock Exchange Group | Jacky Cheng |
| Longbow Capital | Michael Ciaramella |
| N/A | Brandon Koepke |
| N/A | Bruce Rigal |
| N/A | Ian Cooke |
| N/A | Julian Klymochko |
| N/A | Travis Chernichen |
| National Bank Financial | Tarek Brahim |
| Ontario Teachers' Pension Plan | James Hanson |
| QV Investors | Darren Dansereau / Diana Chaw |
| RBC Capital Markets | Stefan Dilger / Marc Boulanger |
| SAF Group | Aaron Bunting / Michael Croft |
| Scotiabank Global Markets | Emma Siegle |
| Standard Chartered Bank | Doran Chernichen |
| Stifel Financial | Piper Doo |
| TD Asset Management | Julie Loffe |
| TD Securities | Kseniya Kataeva / Tanner Dolynny |
| Tudor, Pickering, Holt & Co. | Megan McKee |
| Waterous Energy Fund | Liam Waterous |
| Werklund Family Office | Tal Bains / Jordan Kwiecinski |

| CPMT Student Mentorship | | |
|---|---|---|
| ABB | Christian Erana | Joao Beani |
| BCI | Amy Chang | Emmanuel Fikreselassie |
| Blackstone | Ben Dimnik | Sohil Agrawal |
| Capital Power | Olga Rechytska | Jacob Kemp |
| CPP Investments | Bryton Hewitt | Sarah Adamjee |
| CPP Investments | George Huang | Lukas Fairley |
| CPP Investments | Connor Luck | Ryan Crisalli |
| Cumberland Investment Counsel | Derek VanGenderen | Jeevan Gill |
| Enbridge | Max Chan | Rebecca Butler |
| Enbridge | Rob Pitcairn | Ryan Crisalli |
| Franklin Templeton | Garey Aitkin | Max Konwitschny |
| J.P. Morgan | Lucas Peters | Jacob Kemp |
| Keyera | Jessica Hulsman | Lucas Frame |
| Marquee Group | Jamie Wilkie | Jacob Kemp |
| Mawer Investment Management | Crista Caughlin | Sarah Adamjee |
| Mawer Investment Management | Siying Li | Tara Jindal |
| N/A | Ian Cooke | Jack Demo |
| N/A | Andrew C. Kim | Max Konwitschny |
| National Bank Financial | Doug Buhr | Jack Demo |
| Palisade Capital Management | James Anderson | Daniel Krapiwin |
| Pembina Pipeline | Mauricio Terrazas | Lukas Fairley |
| QV Investors | Dan Morgan | Daniel Krapiwin |
| RBC Capital Markets | Nick Sellmer | Emmanuel Fikreselassie |
| Sandbrook Capital | Michelle Creighton | Tara Jindal |
| Thoma Bravo | Carl Chan | Sohil Agrawal |
| Tourmaline Oil | Jamie Heard | Joel Homersham |

# Portfolio Strategy and Sector Views

## OVERVIEW

During FY 2024, the CPMT aims to supplement pitches and the analysis of new companies with a holistic view of the portfolio. This page provides a summary of the CPMT's outlook on each sector, which will help shape future capital allocation decisions. The CPMT investment philosophy is centered on intrinsic value combined with systematic investment selection. A systematic approach ensures discipline in purchase and sale decisions, focuses on owning high-quality businesses and reduces the probability of errors. The Portfolio Managers seek investments that offer quality management, competitive advantages, strong balance sheets, and growing free cash flow, all while at an attractive valuation. We continue to monitor the U.S. and Canadian yield curves, credit spreads, labour market, and corporate profits to measure the extent of the economic recovery and believe that our efforts will contribute to outperformance over the next year. The lasting macroeconomic impacts of COVID-19 affecting central bank interest rates and supply chains globally will be a continued area of consideration for us as we evaluate potential names, placing increased importance on mandate fit.

## COMMUNICATION SERVICES

The CPMT's sole Communication Services holdings is Alphabet (NASDAQ: GOOGL). The Fund is currently 2.0% underweight relative to the blended benchmark. The CPMT will continue to closely monitor its current position in GOOGL, while evaluating other telecommunication and media names that meet our mandate and provide risk-adjusted returns relative to the benchmark.

## CONSUMER DISCRETIONARY

The CPMT's Consumer Discretionary weighting is currently 2.1% underweight relative to the blended benchmark. Companies in this sector faced pressure in FY 2023 as consumer purchasing power continued to erode from high inflation and elevated interest rates. The U.S. personal savings rate fell to 3.6% in February 2024, a level not seen since December of 2022 (3.2%). The savings rate also is now below the January 2024 value of 4.1% and has been steadily declining since the 5.3% level seen in May 2023. Real PCE increased 3.3% in Q4 2023 over the previous quarter and is up 2.4% YoY as of February 2024 data. With U.S. unemployment at 3.7% and the labour participation rate at 62.5%, the Fund believes a relatively healthy labour market should continue to boost retail sales and support PCE growth. Moving forward, companies will need to invest heavily in fulfillment capabilities and focus on customer retention. The CPMT is confident in its holdings Aritzia (TSX: ATZ) and The Hershey Company (NYSE: HSY) due to their cash flow resilience and dominant market share.

## CONSUMER STAPLES

The CPMT's Consumer Staples weighting is currently 8.6% overweight relative to the blended benchmark. The Fund views the sector favourably going forward into a recessionary environment, given its defensive nature and historical outperformance during times of market uncertainty. We will continue to monitor further opportunities in the space but are confident in our Consumer Staples holdings, Costco Wholesale (NASDAQ: COST), Alimentation Couche-Tard (TSX: ATD), and Dollarama Inc. (TSX: DOL), given each Company's dominant market share, proven management teams, and industry-leading margins.

## ENERGY

The CPMT's Energy weighting is 1.5% underweight relative to the blended benchmark. The sector has benefitted from increased production activity, positive oil strip pricing, and improved demand for oil due to lifted travel restrictions. Recently, natural gas prices have decreased due to warmer weather in Europe and North America, but prices continue to remain high. The CPMT believes the shift towards asset optimization, government support for decarbonization, pipeline and margin expansion projects, and positive price realizations for E&P firms will drive valuations forward. The Fund holds companies with distinct competitive advantages and the ability to generate free cash flow throughout various commodity price cycles. Moving forward, we will continue to monitor the mandate fit of our current energy holdings, Canadian Natural Resources (TSX: CNQ), Enbridge (TSX: ENB), Enterprise Products Partners (NYSE: EPD) and Tourmaline (TSX: TOU).

## FINANCIALS

The CPMT is confident in the quality of its financial holdings, JPMorgan Chase (NYSE: JPM), Royal Bank of Canada (NYSE: RY), and Brookfield Corporation (TSX: BN). Central banks in Canada and the U.S. are expected to begin lowering their overnight rates in the second half of 2024, although the frequency and magnitude of rate cuts has yet to be determined. The CPMT will continue to rigorously monitor inflation data and the actions of central banks to ensure our holdings continue to meet our investment mandate. Currently 9.6% underweight in the sector, the CPMT is exploring the addition of several names to diversify its holdings and become more in-line with its blended benchmark.

## HEALTH CARE

The CPMT believes that headwinds will compress margins in the U.S. Health Care industry given the Inflation Reduction Act, patent cliffs, and rising concerns about Health Care pricing. The Fund holds Thermo Fisher Scientific (NYSE: TMO), Zoetis (NYSE: ZTS), and McKesson (NYSE: MCK) in the sector. The CPMT is 1.4% overweight in Health Care, with a positive outlook on the drug distribution, animal care, and life sciences segments. Given the sector's historically low beta, non-discretionary nature, and its ability to remain defensive during recessionary periods, the Fund is actively looking for new Health Care names.

## INDUSTRIALS

The CPMT emphasizes holding companies with a distinct competitive advantages in critical industries to weather inflation and generate consistent free cash flow. The Fund currently holds Canadian National Railway (TSX: CNR), Canadian Pacific Kansas City (TSX: CP) Cintas (NASDAQ: CTAS), and Waste Connections (TSX: WCN) within the sector and is 2.6% overweight relative to the blended benchmark. Although recession risk remains, these effects should be mitigated by the oligopolistic nature of each of the Fund's Industrials holdings. As a result, the CPMT remains confident about its positioning moving into 2024.

## INFORMATION TECHNOLOGY

The CPMT is 2.7% overweight in Information Technology relative to its blended benchmark. The Fund has actively monitored the performance of Information Technology sector valuations amidst the artificial intelligence developments. The CPMT currently hold Microsoft (NASDAQ: MSFT), Apple (NASDAQ: AAPL), Adobe (NASDAQ: ADBE), Visa (NYSE: V), Constellation Software (TSX: CSU), and Topicus.com (TSXV: TOI). Although the Fund sees outperformance of the sector over the medium term, it is reassessing its holdings in light of the rapid increase in valuations.

## MATERIALS

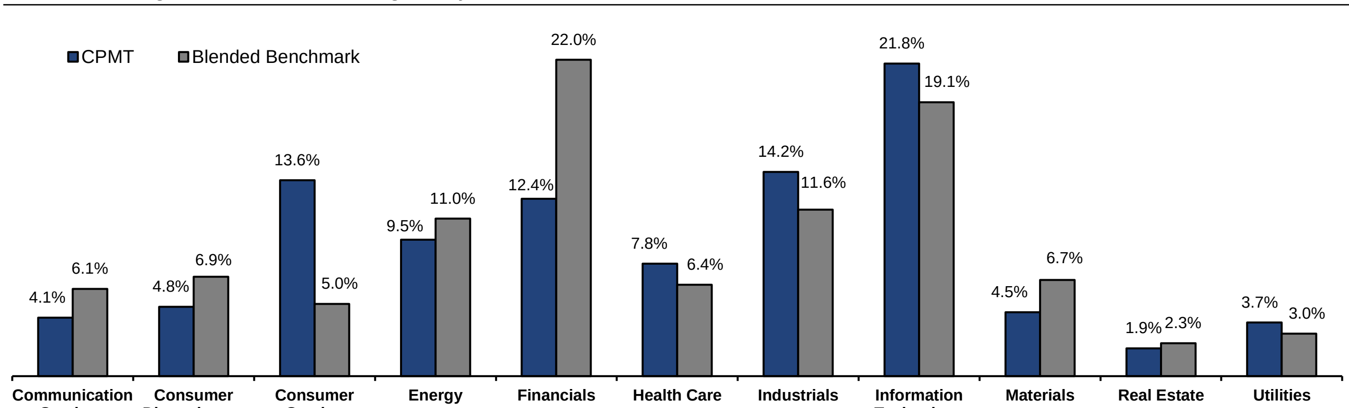
The CPMT is currently 2.2% underweight in Materials relative to the blended benchmark. Companies within the sector have experienced major shifts in scalability and profitability due to streamlined operations. The increasing demand for industrial gases, electrification, and construction/renovation products are expected to be key catalysts for growth. Although fluctuating commodity prices, rising input costs due to labour, and ongoing supply chain issues have hindered the recent momentum experienced by major players, the CPMT's Materials holdings are well-suited to mitigate inflation effects through pricing power. The Fund will continue to monitor the impact of these developments on its Materials portfolio, which includes CCL Industries (TSX: CCL.B), Linde Plc (NYSE: LIN).

## REAL ESTATE

The CPMT is currently 0.4% underweight in Real Estate relative to the blended benchmark. In FY 2023, the Fund initiated a position in Prologis (NYSE: PLD), which remains the sole holding in the sector. The CPMT maintains a strong view of the warehousing industry due to nearshoring trends and e-commerce penetration. Additionally, PLD's global presence and organic growth strategy will allow the Company to capitalize on expansion opportunities. The Fund will continue to monitor developments throughout the sector, including changes in the interest rate environment, and supply chain disruptions.

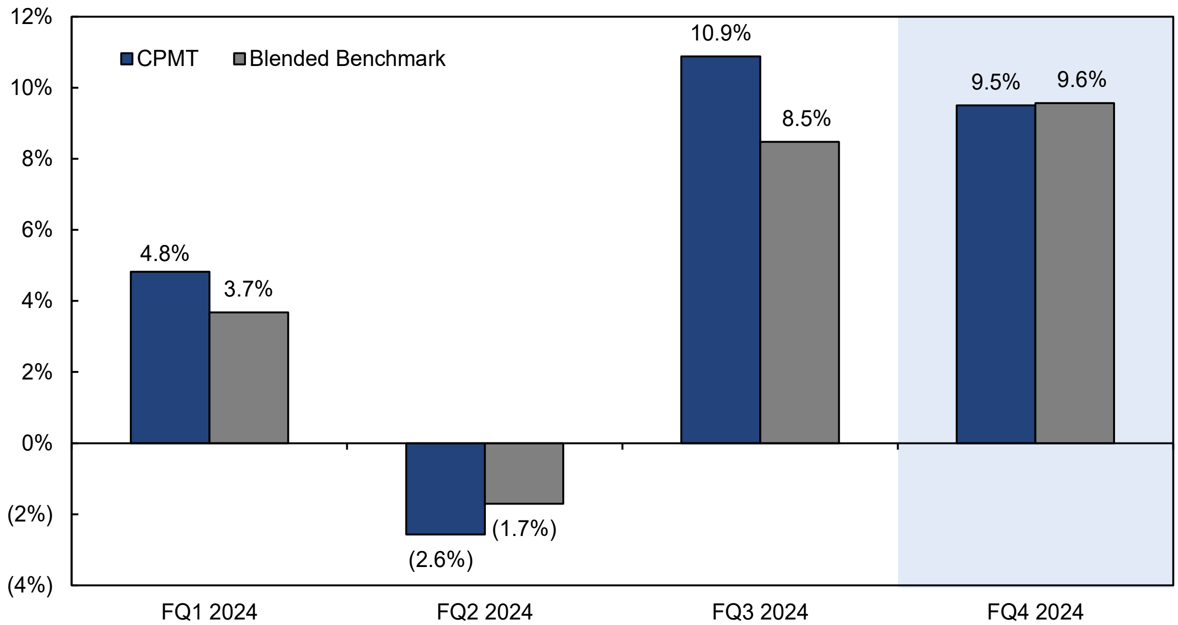
## UTILITIES

The CPMT's sole utility holding is NextEra Energy (NYSE: NEE) and is 0.7% overweight in the sector. A high interest rate environment has raised concerns about being overweight due to the inverse relationship between utility stocks and yields. While yields have fallen from their peak, the CPMT favours NEE's regulated stable cashflow business with reinvestment in renewable assets with long-dated PPAs. The Fund recently sold its position in Brookfield Renewable Partners (NYSE: BEP) due to the decrease in the share of cash flows generated by its high-return Hydro segment of the business. Overall, the CPMT views the possible rate cuts in 2024 as a tailwind for utilities and expects outperformance in the sector as the transition to green fuels continues globally.

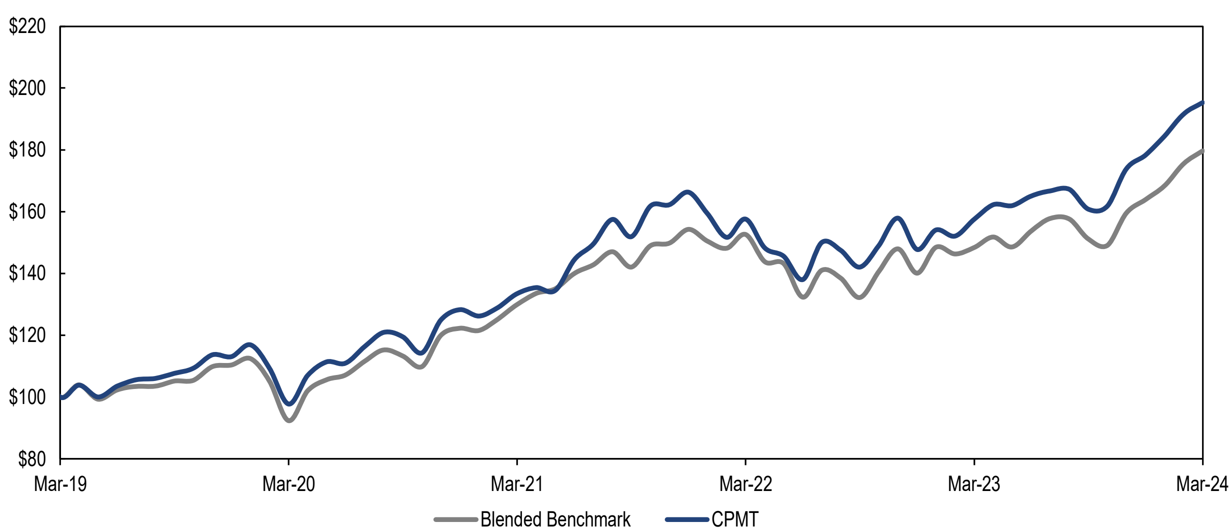


# Quarterly Snapshot - FQ4 2024

## CPMT and Benchmark Total Return (TTM)




## Value of $100 (since March 29, 2019)

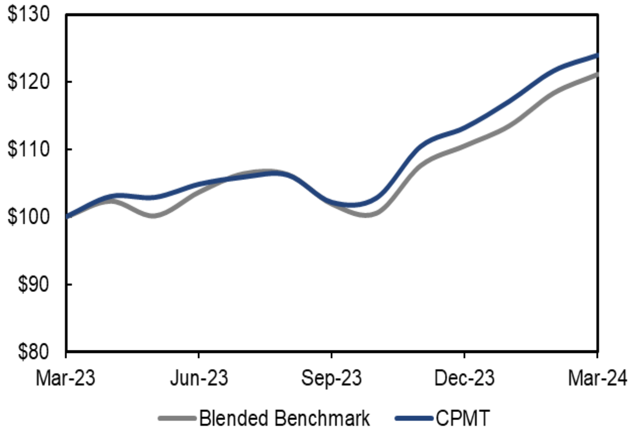



## Fund Universe

| | FQ4 2024 | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|
| CPMT | 9.50% | 23.99% | 14.16% | 14.70% | 9.49% |
| Blended Benchmark | 9.57% | 21.12% | 11.39% | 12.43% | 8.84% |
| Blended Benchmark Difference | (0.07%) | 2.87% | 2.77% | 2.27% | 0.65% |

# Year in Review

## ANNUAL RETURN




## NOTE TO STAKEHOLDERS

The CPMT Class of 2024 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 professionals who have volunteered their time to be a part of the mentorship program. This mentorship provides students with invaluable support, ranging from technical expertise to career guidance and more.

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

## OVER THE QUARTER

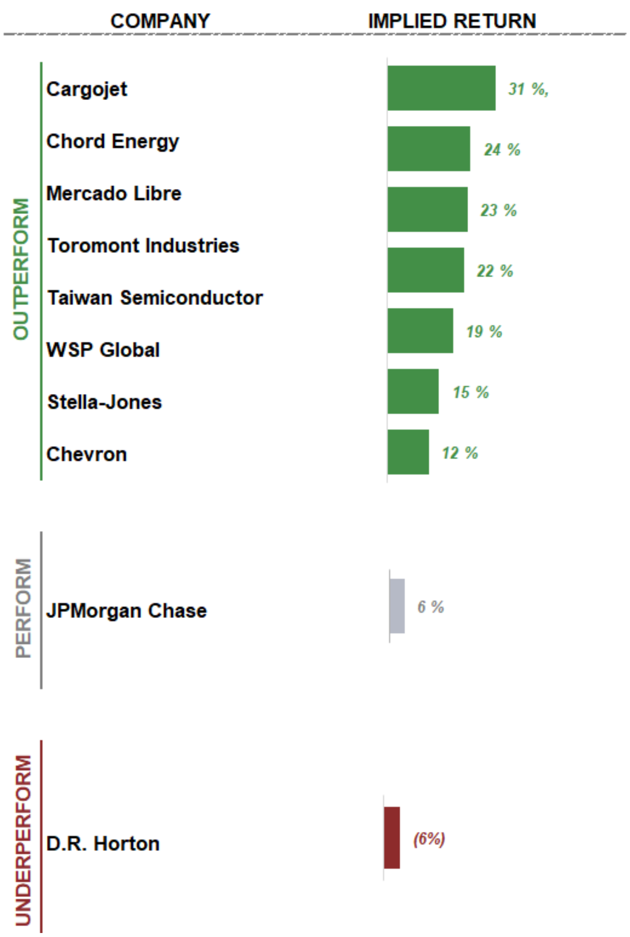
The Fund returned 9.50% over the quarter, 7 bps below the Blended Benchmark's return of 9.57%. The outperformance can be largely attributed to the Health Care, IT, and Financials sectors but was offset by underperformance in Consumer Discretionary and Industrials. The Fund currently has 40/60 Canada/U.S. equity exposure. We are comfortable being overweight U.S. names due to the quality and growth profiles of our U.S. holdings but will continue to seek companies with a mandate fit in both Canada and the U.S.

The Fund divested its position in T due to increasing concerns surrounding the Company's core telecom business as it continues deployment of its high-growth peripheral segments. Despite positive net additions in broadband customers, increasing customer churn and declining average revenue per user suggests increased pricing pressure on T, as well as the other Big Three providers.

The Fund also divested its position in DAR following ongoing assessments of key markets contributing to DAR's performance over the previous 15 months. Fundamental changes within the LCFS credit and RIN market, in addition to several regulatory and operational concerns has adversely impacted the CPMT's confidence in the holding. Additionally, the Fund's conviction in management's capital discipline and commitment to delevering has faltered throughout the investment period, further impacting uncertainty of DAR's operational outlook.

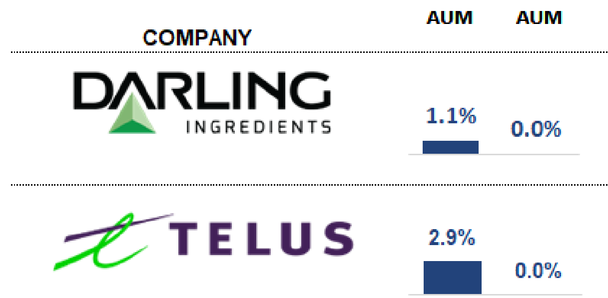
As the outgoing PM class prepares to leave the program, we shift our focus onto the Class of 2025 and reflect on another year of further development and successes of the program. Throughout the year, the Fund maintained high levels of collaboration, aiming to make prudent portfolio decisions while maintaining a commitment to high-quality due diligence and our investment mandate. Over the quarter, the Fund continued to host Speaker Series through both in-person and virtual formats and is grateful to have had the opportunity to speak with finance professionals across the U.S. and Canada. Lastly, we welcomed Caitlin Heggerud, Clayton Lillace, Connor Bot, Dylan Westlake, James Altamirano, Joshua Olson, Smriti Sewak, and Taro Lakra to the Class of 2026. We look forward to the next year when each Investment Analyst will be showcasing the unique skillsets they bring to the program.

## NEW RECOMMENDATIONS




*Note: Reflects implied upside as of March 31, 2024

## TRANSACTION LOG




*Note: AUM is reflected as of the time of transaction.

# Canadian Natural Resources

**Energy**
**TSX: CNQ | NYSE: CNQ**
**Market Outperform | Hold**

Calgary Portfolio Management Trust

Canadian Natural

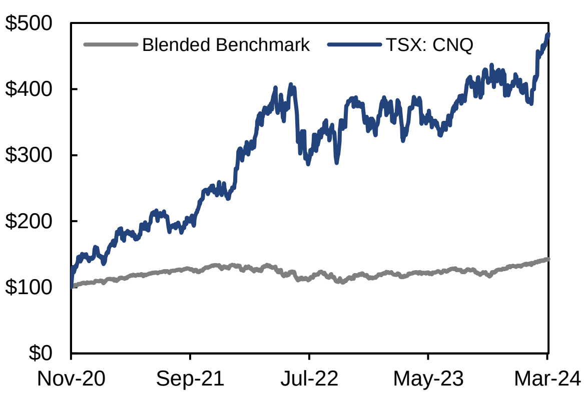
**March 31, 2024**
Daniel Krapiwin, Portfolio Manager
Jack Demo, Investment Analyst
Lukas Fairley, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $103.33 |
| Target Price | $110.00 |
| Dividend Yield | 3.81% |
| Implied Return | 10% |
| Conviction Rating | 2 |

| Market Profile | |
|---|---|
| 52-Week Range | $70.35 - $103.33 |
| Market Capitalization ($mm) | $110,650 |
| Net Debt ($mm) | $9,922 |
| Enterprise Value ($mm) | $120,572 |
| Beta (5-Year Monthly) | 1.98 |

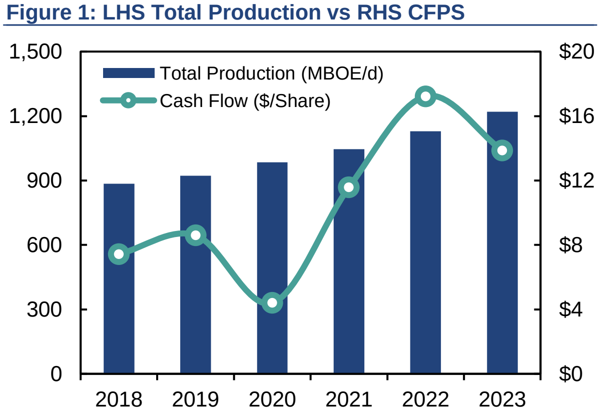
| Metrics | 2024E | 2025E | 2026E |
|---|---|---|---|
| DACF ($mm) | $14,995 | $16,081 | $16,981 |
| EV/DACF | 8.0x | 7.5x | 7.1x |
| DACF Yield | 9% | 11% | 12% |
| WTI (US$/bbl) | $79.80 | $75.68 | $74.44 |
| WCS ($/bbl) | $86.76 | $83.34 | $81.61 |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: LHS Total Production vs RHS CFPS**




Source: Company Filings

## Business Description

Canadian Natural Resources (TSX: CNQ) is a senior independent oil and gas producer with operations across Western Canada, the North Sea, and offshore West Africa. The Company's three segments include Oil Sands Mining and Upgrading, Exploration and Production (E&P), and Midstream and Refining. The Oil Sands Mining and Upgrading division focuses on producing synthetic crude oil from bitumen extraction and enhancement, with projects such as Horizon Oil Sands and the Athabasca Oil Sands Project (AOSP). The E&P segment develops existing reserves and expands its asset portfolio through mergers and acquisitions, with exposure to major plays in the Western Canadian Sedimentary Basin (WCSB) and light crude oil production in the North Sea and offshore West Africa. The Midstream and Refining segment manages crude oil pipeline systems, operates a cogeneration plant, and holds a 50% stake in the North West Redwater Partnership, which is crucial for revenue generation through product sales.

## Industry Overview

OPEC+'s extension of oil production cuts has revised the forecast for global oil production growth in 2024, leading to significant declines in projected global oil inventories for Q2 2024. As a result, global oil benchmark prices are expected to rise while natural gas prices are anticipated to remain suppressed over the same period.

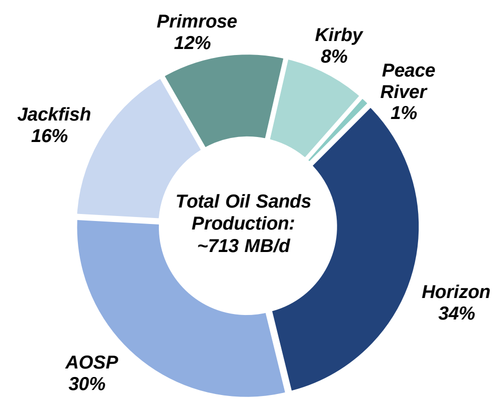
In North America, Canada's Trans Mountain oil pipeline expansion is set to significantly increase crude flow from Alberta to the Pacific Coast. The expansion is expected to reduce the vulnerability of Canadian oil producers to price fluctuations and pipeline congestion. Completion of the final pipeline segment construction is expected to occur in April 2024 and on stream in May, which will bolster Canadian crude prices amidst increased production.

The 2023 S&P Global 10-year oil sands outlook predicts Canadian oil sands production to hit 3.7 mmbbl/d by 2030, marking the first upward revision in over half a decade. Growth will be driven by smaller brownfield debottleneck activity and project optimization over larger greenfield developments. However, decarbonization efforts and policy interventions such as the federal emissions cap may temper this growth. Despite minor adjustments, the current oil sands production scale highlights the importance of even small changes, as Canada is anticipated to maintain record production and export levels despite the expected growth slowdown later this decade.

## Mandate Fit

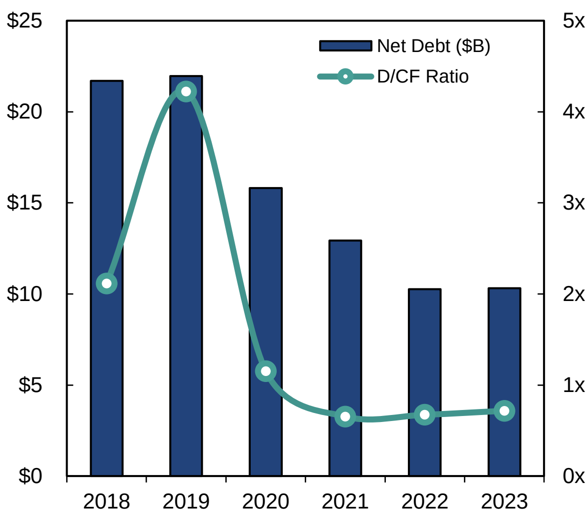
**Quality Management:** CNQ’s shared management structure is differentiated in that it is led by a Management Committee composed of numerous members from its executive management group. This structure has enabled the Company to seamlessly manage leadership succession and keep pace with the increased complexity of its operations. In 2021, the Company joined the Oil Sands Pathways to Net Zero initiative, an alliance of large Canadian oil sands producers to achieve net zero greenhouse gas emissions from oil sands operations by 2050. Membership in the alliance demonstrates CNQ’s commitment to improving the long-term sustainability of its operations.

**Figure 2: 2023 Oil Sands Production by Project**



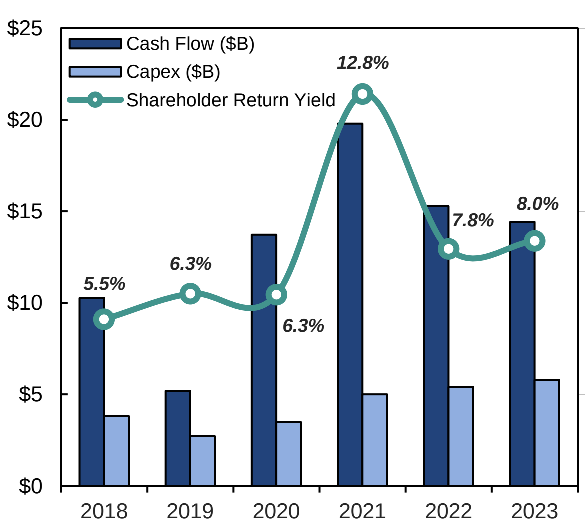

Source: Company Filings

**Figure 3: LHS Net Debt vs RHS Debt-to-Cash Flow**




Source: Company Filings

**Figure 4: Cash Flow Generation and Capital Allocation**




Source: Company Filings

**Competitive Advantage:** CNQ's competitive advantage stems from its high-quality assets and inventory duration, resulting in an industry-leading cost structure and ability to deliver consistent full-cycle returns. With 2P reserves totalling >10 mmboe as of YE 2023 (proved reserves representing ~50%), the Company has a 32-year 1P reserve life at current production rates, which ranks well against its U.S. peers and is double that of its Canadian peers. In 2024, the company aims to increase production per share by approximately 5% through a combination of organic production growth and its share repurchase program. This will be supported by a ~$5B capital budget that will be allocated towards conventional E&P, thermal, and oil sands mining & upgrading projects. Its 2024 program will be front-half weighted towards longer-cycle projects (oil sands mining/thermal), while its second half program will target shorter cycle opportunities (Heavy oil, Montney), which provides the company flexibility depending on the commodity price environment.

**Strong Balance Sheet:** CNQ reached its net debt target of $10B a quarter ahead of expectations in Q4 2023 (LTM Net Debt/Cash Flow of 0.7x vs peer median of 0.8x), demonstrating management's commitment to maintaining a strong balance sheet. The CPMT believes that the Company is well-positioned to continue thriving in the current commodity price environment and deploy capital towards strategic investments.

**Growing Free Cash Flow:** In 2023, CNQ generated ~$10B of FCF (LTM DAFCF yield of ~10% vs peer median of ~9%. As a result of reaching its net debt target, the Company will return 100% of FCF to shareholders moving forward (previously 50%), which will be distributed through a combination of dividends and share repurchases. Subsequent to YE 2023, CNQ also increased its annual dividend by 5% to $4.20/share, leading to a 10-year dividend CAGR of ~16%. The CPMT estimates that CNQ will return a total of ~$8mm to shareholders in 2024, represented by a total shareholder return yield of ~7%. The Fund continues to view this capital allocation framework and projected growth by YE 2024 as attractive compared to its North American peers.

## Investment Thesis and Valuation

CNQ was valued at $110 using a combination of a NAV of $98 at strip prices as of March 31, 2024, and a NTM EV/DACF of 9.0x. With an implied return of ~14%, including a ~7% shareholder return yield (base dividend plus buybacks), the CPMT views CNQ’s current valuation as offering significant upside.

CNQ’s financial strength and growth are underpinned by disciplined capital allocation across its diversified, long-life portfolio of conventional E&P, thermal in-situ, and oil sands mining and upgrading assets. The Company’s low decline oil sands projects ensure stable production and cash flow generation throughout the cycle, which is further enhanced by efficient operations and continuous improvement efforts. With a strong history of returning cash flow to shareholders through dividends and share repurchases, CNQ’s attractive valuation is supported by its significant FCF generation. Overall, the Company represents a well-positioned investment opportunity in the energy sector, offering strong financial performance, a diverse asset base, leading ESG practices, and an attractive valuation.

# Cargojet

Industrials
TSX: CJT
Market Outperform | Buy

Calgary Portfolio Management Trust

March 31, 2024

Max Konwitschny, Investment Analyst

**Return on Investment**

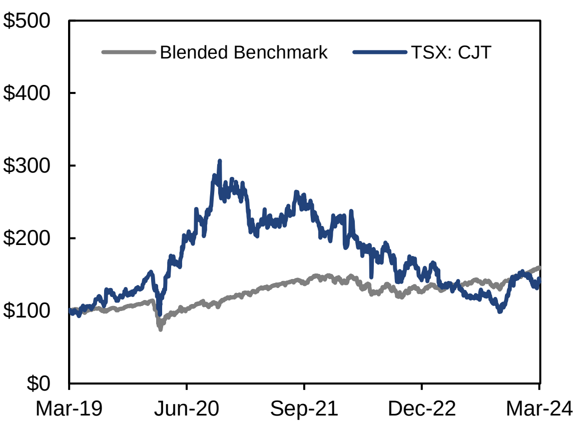
| | |
|---|---|
| Current Share Price | $111.90 |
| Target Price | $146.00 |
| Dividend Yield | 1.00% |
| Implied Return | 31% |
| Conviction Rating | 1 |

**Market Profile**

| | |
|---|---|
| 52-Week Range | $76.50 - $124.94 |
| Market Capitalization (US$mm) | $1,887 |
| Net Debt (US$mm) | $767 |
| Enterprise Value (US$mm) | $2,654 |
| Beta (5-Year Monthly) | 1.03 |

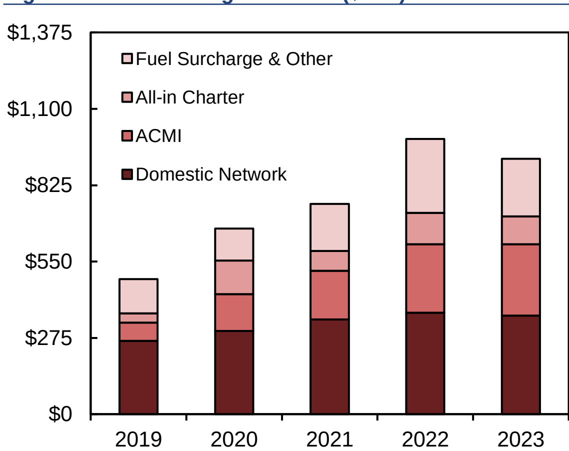
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$mm) | $878 | $958 | $995 |
| EBITDA (US$mm) | $301 | $325 | $344 |
| EPS | $2.06 | $3.64 | $4.72 |
| EV/EBITDA | 8.8x | 8.2x | 7.7x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: Revenue Segmentation ($mm)**




Source: Company Filings

## Business Description

Cargojet (TSX: CJT) is a Canadian-based air-cargo carrier providing various domestic and trans-border air freight services across 16 major Canadian airports. CJT operates in three segments: (1) Domestic Network Air Cargo, (2) Aircraft, Crew, Maintenance, & Insurance (ACMI), and (3) All-in Charter. The Company operates a fleet of 41 all-cargo aircraft, transporting over 25mm pounds of time-sensitive air cargo per week through over 80 domestic flight legs.

**Domestic Air Network:** CJT operates a network of all-cargo aircraft that facilitate express deliveries on behalf of integrated carriers and e-commerce firms. Shippers pre-purchase guaranteed space and weight allocations on the Company's network under long-term contracts, with any unutilized capacity sold on an ad-hoc basis. The Domestic Air Network comprised 41% of FY 2023 revenues, with ~75% under long-term contracts.

**ACMI:** CJT provides aircraft and crew leasing to integrated freighters and e-commerce companies on a contracted and ad-hoc basis. Currently, 15 aircraft are under long-term contracts with DHL (ETR: DHL), flying routes between Cincinnati and major Canadian cities. ACMI contributed to 29% of FY 2023 revenues.

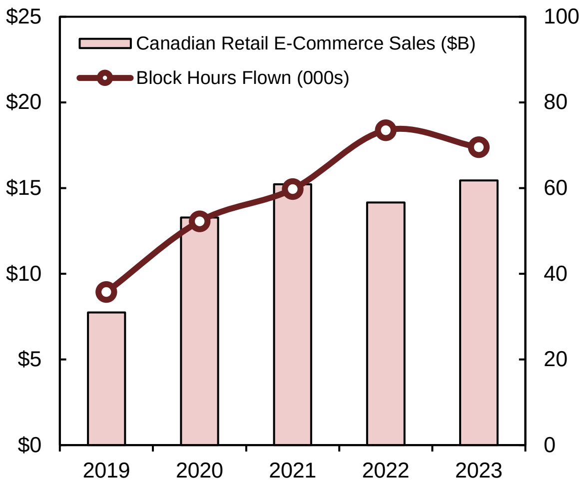
**All-in Charter:** CJT provides specialized cargo services solely on an ad-hoc basis. Specialized cargo can include hazardous, oversized, urgent, or emergency response shipments. The charter business does not have dedicated aircraft; instead, it utilizes excess fleet capacity from the Domestic Air Network and ACMI businesses. All-in Charter comprised 11% of FY 2023 revenues.

**Fuel Surcharge & Other:** CJT recognizes fuel surcharges from customers with 100% variable pass-through cost contracts from its three operating segments. Other surcharges include inflation, navigation, and any uncontrollable costs. Surcharges and other revenues comprised 19% of FY 2023 revenues.

## Industry Overview

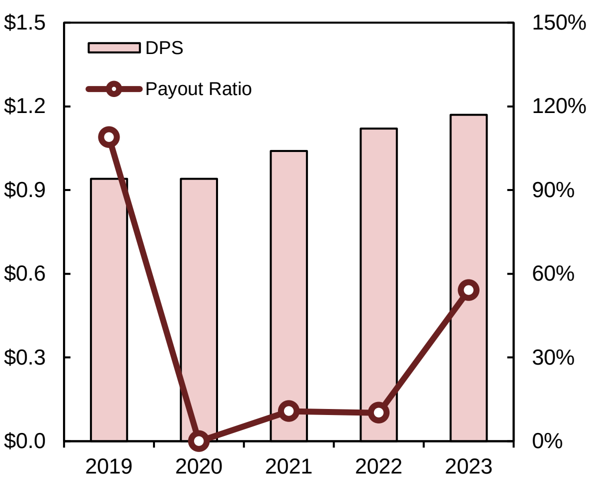
Air cargo operators are classified into four main types: (1) Integrated Carriers, which operate large, international fleets of scheduled aircraft, trucks, and couriers for door-to-door deliveries; (2) All-Cargo Freighters, which operate exclusively cargo aircraft in airport-to-airport networks; (3) Combined & Commercial Passenger Airlines, which use the capacity in the belly of commercial flights to ship cargo between airports, and (4) Contract or Regional Freighters, which operate through smaller or remote airports, contracted on behalf of integrated carriers. Major integrated carriers in Canada, such as DHL, FedEx (NYSE: FDX), and UPS (NYSE: UPS), almost exclusively fly international and trans-border routes between their U.S. logistics hubs and select Canadian airports. After cargo is unloaded, regional airlines are contracted to distribute and consolidate cargo from smaller markets for the return flight to the integrated carrier's hub. Contract airlines in Canada include Norlinor Aviation, Morningstar Air Express, and Buffalo Airways. CJT is Canada's only all-cargo freighter, contributing to ~90% of domestic air shipping volumes. Air Canada (TSX: AC) and WestJet service international routes and remaining domestic volumes through a combination of passenger and freighter aircraft.

**Figure 2: LHS Block Hours vs RHS E-commerce Sales**



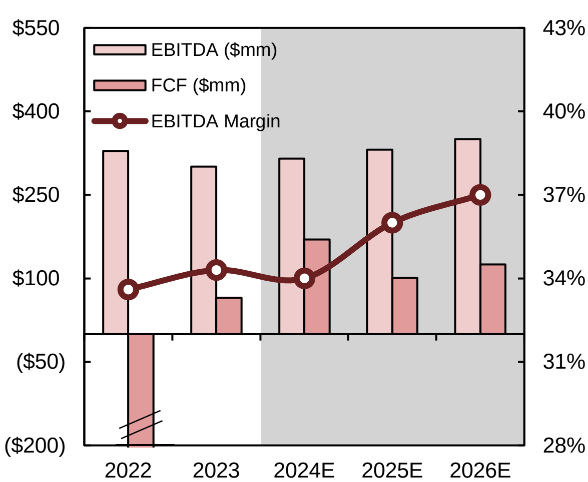

Source: Company Filings, Statistics Canada

**Figure 3: LHS DPS vs RHS Payout Ratio**




Source: Company Filings

**Figure 4: LHS FCF & EBITDA vs RHS EBITDA Margin**




Source: Company Filings, CPMT Estimates

## Global Shipping & Freight

Air cargo yields have experienced strong growth in Q1 2024 due to international supply chain disruptions following the Russia-Ukraine war and the Red Sea Crisis. Air shipping rates remain ~30% above pre-pandemic levels after experiencing a ~50% decline over 2023 due to a recovery in capacity from passenger flights' belly cargo. In Q1 2024, air freight volume measured by cargo tonne-kilometers (CTKs) exhibited a 12% YoY expansion. CTK growth is anticipated to continue throughout 2024, driven by robust e-commerce demand and manufacturing output. As such, air freighters' revenues are expected to recover from the turbulent environment of the previous year. Additionally, Boeing (NYSE: BA) plans to halt B767 production in 2026, placing additional pressure on available CTKs. This presents near-term tailwinds for domestic air cargo operators with large fleets.

## Mandate Fit

**Quality Management:** Pauline Dhillon and Jamie Porteous have shared the roles of Co-CEO since January 2024, which followed Dr. Ajay Virmani's transition from CEO to Executive Chairman. Virmani, Dhillon, and Porteous founded the Company in 2001 and have grown CJT from a startup to Canada's largest air freighter over the last 22 years. Dhillon served as Chief Corporate Officer since 2020, while Porteous served as the Company's Chief Strategy Officer since 2021. Management compensation is tied to specific operational and financial targets, with at-risk pay representing 68% and 57% for CEO and NEOs, respectively.

**Competitive Advantage:** CJT's core operations in time-sensitive and overnight air freight are logistically complex and benefit greatly from economies of scale. The Company has long-standing relationships with major Canadian shippers, with its network contributing to ~90% of domestic air cargo volumes. CJT's dominant market share prevents other operators from gaining market share on routes serviced by CJT, notably WestJet Cargo and Air Canada Cargo. Due to the Company's scale, CJT is an industry leader in efficiency and on-time performance (OTP), with over 99% of flights arriving on time and in full. CJT's high OTP and reputation for reliability allow the company to commit a significant portion of the network's capacity to long-term contracts. ~75% of revenues from the domestic network are under minimum volume contracts with pass-through variable costs. Consequently, CJT has exhibited an industry-leading EBITDA margin of 34% over the last five years compared to the freighter peer average of 13%. The Company leverages its strong customer relationships to expand its ACMI business. CJT operates 18 dedicated ACMI aircraft, 15 of which are under long-term, staggered contracts. CJT's ACMI and ad-hoc charter businesses are internationally scalable, with flexibility for aircraft to be reassigned to other operating segments internally, given constrained or excess capacity.

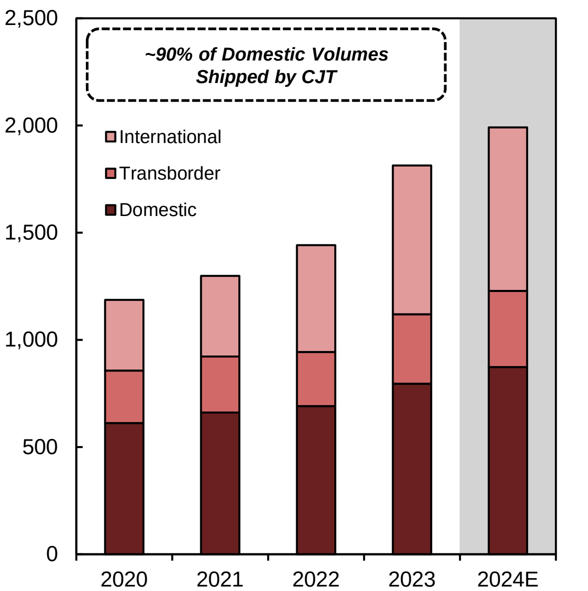
**Strong Balance Sheet:** CJT has a Net Debt/EBITDA of 2.4x, in line with the integrated carrier peer average. The Company has prioritized the acceleration of its deleveraging commitments after readjusting fleet expansion plans and capex in Q1 2024. CJT sold four production slots in B777 freighter conversions, following the sale of four B777 aircraft during 2023 due to a downturn in freight activity, freeing up $739mm in capex. CJT is targeting 1.5x to 2.5x Net Debt/EBITDA over the next three years and forecasts a 2024 capex of $160 - $180mm. CJT has been historically prudent with capital allocation, preferring organic growth opportunities through fleet expansions and additional network service over M&A.

**Figure 5: 2024E Fleet Breakdown**

| Aircraft | Payload (lbs) | Leased | Owned | Network Capacity (lbs) |
|---|---|---|---|---|
| B767-300 ER | 125,000 | 4 | 17 | 2,625,000 |
| B767-200 ER | 100,000 | 1 | 3 | 400,000 |
| B757-200 ER | 84,000 | 0 | 15 | 1,260,000 |
| **Total** | | **5** | **35** | **4,285,000** |

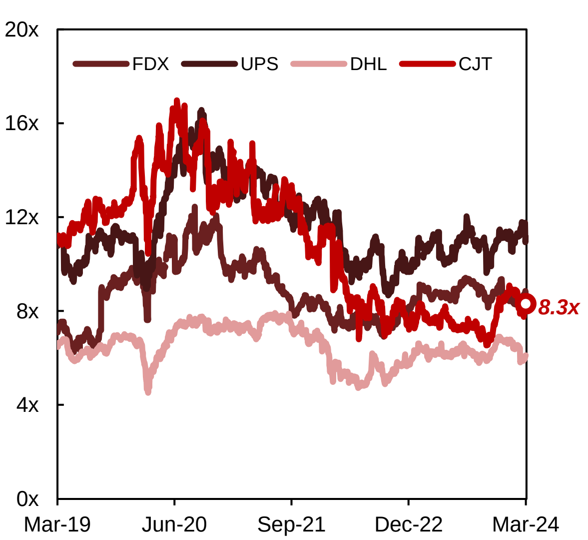
Source: Company Filings

**Figure 6: Canadian Air Cargo Volumes ('000 tonnes)**




Source: CPMT Estimates, Statistics Canada

**Figure 7: NTM EV/EBITDA vs Peers**




Source: S&P Capital IQ

**Growing Free Cash Flow:** Despite industry-wide challenges, CJT has grown FCF at a 6% five-year CAGR due to the Company's focus on cost and margin management. Dividends per share have also grown at a consistent 7% five-year CAGR. Long-term domestic network contracts contribute to the stability of the Company's cash flows, as increased operating costs from inflation, fuel, and other uncontrollable costs are passed through to the customer. Management expects margin expansion over the next three years resulting from volume recoveries, with the ability to increase fleet capacity by 15 - 20% by changing underlying flight schedules. Due to CJT's B777 sales and capital allocation refocus, the Company is entering a strong FCF generation phase focusing on dividend growth and continuing share repurchases. CJT has repurchased over 0.6mm shares on its current NCIB, with ample capacity to repurchase the remaining 0.9mm shares following the B777 sales.

## Catalysts & Risks

A primary revenue driver for air cargo is business-to-business (B2B) and business-to-consumer (B2C) e-commerce. Canadian e-commerce volumes are expected to grow at a 16% five-year CAGR, with ~80% of these volumes shipped by air in 2023. Logistics efforts from Amazon (NYSE: AMZN) have contributed to over 90% of consumers expecting domestic shipping within 2 - 3 days. These volumes can only be supported by air cargo given Canada's low population density. Additionally, COVID-19 catalyzed the growth of time-sensitive air shipping, as pharmaceuticals and humanitarian aid shipments became necessary for the operation of hospitals and research facilities around the globe. These factors combine to create a favourable environment for domestic freighters.

A prominent risk to CJT's business model is volume sensitivity in high pass-through cost environments. If e-commerce firms or their customers cannot justify the costs of shipping goods into Canada, contracts with CJT's main counterparties could be left un-renewed. High jet fuel prices, inflation, and currency devaluation could lead to potentially unprofitable routes. As seen in 2023, publicly listed freighters saw 25 - 60% decreases in revenues, partially attributable to lower-than-expected consumer spending during the holiday season. Additionally, amendments to the U.S.-Canada *Open Skies Agreement* could jeopardize CJT's contracts with U.S. Carriers. The *Open Skies Agreement* allows airlines to establish direct links between airports on either side of the border. CJT relies on this regulation as it prevents U.S. integrated carriers from establishing domestic routes within Canada. A liberalization of this policy in could lead to increased competition from integrated carriers, threatening CJT's market share.

## Investment Thesis and Valuation

CJT was valued at $146 using a five-year DCF with a WACC of 10.0%. The terminal value was determined using a 50/50 blend of (1) the Gordon Growth method, using a terminal growth rate of 2.0%, and (2) applying an EV/EBITDA exit multiple of 9.5x.

The CPMT favours CJT's dominant market share in domestic air freight in addition to its significant competitive advantage in time-sensitive logistics. The Fund views CJT as trading at an attractive valuation of 8.3x NTM EV/EBITDA relative to the peer average of 9.0x. With strong secular tailwinds in B2B and B2C E-commerce, CJT is poised to benefit from industry-leading EBITDA margins in the Domestic Network and ACMI segments while carrying significant downside protection through long-term contracted minimum revenues and flexible fleet chartering.

# Chevron

**Energy**
**NYSE: CVX**
**Market Outperform | Buy**

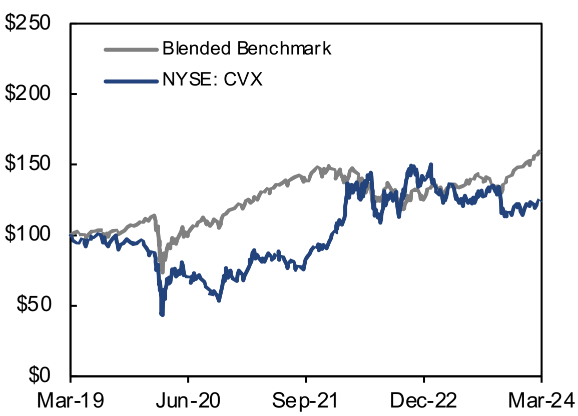
**March 31, 2024**
Emmanuel Fikreselassie, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $157.74 |
| Target Price | $169.00 |
| Dividend Yield | 4.10% |
| Implied Return | 11% |
| Conviction Rating | 1 |

| Market Profile | |
|---|---|
| 52-Week Range | $139.62 - $172.88 |
| Market Capitalization (US$mm) | $292,970 |
| Net Debt (US$mm) | $59,267 |
| Enterprise Value (US$mm) | $352,237 |
| Beta (5-Year Monthly) | 1.12 |

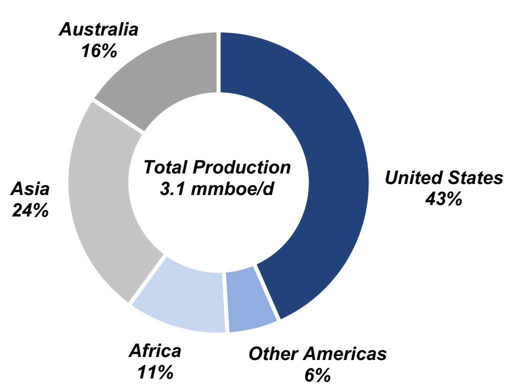
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$mm) | $200,949 | $212,001 | $216,241 |
| Production (mboe/d) | 3,121 | 3,162 | 3,427 |
| FCF/EV | 6% | 6% | 7% |
| EV/DACF | 8.3x | 8.2x | 7.4x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: 2023 Geographic Production Segmentation**




Source: Company Filings

## Business Description

Chevron (NYSE: CVX) engages in the exploration, development, production, transportation, refinement, and marketing of petroleum, natural gas, and petroleum products. In 2023, 43% of the Company's production originated in the U.S., with remaining output mainly produced in Australia, Kazakhstan, Bangladesh, Israel, and Angola. Headquartered in San Ramon, California, CVX was founded in 1879.

CVX operates in two key segments: (1) Upstream and (2) Downstream. Over the past five years, the Company's upstream segment has accounted for 78% of earnings and 26% of revenues. CVX's crude, natural gas, and natural gas liquid (NGL) assets account for 48%, 41%, and 11% of production volumes, respectively. 1P reserves in 2023 consist of natural gas, crude, and natural gas liquids, which account for 46%, 43%, and 11% of the total reserve base, respectively. The Company's 35,363 mmboe in 1P reserves are primarily concentrated in the U.S., Australia, and Asia, with 28%, 27%, and 25% of reserves located in those regions, respectively.

CVX operates five refineries in the U.S. and three in Asia; cumulative throughput capacity across its refineries totals 1,779 mbbl/d. The Company also owns a portfolio of energy infrastructure assets used for the internal transportation of products. CVX's midstream portfolio consists of pipelines in its key U.S. operating regions with cumulative throughput capacity totaling ~1,500 mboe/d. The Company's midstream operations generate immaterial third-party revenues, as the primary function of this segment is internal transportation.

## Hess Acquisition

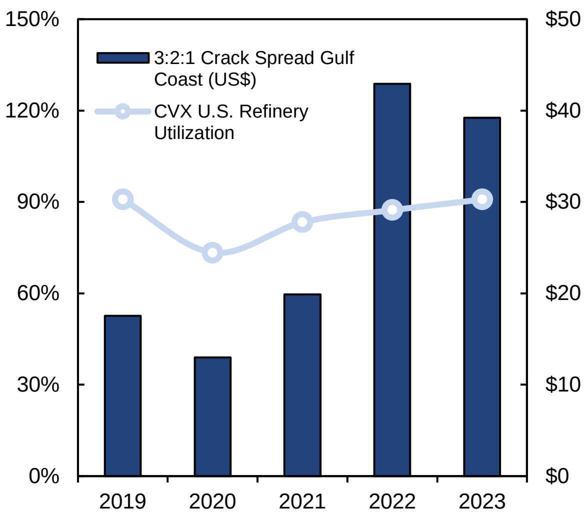
In 2023, CVX announced its US$53B acquisition of Hess (NYSE: HES), which is expected to add 394 mboe/d of production in Guyana and the U.S. Bakken. The all-stock transaction is expected to be accretive to 2025 CFPS as synergies are realized and the fourth FPSO vessel in Guyana comes online. The acquisition is predicated on CVX's obtainment of HES's 30% working interest in the Stabroek block in Guyana. The asset currently produces 400 mboe/d with 2027 production expected to total 1,200 mboe/d. This transaction is key to CVX's long-term growth strategy and provides CVX the opportunity for constructive growth outside of its U.S. asset base.

## Industry Overview

**Super Majors:** CVX, BP plc (NYSE: BP), Shell (NYSE: SHEL), ExxonMobil (NYSE: XOM), and TotalEnergies SE (NYSE: TTE) operate vertically integrated business models. These companies explore for and produce resources, transporting unrefined products through proprietary infrastructure to company-owned refineries. These refineries then market refined products directly to end customers or through affiliated retail locations. This business model reduces cost of capital, exposure to commodity price volatility, and secures demand for unrefined products.

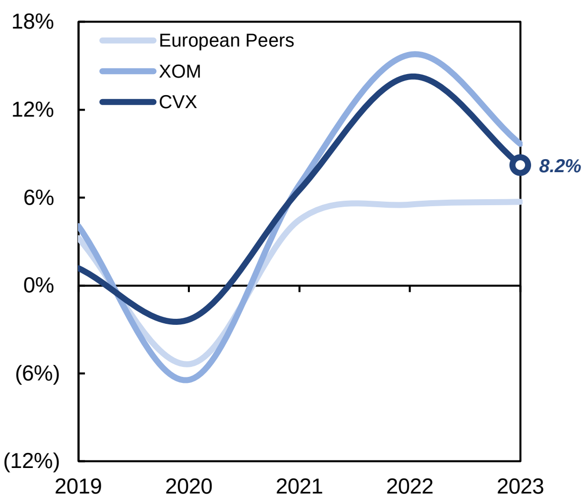
Refinery construction is a multi-decade, multi-billion-dollar undertaking that has been structurally underinvested in as current investor sentiment rewards short-cycle return of capital. Alongside weak investment in refinery capacity, record levels of U.S. crude production and stable motor fuel demand has resulted in refineries capturing a greater spread between crude input costs (cont.)

**Figure 2: LHS Refinery Utilization vs RHS Crack Spread**



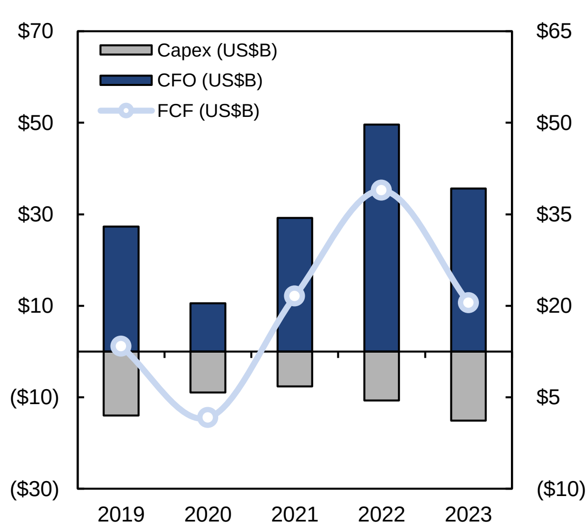

Source: Company Filings, FactSet

**Figure 3: ROA vs Peers**




Source: S&P Capital IQ

**Figure 4: LHS Capex and CFO vs RHS FCF**




Source: FactSet

and refined product prices. An integrated business model enables operators to capture this value while ensuring the crude produced from their upstream operations gets refined. The security afforded to integrated operators allows these companies greater flexibility to alter production levels throughout the commodity cycle.

As Permian productivity begins to decline, constructive refinery environments are expected to dissipate. A weaker supply of unrefined products is expected to drive higher input costs and suppress refinery margins. U.S. refineries will be forced to import greater volumes of crude to compensate for lost domestic production while upstream operators will have to look internationally to achieve production growth. As companies face increased resource uncertainty, integrated operators with limited capital constraints are best positioned to capitalize on emerging opportunities.

**Independent E&Ps:** Devon Energy (NYSE: DVN), EOG Resources (NYSE: EOG), and Diamondback Energy (NASDAQ: FANG) are U.S. companies operating solely in the exploration and production (E&P) vertical of the oil and gas industry. Commodities are homogenous goods which results in competitive market pricing. Refiners, who are price-takers both when procuring inputs and marketing outputs, are afforded less capacity to control costs resulting in narrower margins relative to upstream peers.

Most independent E&Ps in the U.S. concentrate their operations within the Permian basin. The Permian basin is the most prolific region in the U.S., accounting for 60% of the nation's total output. DVN, EOG, and FANG directly compete with CVX in the Permian and Denver-Julesburg (D.J.) basins, while CVX produces resources alongside integrated peers in the Gulf of Mexico.

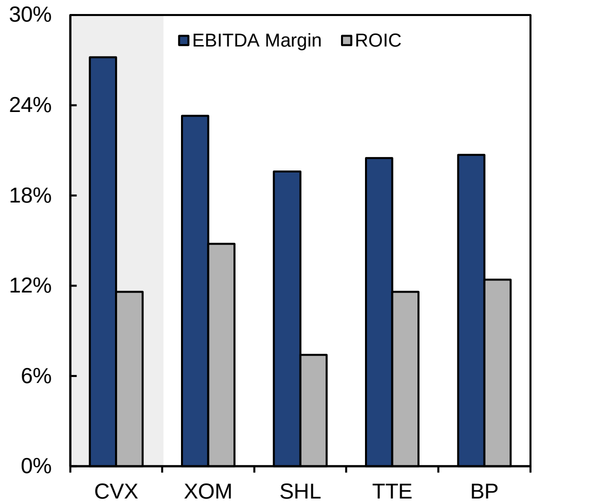
The introduction of hydraulic fracturing and horizontal drilling in the 2000s led to a surge in U.S. shale production. Initially, Permian assets were extremely productive as operators developed Tier 1 acreage; however, future productivity gains are expected to deteriorate as Tier 1 acreage approaches peak levels of production. It is estimated that only three years of Tier 1 acreage remains for the average publicly traded Permian operator. This reserve life challenge has driven consolidation within the U.S. as larger operators look to increase their reserve base, and more junior producers look to ensure the longevity of their enterprises.

## Mandate Fit

**Quality Management:** Mike Wirth has served as CEO since 2017 and has been with CVX since 1982. Wirth has led the Company in its mission of constructing an advantaged portfolio, disciplined capital allocation, and prioritizing shareholder distributions. 92% of CEO pay is at-risk, with long-term incentives tied to relative total shareholder returns and short-term incentives tied to financial results, capital management, operating performance, and energy transition initiatives. During Wirth's tenure, CVX has returned ~US$92B to shareholders, executed two acquisitions, and demonstrated capital discipline towards inorganic and organic growth opportunities.

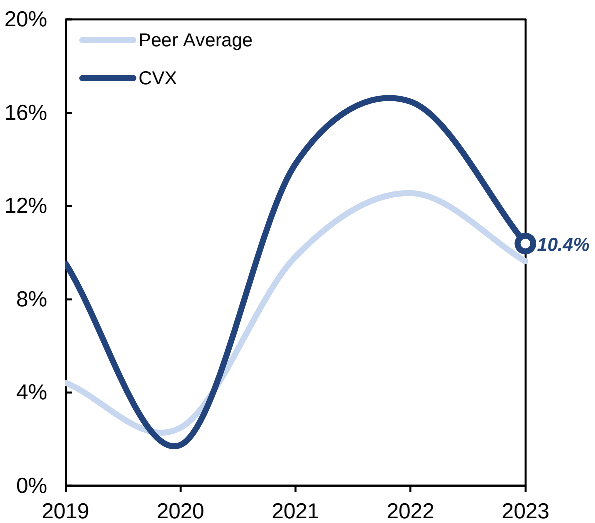
**Competitive Advantage:** CVX's upstream-heavy asset portfolio is the Company's key competitive advantage. Greater exposure to the higher margin business line has translated into superior asset returns and limited earnings volatility. CVX's refinery-light approach has minimized the capital the Company deploys translating into industry-leading capital efficiency. The narrowed approach CVX takes to vertical integration limits the Company's internal competition for capital allowing CVX to deploy funds to its higher-margin segment with less constraint. The Company's high margin, (cont.)

**Figure 5: 2023 EBITDA Margin and ROIC vs Peers**




Source: S&P Capital IQ

**Figure 6: FCF Yield vs Peers**




Source: FactSet

**Figure 7: CVX-HES Transaction Overview (US$B)**

| | Chevron | HESS | Pro Forma |
|---|---|---|---|
| **Market Cap** | $293.0 | $46.5 | ***$339.5*** |
| **Enterprise Value** | $352.2 | $54.4 | ***$406.6*** |
| **Total Production** | 3,120 *(mboe/d)* | 394 *(mboe/d)* | ***3,514 (mboe/d)*** |
| **Liquids Weighting** | 58.7% | 63.2% | ***59.2%*** |

Source: Company Filings

capital efficient business model best positions CVX to capture outsized returns, navigate commodity price volatility, and capitalize on emerging opportunities.

**Strong Balance Sheet:** CVX is a conservatively levered operator as the Company's Net Debt/EBITDA ratio of 0.3x trails its peer average of 0.5x. CVX's ability to manage short- and long-term borrowings has accredited the Company with an Aa2 credit rating from Moody's and AA- from S&P. CVX has a proven track record of disciplined capital allocation, having funded 45% of the Company's capex over the past five years through CFO. Conducting acquisitions through all-stock considerations, CVX is expected to repurchase all ~41mm shares issued in conjunction with its August 2023 acquisition of PDC Energy within the next two years.

**Growing Free Cash Flow:** CVX's advantaged portfolio has resulted in the Company capturing superior risk-adjusted returns relative to peers. Since 2018, the spread between CVX and its peers' FCF yield has on average been 162 bps. The Company has been able to maintain this superior spread while limiting the deterioration in FCF generation during unfavourable market conditions. Over the past five years, CVX has manufactured considerable growth inorganically. The Company acquired Noble Energy in 2020 and PDC Energy in 2023 at considerations approaching fair value. The attractive valuations realized, resulted in the transactions being accretive to all key metrics within a year of the deals closing. Management has communicated ~33% of 2024 production growth is expected to originate in the Permian while ~54% is to come as CVX realizes full-year production of PDC Energy in the D.J. basin. The CPMT believes the Company's approach to organic and inorganic growth will continue to provide incremental FCF, as CVX continues to develop existing core assets and execute accretive acquisitions of contiguous and non-contiguous production.

## Risks

CVX's international asset exposure increases its vulnerability to geopolitical conflicts. Historically, the Company has navigated geopolitical uncertainty successfully, muting its effect on shareholders through strong diplomatic relationships with national governments and its globally diversified asset base. CVX has exemplified this ability to manage operations amid geopolitical uncertainty during recent conflicts in Russia and Israel. The Company also faces risk regarding its acquisition of HES, as XOM and CNOOC have attempted to block the transaction, citing a violation of the ROFR clause in their Guyana JOA.

## Investment Thesis and Valuation

The CPMT used a sum-of-the-parts (SOTP) analysis to value CVX. The Fund valued its upstream assets with a 1P NAV, its downstream assets using a 7.2x 2024E EV/EBITDA multiple and applied an industry average 25% 1P/NAV premium to arrive at a US$169.00 target price.

The CPMT believes CVX's conservatively integrated business model, disciplined approach to capital allocation, and its pending acquisition of HES position the Company advantageously to navigate declining Tier 1 acreage in the Permian. Its upstream-focused operations mitigates internal competitions for capital, minimizes the Company's reliance on the Permian, and affords CVX greater flexibility in allocating capital to secure long-term production growth. The Fund believes management's track record of prudent capital allocation is a key differentiator for the Company and will continue to benefit CVX as it pursues organic and inorganic growth.

# Chord Energy Corporation

Calgary Portfolio Management Trust

Energy
NASDAQ: CHRD
Market Outperform | No Action

**March 31, 2024**

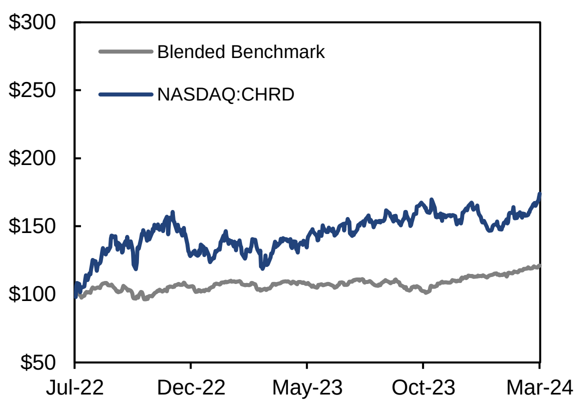
Jacob Kemp, Portfolio Manager
Joel Homersham, Portfolio Manager

| Return on Investment | |
|---|---|
| Current Share Price | $178.24 |
| Target Price | $210.00 |
| Dividend Yield | 5.88% |
| Implied Return | 24% |
| Conviction Rating | N/A |

| Market Profile | |
|---|---|
| 52-Week Range | $133.34 - $179.20 |
| Market Capitalization (US$mm) | $7,736 |
| Net Debt (US$mm) | ($22) |
| Enterprise Value (US$mm) | $7,714 |
| Beta (5-Year Monthly) | 0.91 |

| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$mm) | $2,880 | $3,976 | $5,296 |
| EBITDA (US$mm) | $1,728 | $2,386 | $3,453 |
| FCF/EV | 12% | 14% | 17% |
| EV/EBITDA | 4.1x | 3.0x | 2.1x |

**Historical Trading Performance (Indexed to $100)**




Source: Bloomberg

**Figure 1: CHRD-ERF Transaction Overview (US$B)**

| | Chord Energy | enerPLUS | Pro Forma |
|---|---|---|---|
| **Market Cap** | $7.0 | $3.4 | ***$10.4*** |
| **Enterprise Value** | $7.1 | $3.9 | ***$11.1*** |
| **Williston Production** | 176 *(mboe/d)* | 78 *(mboe/d)* | ***254 (mboe/d)*** |
| **Net Debt/ EBITDA** | <0.0x | 0.2x | ***0.2x*** |

Source: Company Filings

## Business Description

Chord Energy Corporation (NASDAQ: CHRD) was formed in 2022 as a result of the merger of equals between Whiting Petroleum and Oasis Petroleum in a cash and stock transaction. The combined entity operates as an independent exploration and production (E&P) company that acquires, explores, develops, and produces crude oil, natural gas, and natural gas liquids (NGLs) in the Williston Basin.

## Enerplus Acquisition

In Q1 2024, CHRD agreed to combine with Enerplus (NYSE: ERF) in a ~US$11B transaction, with consideration of US$1.84 cash per share and common shares at an exchange ratio of 0.10125 CHRD shares per ERF share. This transaction positions CHRD as the largest producer in the Williston Basin with enhanced inventory depth at <US$60 WTI breakeven, improved cost of capital, and a pathway to an investment-grade balance sheet. In the interim and post-closing of the ERF transaction, CHRD affirmed its leading return of capital program, committing to distribute a minimum of 75% of FCF to shareholders via base and variable dividends, as well as share repurchases. The ERF transaction is immediately accretive to operating cash flow per share, FCF per share, and NAV. Post 2025, accretion is expected to increase on the realization of operational and corporate synergies totaling ~US$150mm per year.

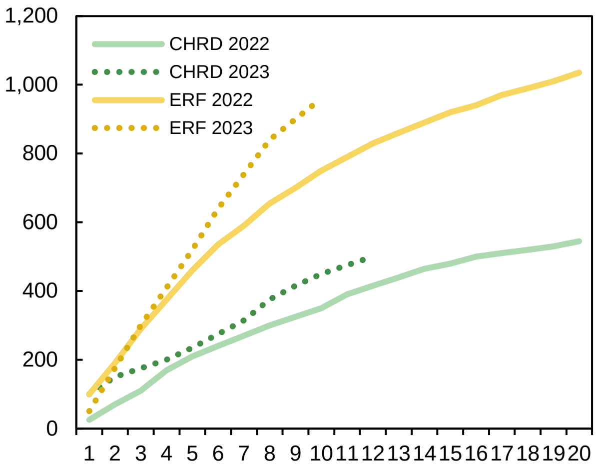
## Industry Overview

The North American Upstream Oil & Gas industry faces several headwinds, including, but not limited to, declining basin productivity, depletion of high-return drilling locations, and waning investor interest in the sector. In recent months, both super majors and small and mid (SMID) caps have undergone significant consolidation to address these industry-wide issues.

**Declining Basin Productivity & Limited Drilling Inventory:** The U.S. shale boom, driven by improvements in horizontal drilling technologies, led to "hypergrowth" in Oil & Gas basins such as the Permian, Appalachia, and the Williston. U.S. shale hypergrowth has led to a depletion of high-return inventory and has forced producers to drill longer laterals to maintain or increase capital efficiencies. For example, ExxonMobil's (NYSE: XOM) Permian development following the acquisition of Pioneer Natural Resources (NYSE: PXD) features 4-mile laterals via contiguous acreages. Similarly, Permian peer Diamondback Energy (NYSE: FANG) acquired private operator Endeavor on the basis of increasing its <US$40 WTI breakeven drilling locations and boosting its Reserve-Life-Index (RLI) to double digits based on consensus production growth estimates. Other U.S. producers, namely Chevron (NYSE: CVX), have looked to bolster their RLI by looking offshore to position themselves to capitalize on growth basins, such as Guyana, that will account for a larger proportion of its production mix by the end of the decade.

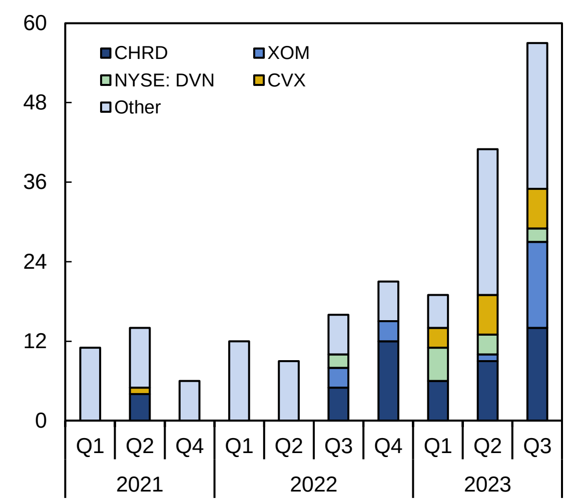
**Waning Investor Interest in Energy:** Public Oil & Gas producers face limited institutional interest largely due to investment mandates reducing exposure or divesting from high-emission sectors. As a result, generalist investors tend to favour large investment-grade Oil & Gas companies for portfolio diversification and tend not to look beyond a select few names. In turn, the concept of gaining (cont.)

**Figure 2: Producing Month Well Performance (boe/1,000 ft)**



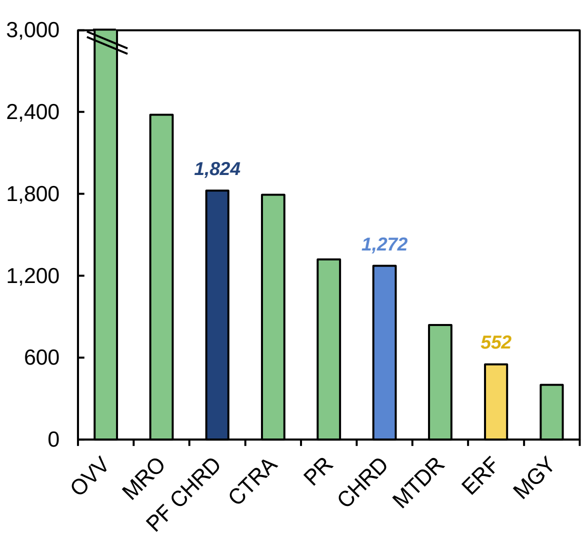

Source: Enverus

**Figure 3: Bakken Three-Mile Lateral Completions[1]**




Source: Company Reports

**Figure 4: <US$60 Breakeven Locations vs Peers**




Source: Enverus

scale to attain market relevance has become a key motivation for SMID cap E&Ps to pursue M&A. Market relevance for these companies can be achieved through gaining sufficient equity capitalization and public float to be included in various indices, whereby generalist investors and fund complexes can own shares in these companies via the index. Furthermore, SMID caps have also become cognizant of scale for the purposes of peer group selection. Larger E&Ps, by production and capitalization, tend to have favourable capital structures largely driven by covenant-based credit facilities. Below a certain scale, E&Ps are bound to 'borrowing base' credit facilities, which are subject to frequent redeterminations based on the reserve value of the organization. These frequent redeterminations cause a high degree of funding uncertainty for capital programs and often restrict companies from paying dividends. Presently, graduation to a credit facility tied to corporate-level covenants serves as a major milestone for attracting investor interest and thrusts these companies into a more market-relevant peer set.

## Mandate Fit

**Quality Management:** CHRD is led by President & CEO Daniel Brown, who has extensive experience developing high-quality rock into basin-leading FCF generative assets. Brown previously held key operational positions at Anadarko Petroleum before its eventual sale and has 25 years of upstream Oil & Gas experience. More broadly, CHRD's management and board feature key members from Oasis Petroleum, Whiting Petroleum, and ERF, facilitating niche technical expertise in the basin.

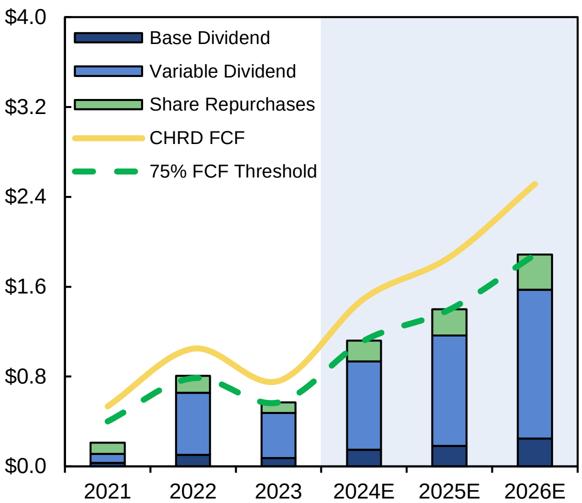
**Competitive Advantage:** CHRD's competitive advantage is a function of its scale, leading high-quality inventory depth, and opportunities to improve capital efficiencies through drilling longer laterals relative to Williston peers. After the ERF transaction, the Company is the largest producer in the Williston basin and is expected to produce 262 mboe/d in Q4 of 2023. CHRD's leading production profile is underpinned by the highest oil weighting among peers at 58%, featuring decline rates in the low 30% range, supporting a ~US$4 netback advantage vs U.S. SMID oil-weighted peers. Pro-forma CHRD has ~1,825 drilling locations at <$60 breakeven, equating to over a decade of Tier 1 inventory under the current development plan. Upon the integration of ERF, CHRD's development plan is expected to feature an increased emphasis on 3-mile laterals, which will support a reduction in the decline rate and improved capital efficiencies. As a result of its high-quality resource and capital-efficient development plan, CHRD is well-positioned to deliver outsized shareholder returns through the full pricing cycle.

**Strong Balance Sheet:** CHRD's balance sheet demonstrates remarkable strength, with a five-year average and YE 2023 Net Debt/EBITDA ratios of 0.9x and <0.0x, respectively. This resilience is particularly noteworthy given the volatility of the commodity market during this period. Strategic capital allocation decisions, particularly at the wellhead, have enabled CHRD to diversify capital allocation outside of Sanish, North Dakota, through the acquisition of ERF and organically moving westward. The largely equity-financed acquisition of ERF leaves CHRD in a position to take advantage of further consolidation opportunities throughout the Bakken, where the Fund believes CHRD is well positioned to acquire without comprising its balance sheet. The CPMT anticipates potential consolidation within the basin, particularly involving HESS' (NYSE: HES) large land position, which could become attainable pending the resolution of the Guyana asset between XOM and CVX. Furthermore, CHRD has the opportunity to bolster its balance sheet through the (cont.)



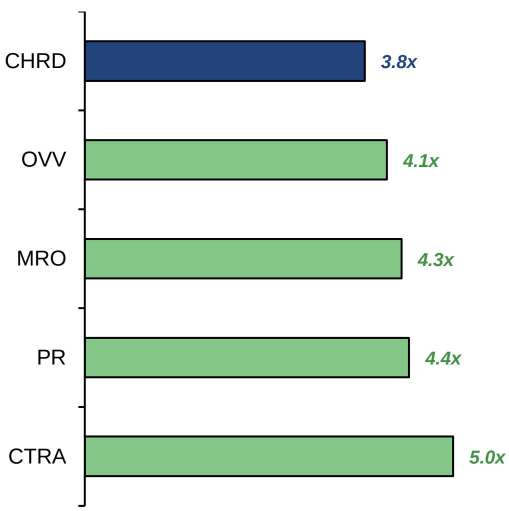
(1) CVX completions performed by Hess prior to acquisition

**Figure 5: CHRD Return of Capital (US$B)**



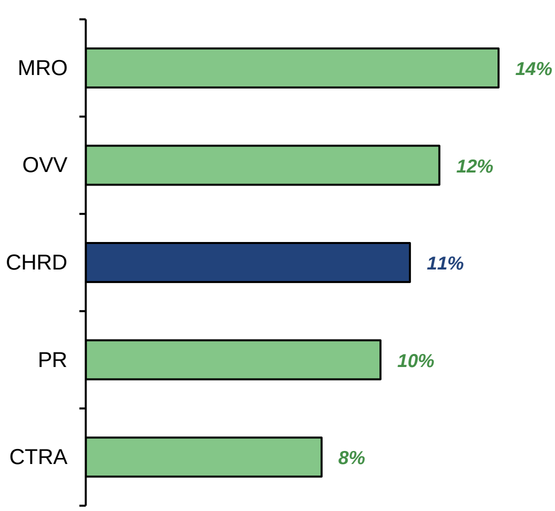

Source: Company Filings, FactSet

**Figure 6: Pro-Forma CHRD 2024E EV/EBITDA vs Peers**




Source: FactSet

**Figure 7: Pro-Forma CHRD 2024E FCF Yield vs Peers**




Source: FactSet

divestiture of ERF's non-operated position in the Marcellus. Such a divestment would offer dual benefits to the Company: (1) by reallocating capital from non-core assets towards enhancing shareholder returns, debt reduction, acquisitions, or other strategic initiatives; (2) by positively impacting CHRD's netbacks and increasing its oil weighting beyond the current 58% pro forma. Looking ahead, the CPMT is confident that CHRD's robust balance sheet will enable the Company to consistently generate substantial FCF and deliver attractive corporate-level returns. Notably, CHRD faces no near-term debt maturities, maintains a steadfast commitment to capital discipline, and employs a hedging program to mitigate downside risks.

**Growing Free Cash Flow:** CHRD's robust FY 2023 FCF yield of 12.7% underscores its leading position in the basin, driven by a strategic development approach characterized by conservative well spacing and diligent asset de-risking. The Company has delivered a trailing twelve-month FCF of US$827mm, with an organic reinvestment rate hovering at 50%. With a track record of successful development projects, CHRD's forward-looking strategy emphasizes the redirection of FCF towards shareholders, prioritizing returns over extensive organic investments. The acquisition of premium undeveloped lands and inventory in the basin through ERF has significantly enhanced CHRD's potential, featuring wells with payback periods as short as six months at current strip prices. The CPMT is confident in management's ability to seamlessly transition legacy cash flows towards the adoption of a 3-mile lateral development approach in the newly acquired wells as CHRD expands its operations in the Western Bakken region.

## Risks

The Dakota Access Pipeline (DAPL) provides a pivotal transportation link between the Bakken and its markets. However, it has been the subject of ongoing legal and environmental disputes. The pipeline has been operational for ~7 years yet is facing significant opposition from those concerned about its potential environmental and social impacts, namely Native American tribes and environmental activists. The potential shutdown of the DAPL, not unlike pipeline egress issues seen in Western Canada, may negatively impact oil differentials and CHRD's FCF. CHRD's execution of its upstream development strategy is fundamental to its value proposition. Well productivity degradation, weaker than expected results, and inability to translate wellhead evolution to ERFs lands could have an adverse effect on the Company's shares.

## Investment Thesis and Valuation

CHRD was valued at US$210 using a 50/50 blend of a 4.0x multiple applied to 2024E EBITDA and a 2024E FCF yield of 12%, based on $80 WTI, pro forma the ERF transaction.

The CPMT views CHRD as a company that has taken a proactive approach to solving the two most pressing issues facing E&Ps: (1) limited drilling inventory and (2) waning investor interest in the sector. After undergoing a series of relatively leverage-neutral transactions, CHRD boasts leading drilling inventory, which allows the Company to return meaningful capital to shareholders through the full pricing cycle. In addition to its leading return of capital profile, CHRD now has sufficient scale to attract institutions and fund complexes, which presents an opportunity for near-term multiple expansion. The Fund is confident in management's capital allocation track record and sees the value in additional accretive M&A opportunities from both FCF generation and capital markets relevance perspectives.

# D.R. Horton

**Consumer Discretionary**
**NYSE: DHI**
**Market Underperform | No Action**

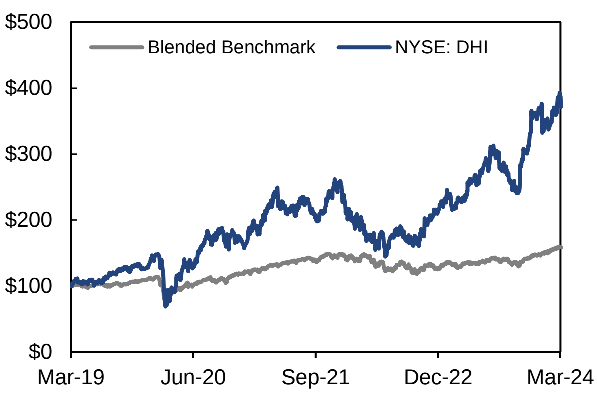
**March 31, 2024**
Tara Jindal, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $158.52 |
| Target Price | $148.00 |
| Dividend Yield | 0.93% |
| Implied Return | (6%) |
| Conviction Rating | N/A |

| Market Profile | |
|---|---|
| 52-Week Range | $95.21 - $165.75 |
| Market Capitalization (US$mm) | $54,600 |
| Net Debt (US$mm) | $2,409 |
| Minority Interest (US$mm) | $13 |
| Enterprise Value (US$mm) | $57,022 |
| Beta (5-Year Monthly) | 1.64 |

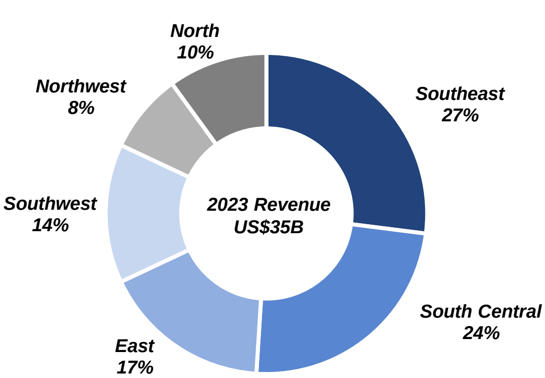
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$mm) | $35,460 | $39,006 | $42,907 |
| EBITDA (US$mm) | $6,316 | $6,413 | $7,045 |
| EPS | $13.82 | $14.44 | $15.86 |
| EV/EBITDA | 11.5x | 11.0x | 10.0x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: Homebuilding Revenue by Region**




Source: Company Filings

## Business Description

D.R. Horton (NYSE: DHI) is the largest homebuilder in the U.S., operating in 118 markets across 33 states. The Company constructs single-family detached and attached homes, including townhouses, duplexes, and triplexes. DHI primarily sells affordable houses to first-time homeowners with one of the industry's lowest average selling prices (ASP). DHI operates in four segments: (1) Homebuilding, (2) Rentals, (3) Lot Development, and (4) Financial Services. The Company's lot development segment comprises a 63% ownership stake in Forestar (NYSE: FOR). FOR supplies DHI with land inventory through land options, providing a right of first offer if DHI decides to construct a property.

## Industry Overview

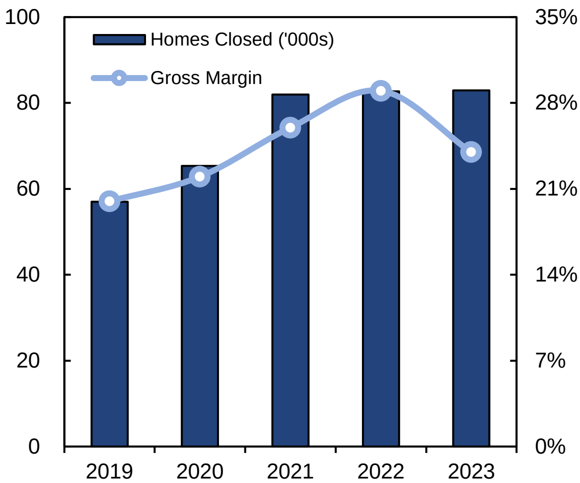
Homebuilding is a fragmented industry, with DHI holding the largest market share at 19%. DHI's largest competitors are Lennar Corp (NYSE: LEN), PulteGroup (NYSE: PHM), Toll Brothers (NYSE: TOL), Meritage Homes Corporation (NYSE: MTH), and NVR (NYSE: NVR). Builders can be build-to-order or speculative (spec) builders. Spec homes typically compete with existing homes and appeal to buyers with a limited time frame. In an environment where existing homes are in short supply, the spec model will likely benefit scaled builders such as DHI as it can capitalize on market demand more quickly. Comparatively, build-to-order houses are contracted by the customer and are subject to cancellations.

The homebuilding industry is contingent on mortgage rates and housing stock. Rising interest rates in 2023 led to fewer mortgage applications for home purchases. This made it increasingly difficult for consumers to afford homes, especially with the current 30-Year U.S. mortgage rate at 7%. However, in Q1 2024, mortgage-purchase applications rose by 11% and are expected to improve should rates moderate. Additionally, homebuilders benefit from a lack of supply in the housing market. Despite a slowdown in housing sales in 2023, the number of new construction projects undertaken was higher than any time between 2007 and 2020. This is partly due to homeowners who initiated a mortgage prior to 2022 having locked-in low-rate mortgages. As a result, these individuals are reluctant to sell their houses amid higher borrowing costs, leading to scarcity of homes available for sale. This structural, as opposed to cyclical scarcity, provides opportunity for homebuilders to undertake new construction. U.S. homebuilder business models have become increasingly resilient after the Great Financial Crisis due to record low leverage ratios of less than 12% compared to a historic average of 30% and a shift towards an asset-light balance sheet with the use of land options.

## Mandate Fit

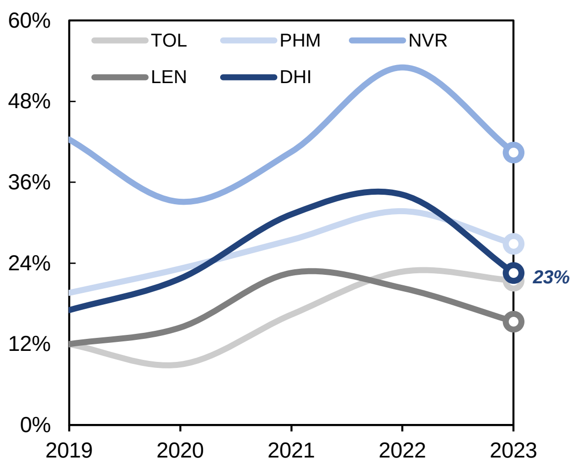
**Quality Management:** Paul Romanowski succeeded David Auld as President and CEO in October 2023, after assuming the role of Executive Vice Chair. Romanowski has been with DHI since 1999 and has held various executive positions throughout his tenure. 90% of CEO and NEO compensation is at risk while 6% is in long-term vested RSUs. Management's current focus consists of increasing its market share organically through growing its homebuilding, financial and rental segments as opposed to completing tuck-in acquisitions as it has done in the past.

**Figure 2: LHS Homes Closed vs RHS Gross Margin**



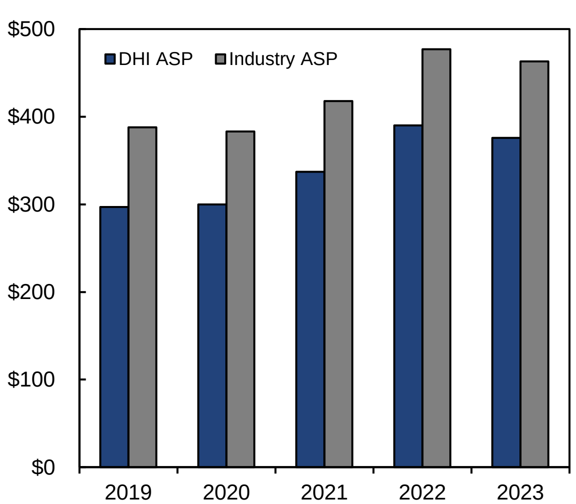

Source: Company Filings

**Figure 3: ROE vs Peers**




Source: FactSet

**Figure 4: DHI ASP vs Industry (US$000s)**




Source: Street Research

**Competitive Advantage:** DHI has an asset-light strategy through its partnership with FOR, which reduces high financing costs associated with land development which reduces variability in land availability. The Company's partnership with FOR allows it access to home lots through land options on an as-needed basis which optimizes capex and de-risks the balance sheet. 76% of DHI's land and lots are controlled through options, compared to an industry average of 50%. As a result, the Company achieves economies of scale, with the highest home closings at ~82,000 in FY 2023, compared to the next highest competitor, LEN closing ~66,000 homes. Additionally, DHI offers a broad mix of entry-level homes ranging between 1,000 - 4,000 square feet across a broad spectrum of price points from US$200,000 – $1mm. The target market for the Company is entry-level customers as DHI consistently achieves a lower ASP of ~US$367,000 compared to the industry average of US$463,000 FY 2023. This customer acquisition model is attractive, especially during an elevated rate environment when spending is constrained. DHI has a localized approach to building with ~80 separate homebuilding operations across the country. The Company has centralized control over site selection, local pricing dynamics, broker relationships, and expertise in municipal regulations.

**Strong Balance Sheet:** DHI has a robust balance sheet with a net debt-to-capital ratio of 5%, which is the lowest in 20 years. The Company's land option model de-risks its balance sheet and increases capital efficiency. In FY 2023, DHI had US$6.4B of consolidated liquidity, consisting of US$3.3B of cash and US$3.1B of available capacity on its credit lines. The Company has a credit rating of BBB+ from S&P Global, and its next debt maturity of US$500mm will occur in 2025.

**Growing Free Cash Flow:** DHI has grown FCF from homebuilding operations at a five-year CAGR of 16%. The Company has consistently returned capital to shareholders through dividends and share repurchases. During Q1 2024, DHI completed ~US$3.3mm of share repurchases and plans to repurchase a total of ~US$1.5B in FY 2024. The Company has a strong return on inventory of 29% and can earn back its initial cash investment in 24 months or less.

## Risks

DHI's rental segment currently operates as a merchant model, in which the Company markets each community for a bulk sale of rental homes. This segment faces idiosyncratic risk as institutional buyer patterns fluctuate, and larger projects geared toward a single buyer can introduce a measure of concentration risk.

## Investment Thesis and Valuation

DHI was valued at US$148.00 using a five-year DCF with a WACC of 11.04%. The terminal value was determined through a 50/50 blend of (1) the Gordan Growth method, using a 1.50% terminal growth rate. (2) an EV/EBITDA exit multiple of 7.5x.

The CPMT favours DHI's market share in the U.S. homebuilding industry as the largest builder. The Company's asset-light business model allows economies of scale and as a growth-oriented homebuilder, DHI is able to capitalize on market demand more quickly than its peers. With a strong ability to continuously trade down leverage and de-risk its balance sheet, DHI has developed a resilient business model in a cyclical industry. However, the CPMT believes DHI's valuation is an unattractive entry point and is currently overvalued in the market. This is attributable to homebuilders rallying in the past 12 months due to a tight resale market which is expected to normalize as rates decrease.

# JPMorgan Chase

**Financials**
**NYSE: JPM**
**Market Perform | Hold**

**March 31, 2024**

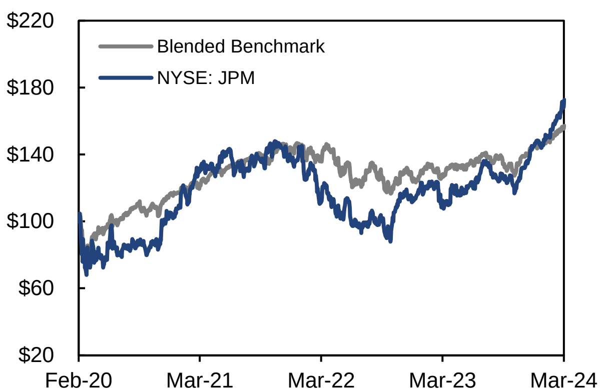

Jeevan Gill, Portfolio Manager
Ryan Crisalli, Portfolio Manager
Sarah Adamjee, Investment Analyst


| Return on Investment | |
|---|---|
| Current Share Price | $200.30 |
| Target Price | $208.00 |
| Dividend Yield | 2.30% |
| Implied Return | 6% |
| Conviction Rating | 2 |

| Market Profile | |
|---|---|
| 52-Week Range | $126.22 - $200.72 |
| Market Capitalization (US$B) | $588 |
| Total Book Value of Equity (US$B) | $328 |
| Tier 1 Capital (US$B) | $277 |
| Beta (5-Year Monthly) | 1.13 |

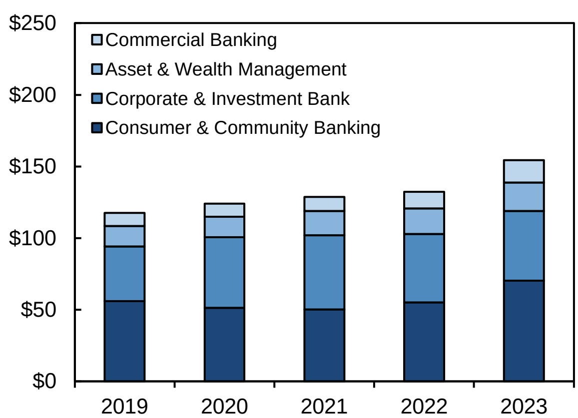
| Metrics | 2024E | 2025E | 2026E |
|---|---|---|---|
| Revenue (US$B) | $162 | $167 | $173 |
| Net Interest Income (US$B) | $90 | $92 | $95 |
| EPS | $16.53 | $17.19 | $17.10 |
| P/E | 12.1x | 11.7x | 11.3x |

**Holding Period Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: Revenue Segmentation (US$B)**




Source: Company Filings

## Business Description

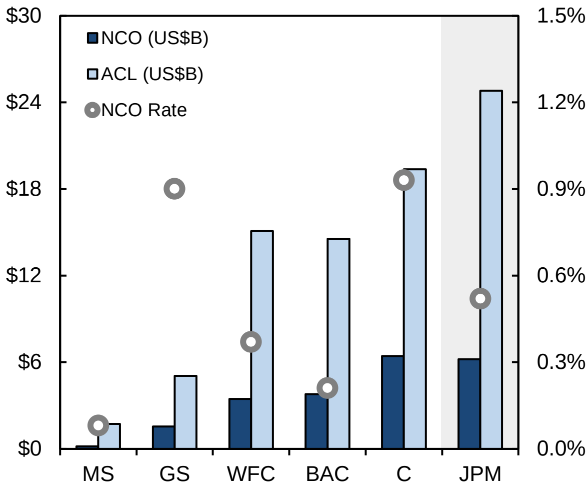
JPMorgan Chase (NYSE: JPM) is a leading global financial services firm with US$3.4T in assets and operations in over 100 countries. The Company operates under four segments: (1) Consumer & Community Banking, (2) Corporate & Investment Banking, (3) Asset & Wealth Management, and (4) Commercial Banking. JPM is the world's largest bank by market capitalization, fifth largest by total assets, and the largest U.S. bank by total assets.

## Industry Overview

The U.S. banking industry is highly fragmented due to the variety of operators that provide a wide range of financial products and services. Banks are categorized by operational scale and scope as either large-cap, super-regional, regional, small and mid cap, consumer finance, custody, or investment banks. JPM competes closely with other large-cap and investment banks: Bank of America (NYSE: BAC), Morgan Stanley (NYSE: MS), Goldman Sachs (NYSE: GS), Wells Fargo (NYSE: WFC), and Citigroup (NYSE: C). Large-cap banks offer financial products and services that span the entire value chain, consisting of retail banking, commercial banking, capital markets, and wealth management. Despite commanding a significant market share, large-cap banks face intense competition from smaller players specializing in specific financial products and services, rather than the entire value chain. These players can more easily streamline their business models, with increased capacity to focus on the quality and affordability of products and services. In turn, this attracts the most creditworthy customers and optimizes operating costs to improve profitability. As a result, significant optionality for financial products and services drastically lowers customer switching costs, thereby increasing bargaining power.

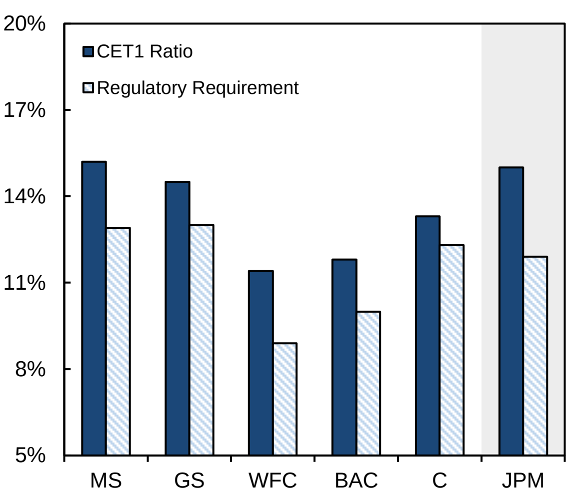
The U.S. Federal Reserve (Fed) is expected to begin lowering the overnight rate in H2 2024, although the frequency and magnitude of rate cuts are yet to be determined. As a result, each operating segment of large-cap banks is expected to experience headwinds and tailwinds from the movement of the overnight rate. Elevated interest rates in 2022 and 2023 prompted significant industry-wide declines in deposit balances from consumers frequently withdrawing savings to fund spending, and deposits flowing into higher yield, non-bank alternative products. Additionally, banks faced rising deposit and funding costs due to the need to build liquidity following the collapse of several U.S. financial institutions in 2023. This trend is expected to persist throughout H1 2024, continuing to pressure Net Interest Margins (NIM) and Net Interest Income (NII) generation. However, NIMs are expected to stabilize in H2 2024 and beyond as deposit betas reach their peaks to close the lag from Fed rate increases. Furthermore, NII generation declines are anticipated to be partially offset by loan growth catalyzed by rate cuts. Falling interest rates are also expected to drive mortgage originations, refinancing, and stability in home equity lending, which could contribute to NIM expansion. High interest rates also led to declining credit quality through higher net charge-offs (NCO) and nonperforming assets on banks' balance sheets. This, coupled with past expectations of a recessionary environment, prompted banks to accumulate significant loan loss reserves in 2022 and 2023. Given the expectation of (cont.)

**Figure 2: FY 2023 NCO Comparison**



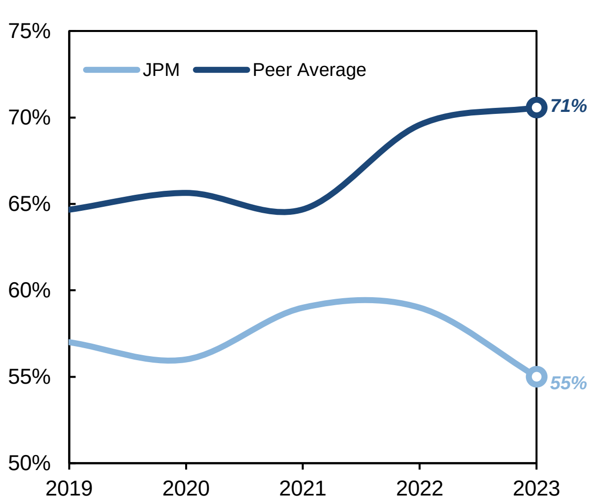

Source: Company Filings

**Figure 3: CET1 and Regulatory Requirement Comparison**




Source: Company Filings

**Figure 4: Efficiency Ratio vs Peers**




Source: Company Filings

a soft landing in 2024, credit quality is expected to normalize as banks gradually realize losses through a steady deterioration of NCOs and loan loss provisions. Recovery in the capital markets segments of banks is expected to be primarily driven by rate cuts, further stimulating Equity Capital Markets, Advisory, and M&A activity. Debt Capital Markets are also expected to recover slightly as companies look to finance acquisitions and capex in a declining interest rate environment. Revenue generation from trading segments is forecasted to remain stagnant or increase slightly, due to the expectation of decreased market volatility in 2024.

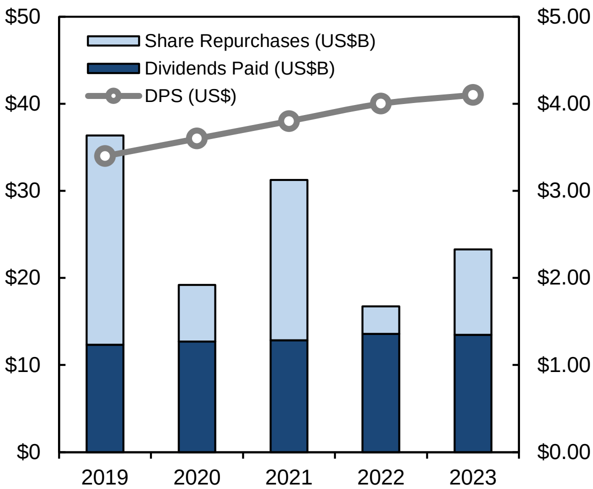
The regulatory environment of U.S. banks is expected to undergo significant changes in 2024, with regulatory bodies encouraged to enact stricter rules and regulations following political pressure and the idiosyncratic failure of several financial institutions in 2023. The Federal Deposit Insurance Corporation (FDIC) enacted a special assessment fee to be charged to large-cap and regional banks to replenish ~US$16.3B of the Deposit Insurance Fund following the collapse of both Silicon Valley Bank and Signature Bank. The fee will be collected at a quarterly rate of 3.36 bps, applied to the value of a bank's uninsured deposits for a total of eight quarters beginning in 2024. The fee is expected to create slight headwinds to short-term profitability. Additionally, the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, and the FDIC have established the Basel III Endgame (B3E) framework, which most notably includes revisions to the calculation of risk-weighted assets and capital composition. While the exact impact on the capital structure of banks will become clear once B3E takes effect in July 2025, large-cap banks are expected to be required to increase their Common Equity Tier 1 Capital (CET1) ratios to provide additional protection to their loan books.

## Mandate Fit

**Quality Management:** James Dimon serves as JPM's CEO and has held the position since 2006. Prior to entering the role, Dimon served as CEO and President of Bank One, which later merged with JPM in 2005. Dimon is renowned for his remarkable leadership and strategic vision, fortifying the Company's capital position during the 2008 financial crisis. Amidst the failure of financial institutions in 2023, Dimon strengthened JPM's institutional position with the acquisition of First Republic Bank. Furthermore, management compensation consist of 96% and 94% at-risk pay for CEO and NEOs, respectively.

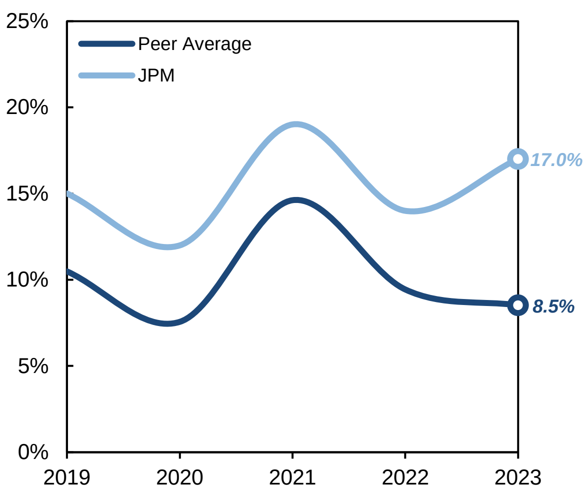
**Competitive Advantage:** JPM dominates the U.S. banking industry, boasting leading positions in capital markets, commercial banking, retail banking, and asset and wealth management franchises. In FY 2023, the Company's retail and commercial deposits totaled ~US$1.4T, compared to its next largest competitor, BAC, at US$964B. JPM's corporate & investment banking segment revenue totaled ~US$49B, relative to its next largest competitor, GS, at ~US$30B. Finally, the Company's assets under management in its wealth management segment totaled ~US$3.4T, surpassing its next largest competitor, GS, with ~US$2.8T. JPM's competitive positioning is fortified by its combination of scale, diversification, and prudent risk management, setting it apart from peers who lack this integrated approach. The Company's comprehensive product and services portfolio facilitates increased cross-selling opportunities, specifically at the retail and commercial banking level. As the leading issuer of credit and debit cards, JPM leverages its scale to offset elevated fixed costs related to the development and maintenance of its payment platforms. Key to the Company's success are its economies of scope and scale, which foster high switching (cont.)

**Figure 5: LHS Dividends & Repurchases vs RHS DPS**



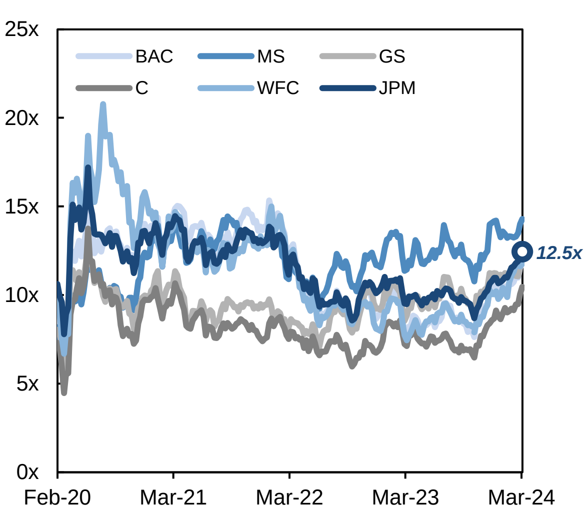

Source: S&P Capital IQ

**Figure 6: ROE vs Peers**




Source: S&P Capital IQ

**Figure 7: Holding Period P/E vs Peers**




Source: FactSet

costs for customers engaging with multiple products. These factors provide significant cost advantages, resulting in low customer acquisition expenses. Additionally, JPM's prominence as a leading investment bank is bolstered by its strong reputation and expansive securities distribution platform, attracting top-tier talent and facilitating global competition. Collectively, the Company effectively competes with other large-cap banks and smaller operators who focus on offering specific financial products and services. As a result, JPM achieved a FY 2023 efficiency ratio of 55% compared to the peer average of 71%. As well, the Company's diversified income stream mitigates the impacts of fluctuating interest rates, reflected in its FY 2023 NIM of 2.7% compared to the peer average of 1.8%.

**Strong Balance Sheet:** JPM maintains a strong balance sheet and remains an industry leader with a CET1 ratio of 15.0%, well above its regulatory requirement of 11.4%. Additionally, the Company has strong deposit quality, with an NCO rate of 0.5%, which is in line with the peer average. JPM has credit ratings of A-, A1, and AA- from S&P, Moody's, and Fitch, respectively. Moving forward, the Company is well-equipped to continue building its CET1 ratio following the implementation of the B3E framework.

**Growing Free Cash Flow:** JPM continues to outperform peers in profitability metrics, with earnings growing at an 8.0% five-year CAGR versus the peer average declining at 3.7%. The Company's exceptional net income generation stems from its diversified business line and economies of scale, reflected in superior NIM and efficiency ratio relative to peers. JPM's earnings generation has allowed the Company to achieve an ROE of 17.0% and an ROA of 1.3%, compared to the peer averages of 8.5% and 0.7%, respectively. Moving forward, large-cap banks are expected to undertake more conservative share repurchase activity, given the uncertainty surrounding the B3E framework. As a result, short-term shareholder return is expected to primarily focus on dividends, with payout ratios held constant or increasing slightly. Given JPM's strong historical earnings metrics, the CPMT is confident the Company will maintain its robust shareholder return through consistent dividend distribution, evident with a five-year dividend CAGR of 4.8%.

## Investment Thesis and Valuation

JPM was valued at US$208 using a 10-year DDM with a Cost of Equity of 8.7%. The terminal value was determined through a 50/50 blend of (1) the Gordon Growth method, using a 2.5% terminal growth rate and (2) an average of a P/BV exit multiple of 1.7x and P/E exit multiple of 12.5x.

The CPMT favours JPM's dominant market position and diverse product offering, which have allowed the Company to achieve superior earnings metrics and efficiency ratio compared to peers. JPM's size and scale, combined with its low-cost operating model and cross-selling ability, will enable the Company to continue growing its market share in all operating segments. JPM remains committed to financial strength through its CET1 ratio exceeding its regulatory requirement and is well-positioned to continue fortifying its balance sheet following the implementation of the B3E framework. However, the CPMT believes that the market understands and appreciates the attributes that make JPM such a strong company, which is reflected in its relatively low implied return. Despite this, the Fund is comfortable returning the Company's cost of equity given its experienced management team, unparalleled competitive advantage, and financial strength. The CPMT is confident in JPM's ability to navigate a changing regulatory environment and is comfortable tolerating a short-term reduction in share repurchases.

# Mercado Libre

**Consumer Discretionary**
**NASDAQ: MELI**
**Market Outperform | Buy**

Calgary Portfolio Management Trust

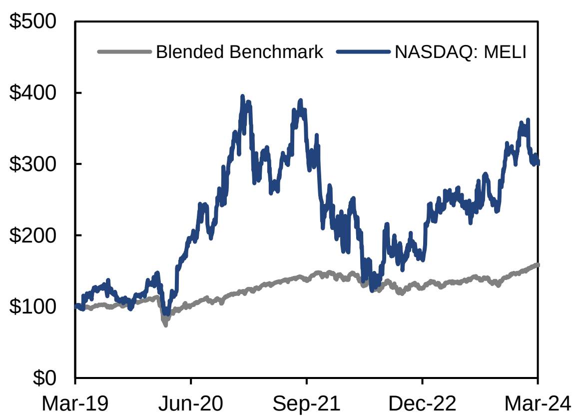
**March 31, 2024**
Joao Beani, Portfolio Manager
Max Konwitschny, Investment Analyst
Emmanuel Fikreselassie, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $1,511.96 |
| Target Price | $1,855.95 |
| Dividend Yield | 0.00% |
| Implied Return | 23% |
| Conviction Rating | 1 |

| Market Profile | |
|---|---|
| 52-Week Range | $1,063.02 - $1,825.00 |
| Market Capitalization (US$mm) | $76,299 |
| Net Debt (US$mm) | $903 |
| Enterprise Value (US$mm) | $77,202 |
| Beta (5-Year Monthly) | 1.45 |

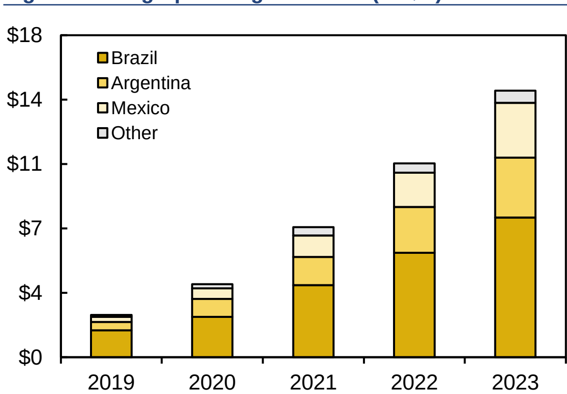
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$mm) | $14,473 | $17,981 | $22,289 |
| EBITDA (US$mm) | $2,227 | $3,336 | $4,083 |
| EV/EBITDA | 34.7x | 23.1x | 18.9x |
| EV/GMV | 1.8x | 1.3x | 1.0x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: Geographic Segmentation (US$B)**




Source: Company Filings

## Business Description

Founded in 1999, Mercado Libre (NASDAQ: MELI) initiated its operations in Argentina before expanding its e-commerce footprint across 18 Latin American (LatAm) countries, including Brazil, Mexico, Colombia, Chile, and Peru. The Company operates in two segments: (1) E-commerce and (2) Fintech. E-commerce constitutes 57% of total revenue, with its marketplace (3P), including advertising revenue at 47% and direct sales (1P) at 10%. Fintech, which emerged as a value-added service and has gained significant standalone importance, represents 43% of total revenue, with payments at 26% and credit at 17%.

## LatAm E-Commerce Industry Overview

Holding 25% of the total e-commerce market value of US$138B, MELI is the dominant player in LatAM. This market presents substantial growth opportunities, as the region's e-commerce penetration is merely 12.3% of retail sales. While the global average stands at 19.7%, LatAm is ranked as the second least penetrated region in terms of e-commerce, trailing Africa & Middle East.

Brazil holds the largest retail market and e-commerce penetration (US$349B, 12.3%), followed by Mexico (US$220, 11.9%) and Argentina (US$132, 12.2%). In terms of the distribution of visitors, MELI's primary audience resides in Brazil, totaling 728mm visitors over the last three months of 2023. Significant followings include Argentina (404mm), Mexico (315mm), Colombia (117mm), and Chile (91mm). The Company maintains its position as the leading e-commerce platform in all five countries.

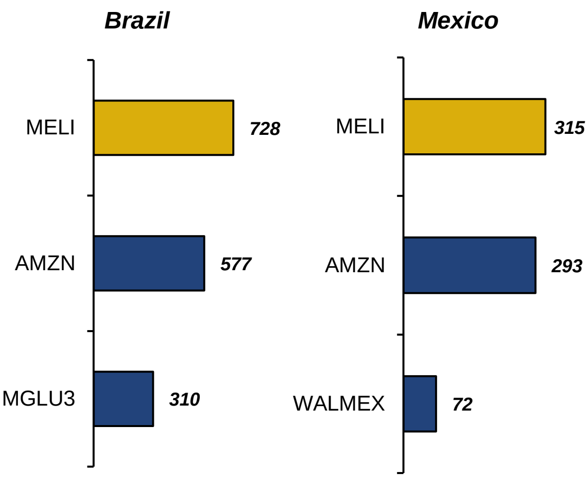
In Brazil, MELI's main competitors in the e-commerce segment are traditional retailers, including Americanas (BVMF: AMER3), Casas Bahia (BVMF: BHIA3), and Magazine Luiza (BVMF: MGLU3). Unlike the Company, these players started online operations with 1P and later introduced 3P, which has recently gained significant relevance with increasing e-commerce penetration. Other key competitors include global e-commerce giant Amazon (NASDAQ: AMZN) and other foreign players such as Shopee, which is owned by Sea Ltd (NYSE: SE). Even with increased activity in 3P operations from all three competitors, MELI has continually expanded its market share since 2014, surpassing all rivals in the Brazilian e-commerce market to achieve a market share of ~35% in 2023.

In Mexico, MELI is the largest player, with a 27% market share, followed by AMZN, which holds a similar share. Other operators, such as Liverpool (BMV: LIVEPOLC-1) and Walmex (BMV: WALMEX), are estimated to each hold 7% of the market. However, the former two are concentrated in large cities such as Mexico City and Monterrey, while the Company and AMZN have a broader footprint across the country.

## Company Ecosystem Overview

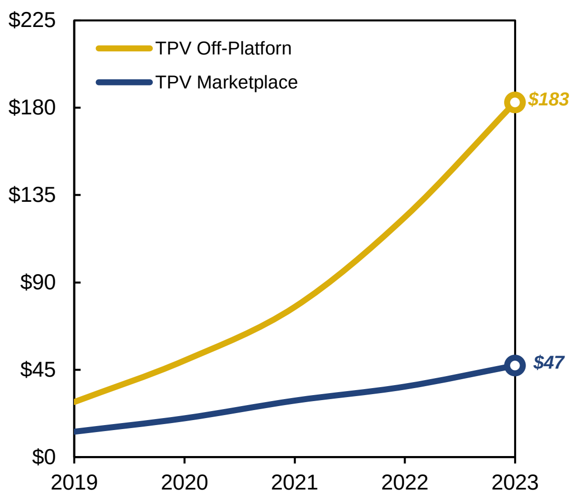
MELI holds a comprehensive marketplace ecosystem comprising six interconnected e-commerce and digital finance services business units: (1) MercadoLibre Marketplace, (2) MercadoPago (cont.)

**Figure 2: Monthly Website Traffic by Country (mm)**



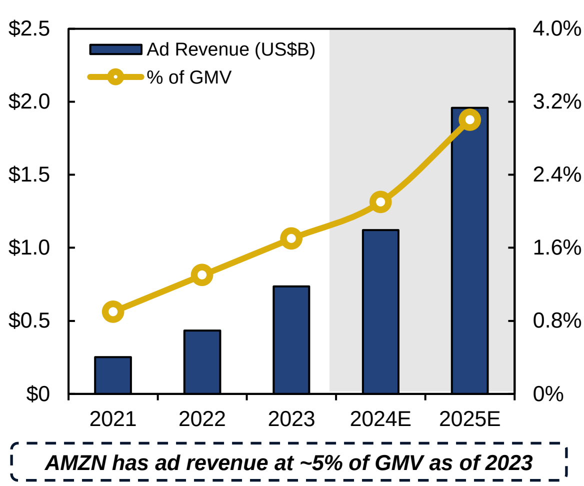

Source: Street Research

**Figure 3: On and Off-Marketplace TPV (US$B)**




Source: Company Filings

**Figure 4: LHS Ad Revenue RHS Ad Penetration**




Source: Street Research

Fintech, (3) MercadoEnvios Logistics, (4) MercadoAds, (5) MercadoLibre Classifieds, and (6) MercadoShops.

**E-Commerce:** MELI began as an e-commerce marketplace platform, which remains its core activity. The primary revenue source for the marketplace is the fee paid by sellers when items are sold. The Company also earns revenues when sales are made in installments (fintech) and when buyers use shipping (logistics). Since 2009, MELI has also offered advertising on its marketplace, which aims to enhance the visibility of specific listings. Its advertising penetration has been growing significantly which expands the Company's margins substantially.

**Fintech:** MELI's fintech platform was initiated as an additional marketplace offering 'MercadoPago,' which processes the payments for on-platform sales. On-platform payment revenues are derived from sales-based installments. As such, the Company does not take credit risk in these installment sales, which are borne by the bank that issued the buyer's credit card. Since 2015, MELI has offered digital and mobile point of sale (mPOS) payment solutions outside its marketplace platform. Off-marketplace grew significantly and currently represents ~80% of its total payment volume (TPV). In addition to payment solutions, the Company offers credit, largely to its marketplace buyers and sellers. Since online merchants' business flows through MercadoPago, MELI is able to collect principal and interest payments from their existing sales on the marketplace, meaningfully reducing the risk of collectability on the loans originated to merchants. For marketplace customers, loans can be used for purchases on the Company's marketplace or third-party sites that use the MELI's payments processing technology. Since 2019, the Company also extended personal loans to recurring consumer credit borrowers, allowing them to buy products and services outside the MELI's platform via the MercadoPago digital account. The largest component of the its portfolio includes consumer credit (US$1.8B), credit cards (US$748mm), credit to marketplace sellers (US$429mm), and credit to mPOS merchants (US$278mm). In FY 2023, credit represented ~18% of total EBIT.

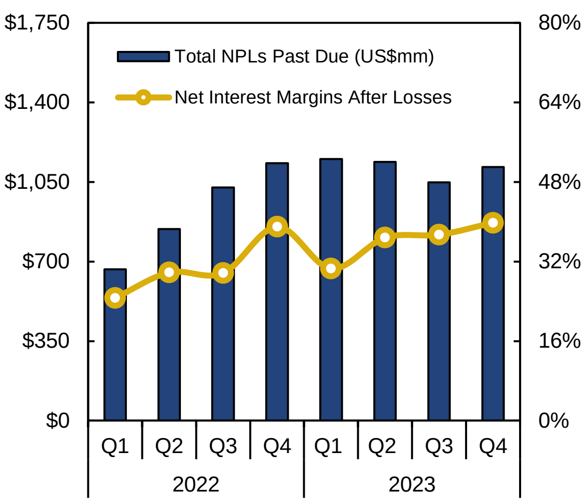
**Logistics:** To establish independence from third-party operators, MELI launched its own logistics business unit in 2012. The Company has three logistical offerings under its logistics platform: drop-shipping, cross-docking, and fulfillment. Logistics had a direct negative gross profit contribution equivalent to 3.1% of GMV in 2023.

## Mandate Fit

**Quality Management:** Marcos Galperin, the founder of MELI, has served as CEO since 1999, while Daniel Rabinovich (CTO) and Martin Santos (CFO) have held their positions since 2011 and 2008, respectively. 58.7% of NEO compensation and 69.8% of the CEO's compensation are tied to long-term incentive plans. The board comprises nine members, with 77.7% being independent and 55.5% having tenures exceeding five years.

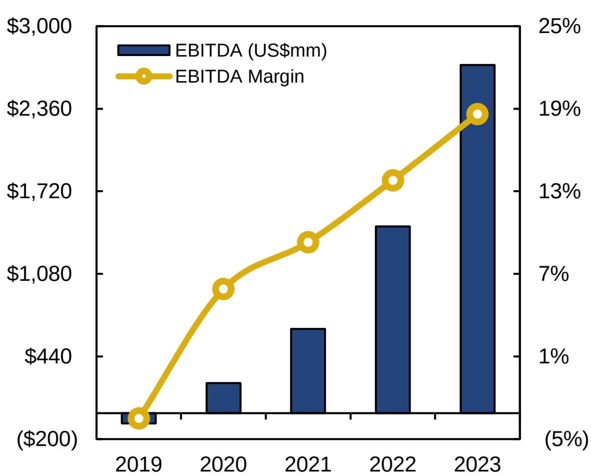
**Competitive Advantage:** MELI's competitive advantage lies in its extensive scale, supported by its first-mover advantage in the e-commerce landscape. The Company established a strong presence in its respective geographies in 1999, compared to entrants like AMZN, which entered Brazil in 2012 and Mexico in 2013. MELI holds the dominant position in website traffic in Brazil and Mexico, with 1.4B users, compared to AMZN's 870mm. In addition, the Company has invested significantly in developing its logistics platform, which currently processes 94% of its marketplace sales. This investment provides a substantial competitive advantage by enabling a broader geographical coverage and faster delivery times. Additionally, (cont.)

**Figure 5: LHS NPLs vs RHS NIMAL**



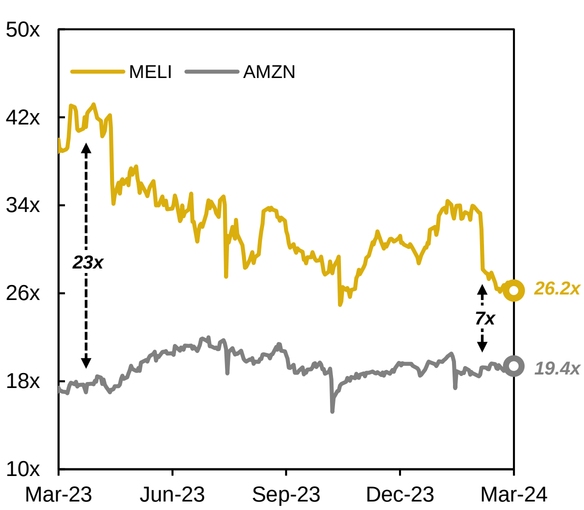

Source: Company Filings

**Figure 6: LHS EBITDA vs RHS EBITDA Margin**




Source: S&P Capital IQ

**Figure 7: NTM EV/EBITDA vs AMZN**




Source: S&P Capital IQ

MELI's fintech operations effectively leverage its marketplace and payment platform data for lending purposes, significantly mitigating non-performed loan (NPL) risks. Given the multitude of sellers on its marketplace, the Company also benefits from a vast customer base to offer payment solutions.

**Strong Balance Sheet:** MELI is in a positive net cash position of US$686mm. The Company's current Total Debt/EBITDA is 1.8x, below its Brazilian and Mexican peer average of 4.1x and slightly above its most significant competitor, AMZN, at 1.6x. MELI has a credit rating of BB+ by Fitch, with a stable outlook. In its credit business unit, NPLs stand at relatively elevated levels (~10% <90 days and ~20% >90 days), yet they align with business profitability, yielding a Net Interest Margin After Losses (NIMAL) of 36%. Additionally, the Company's credit portfolio encompasses loans well distributed among consumers (55% of total), merchants (22%), and credit cards (23%).

**Growing Free Cash Flow:** MELI's EBIT margin peaked at 33-35% between 2010 to 2012. Since then, the Company's efforts to enhance MercadoPago's adoption involved minimal client fees and, in turn, negatively impacted margins. From 2016 to 2019, the increase in shipping subsidies coupled with marketing investments in the new fintech initiatives reduced EBITDA margins to negative levels. MELI has experienced margin expansion, growing from (3.5%) in 2019 to 18% in FY 2023. In addition to expansion in the credit segment, the Company also sees a significant opportunity in advertisement penetration, which has seen its revenues grow from 1.3% of GMV in 2022, to 1.7% in 2023. Margins for advertising are in a range of 75-80%, which can significantly enhance MELI's overall margin. The Company generated US$2.5B of FCF in FY 2023, growing at a 91.9% five-year CAGR.

## Risks

The primary risk facing MELI surrounds the devaluation of foreign currency. Although Brazil and Mexico presently exhibit stable outlooks, Argentina grapples with managing its debt levels. Following a 28-year Peronist administration marked by corruption, international debt defaults, and soaring inflation, Argentina anticipates a more optimistic outlook under the leadership of President Javier Milei. From an operational standpoint, the Company's logistics business unit remains highly subsidized. While capitalized IT and office investments grew in recent years in line with revenue, there is a growing proportion of logistics capex. Most of MELI's managed logistics are leased, but the equipment inside distribution centers is directly acquired by the Company. Since the penetration of fulfillment is still at ~46%, with management targeting ~66%, MELI still has considerable room for improvement. This will potentially pressure capex in the short term and become a significant contributor in the long term once fulfillment gets closer to its target.

## Investment Thesis and Valuation

MELI was valued using a 2024E EV/EBITDA multiple of 28x, resulting in a target price of US$1,855. The Company is currently at its lowest EV/EBITDA since 2017, despite experiencing double-digit growth in both GMV and TPV.

The CPMT views the low e-commerce penetration in LatAm as an attractive investment opportunity. MELI has proven to be a quality business with a unique competitive advantage driven by its blend of e-commerce scale and rapid fintech growth. The Fund anticipates solid GMV and TPV growth coupled with margin expansion primarily led by advertising penetration.

# Stella-Jones

**Materials**
**TSX: SJ**
**Market Outperform | Buy**

Calgary Portfolio Management Trust

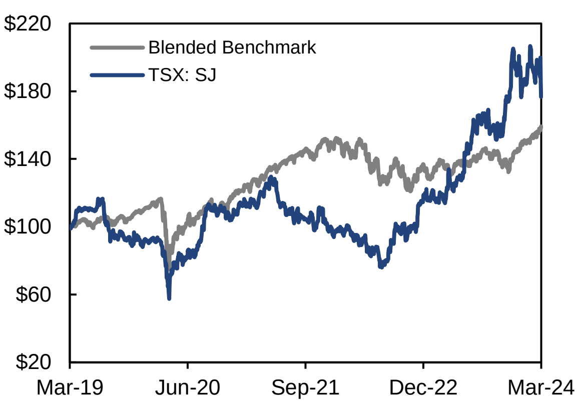
**March 31, 2024**
Sohil Agraw al, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $79.00 |
| Target Price | $87.00 |
| Dividend Yield | 1.50% |
| Implied Return | 12% |
| Conviction Rating | 1 |

| Market Profile | |
|---|---|
| 52-Week Range | $49.17 - $85.77 |
| Market Capitalization ($mm) | $4,404 |
| Net Debt ($mm) | $1,391 |
| Enterprise Value ($mm) | $5,795 |
| Beta (5-Year Monthly) | 0.69 |

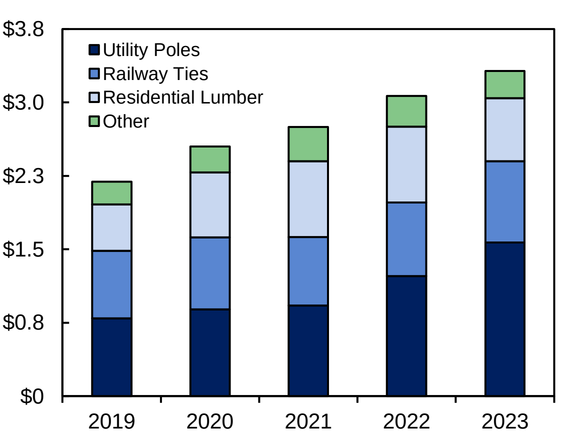
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue ($mm) | $3,319 | $3,606 | $3,912 |
| EBITDA ($mm) | $608 | $637 | $684 |
| EPS | $5.64 | $6.12 | $6.62 |
| EV/EBITDA | 9.5x | 9.1x | 8.5x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: Revenue Segmentation ($B)**




Source: Company Filings

## Business Description

Stella-Jones (TSX: SJ) is a leading producer and marketer of pressure-treated wood products, with 45 wood processing facilities strategically placed across North America. Founded in 1995, the Company has grown substantially through inorganic and organic initiatives. Pressure-treated products comprise 96% of 2023 revenue and are categorized into the following operating segments:

**Utility Poles:** SJ is the leading manufacturer of pressure-treated wood utility poles, supplying telecommunications and electrical utilities. Pole maintenance is preventative in nature, resulting in recurring contracted revenue for the Company. Over 2mm utility poles are replaced annually in North America, with a projected ~140,000 miles of transmission lines being replaced over the next three decades. This segment comprised 47% of FY2023 revenue.

**Railway Ties:** SJ supplies Class 1, short line, and commercial railroad operators with railway ties and timbers. The Company has an annual capacity of ~10mm pressure-treated wooden crossties, with an estimated 1.5 - 3.0% of all wood ties requiring replacement yearly. This segment comprised 25% of FY 2023 revenue.

**Residential Lumber:** SJ manufactures and distributes premium-quality lumber and accessories to retailers for outdoor applications. The Company's customer mix is ~70% big box retailers and ~30% retailer network. This segment comprised 19% of FY 2023 revenue.

**Other:** SJ provides industrial products for construction and marine applications. It also manufactures creosote and other tar-based goods. This segment comprised 9% of FY 2023 revenue.

## Industry Overview

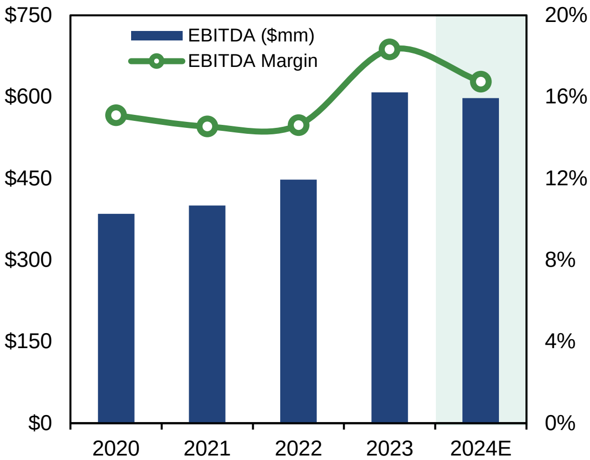
The railway tie and utility pole industries are characterized by high barriers to entry and strict regulatory requirements. These industries can be further broken down into sub-industries based on input material. For utility poles, wood poles, are favoured against concrete, steel, or composite poles, given their cost-effectiveness and widespread availability. With wood ties in use across over 90% of North America's rail network, high switching costs result in wood ties being dominant against concrete or plastic ties.

The pressure-treated lumber industry involves infusing wood with chemical preservatives to protect it from rot, insects, and weather damage, extending its useful life considerably. The market for pressure-treated wood poles and ties is dominated by SJ and Koppers (NYSE: KOP), who comprise ~90% of the market. The players offering non-wooden products are Greenbrier Companies (NYSE: GBX), L.B. Foster (NASDAQ: FSTR), Trinity Industries (NYSE: TRN), and Valmont Industries (NYSE: VMI). Wood poles and ties require constant maintenance and replacement, resulting in long-term contracts that minimize volatility and drive stable demand.

## Secular Trends

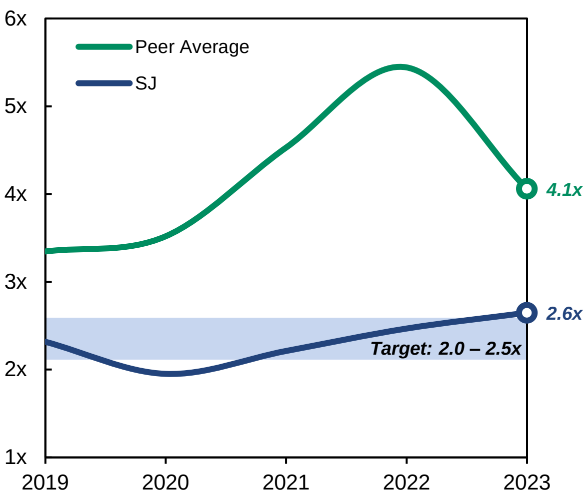
The North American utility pole market has grown at a 10.6% 12-year CAGR. Over the next decade, the industry is poised to benefit from the imminent utility pole replacement cycle, rural broadband expansion, increased federal infrastructure funding for rail safety and grid hardening, as well as potential loosening credit conditions.

**Figure 2: LHS EBITDA vs RHS EBITDA Margin**



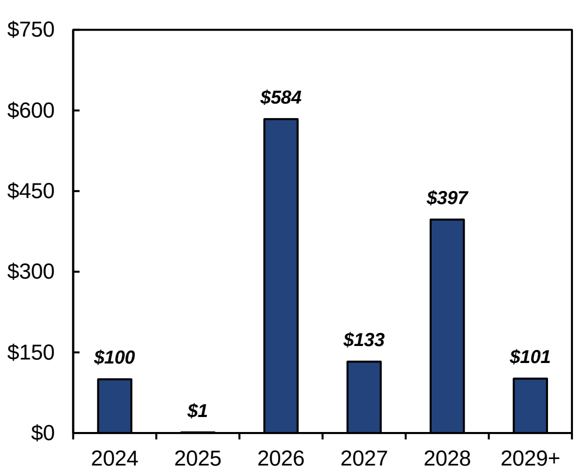

Source: Company Filings, CPMT Estimates

**Figure 3: Net Debt/EBITDA vs Peers**




Source: S&P Capital IQ

**Figure 4: Debt Maturity Schedule ($mm)**




Source: Company Filings

The average pole age in the U.S. is over 70 years versus the estimated lifespan of ~65 years, prompting an increase in utility capex. Grid hardening against extreme weather events, such as hurricanes and wildfires, has increased the focus on reliability for existing grids. Furthermore, numerous federal government initiatives necessitate the need for new, durable poles. The adoption of renewables has meant poles are needed to connect wind and solar to the grid. With increasing EV adoption, new poles are needed to handle increased electrical load and larger transformers. New poles are also required to facilitate the broadband rural expansion and 5G rollout across Canada and the U.S. Regarding railway ties, the Biden administration also recently announced US$1.4B in funding for improving rail safety, amongst other initiatives, increasing capital spending of rail operators on the safety of existing lines. The combination of these secular tailwinds, as well as increased utility and rail spend, is expected to drive industry outperformance.

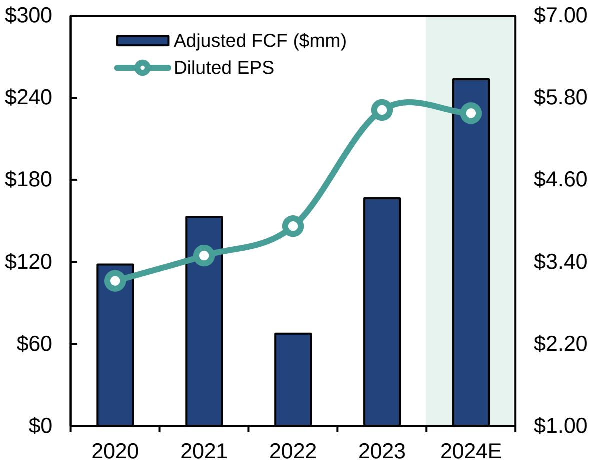
## Mandate Fit

**Quality Management:** SJ's management team is recognized for its seasoned track record of value creation through organic and inorganic investments. Over the past 23 years, SJ has achieved annual consecutive sales growth and dividend per share growth, each with a 16% and 18% CAGR, respectively. Management is now focused on expanding its infrastructure product categories, making significant investments in capacity and inventory levels to meet growing demand. Éric Vachon has been CEO of the Company since 2019 and has held various positions in SJ since 2007. He successfully navigated industry challenges such as COVID-19, growing sales by 50% during his tenure. The Company also has a compelling compensation structure, with 66% of CEO and 63% of NEO pay being at-risk, further aligning incentives with shareholders.

**Competitive Advantage:** SJ's competitive advantage stems from its leading market share for both railway ties and utility poles, which is ~50%. The Company's utility pole business is 70 - 80% contracted under multi-year contracts with indexed pricing. 65% of SJ's customer mix comprises Class 1 operators with long-term volume contracts. The Company has 45 production facilities strategically located near wood resource areas, making wood supply easily accessible. SJ purchases input materials from hundreds of North American sawmills through timber harvesting licenses, which ensures a competitively priced supply. This, coupled with SJ's superior product mix, allows it to operate at higher margins, as seen in the Company's LTM EBITDA margin of 18% compared to the peer average of 12%. This margin expansion recently materialized, as its historical margin has averaged 14%. SJ also has a strong reputation as a best-in-class operator and strategic acquirer, as evidenced by its deployment of ~$1B on 23 acquisitions since 2000.

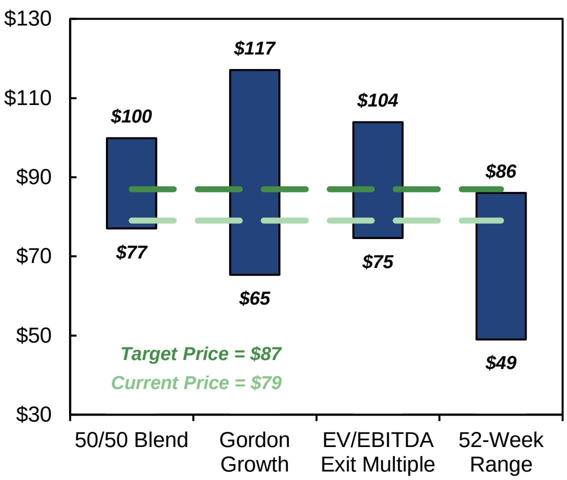
**Strong Balance Sheet:** SJ has maintained a strong balance sheet with a 2.6x Net Debt/EBITDA ratio, below its peer average of 4.1x. The Company has committed to sustaining this ratio between 2.0 - 2.5x but has expressed flexibility in increasing leverage for opportunistic acquisitions. There is minimal need for short-term liquidity, with ~44% of its debt maturing in 2026. The contracted nature of its revenue allows SJ to fund its net working capital needs through its operating cash flows and financing activities, keeping no cash on hand. The Company's disciplined approach to capital allocation requires accurately forecasting inventory for the next year, with management allocating $342mm for inventory in 2024. This substantial increase supports the anticipated infrastructure demand growth in 2024, especially following the limited availability (cont.)

**Figure 5: LHS Adjusted FCF vs RHS Diluted EPS**



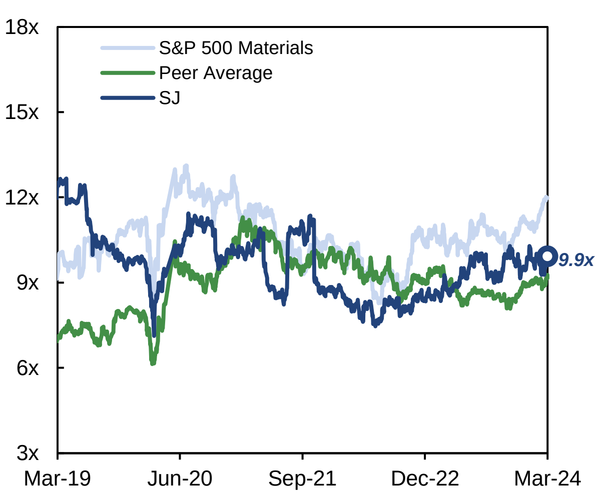

Source: Company Filings, CPMT Estimates

**Figure 6: Valuation Football Field**




Source: CPMT Estimates

**Figure 7: NTM EV/EBITDA vs Peers**




Source: S&P Capital IQ

in 2023. The pressure-treating process, which involves air-seasoning wood can exceed nine months, resulting in high inventory levels. Furthermore, a significant amount of raw material and finished goods inventory is needed to combat the cyclical nature of residential lumber. As a result, the average inventory days outstanding is 195 days, compared to the peer average of 86 days. Despite this, the Company achieved a ROA of 9.6%, substantially higher than the peer average of 3.2%.

**Growing Free Cash Flow:** SJ has grown FCF at a five-year CAGR of 40% and returned over $600mm to shareholders from 2021 to 2023. This exhibits the Company's resilience to economic volatility, with COVID-19 disrupting worldwide supply chains which proved to have a minimal effect on SJ. Management also highlighted the Company's ability to adapt to customers experiencing slower capex from tight credit conditions, with an expectation for SJ to now capitalize on increased demand and secular trends going forward. Over the next three years, the Company has lowered its expected shareholder return to $500mm to accommodate an incremental $80mm in capex, further enhancing scale and operational efficiency.

## Risks

SJ's business is exposed to industry-wide risks, including (1) inventory overstocking as a result of inaccurate forecasting or insufficient demand, which can result in write-downs or discounted sales; (2) economic downturns in the U.S. and Canadian housing markets affecting Residential Lumber sales; (3) the timing and amount of government infrastructure funding which incentivizes utility and rail capex spend; and (4) a lack of accretive acquisitions available to sustain inorganic growth.

## Initial Investment

The Fund initiated a position in SJ at a one-conviction in 2016. The original thesis revolved around high top-and-bottom-line growth rates as well as supply chain integrations leading to better operating efficiency. However, operational improvements failed to materialize, with declining EBITDA margins prompting the Fund to divest its position in 2019. Since then, the Company has returned ~91% to investors, with operating margins significantly improving. As a result, the CPMT decided to revisit the name.

## Investment Thesis and Valuation

SJ was valued at $87 using a five-year DCF with a WACC of 8.0%. The terminal value was determined through a 50/50 blend of (1) the Gordon Growth method, using a 1.5% terminal growth rate, and (2) an EV/EBITDA exit multiple of 9.0x.

The CPMT favors SJ's leading position in utility poles and railway ties, two historically defensive industries with stable demand. The Company is poised to benefit from numerous secular tailwinds, including the imminent utility pole replacement cycle, rural broadband expansion, and increased federal infrastructure funding for rail safety and grid hardening. The Company can capitalize on these trends with its strategically positioned facilities, with 11 of 12 facilities on-line with Class I Railroads. This, coupled with a product mix focusing on its higher-margin utility pole segment, results in superior operating efficiency compared to competitors. Its business model is also underpinned by contracted revenues and diversified end-market exposure, limiting risk to consumer spending cycles. SJ's historic track record of capital discipline and relentless focus on integrating strategic acquisitions positions the Company to expand its market share and remain a leader in the industry.

# Taiwan Semiconductor Manufacturing Company

**Information Technology**
**NYSE: TSM**
**Market Outperform | Buy**

**March 31, 2024**

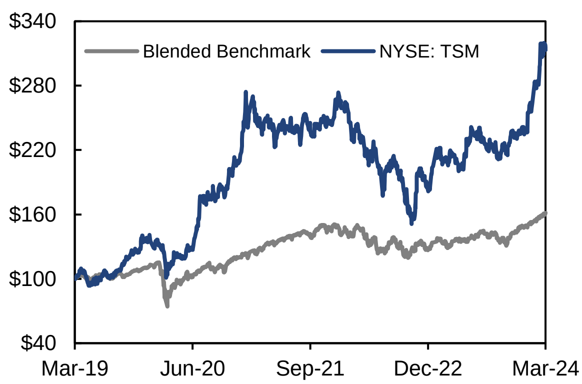
Daniel Krapiwin, Portfolio Manager
Rebecca Butler, Portfolio Manager
Jack Demo, Investment Analyst

| Return on Investment | |
|---|---|
| Current Share Price | $136.05 |
| Target Price | $159.00 |
| Dividend Yield | 1.80% |
| Implied Return | 19% |
| Conviction Rating | 1 |

| Market Profile | |
|---|---|
| 52-Week Range | $81.07 - $158.40 |
| Market Capitalization (US$B) | $624 |
| Net Debt (US$B) | ($22) |
| Minority Interest (US$B) | $0.8 |
| Enterprise Value (US$B) | $603 |
| Beta (5-Year Monthly) | 1.23 |

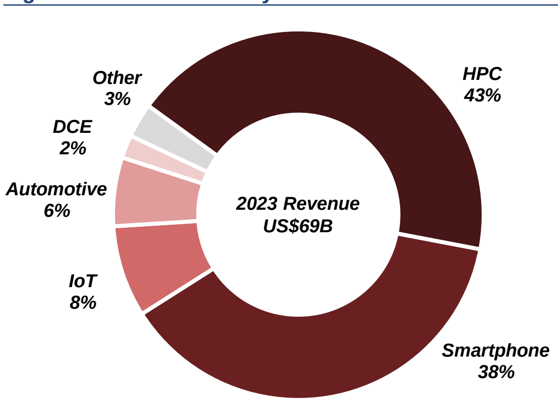
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue (US$B) | $67 | $83 | $99 |
| EBITDA (US$B) | $45 | $56 | $68 |
| EPS (US$) | $1.01 | $1.20 | $1.48 |
| EV/EBITDA | 13.4x | 10.8x | 8.9x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: 2023 Revenue by Platform**




Source: Company Filings

## Business Description

Taiwan Semiconductor Manufacturing Company (NYSE: TSM) is the world's largest dedicated contract chip manufacturer, serving various downstream markets, including high-performance computing (HPC), smartphones, the Internet of Things (IoT), automotive, and digital consumer electronics (DCE). TSM develops integrated circuits (IC) for fabless and integrated design manufacturers (IDMs). In FY 2023, the Company's large-scale chip factories manufactured 11,895 products for 528 customers. Geographic revenue segmentation in 2023 is comprised of North America (68%), China (12%), Asia Pacific (8%), Japan (6%), and EMEA (6%). TSM's wafer fabrication processes include manufacturing complementary metal-oxide-semiconductor (CMOS) logic, mixed-signal, radio frequency, embedded memory, and bipolar CMOS (BiCMOS).

## Industry Overview

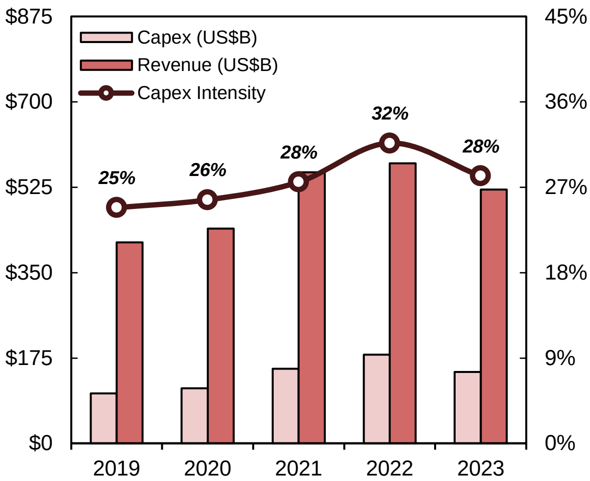
The semiconductor landscape is a globally interconnected system comprised of chip design, production/fabrication, and assembly. Over the past three decades, the industry has shifted from value chain integration to a flexible value segment specialization model. Companies are segmented by: (1) Foundry – focused on the fabrication of ICs or microchips, (2) Fabless – exclusively design chips and outsource production to foundries, or (3) IDM's – perform both chip design and production. The foundry segment, or "front-end manufacturing", encompasses the most capital-intensive activities in the value chain, requiring significant product and logistic expertise. The high barriers to entry into the foundry landscape have created a concentrated market of a few key participants. As of Q4 2023, TSM held 61.2% of the global market, followed by Samsung Electronics, GlobalFoundries (NASDAQ: GFS), and United Microelectronics (NYSE: UMC) with 11.3%, 5.8%, and 5.4%, respectively.

The global semiconductor market experienced robust growth following the onset of the COVID-19 pandemic before entering an inventory correction period of the electronics supply chain in H2 2022. Collectively, the top 10 foundries reported an 18.6% revenue decline in Q1 2023, resulting from reduced capacity utilization and shipment volumes that contributed to softened demand for the remainder of 2023. In 2024, growth expectations are primarily driven by increased capacity, artificial intelligence (AI), HPC, and demand recovery in downstream markets. Furthermore, the global foundry market is projected to grow at a five-year CAGR of 7.7% to reach ~US$185B in 2029.

## The Race for 2nm

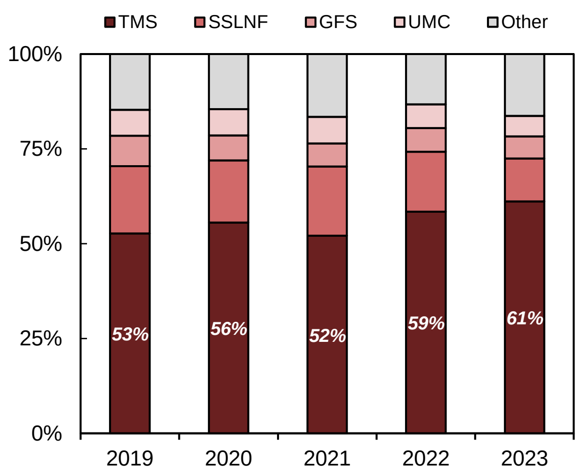
Technology leadership is one of the key elements that has allowed TSM to maintain market leadership. The Company has long been able to offer customers the most advanced nodes, including the 3nm node which brought a ~15% performance improvement compared to its predecessor. Globally, "The Race to 2nm" began in 2021. TSM has stated that it already has a 2nm contract from a smartphone company and plans to enter full volume production of its new 2nm chip in 2025, providing a 15 - 30% performance boost compared to the 3nm chip. The increase in expected demand for data center chips powering generative AI services sees companies adding production capacity. Samsung and Intel (NASDAQ: INTC) (cont.)

**Figure 2: LHS Industry Capex & Revenue vs RHS Intensity**



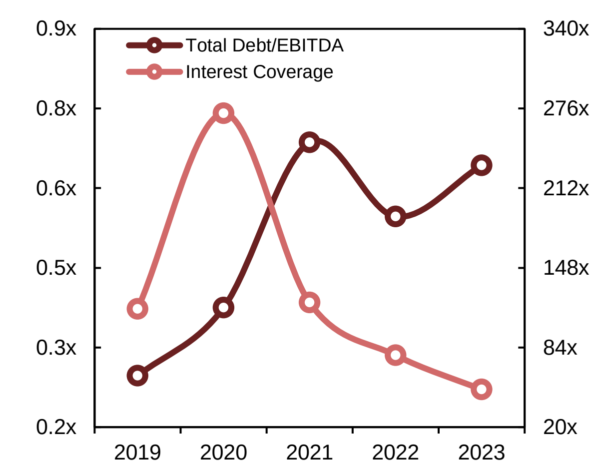

Source: Street Research

**Figure 3: Dominant Market Share in Foundry**




Source: Street Research

**Figure 4: LHS Total Debt/EBITDA vs RHS Int. Coverage**




Source: FactSet

have also stated they will begin production ramp on their respective 2nm chips in H2 2025. However, TSM remains the trusted foundry amongst peers for advanced node products with major customers including, NVIDIA (NASDAQ: NVDA), Apple (NASDAQ: AAPL), and Qualcomm (NASDAQ: QCOM), all having signed with TSM and are expected to contract TSM's initial 2nm.

## Mandate Fit

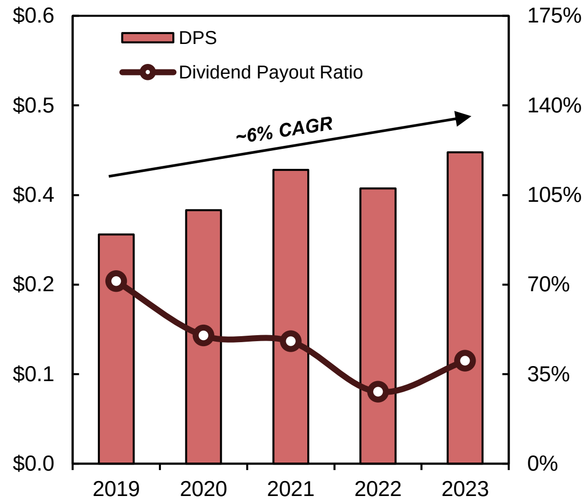
**Quality Management:** Dr. C.C. Wei has served as TSM's CEO and Vice Chairman since 2018. Since joining the Company in 1998, Wei has fulfilled various leadership positions, including President and Co-CEO, SVP of Business Development, and SVP of Technology. His prior roles at Chartered Semiconductor, ST Microelectronics, and Texas Instruments have contributed to over 30 years of industry experience. Following the retirement of TSM's Chairman in 2024, Mark Liu, Wei expects to assume the role of chairman of the Company and pursue overseas expansion. In addition to operational excellence, management prioritizes dividend per share growth within its existing return of capital framework, further demonstrated by a five-year CAGR of ~6%. Additionally, TSM's board comprises ten directors, with independent and female members representing 60% and 10%, respectively.

**Competitive Advantage:** TSM's dominant market position stems from its creation of the pure-play foundry business model in 1987. Since then, TSM has distinguished itself within the market through technological leadership, manufacturing excellence, and customer trust. The Company's scale and investment in R&D have allowed it to consistently gain market share ahead of its peers since it can provide next-generation technologies at scale, such as the 3nm chip and new 2nm chips. Process technology leadership has enabled TSM to improve chip power, performance, area size, and cost allowing the Company to command a premium price for its products. These advantages ensure sufficient profits to fund the Company's R&D initiatives and capex on subsequent nodes. In 2022, R&D accounted for 7.2% of revenue, a level that equals or exceeds the R&D investment to its peers. This cycle of investment and expansion has prevented peers from catching up and is why TSM has maintained over 50.0% market leadership for more than 20 years.

**Strong Balance Sheet:** TSM maintains a strong balance sheet with a Total Debt/EBITDA of 0.7x compared to the peer average of 0.8x. The Company also maintains a strong interest coverage ratio of 50.0x, compared to its peer average of 13.7x. Additionally, TSM holds US$48B of cash on hand to cover short-term liquidity needs and fund R&D. The Company holds investment-grade ratings of AA- and Aa3 from S&P and Moody's, respectively.

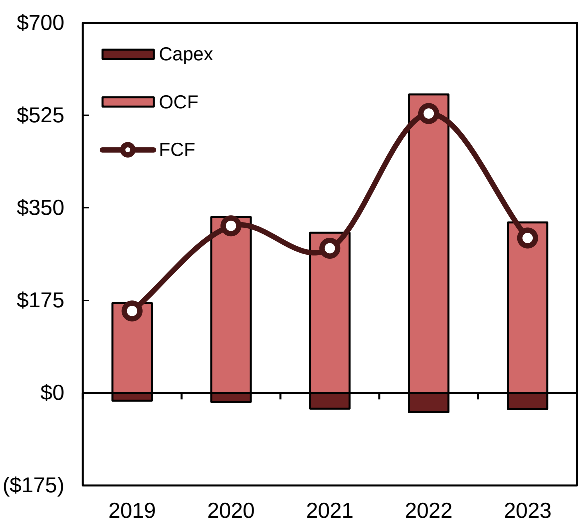
**Growing Free Cash Flow:** TSM has grown FCF at a five-year CAGR of 17%, driven by increased production capacity and utilization. The significant capital requirements for advanced chip manufacturing have increased expenditures for TSM, typically representing 30 - 50% of annual revenues. As a result, capex has substantially increased from US$14.9B in 2019 to US$30.5B in 2023. In 2024, management outlines capex guidance in the range of US$28 - 30B, with 70 - 80% allocated to advanced processing technologies, 10 - 20% for specialty technologies, and ~10% towards advanced packaging. The Company's strategic focus on organic growth for HPC, AI, and 5G capabilities continues to demonstrate its commitment to customer growth. Furthermore, the Company's ability to execute on capacity expansion has translated to a five-year average ROIC of ~25%, compared to its peers at less than 10%.

**Figure 5: LHS DPS vs RHS Payout**




Source: FactSet

**Figure 6: FCF Generation (US$B)**




Source: Company Filings

## Risks

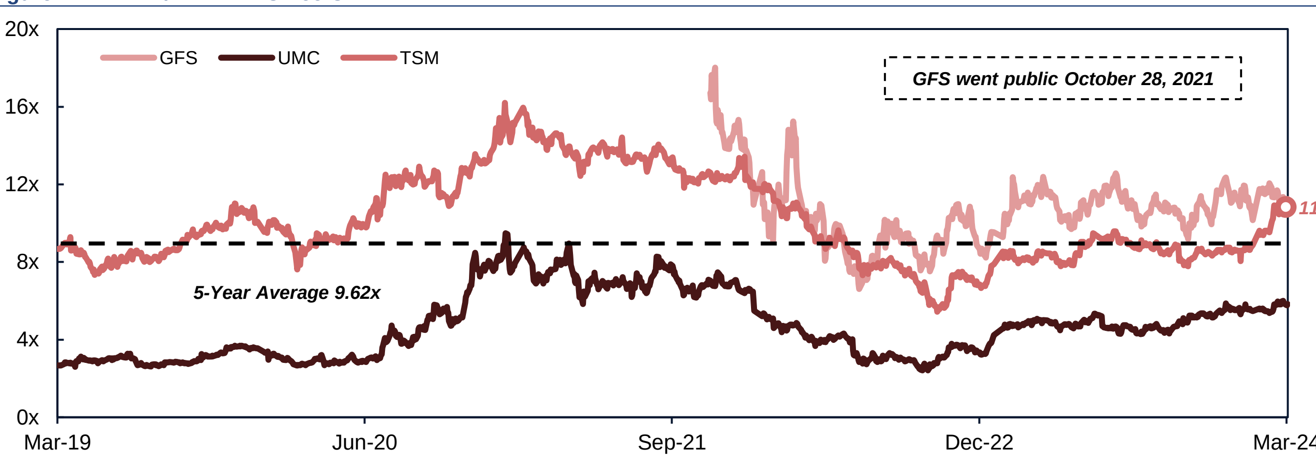
Supply chain disruptions, intellectual property (IP) rights, geopolitical risk, and competitive landscape are some risks that pertain to TSM. The electronics manufacturing industry faces risks in accessing raw materials such as silicon wafers, gases, chemicals, and photoresist on a timely basis. The Company's inability to protect its IP may lead to competitors potentially replicating TSM's technologies and undermining its competitive position in the market. The Company faces geopolitical risk, mainly from China. Taiwan's cross-strait relations with China has faced tension and instability over recent years due to Taiwan shifting its focus toward independence from China. Trade disputes between China and the U.S. may also have adverse effects on TSM, since it is a major supplier to the U.S. Finally, the industry is becoming increasingly competitive from companies such as INTC and Huawei. Huawei recently launched its new Huawei Mate 60 Pro Handset, by using a domestically produced 7nm chip, made by a Chinese foundry, bypassing supply constraints resulting from U.S. export controls. Huawei's re-entry into the smartphone market follows a three-year period of global marker share declines.

## Investment Thesis and Valuation

TSM was valued at $159 using a five-year DCF with a WACC of 10.46%. The terminal value was determined through a 50/50 blend of (1) the Gordon Growth method, using a 3.0% terminal growth rate, and (2) an EV/EBITDA exit multiple of 13.4x.

The CPMT believes that TSM's position as a pioneer in the global semiconductor foundry model and its technology leadership will continue to reward the Company with dominant market share. TSM's cost advantages compared to its peers and its global customer base position the Company well in taking advantage of AI implementation and increasing demand in the HPC and smartphone segments. The Company is expected to expand from the growth of generative AI hardware, with the total addressable market projected to reach ~US$642B by 2032, expanding at an eight-year CAGR of 32.6%. TSM's low leverage and track record of capital discipline position the Company to quickly deploy capital in emerging R&D. Additionally, as TSM continues to open many of its new foundry's internationally, the geopolitical risk to the Company continues to decrease. Lastly, the Fund views TSM as a capable and reliable manufacturer that will continue to deliver high-quality products, while remaining at the forefront of semiconductor technology.

**Figure 7: NTM EV/EBITDA vs Peers**




Source: S&P Capital IQ

# Toromont Industries

**Industrials**
**TSX: TIH**
**Market Outperform | Buy**

**March 31, 2024**

Jack Demo, Investment Analyst

**Return on Investment**

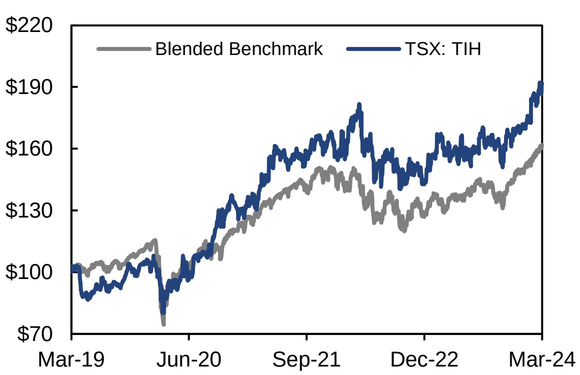
| | |
|---|---|
| Current Share Price | $127.90 |
| Target Price | $153.00 |
| Dividend Yield | 1.90% |
| Implied Return | 22% |
| Conviction Rating | 1 |

**Market Profile**

| | |
|---|---|
| 52-Week Range | $100.81 - $130.08 |
| Market Capitalization ($mm) | $10,668 |
| Net Debt ($mm) | ($358) |
| Enterprise Value ($mm) | $10,310 |
| Beta (5-Year Monthly) | 0.72 |

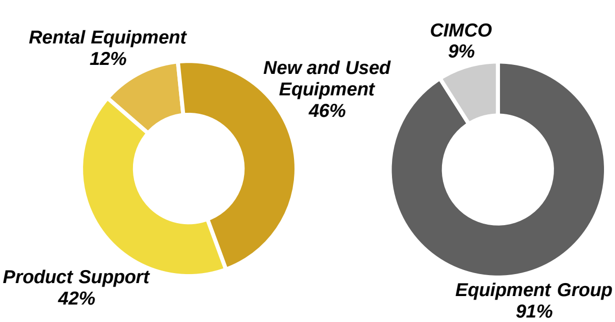
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue ($mm) | $4,622 | $4,800 | $5,019 |
| EBITDA ($mm) | $876 | $940 | $998 |
| Net Income | $535 | $613 | $672 |
| EV/EBITDA | 11.8x | 11.0x | 10.3x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: 2023 Revenue Segmentation**




***2023 Revenue: $4.6B***

Source: Company Filings

## Business Description

Toromont Industries (TSX: TIH) is a heavy equipment dealer that sells new and used Caterpillar (NYSE: CAT) equipment exclusively in Eastern Canada. TIH offers equipment operators comprehensive rental solutions, product support, and lifetime service. The Company operates in two primary segments: (1) Equipment Group and (2) Canadian Ice Machine Company (CIMCO).

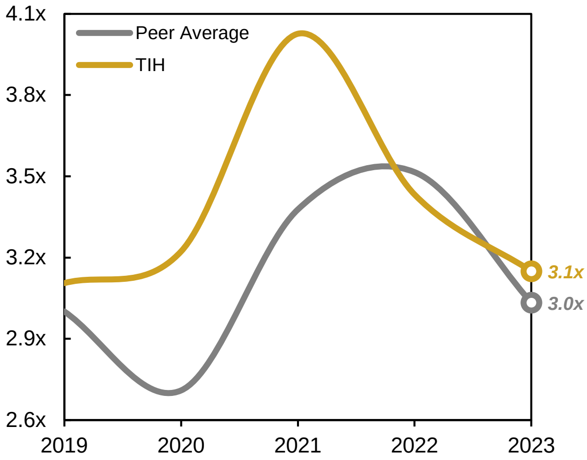
**Equipment Group:** TIH's Equipment Group is diversified through six segments: Toromont Cat, Toromont Battlefield Rentals, Toromont Material Handling, Toromont Energy, Jobsite, and SITECH. The Company's Equipment Group is the exclusive CAT dealer across Eastern Canada, serving seven provinces and one territory. Toromont Cat is Eastern Canada's the largest distributor of heavy equipment and service solutions for construction, mining, infrastructure, energy and power, logistics, and telecommunications industries. Through its extensive branch coverage, distribution, and remanufacturing operations, Toromont Cat covers customers' end-to-end heavy equipment needs. Toromont Battlefield Rentals operates through 68 CAT dealer locations and is a single-source provider of brand-name equipment, construction supplies, and tools. Battlefield Rentals possesses unique Customer Value Agreements (CVAs); CVAs are mid to long-term agreements with customers where TIH designs customized plans and service timelines. Toromont Energy develops distributed generation and power projects where it will own and operate the power plant on long-term, fixed-price contracts with inflationary provisions. Toromont Material Handling operates through 16 locations and provides products such as large lift trucks and battery generators. Jobsite and SITECH dealers sell and service Trimble GPS machine control and guidance systems for customers. This technology is deployed across all Equipment Groups, helping the Company collect data and analyze customer trends.

**CIMCO:** TIH's CIMCO operating segment is a market leader in the design, engineering, fabrication, and after-sale support of refrigeration systems in industrial and recreational markets. FY 2023 revenue segmentation comprised product service support (51%), industrial application (31%), and recreational (18%); operating in Canada and the U.S., CIMCO's broad product offering using natural refrigerants, including innovative $CO_2$ solutions remains a differentiator in recreational markets.

## Industry Overview

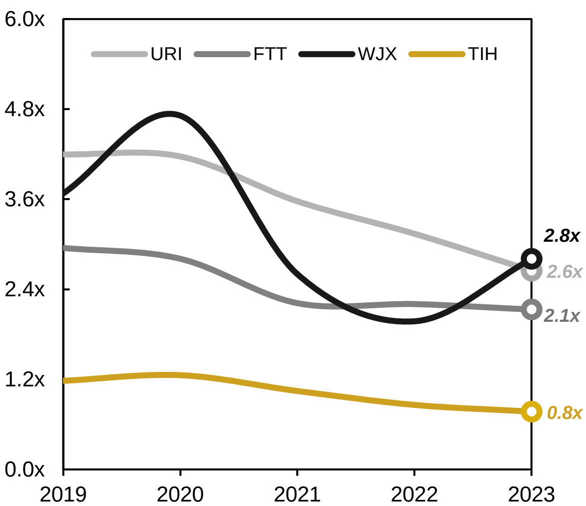
The heavy equipment industry is divided into three subsectors: (1) Original Equipment Manufacturers (OEMs), (2) Dealers, and (3) Operators. OEMs consist of companies such as CAT, Hitachi (TYO: 6501), Komatsu (TYO: 6301), and Terex (NYSE: TEX). OEMs design and build heavy machinery equipment for construction, resource, as well as energy and transportation industries. OEMs are capital-intensive businesses with significant exposure to commodity prices, such as copper and crude. Dealers consist of companies such as Finning International (TSX: FTT), TIH, United Rentals (NYSE: URI), and Wajax (TSX: WJX). Dealers are advantaged due to their ability to offer product service support solutions to existing clients who operate the equipment and maintain that (cont.)

**Figure 2: Inventory Turnover vs Peer Average**



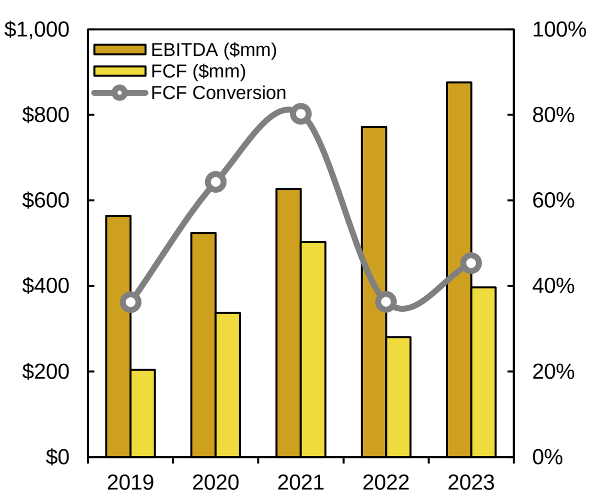

Source: Company Filings, S&P Capital IQ

**Figure 3: Total Debt/EBITDA vs Peers**




Source: Company Filings, S&P Capital IQ

**Figure 4: LHS EBITDA and FCF vs RHS FCF Conversion**




Source: Company Filings

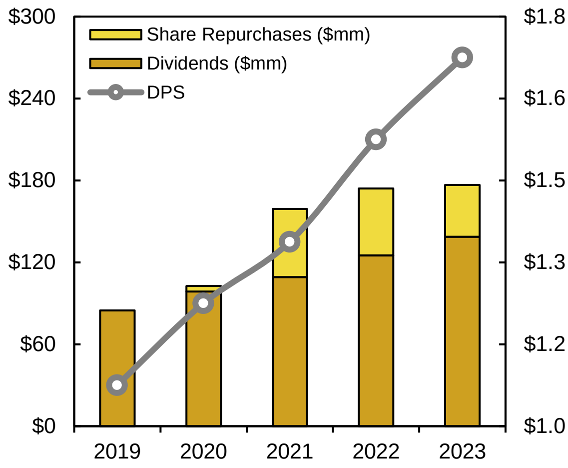
relationship through quality service. Operators consist of companies such as Aecon (TSX: ARE), Canadian Natural Resources (TSX: CNQ), and Vale (NYSE: VALE). Operators rely on dealers for the purchase, rental, maintenance, and repairs of equipment, as well as part sourcing. The dealer industry earns its revenue through three offerings: (1) New and Used Equipment, (2) Product Service Support, and (3) Rental Equipment. New and Used Equipment is purchased by dealers and sold to their respective operator. Product Service Support involves maintenance and repairs to equipment at the operator's site through negotiated long-term maintenance contracts. These contracts have a fixed price based on machine hours worked and inflation provisions. Service support includes repair agreements, fluid analysis, field emergency service, hydraulic repair, machine rebuilds, and remote monitoring. Rental equipment is available through multiple branded dealer sites, providing a unique service that appeals to customers who prefer not to invest in new equipment. This service also offers valuable market insights for the dealer. Dealers have an advantage over manufacturers and operators since they have the foresight of their order backlog, which consists of equipment expected to be delivered in the calendar year. The booking log is the gross value of orders placed from operators in the current calendar year, with the expectation that the operator will receive it in the future.

## Mandate Fit

**Quality Management:** TIH is led by its CEO and President, Mike McMillan, who assumed the role of CEO in October 2023, following a comprehensive succession plan that was announced in June 2022. Prior to joining the Company as CFO in March 2020, McMillan served as the CFO of Parkland (TSX: PKI) for four years. The Company's previous CEO, Scott Medhurst, served in this role from 2013 to October 2023 and agreed to act as an advisor to McMillan for 12 - 18 months following his retirement. McMillan's compensation structure comprises 69% variable, 21% fixed, and 10% other, while NEO compensation consists of 63% variable, 28% fixed, and 10% other. The Company utilizes a decentralized management structure which grants authority and performance accountability to each business unit leader, enabling proactive capital allocation from each business unit leader to adapt to current customer trends.

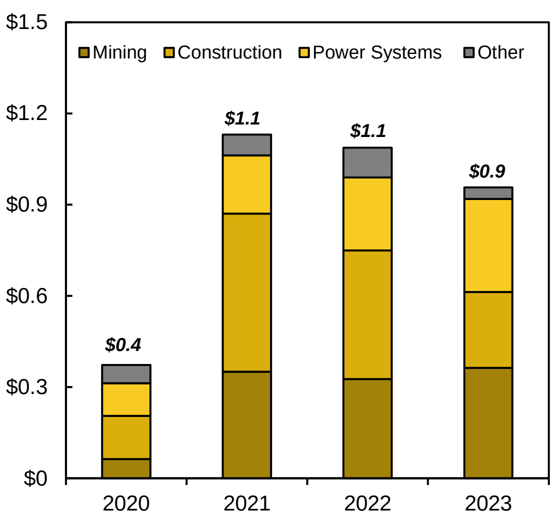
**Competitive Advantage:** TIH's competitive advantage is derived from efficient responses to industry demand, executed through a flexible portfolio of product offerings over a diverse customer base. The Company's exclusive agreement with CAT in Eastern Canada and ability to offer technician product service support strengthens its competitive advantage. TIH's long-standing relationship with CAT since 1993 offers a strong brand name in addition to its extensive service network provides competitive barriers to entry. Through its seven TIH businesses, each with similar business models but differing equipment and rental solution offerings, the Company's revenue generation offers exposure to end-market capital and operating spending cycles. TIH's product service support segment is a low-cost and high-margin business that has established relationships with end-users, receiving continuous support from its strategically positioned technician sites. The Company's 2023 EBITDA margin of 19.0% is above its peer average of 15.6%. Since 2019, TIH has generated the most gross margin expansion relative to its peer average, higher equipment and rental margins added 190 bps and 1,130 bps, respectively, to Equipment Group margins. Additionally, TIH implements technological solutions to remotely monitor machine performance and schedule preventive maintenance for its customers. Through the Company's use of technology (cont.)

**Figure 5: LHS Dividends and Repurchases vs RHS DPS**



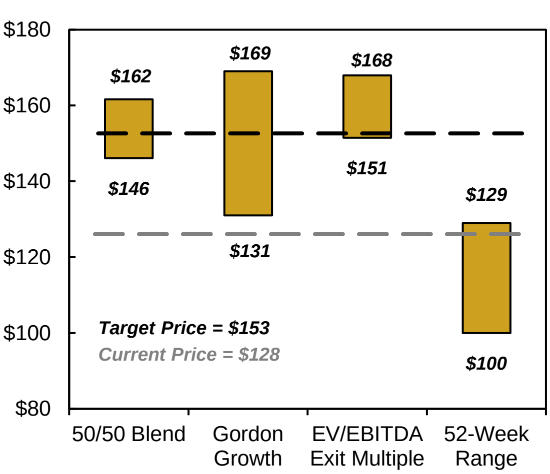

Source: Company Filings

**Figure 6: Backlog Composition at YE 2023 ($B)**




Source: Company Filings

**Figure 7: Valuation Football Field**




Source: CPMT Estimates, S&P Capital IQ

it provides a differentiated service to improve fleet utilization and equipment reliability, ultimately reducing downtime for its customers.

**Strong Balance Sheet:** TIH is in a positive net cash position of $358mm, has no floating rate debt, and holds an A rating from DBRS. The Company maintains a healthy balance sheet with Total Debt/EBITDA of 0.8x, compared to its peer average of 3.1x. TIH currently has two outstanding long-term notes that it can adequately service with $1,040mm of cash on hand. The Company has an Interest Coverage ratio of 35.1x, compared to its peer average of 11.4x. As of December 2023, the Company has a $500mm undrawn credit facility maturing in November 2026, with interest based on a floating rate.

**Growing Free Cash Flow:** TIH has a five-year CAGR of 14.2%. In 2023, TIH generated $398mm of FCF, supported by increases in product support and rental revenue. The Company expects total capex of $95 - 105mm in 2024, primarily directed towards its Bradford Facility and increased turnover of its aging rental fleet. The end of 2023 marked the 34th consecutive year of dividend increases and its 55th year of paying dividends. TIH's strong order backlog and balance sheet, positions the Company to continue deploying capital across its business segments where it sees additional product diversification offerings.

## Catalysts and Risks

TIH will continue to benefit from increased government investment in residential and non-residential construction, electric power infrastructure, and transportation infrastructure. Technological advancements in new heavy equipment, such as telematics and autonomous operations, will make machinery more efficient, secure, and easier to maintain. Innovation and machinery replacement cycles will drive demand for upgrades or new equipment, which benefits dealers who provide product service support since it has the expertise in technologically advanced equipment. Lastly, increasing government environmental regulations, such as emissions standards and sustainability initiatives, will encourage operators to upgrade to newer and more environmentally friendly equipment.

TIH relies on CAT to supply financing to its customers. In periods of global credit market disruption, CAT may tighten sources or terms of financing for its customers. Any concerns stemming from CAT's ability to be a quality manufacturer may suppress TIH sales as the CAT named is branded on majority of its products. The Company may experience challenges from its customers who opt for in-house service, leading to lower customer retention. Commodity cycle risk may impact TIH's ability to sell new equipment to operators in unfavorable commodity price environments. Lastly, changing environmental laws and regulations may impact sales if TIH can't meet emissions specifications for its heavy equipment.

## Investment Thesis and Valuation

TIH was valued at $153 using a 7-year DCF with a WACC of 8.3%. The target price was derived using a 50/50 blend of (1) the Gordon Growth method, using a 1.5% terminal growth rate, and (2) an EV/EBITDA exit multiple of 11.1x. TIH has historically traded at a premium to its peer average of 8.6x, which the CPMT believes is justified due to the Company's diverse product offerings, growing product service support as a percentage of total revenue, long-standing relationship with CAT, and exclusive dealer rights in Eastern Canada. The CPMT views TIH favorably, given its strong operational execution, historical track record of capital discipline, and ability to take advantage of growing infrastructure investment.

# WSP Global

**Industrials**
**TSX: WSP**
**Market Outperform | Buy**

**March 31, 2024**
Lukas Fairley, Investment Analyst

**Return on Investment**

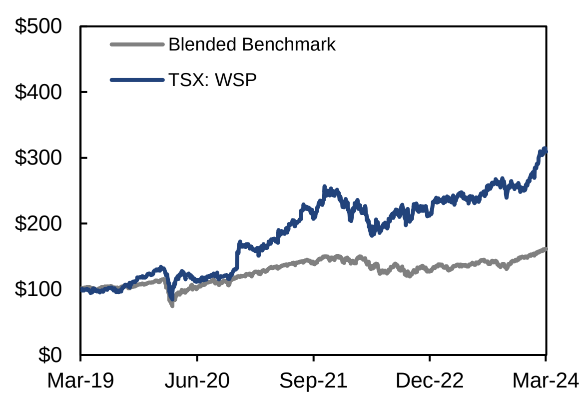
| | |
|---|---|
| Current Share Price | $225.76 |
| Target Price | $258.00 |
| Dividend Yield | 0.65% |
| Implied Return | 15% |
| Conviction Rating | 1 |

**Market Profile**

| | |
|---|---|
| 52-Week Range | $164.32 - $230.98 |
| Market Capitalization ($mm) | $25,990 |
| Net Debt ($mm) | $3,886 |
| Enterprise Value ($mm) | $29,876 |
| Beta (5-Year Monthly) | 0.80 |

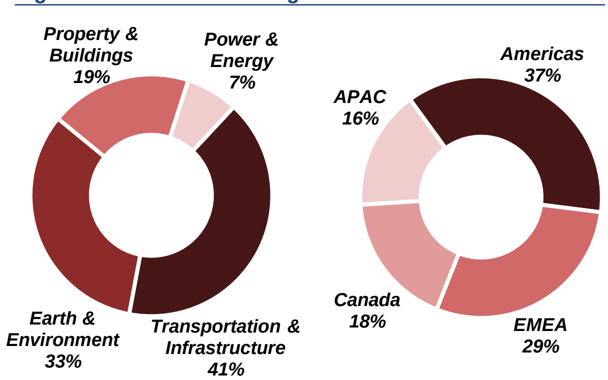
| Metrics | 2023A | 2024E | 2025E |
|---|---|---|---|
| Revenue ($mm) | $10,897 | $11,613 | $122,415 |
| EBITDA ($mm) | $1,921 | $2,088 | $2,277 |
| EPS | $7.97 | $8.99 | $10.21 |
| EV/EBITDA | 15.6x | 14.3x | 13.1x |

**Historical Trading Performance (Indexed to $100)**




Source: S&P Capital IQ

**Figure 1: 2023 Revenue Segmentation**




***2023 Revenue: $10.9B***

Source: Company Filings

## Business Description

WSP Global (TSX: WSP) is a leading global engineering advisory and professional services firm that provides strategic advisory, engineering consulting, and design services to international clients. With over 67,000 employees globally, the Company is Canada's largest engineering advisory firm and one of the largest in the world. WSP is a leader in environmental remediation, water conservation, and energy transition projects. Revenues are contracted between the Company and clients on a project-specific level, with WSP managing a portion or the entire development until completion. The Company is selected to manage a project based on its relationships, service offerings, and specialized expertise. WSP operates under four main segments:

**Transportation and Infrastructure:** This segment comprises planning, design, and management activities related to large-scale infrastructure projects. WSP services rail, aviation, and maritime projects in the public and private sectors. This segment comprises ~41% of the Company's 2023 revenue.

**Earth and Environment:** The Earth and Environment segment includes advisory on biodiversity, carbon reduction, water and energy conservation, and climate change issues. Most clients engage in the oil and gas, metals and mining, or heavy carbon-emitting industrial sectors. This segment represents ~33% of WSP's 2023 revenue.

**Property and Buildings:** This segment includes consulting across the project life-cycle, including value proposition, execution, asset management, and refurbishment. Sectors include residential and commercial development, healthcare, science, and technology projects. This segment contributes ~19% of WSP's 2023 revenue.

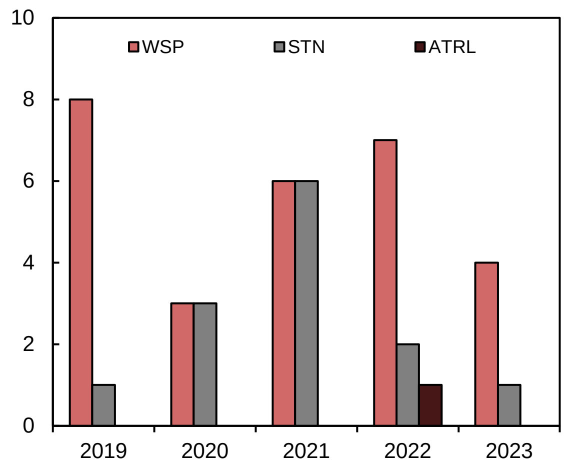
**Power, Energy, and Industry:** This business unit includes utility-scale power generation, storage, and transmission advisory. Offerings include feasibility studies, community engagement, and decommissioning. This segment represents ~7% of WSP's 2023 total revenue.

## Industry Overview

The largest engineering firms in Canada are WSP, AtkinsRealis (TSX: ATRL), and Stantec (TSX: STN), which hold a combined market share of 22%. Globally, WSP competes with AECOM (NYSE: ACM), Jacobs (NYSE: J), Tetra Tech (NASDAQ: TTE), and Veolia (EPA: VIE). Competitors are differentiated by service offerings and business acumen, while smaller firms in the industry tend to be specialized and excel in a unique service offering. These firms have a history of being acquired and consolidated among larger incumbents in the industry for their intellectual property or talent.

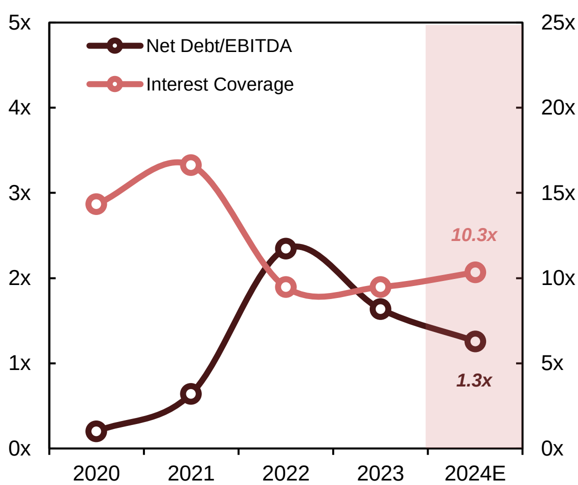
Given the low barriers to entry, generating new business is predicated on a firm's value proposition and previous experiences, and as a result, talent retention is essential for a firm's ongoing success. Moreover, the industry is characterized by large expenditures to acquire smaller competitors and maintain a talented workforce. As many developed countries continue transitioning their energy production, demand for energy and environment-specific engineering services has increased. These projects have (cont.)

**Figure 2: Volume of M&A Transactions Executed vs Peers**



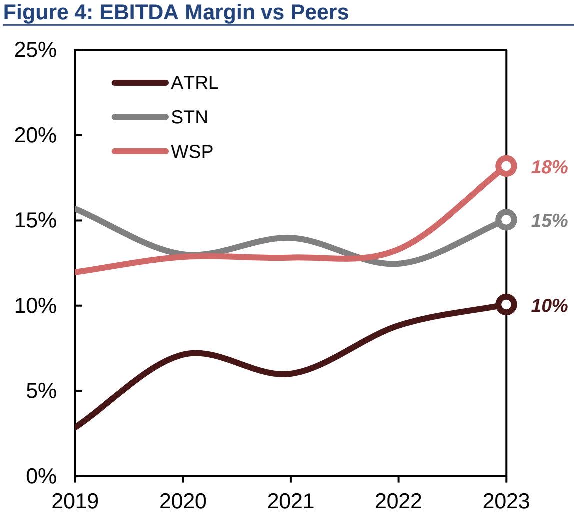

Source: Company Filings

**Figure 3: LHS Net Debt/EBITDA vs RHS Interest Coverage**




Source: Company Filings

**Figure 4: EBITDA Margin vs Peers**




Source: Company Filings

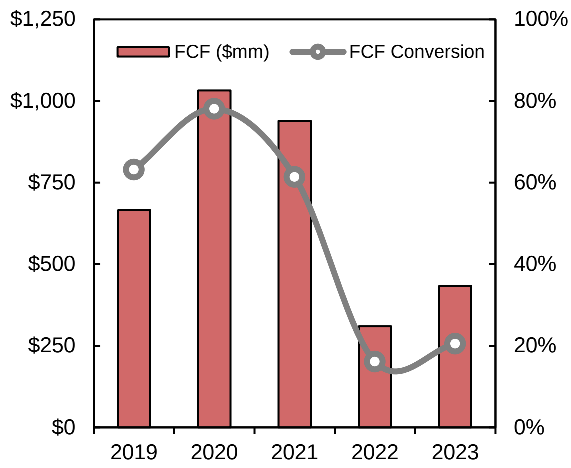
been bolstered by carbon pricing, legislation, and international emissions reduction agreements, such as *the Paris Agreement* and *Kyoto Protocol*. These pieces of legislation have improved the economics of green infrastructure and power generation, increasing demand for such projects. Recent legislation includes the 2022 Inflation Reduction Act in the U.S. and greater infrastructure spending in the EU on environmental and transportation-related projects. Policies similar to these have spurred infrastructure spending across developed nations. Additionally, the signing of CUSMA in 2019 has increased near-shoring, driving industrial growth in North America since 2020.

## Mandate Fit

**Quality Management:** Alexandre L'Hereaux has served as President and CEO since 2016. He had previously served as CFO of WSP from 2010 to 2016. L'Hereaux's background consists of 14 years of accounting, hedge fund, and other management experience. At-risk compensation is 87% and 74% for CEOs and NEOs, respectively. Under L'Hereaux's leadership, WSP has executed highly strategic M&A, acquiring 50 companies since 2016, boasting a 21% eight-year EBITDA CAGR. To achieve this, the Company has reduced its costs by digitizing its service offerings to streamline its operations and improve its margins. WSP has also realized cost efficiencies through acquisitions and consolidation in U.S. and Canadian markets.

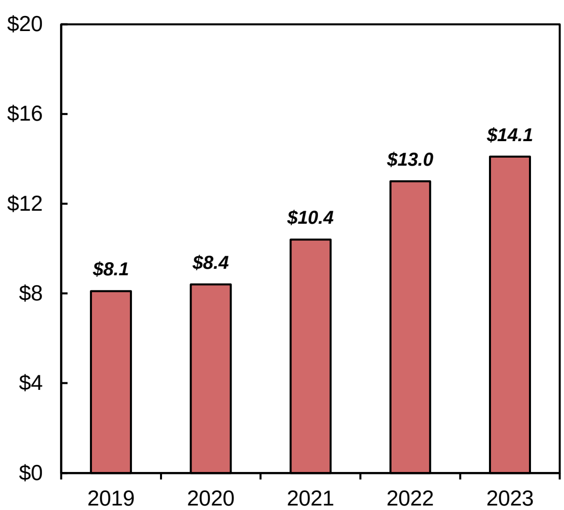
**Competitive Advantage:** WSP's competitive advantage is derived from its operational size and scale relative to peers. Through its diversified service offerings, it can compete for a wide array of projects and increase its sector-wide reach. Next, the Company can acquire small firms specializing in niche areas and different geographies, allowing it to compete for specialized projects. Finally, its global reach will enable WSP to take advantage of developing economies with unique infrastructure and construction needs. An example of its acquisition strategy is its 2021 acquisition of Golder Associates, which possessed strong existing relationships across European clients and expertise in environmental remediation and decarbonization projects. WSP acquired Golder for $1.4B and, at the time, had ~7,000 employees across the globe. Similar acquisitions, including its acquisition of U.S. firm Knight Partners, have allowed the Company to capitalize on recent government spending bills targeted toward infrastructure and climate change-related projects. The Knight acquisition expanded WSP's service offerings as well as talent related explicitly to transportation infrastructure. The Company is a proven leader in transportation, infrastructure and environmental projects, comprising over 60% of its 2023 revenue. Because of this, the Company has led the development of notable projects such as the Palm Jumeirah and the Kuwait City Ring Road. This has allowed WSP to quickly build relationships through acquisitions well before its global peers could offer these services, positioning it as the advisor of choice for large-scale infrastructure and environmental projects. Moreover, the Company's size has allowed it to execute acquisitions that its peers lack the size to bid on, having made 63 acquisitions since 2014, compared to the 49 acquired by its combined peer group. In addition, WSP can reduce its exposure to financial risks normally present in the industry, due to its size. Due to payment schedules based on milestone achievements, the Company holds a high level of accounts receivable on its balance sheet. Given the size and breadth of WSP's projects, it can maintain liquidity by spreading cash flows from project to project, thus reducing risk. This maintains the Company's liquidity in the short term and enhances its operational capacity relative to its peers.

**Figure 5: LHS FCF vs RHS FCF Conversion**



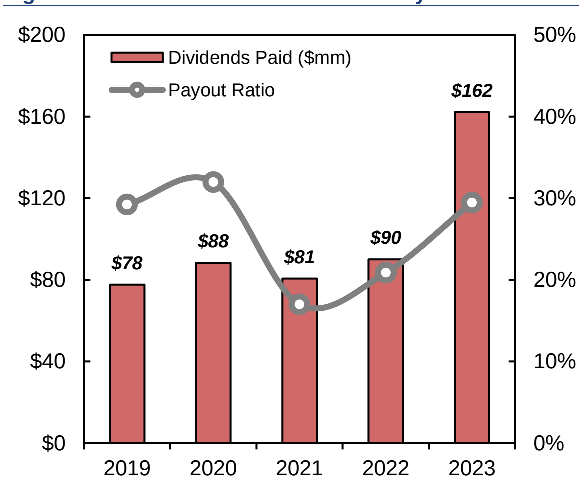

Source: Company Filings

**Figure 6: Project Backlog ($B)**




Source: Company Filings

**Figure 7: LHS Dividends Paid vs RHS Payout Ratio**




Source: Company Filings

**Strong Balance Sheet:** Historically, WSP has been acquisitive in consolidating industry-leading knowledge. Before 2020, WSP had very little net debt on its balance sheet, which remained true until 2021, when the Company executed several larger acquisitions to expand its international market share. In addition, WSP holds an investment grade credit rating of BBB from S&P Global and Fitch. The Company holds a Net Debt/EBITDA ratio of 1.3x and an interest coverage ratio of 10.3x, compared to its peer average of 1.9x and 6.8x, respectively. The Company demonstrates strong liquidity and has $1.6B undrawn on its credit facilities. Additionally, WSP's debentures mature after 2028, allowing the Company to maintain short-term liquidity.

**Growing Free Cash Flow:** WSP has outperformed industry peers from an EBITDA margin standpoint, boasting an 18% margin compared to the peer average of 12%. This has translated into strong FCF, allowing the Company to generate a FCF CAGR of 23% since 2016. Its revenue contracting bolsters the Company's FCF and benefits from the stability of its track record of operational excellence and service offerings. In 2023, the Company paid out a quarterly dividend of $0.38 per share, which it has reliably paid out since initiating in 2015.

## Risks

**Acquisition Integration:** Engineering and Construction advisory firms must stay competitive to generate new business. This includes acquiring new talent and technology through acquisitions. WSP's acquisitions of Golder and its other acquisitions could prove challenging for the Company to integrate, reducing the potential benefits gained from a specific acquisition.

**Contractual Nonperformance:** WSP's business is highly contract-based, which has the added benefit of making cash flows more predictable. However, this runs the risk of the Company failing to meet the requirements of these contracts. Although WSP is incentivized through baked-in performance metrics in its contracts, it can still be penalized for nonperformance.

**Reliance on Suppliers and Subcontractors:** WSP relies on approved suppliers and subcontractors to complete its contractual duties. Partners such as this provide services or specific expertise that The Company cannot offer. Although adequately vetted, these subcontractors may not complete work to the satisfaction of the Company or the client, which may result in nonperformance penalties being assessed against WSP.

## Investment Thesis and Valuation

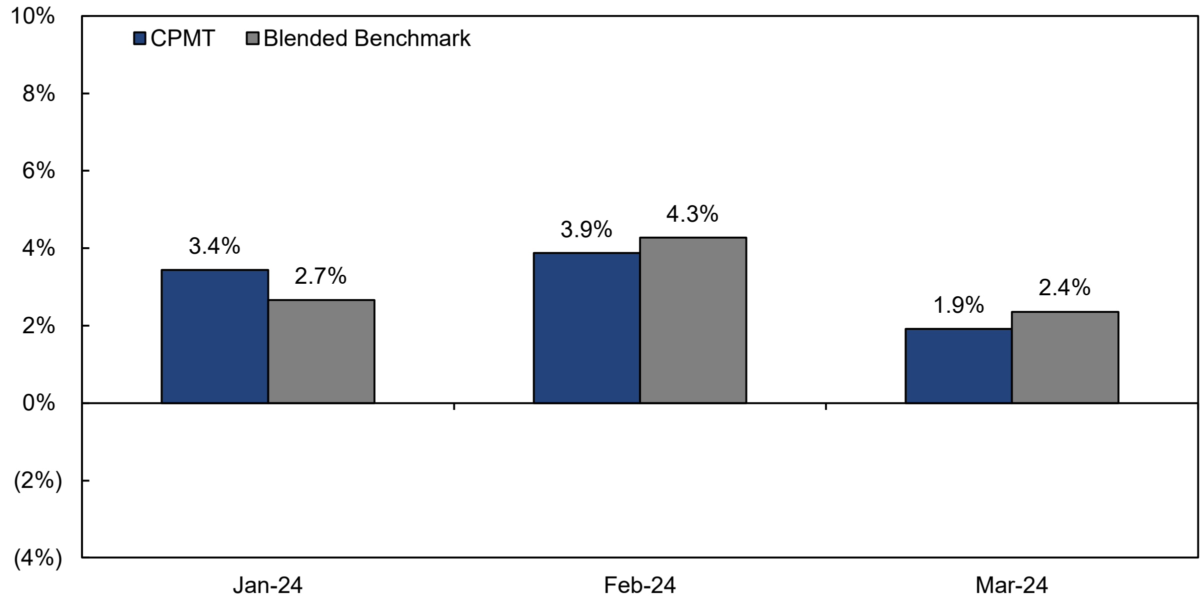
WSP was valued at $258 using a five-year DCF with a WACC of 6.25%. The terminal value was determined through a 50/50 blend of (1) the Gordon Growth method, using a 2.00% terminal growth rate and (2) an EV/EBITDA exit multiple of 16.5x.

WSP is positioned as a global leader in infrastructure and environmental engineering and has demonstrated operational excellence and prudent balance sheet management throughout the Company's history. Long-term catalysts such as increased infrastructure spending and carbon pricing legislation position WSP to grow FCF and continue its aggressive acquisition strategy. The Company's size and scope enable superior service offerings compared to its public and private sector clients, allowing WSP to out-compete its peers for global bids. Additionally, the Company's lack of construction risk is viewed favourably by the CPMT and differentiates WSP from its peers.

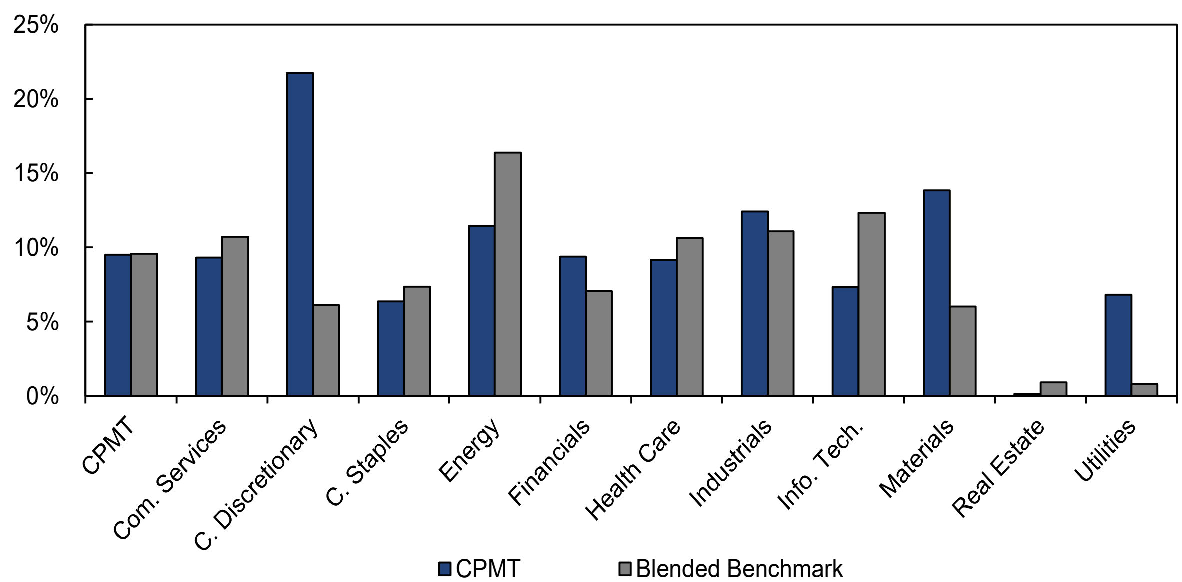
# Compliance and Performance

## QUARTERLY PERFORMANCE

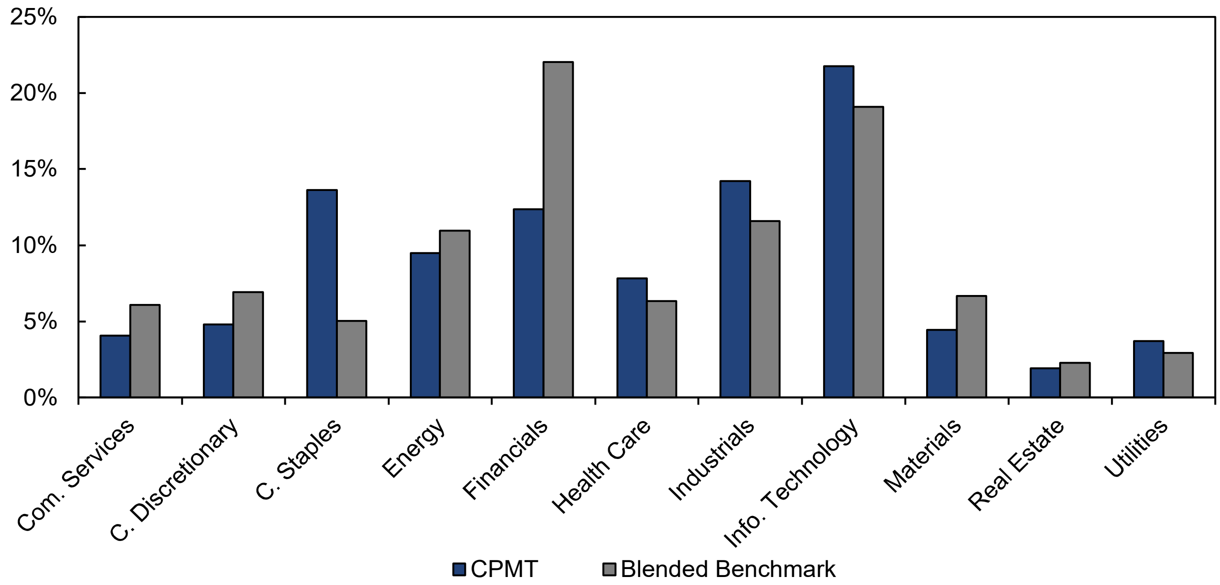
### CPMT and Blended Benchmark Monthly Returns



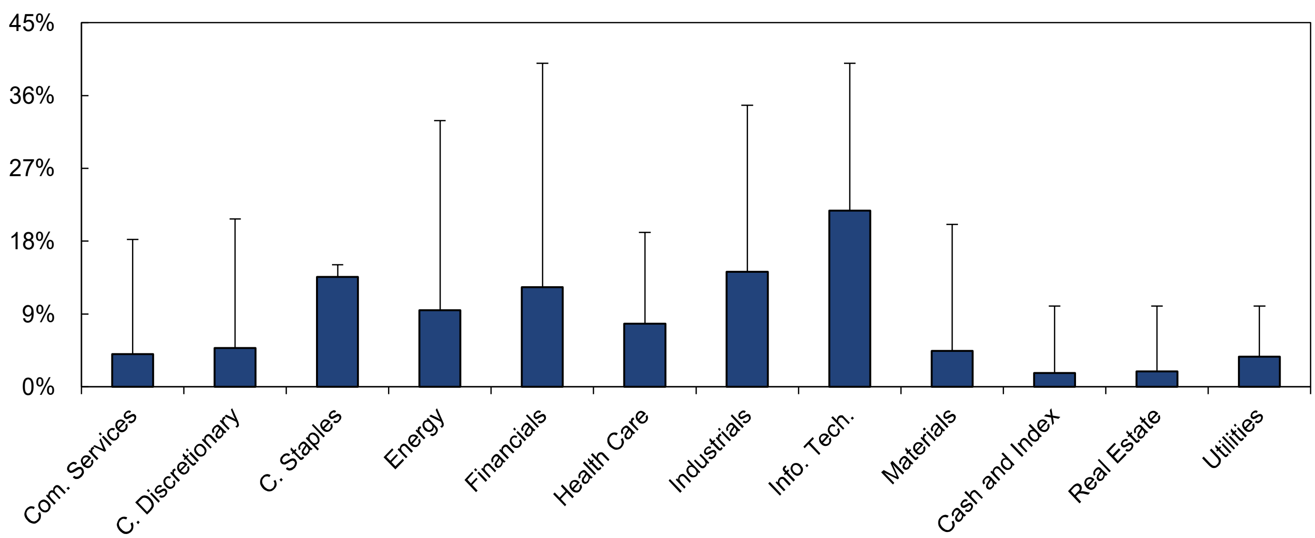

### CPMT and Blended Benchmark Quarterly Sector Returns



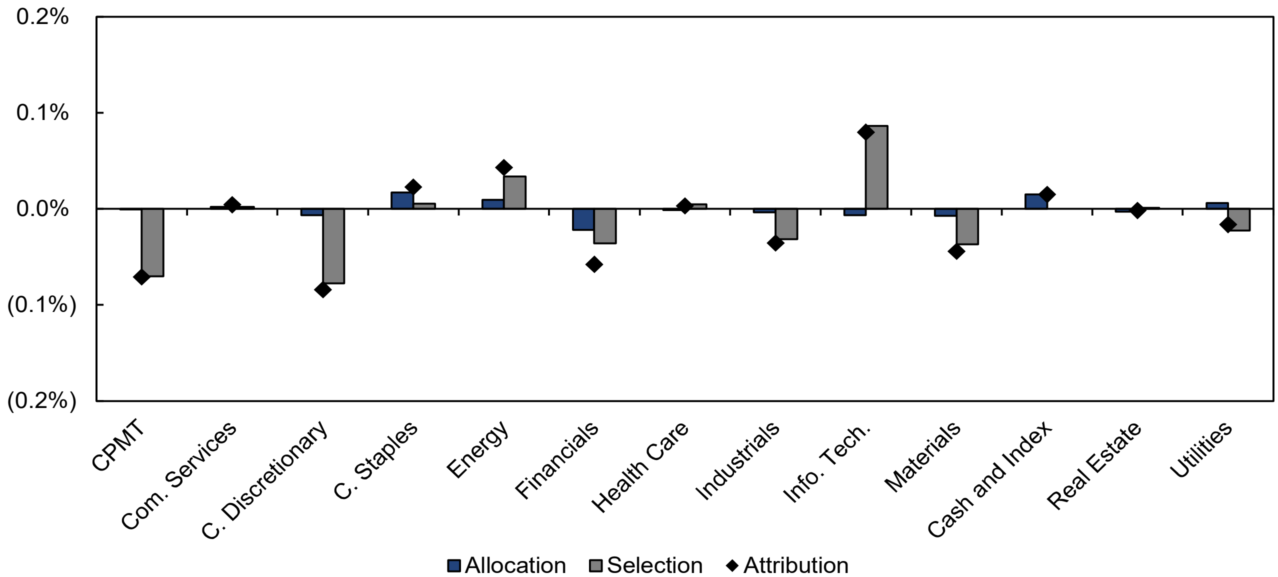
## CPMT and Blended Benchmark Sector Weightings




## CPMT Sector Weights vs Maximum Weight



## Attribution Analysis (FQ4 2024)




### CPMT Attribution Analysis

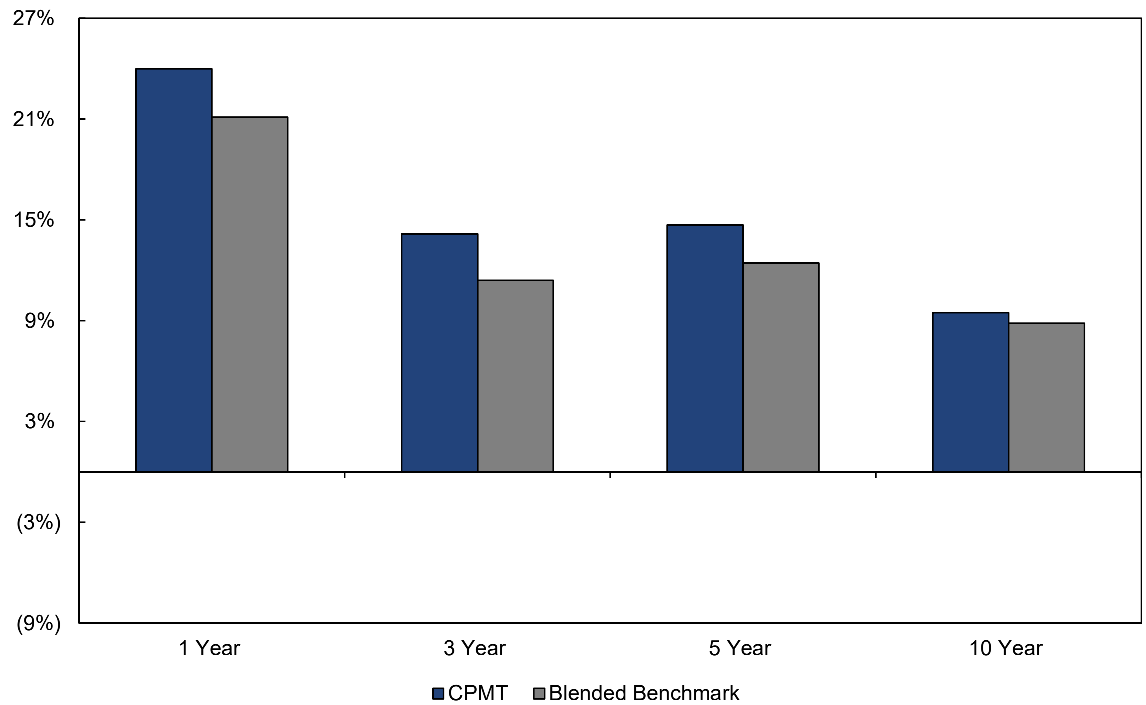
| FQ4 2024 | Attribution | Allocation | Selection |
|---|---|---|---|
| CPMT | (0.07%) | (0.00%) | (0.07%) |
| Communication Services | 0.00% | 0.00% | 0.00% |
| Consumer Discretionary | (0.08%) | (0.01%) | (0.08%) |
| Consumer Staples | 0.02% | 0.02% | 0.01% |
| Energy | 0.04% | 0.01% | 0.03% |
| Financials | (0.06%) | (0.02%) | (0.04%) |
| Health Care | 0.00% | (0.00%) | 0.00% |
| Industrials | (0.04%) | (0.00%) | (0.03%) |
| Information Technology | 0.08% | (0.01%) | 0.09% |
| Materials | (0.04%) | (0.01%) | (0.04%) |
| Other | 0.02% | 0.02% | (0.00%) |
| Real Estate | (0.00%) | (0.00%) | 0.00% |
| Utilities | (0.02%) | 0.01% | (0.02%) |

| 1 Year | Attribution | Allocation | Selection |
|---|---|---|---|
| CPMT | 4.08% | 1.38% | 2.70% |
| Communication Services | (0.19%) | 0.01% | (0.20%) |
| Consumer Discretionary | (0.88%) | 0.01% | (0.89%) |
| Consumer Staples | 1.43% | (1.10%) | 2.53% |
| Energy | (0.02%) | 0.38% | (0.41%) |
| Financials | 1.42% | 0.09% | 1.33% |
| Health Care | 0.03% | 0.09% | (0.06%) |
| Industrials | 1.29% | 0.08% | 1.21% |
| Information Technology | 0.38% | 1.41% | (1.04%) |
| Materials | 1.63% | 0.65% | 0.98% |
| Other | (0.21%) | (0.21%) | 0.00% |
| Real Estate | (0.20%) | 0.15% | (0.36%) |
| Utilities | (0.58%) | (0.17%) | (0.41%) |

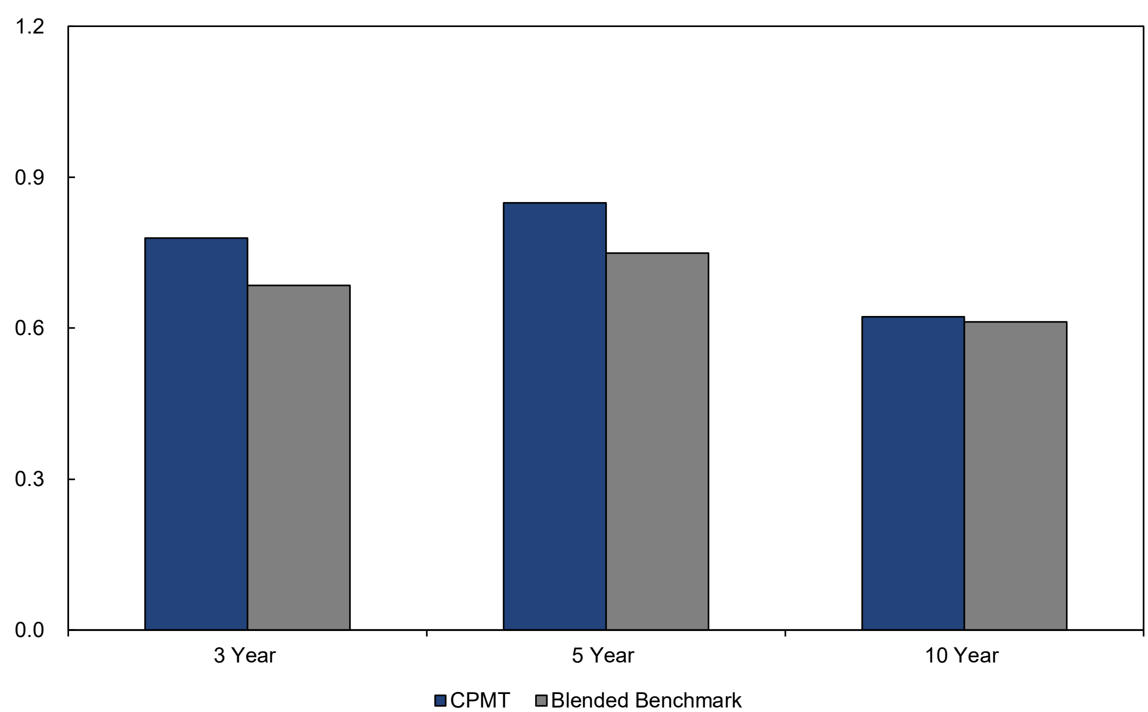
# Compliance and Performance

## LONG-TERM PERFORMANCE

### CPMT and Blended Benchmark Total Return (Annualized)




### CPMT and Blended Benchmark Composite Index Sharpe Ratios



## The CPMT Long-Term Performance Targets

| | | 1 Year | | 3 Year | | 5 Year | | 10 Year |
|---|---|---|---|---|---|---|---|---|
| **Absolute Returns (annualized)** | | | | | | | | |
| CPMT (1) | ✓ | 23.99% | ✓ | 14.16% | ✓ | 14.70% | ✓ | 9.49% |
| **Relative Returns (bps)** | | | | | | | | |
| Blended Benchmark (2) | ✓ | 287 | ✓ | 277 | ✓ | 227 | ✗ | 65 |
| **Risk Adjusted Returns (bps)** | | | | | | | | |
| Blended Benchmark (3) | ✓ | 515 | ✓ | 202 | ✓ | 200 | ✗ | 58 |

(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 | 23.99% | 14.16% | 14.70% | 9.49% |
| Blended Benchmark | 21.12% | 11.39% | 12.43% | 8.84% |
| **Annualized Volatility** | | | | |
| CPMT | 9.01% | 13.94% | 14.50% | 12.38% |
| Blended Benchmark | 10.18% | 12.85% | 14.14% | 11.77% |
| **Sharpe** | | | | |
| CPMT | 2.03 | 0.78 | 0.85 | 0.62 |
| Blended Benchmark | 1.58 | 0.68 | 0.75 | 0.61 |

## APPENDICES

### *Appendix 1: CFA Code of Ethics*

The following is the CFA Code of Ethics to be complied with at all times by Portfolio 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 (2023-2024)

| FQ1 2024 | Date | Action | Shares | Purchase Price | Sale Price | Currency | Capital Gain (CAD) | Return |
|---|---|---|---|---|---|---|---|---|
| ENB | 21-Apr-23 | Sell | 215 | $47.29 | $53.23 | CAD | $1,277.10 | 12.56% |
| TECK | 21-Apr-23 | Sell | 275 | $39.49 | $47.81 | CAD | $2,289.18 | 21.08% |
| ALLY | 21-Apr-23 | Buy | 370 | $27.66 | | | | |
| EPD | 21-Apr-23 | Buy | 370 | $26.81 | | | | |
| **Total** | | | | | | | $3,566.28 | 16.96% |

| FQ2 2024 | Date | Action | Shares | Purchase Price | Sale Price | Currency | Capital Gain (CAD) | Return |
|---|---|---|---|---|---|---|---|---|
| No Transactions | | | | | | | | |

| FQ3 2024 | Date | Action | Shares | Purchase Price | Sale Price | Currency | Capital Gain (CAD) | Return |
|---|---|---|---|---|---|---|---|---|
| CP | 10-Oct-23 | Buy | 55 | $99.94 | | | | |
| LULU | 08-Nov-23 | Sell | 26 | $347.85 | $404.92 | USD | $1,483.82 | 16.41% |
| HSY | 08-Nov-23 | Buy | 55 | $188.55 | | | | |
| BEP | 29-Nov-23 | Sell | 235 | $54.05 | $33.76 | CAD | ($4,768.15) | (37.54%) |
| NEE | 29-Nov-23 | Buy | 115 | $58.87 | | | | |
| ALLY | 14-Dec-23 | Sell | 370 | $27.66 | $30.09 | USD | $1,222.78 | 8.79% |
| AMT | 14-Dec-23 | Sell | 39 | $230.11 | $204.80 | USD | ($1,342.44) | (11.00%) |
| CNQ | 14-Dec-23 | Sell | 44 | $25.62 | $83.31 | CAD | $2,538.36 | 225.18% |
| DOL | 14-Dec-23 | Buy | 150 | $98.30 | | | | |
| PLD | 14-Dec-23 | Buy | 88 | $122.80 | | | | |
| AAPL | 20-Dec-23 | Sell | 8 | $74.26 | $197.43 | USD | $1,340.09 | 165.86% |
| ADBE | 20-Dec-23 | Sell | 33 | $524.10 | $607.45 | USD | $2,750.55 | 15.90% |
| MCK | 20-Dec-23 | Buy | 49 | $448.30 | | | | |
| **Total** | | | | | | | $3,225.01 | 4.84% |

| FQ4 2024 | Date | Action | Shares | Purchase Price | Sale Price | Currency | Capital Gain (CAD) | Return |
|---|---|---|---|---|---|---|---|---|
| COST | 06-Feb-24 | Sell | 3 | $217.56 | $708.40 | CAD | $1,472.52 | 225.61% |
| CSU | 06-Feb-24 | Sell | 1 | $428.79 | $3,743.78 | CAD | $3,314.99 | 773.10% |
| T | 06-Feb-24 | Sell | 920 | $27.74 | $23.66 | CAD | ($3,757.10) | (14.72%) |
| DAR | 18-Mar-24 | Sell | 150 | $64.91 | $45.35 | USD | ($3,902.22) | (30.13%) |
| **Total** | | | | | | | ($2,871.81) | 16.96% |

## *Appendix 2: Account Activity (Continued)*

### Dividend Summary

| October, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| CNQ | 05-Oct-23 | $0.90 | $360.90 |
| CSU | 11-Oct-23 | $1.34 | $18.79 |
| AMT | 27-Oct-23 | $1.62 | $86.99 |
| **Total** | | | **$466.68** |

| November, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| TOU | 01-Nov-23 | $1.00 | $200.00 |
| WCN | 28-Nov-23 | $0.39 | $51.12 |
| **Total** | | | **$251.12** |

| December, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| ENB | 01-Dec-23 | $0.89 | $221.88 |
| ATD | 21-Dec-23 | $0.18 | $75.25 |
| CNR | 28-Dec-23 | $0.79 | $118.50 |
| BEP | 29-Dec-23 | $0.46 | $107.72 |
| BAM | 29-Dec-23 | $0.43 | $47.09 |
| BN | 29-Dec-23 | $0.09 | $41.49 |
| CCL | 29-Dec-23 | $0.27 | $53.00 |
| TOU | 29-Dec-23 | $0.28 | $56.00 |
| **Total** | | | **$720.93** |

| January, 2024 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| T | 02-Jan-24 | $0.38 | $259.96 |
| CNQ | 05-Jan-24 | $1.00 | $401.00 |
| CSU | 11-Jan-24 | $1.33 | $18.66 |
| COST | 12-Jan-24 | $15.00 | $825.00 |
| TMO | 16-Jan-24 | $0.35 | $5.95 |
| CPKC | 29-Jan-24 | $0.19 | $23.39 |
| JPM | 31-Jan-24 | $1.05 | $150.15 |
| **Total** | | | **$1,684.11** |

| February, 2024 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| DOL | 02-Feb-24 | $0.07 | $10.62 |
| EPD | 14-Feb-24 | $0.52 | $190.55 |
| AAPL | 15-Feb-24 | $0.24 | $35.04 |
| COST | 16-Feb-24 | $1.02 | $56.10 |
| RY | 23-Feb-24 | $1.38 | $219.07 |
| **Total** | | | **$511.38** |

| March, 2024 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| ENB | 01-Mar | $0.92 | $228.75 |
| WCN | 13-Mar | $0.39 | $50.29 |
| TOU | 21-Mar | $0.50 | $100.00 |
| BAM | 28-Mar | $0.51 | $56.48 |
| BN | 28-Mar | $0.11 | $47.74 |
| CCL.B | 28-Mar | $0.29 | $58.00 |
| CNR | 28-Mar | $0.85 | $126.75 |
| TOI | 28-Mar | $2.27 | $240.53 |
| TOU | 28-Mar | $0.30 | $60.00 |
| **Total** | | | **$968.54** |

## *Appendix 2: Account Activity (Continued)*

### Dividend Summary

| April, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| CNQ | 05-Apr-23 | $0.90 | $360.90 |
| ABT | 06-Apr-23 | $0.14 | $60.20 |
| CSU | 14-Apr-23 | $1.35 | $18.87 |
| AMT | 28-Apr-23 | $1.56 | $82.33 |
| T | 03-Apr-23 | $0.35 | $322.36 |
| TMO | 14-Apr-23 | $0.35 | $8.06 |
| **Total** | | | **$852.72** |

| May, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| TOU | 19-May-23 | $1.50 | $300.00 |
| WCN | 24-May-23 | $0.34 | $44.34 |
| JPM | 01-May-23 | $1.00 | $194.10 |
| EPD | 12-May-23 | $0.49 | $246.09 |
| ALLY | 12-May-23 | $0.30 | $150.67 |
| AAPL | 15-May-23 | $0.24 | $50.17 |
| COST | 18-May-23 | $1.02 | $76.15 |
| RY | 24-May-23 | $1.32 | $283.93 |
| **Total** | | | **$1,345.44** |

| June, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| ENB | 01-Jun-23 | $0.89 | $221.88 |
| BEP | 30-Jun-23 | $0.46 | $107.89 |
| BAM | 30-Jun-23 | $0.42 | $46.46 |
| BN | 30-Jun-23 | $0.09 | $40.93 |
| CCL.B | 30-Jun-23 | $0.27 | $53.00 |
| CN | 30-Jun-23 | $0.79 | $118.50 |
| TOU | 30-Jun-23 | $0.26 | $52.00 |
| V | 01-Jun-23 | $0.45 | $27.16 |
| ZTS | 01-Jun-23 | $0.38 | $30.31 |
| MSFT | 08-Jun-23 | $0.68 | $75.66 |
| CTAS | 15-Jun-23 | $1.15 | $65.50 |
| NEE | 15-Jun-23 | $0.47 | $143.67 |
| LIN | 16-Jun-23 | $1.28 | $59.12 |
| **Total** | | | **$1,042.08** |

| July, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| T | 04-Jul-23 | $0.36 | $331.60 |
| CNQ | 05-Jul-23 | $0.90 | $360.90 |
| AMT | 10-Jul-23 | $1.57 | $80.92 |
| CSU | 11-Jul-23 | $1.32 | $18.54 |
| TMO | 14-Jul-23 | $0.35 | $7.85 |
| ATD | 21-Jul-23 | $0.14 | $60.20 |
| JPM | 31-Jul-23 | $1.00 | $188.62 |
| **Total** | | | **$1,048.63** |

| August, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| EPD | 14-Aug-23 | $0.50 | $244.02 |
| ALLY | 15-Aug-23 | $0.30 | $146.41 |
| AAPL | 17-Aug-23 | $0.24 | $48.75 |
| TOU | 22-Aug-23 | $1.00 | $200.00 |
| RY | 24-Aug-23 | $1.35 | $281.58 |
| WCN | 30-Aug-23 | $0.34 | $44.81 |
| **Total** | | | **$965.58** |

| September, 2023 | | | |
|---|---|---|---|
| **Equity** | **Date** | **DPS** | **Credit (CAD)** |
| ENB | 01-Sep-23 | $0.89 | $221.88 |
| V | 01-Sep-23 | $0.45 | $29.68 |
| ZTS | 01-Sep-23 | $0.38 | $30.18 |
| COSR | 08-Sep-23 | $1.02 | $74.00 |
| MSFT | 14-Sep-23 | $0.68 | $75.34 |
| CTAS | 15-Sep-23 | $1.35 | $76.57 |
| NEE | 15-Sep-23 | $0.47 | $143.06 |
| LIN | 19-Sep-23 | $1.28 | $58.87 |
| ATD | 29-Sep-23 | $0.14 | $60.20 |
| BEP | 29-Sep-23 | $0.46 | $107.32 |
| BAM | 29-Sep-23 | $0.43 | $47.61 |
| BN | 29-Sep-23 | $0.09 | $41.94 |
| CCL.B | 29-Sep-23 | $0.27 | $53.00 |
| CNR | 29-Sep-23 | $0.79 | $118.50 |
| TOU | 29-Sep-23 | $0.26 | $52.00 |
| **Total** | | | **$1,190.16** |

| CPMT Holdings - March 31, 2024 | Market Cap | Conviction | Position Size | | | Target Price | | | Currency | Stock Price | Total Return | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Current | Target | Difference | Prior | | Current | | | QTD | TTM |
| **Financials** | | | | | | | | | | | | |
| Brookefield Asset Management | Large | 0 | 0.79% | 0.00% | (0.79%) | N/A | ▬ | N/A | CAD | $56.90 | 6.91% | 28.53% |
| Brookfield Corporation | Large | 2 | 3.16% | 4.00% | 0.84% | $60.00 | ▬ | $60.00 | CAD | $56.68 | 6.64% | 28.73% |
| JPMorgan Chase & Co. | Large | 2 | 4.87% | 4.00% | (0.87%) | $128.00 | ▲ | $208.00 | USD | $199.70 | 20.74% | 53.84% |
| Royal Bank of Canada | Large | 2 | 3.69% | 4.00% | 0.31% | $132.00 | ▲ | $143.00 | USD | $100.58 | 2.28% | 5.63% |
| **Information Technology** | | | | | | | | | | | | |
| Adobe Inc. | Large | 1 | 1.69% | 2.00% | 0.31% | $378.00 | ▬ | $378.00 | USD | $503.08 | (13.28%) | 31.05% |
| Apple Inc. | Large | 2 | 4.26% | 4.00% | (0.26%) | $165.00 | ▬ | $165.00 | USD | $170.96 | (8.67%) | 4.08% |
| Constellation Software Inc. | Large | 2 | 6.08% | 4.00% | (2.08%) | $3,075.00 | ▬ | $3,075.00 | CAD | $3,700.00 | 12.62% | 45.62% |
| Microsoft Corporation | Large | 2 | 6.11% | 4.00% | (2.11%) | $287.00 | ▬ | $287.00 | USD | $419.46 | 14.72% | 46.05% |
| Topicus.com Inc. | Mid | 1 | 1.58% | 2.00% | 0.42% | $92.00 | ▬ | $92.00 | CAD | $121.34 | 35.97% | 25.64% |
| Visa Inc. | Large | 1 | 2.40% | 2.00% | (0.40%) | $240.00 | ▬ | $240.00 | USD | $278.24 | 9.91% | 23.88% |
| **Materials** | | | | | | | | | | | | |
| CCL Industries inc. | Large | 1 | 1.77% | 2.00% | 0.23% | $79.00 | ▬ | $79.00 | CAD | $69.23 | 16.18% | 3.11% |
| Linde PLC | Large | 1 | 2.78% | 2.00% | (0.78%) | $313.00 | ▲ | $415.00 | USD | $462.93 | 15.92% | 30.74% |
| **Energy** | | | | | | | | | | | | |
| Canadian Natural Resources Limited | Large | 2 | 4.48% | 4.00% | (0.48%) | $84.00 | ▬ | $84.00 | CAD | $103.33 | 19.03% | 38.16% |
| Enbridge inc. | Large | 1 | 1.50% | 2.00% | 0.50% | $53.00 | ▬ | $53.00 | CAD | $48.95 | 2.62% | (5.01%) |
| Enterprise Products Partners LP | Large | 1 | 1.81% | 2.00% | 0.19% | $30.00 | ▬ | $30.00 | USD | $29.09 | 13.55% | 8.90% |
| Tourmaline Oil Corp. | Large | 1 | 1.49% | 2.00% | 0.51% | $80.00 | ▬ | $80.00 | CAD | $63.33 | 6.28% | 12.45% |
| **Consumer Discretionary** | | | | | | | | | | | | |
| Aritzia Inc. | Mid | 2 | 3.02% | 4.00% | 0.98% | $45.00 | ▬ | $45.00 | CAD | $37.40 | 36.00% | (13.77%) |
| **Consumer Staples** | | | | | | | | | | | | |
| Alimentation Couche-Tard Inc | Large | 2 | 4.18% | 4.00% | (0.18%) | $70.00 | ▬ | $70.00 | CAD | $77.31 | (0.92%) | 13.77% |
| Costco Wholesale Corporation | Large | 3 | 6.48% | 6.00% | (0.48%) | $610.00 | ▬ | $610.00 | USD | $730.43 | 13.81% | 47.57% |
| Darling Ingredients Inc. | Mid | 0 | 0.00% | 0.00% | 0.00% | $97.00 | ▼ | $60.00 | USD | $46.37 | (4.31%) | (20.29%) |
| Dollarama Inc. | Large | 1 | 1.94% | 2.00% | 0.06% | $111.00 | ▬ | $111.00 | CAD | $103.19 | 8.06% | 4.97% |
| Hershey Company | Large | 1 | 1.85% | 2.00% | 0.15% | $275.00 | ▬ | $275.00 | USD | $193.92 | 6.97% | 1.24% |
| **Telecommunications** | | | | | | | | | | | | |
| Alphabet Inc. | Large | 2 | 4.11% | 4.00% | (0.11%) | $111.00 | ▬ | $111.00 | USD | $150.48 | 10.79% | 45.62% |
| Telus Corporation | Large | 0 | 0.00% | 0.00% | 0.00% | $34.00 | ▼ | $22.00 | USD | $16.01 | (10.01%) | (19.39%) |
| **Healthcare** | | | | | | | | | | | | |
| McKesson Corporation | Large | 2 | 4.48% | 4.00% | (0.48%) | $508.00 | ▬ | $508.00 | USD | $535.24 | 18.90% | 22.22% |
| Thermo Fisher Scientific Inc. | Large | 1 | 1.68% | 2.00% | 0.32% | $570.00 | ▬ | $570.00 | USD | $579.46 | 12.28% | 0.92% |
| Zoetis Inc. | Large | 1 | 1.76% | 2.00% | 0.24% | $153.00 | ▬ | $153.00 | USD | $168.70 | (12.09%) | 1.75% |
| **Industrials** | | | | | | | | | | | | |
| Canadian National Railway Company | Large | 2 | 3.36% | 4.00% | 0.64% | $163.00 | ▬ | $163.00 | CAD | $178.37 | 7.10% | 11.85% |
| Canadian Pacific Kansas City | Large | 1 | 2.21% | 2.00% | (0.21%) | $120.00 | ▬ | $120.00 | CAD | $119.43 | 13.92% | 19.39% |
| Cintas Corporation | Large | 2 | 5.03% | 4.00% | (1.03%) | $532.00 | ▬ | $532.00 | USD | $684.97 | 16.89% | 48.61% |
| Waste Connections, Inc. | Large | 2 | 3.80% | 4.00% | 0.20% | $124.00 | ▬ | $124.00 | CAD | $232.87 | 17.69% | 23.80% |
| **Real Estate** | | | | | | | | | | | | |
| Prologis Inc. | Large | 1 | 1.95% | 2.00% | 0.05% | $131.00 | ▬ | $131.00 | USD | $176.04 | 5.34% | 5.34% |
| **Utilities** | | | | | | | | | | | | |
| NextEra Energy, Inc. | Large | 2 | 3.77% | 4.00% | 0.23% | $75.00 | ▬ | $75.00 | USD | $63.72 | 7.89% | (17.02%) |