



Calgary Portfolio Management Trust

2021-2022 Primer



UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

Preface

The Calgary Portfolio Management Trust (CPMT) has put together a Primer to help you better understand the program and prepare you for your interview. A CPMT interview typically consists of:

- Behavioral questions – to gauge your teamwork and leadership skills;
- Technical questions – to measure your knowledge of finance;
- Questions regarding your knowledge of and interest in capital markets and the CPMT specifically;
- A stock pitch – to highlight your thought process in making a stock pick.

It is recommended that you read and understand the information given to you in this Primer to maximize your chances for a successful CPMT interview. You are also encouraged to seek out your own understanding of investment management beyond this Primer.

Introduction and the History of the Program

The Calgary Portfolio Management Trust (CPMT) is a program designed to develop essential skills in high-achieving students who demonstrate an interest in finance. Established in 1995 as a joint venture between the University of Calgary and the CFA Society of Calgary, CPMT offers students first-hand experience in investment management and portfolio analysis. The program selects a group of students each year to manage a real-money fund, with potential for class credit as a FNCE option for those who are interested. While CPMT traditionally promotes itself to finance students, the program is open to students from all faculties, provided they demonstrate the necessary skillset along with a willingness to learn and contribute throughout the program.

Students in the program work collaboratively in teams of Portfolio Managers and Investment Analysts, with additional support and analysis being provided by Fund Analysts. The group works very closely with all members understanding the expectation to help one another or offer support when needed. As a group comprised of top students, incoming members can expect a productive environment where high-quality deliverables are a necessity.

As part of the program, students are given several opportunities to develop an invaluable network consisting of professors, CPMT alumni, and industry leaders across the globe. Students are exposed to industry professionals such as portfolio managers, traders, and investment bankers who are generous enough to make themselves available to CPMT members.

Ultimately, past and present CPMT members pride themselves on having contributed to a legacy of excellence and growth over the course of CPMT's existence. Students have worked intensely over the past 25 years to bring the Fund to where it is today and they remain invested in its growth moving forward. Upon graduation from the CPMT program, you will join a large network of CPMT alumni that can be found across a variety of industries in Calgary, Toronto, New York, London, and many other cities. We wish you the best of luck in your application, and hope that you have the chance to enjoy the benefits that CPMT has to offer while contributing to the future development of the Fund.

CPMT Requirements and Commitment

What positions are available with CPMT?

The CPMT program consists of three different positions: Portfolio Managers (PMs), Investment Analysts (IAs), and Fund Analysts (FAs). The PMs are the management team of the program and are appointed by the Board of Trustees (Board) to handle strategic direction, new stock selection, and existing stock re-evaluation. A PM is typically in his or her 4th or 5th year of undergraduate studies or 2nd year of MBA studies. IAs are typically 2nd or 3rd year undergraduate students who provide support to the PMs. Once IAs are selected to the program, they are paired with a PM in a mentor-mentee partnership. The PM provides guidance and advice while the IAs offer support to the PMs. Finally, the FAs track the Fund's performance, analyze its sector exposure, measure risk, and monitor compliance with the Charter of Investment Policies and Procedures. The FA role is currently shared among Investment Analysts in the program.

How do Investment Analysts become Portfolio Managers?

Every year, PMs meet with the Board to evaluate the IAs' performance over the past year. Based on the PMs' feedback and assessment by the Board, an offer may be extended to the selected IA to step into a PM role for the following year.

How does CPMT make its recruiting selections?

CPMT recruiting is conducted based on the program's needs. The goal is to replace graduating PMs with the IAs that are in the program and recruit additional IAs as needed. Students are usually selected to join the program as IAs in March.

How often do students in the program meet?

The students in the CPMT program have two meetings per week, and additionally often go to a Speaker Series once a week. Early in the quarter, weekly portfolio meetings tend to be focused on identifying and brainstorming investment ideas. Later meetings are focused on preparing specifics for the upcoming presentation and report. Meetings are led by each different PM/IA pairing on a rotational basis and focus on several topics. Meeting topics can include new security selection presentations by the PMs, the re-evaluation of existing holdings, and macroeconomic and industry updates. During the rest of the week, PM/IA pairings are in close contact, working together to prepare stock selections reports, analyzing current holdings, and keeping updated for weekly sector reports.

What is the level of responsibility within CPMT?

CPMT students work year-round identifying potential investment opportunities, evaluating current stock picks, and keeping up-to-date with macroeconomic news. At the beginning of each quarter, PMs and IAs work together to identify potential investment opportunities that meet the Fund's investment criteria. Leading up to each quarterly presentation, new stock reports are prepared that provide an in-depth analysis of each potential opportunity. At quarterly presentations, new stocks are pitched to the CPMT Board and the status and outlook for existing holdings are presented in detail. In addition, weekly sector updates are prepared by the Fund that outline news

and events for each industry. Each PM/IA pairing is responsible for providing monthly sector updates regarding the sector(s) and companies that each pair follows, and FAs prepare a weekly discussion on the Fund's performance relative to the index. In order to effectively manage the Fund, CPMT students are expected to remain aware of current events and news in the world of business and finance, with a particular emphasis on each student's respective sectors. While most full-time students are in school from September until April, management of the CPMT Fund is a year-round process that requires commitment and attention during the summer months. One quarterly report per year is prepared during the summer, which has the same format and expectations as the other three quarterlies.

What is the CPMT Speaker Series?

The CPMT Speaker Series is an opportunity to connect with professionals across several financial industries. It presents learning and networking opportunities for members of the program. These weekly meetings are often hosted by CPMT alumni and supporters of the program either downtown or on campus where speakers discuss a variety of topics relating to the finance industry and their careers. It is an expectation that all students will attend the weekly Speaker Series session as these meetings are one of the most valuable benefits to being a part of the program.

What are CPMT presentations like?

CPMT students are responsible for making quarterly presentations to the Board. These presentations are led by the PMs and are accompanied by a report on the performance of the Fund's holdings, the CPMT students' macroeconomic outlook going forward, and new stock selections that are pitched. Each presentation is followed by a question and answer period where the Board challenges each pick to test the strength of the selections. The April presentation is the program's fiscal year-end where students present an annual report. This is similar to a quarterly report, but offers greater depth and additional subject matter, as it summarizes the previous year's activities in addition to the stock picks and analysis done.

What is the role of an Investment Analyst?

IAs play key roles in determining which firms in an industry hold competitive advantages and why these advantages exist. While researching companies and industries, IAs will become adept at reading and interpreting company financial statements, circulars, and press releases in order to draw conclusions. The financial analysis and modeling that IAs perform is often the foundation of the analysis presented in security selections and quarterly reports. IAs do much of the formatting for the reports and presentations, ensuring that each piece of CPMT material is presented in a consistent and aesthetic manner. Perhaps the most valuable experience that IAs take from the program is the ability to work directly with a more experienced PM, receiving firsthand coaching and exposure in the process of selecting securities. Within each PM/IA pairing, the IA handles a large part of the research and analysis involved in each stock pick, which allows IAs to gain valuable exposure to financial analysis and security selection process. During the process of preparing an investment thesis for a company, IAs also become familiar with different valuation methods. Other areas that IAs become familiar with include insider ownership, management history, experience and track record, board structure, the health and risk of the balance sheet, and the sustainability of cash flows and dividends, to name a few.

December 31, 2019

Jane Doe, Portfolio Manager
John Doe, Investment Analyst

Return on Investment

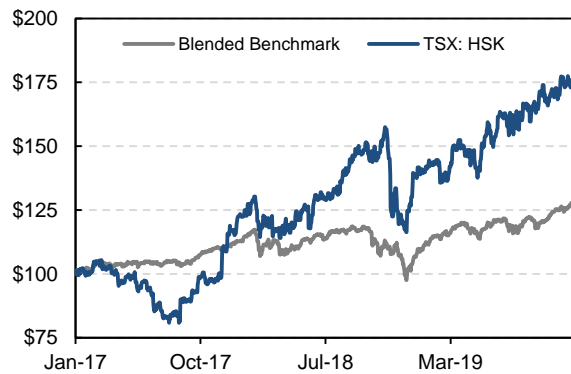
Current Share Price	\$116.42
Target Price	\$135.00
Dividend Yield	0.86%
Holding Period Return	17%
Conviction Rating	2

Market Profile

52-Week Range	\$88.31 - \$122.62
Market Capitalization (mm)	\$41,781
Net Debt (mm)	\$2,331
Enterprise Value (mm)	\$44,112
Beta (5-Year Monthly)	0.87

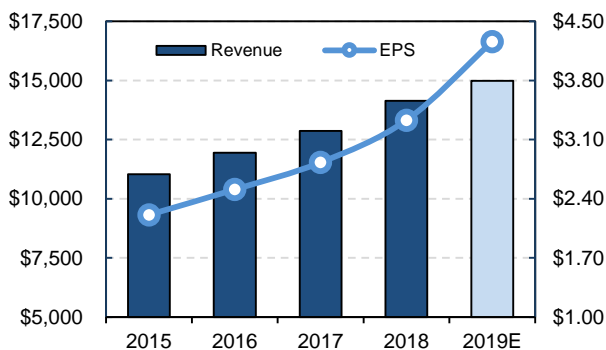
Metrics	2019E	2020E	2021E
Revenue (mm)	\$14,983	\$15,987	\$16,999
EBITDA (mm)	\$2,371	\$2,503	\$2,689
EPS	\$4.26	\$4.57	\$5.01
EV/EBITDA	17.1x	15.9x	14.7x

Holding Period Trading Performance (Indexed to \$100)



Source: Bloomberg

Figure 1: Revenue (mm) & EPS



Source: Company Filings

Elements to a Successful Research Report

The goal of a research report is to issue an investment recommendation on an equity using data-driven evidence. Although every research report is unique to the company, it is extremely important to include the fundamental elements needed to support an investment thesis. This includes the business description, investment summary, industry overview, valuation, assessment of management, and risks.

Investment Summary/Thesis and Catalysts

The investment summary sets up the framework for the entire report. This section should highlight the recommended investment action with the target price. This should be supported by the inclusion of a brief description of the company, significant events, catalysts, an earnings forecast, and a valuation summary.

Business Description

This section should include a detailed description of the company and its products and services. It should also give readers a clear understanding of the company's economics, including a discussion of the key drivers of revenues and expenses. Much of this information can be sourced from the company itself and via its regulatory filings, as well as industry publications.

Management and Governance

This section should evaluate the firm's management and Board of Directors. Some of the key aspects of a strong management team include its history, record of capital allocation, insider ownership, and compensation & incentive plans that are indexed to the financial performance of the corporation.

Financial Analysis and Valuation

The Financial Analysis/Valuation section discusses the process used to arrive at the target price. One of the keys to successful investments, as stated in the CPMT Charter, is to target companies that have a healthy balance sheet, low debt, and growing free cash flows. This is supported by the target price, which is derived from the valuation. Valuations are generally determined through fundamental or relative analysis. The fundamental value derived from a Discounted Cash Flow (DCF) analysis represents the value of the firm based on internal financial forecasts. The relative value predicts a stock's value based on comparable peers and their equivalent metrics. As DCF outputs can vary based on different assumptions, more than one valuation model should be used to support the investment thesis.

Investment Risks

Every stock that trades in the public markets is exposed to financial, operational, or legal risks. Risks vary depending on macroeconomics conditions such as economics, commodity prices, government regulations, or company specific risks such as loss of management or the threat of competing technology. Again, this section will be very unique to the company being pitched. Company risks can usually be found in the company's MD&A (Management Discussion & Analysis), Annual Information Form, Prospectus, or Annual Report.

Portfolio Management

What is portfolio management?

Portfolio management is the art and science of determining the investment mix, investment policy, matching investments to objectives, asset allocation, and balancing risk against performance for a specific portfolio of securities.

What are the basic portfolio management styles?

Portfolios can be actively or passively managed. Passively managed portfolios consist of securities that are not actively traded and look to replicate their relative benchmark index. Active management involves taking an active role in selecting and monitoring companies in which to invest. Investment style can also be defined by the duration that an investor intends to hold a stock, referred to as the investment horizon. For example, value investing strategies look to hold quality companies in a portfolio for a longer horizon and are less concerned with day-to-day volatility.

What is the difference between value investing, momentum investing, growth investing, and GARP investing?

Value investing is a strategy of selecting stocks that trade for less than their intrinsic values. This approach critically assesses the company's management team, identifies its competitive advantage, and evaluates the strength of its business model. Value investors believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's long-term fundamentals. This allows these investors to purchase stocks in these companies at relatively lower prices.

Momentum investing selects stocks based off the recent momentum of a particular stock's price. Momentum investors seek to purchase stocks that have shown a recent upward price trend. The idea is that once a trend is established, it is more likely that the trend will continue as opposed to reversing. Gains are captured by correctly identifying stocks that the market continues to drive upward thus providing price support.

Growth investing is a strategy where stocks are selected when investors believe they will experience faster than average growth. Like value investors, growth investors carefully assess the way that a company manages its business. For example, growth companies are more likely to reinvest profits in expansionary projects rather than paying dividends. This strategy presents greater risk than value investing as these stocks outperform the market during a period of rising stock prices, but fare worse than the market during periods of falling stock prices.

The **Growth at a Reasonable Price (GARP)** approach is a combination of both value and growth investing. It is a method of stock selection where companies are identified that are somewhat undervalued and have solid sustainable growth potential. GARP investors look to identify companies that are neither purely value nor purely growth. While valuing growth, investors are skeptical of extremely high growth companies and instead look for safer and more conservative earnings growth.

What is top-down analysis?

Top-down analysis is a method of security analysis that involves selecting a particular sector in which to invest based on macroeconomic factors, market conditions, trend forecasts, and fundamentals of the sector. It then analyzes the companies within the chosen sector. This strategy's goal is to increase exposure to companies within a particular sector that is believed will outperform the market.

What is bottom-up analysis?

Bottom-up analysis is a method of security analysis through which companies are screened based on a pre-determined set of parameters. The goal is to find companies that are most likely to outperform the market based on relative metrics such as return on equity, return on invested capital, and business growth. It does not emphasize the significance of economic and market cycles and instead focuses on analyzing individual companies to find relatively strong securities.

What is technical analysis?

Technical analysis is a method of assessing securities in using statistics generated by market activity, such as past prices and trading volumes. Technical analysis does not attempt to measure a security's intrinsic value, but uses tools in order to identify patterns that help estimate future activity. Similar to momentum investors, technical analysts believe that the historical performance of stocks is indicative of their future performance. Technical analysts typically look at several different statistics that they believe may indicate when a downward trend may reverse or how long an upward trend will continue. CPMT does not use technical analysis, as it chooses to focus on fundamental analysis in performing security analysis.

What is fundamental analysis?

Fundamental analysis is a method of security analysis that attempts to measure the company's intrinsic value. This strategy attempts to do so by examining both qualitative and quantitative factors. Fundamental analysis is focused on the identification of the internal and external drivers of revenue and profitability. It uses these drivers to analyze companies' future growth in order to assess the intrinsic value of firm.

Technical Interview Questions

What is enterprise value?

Enterprise value is the total value of the firm including all stakeholders.

Enterprise value = Market Value Equity + debt + minority interest + preferred shares – cash

What is the difference between enterprise value and equity value?

Market value of equity (MVE) is the value of the firm that is available to shareholders; it is a product of shares outstanding and share price. Enterprise value is the total value of the firm and includes debt. MVE is the value of a company as seen by shareholders, while enterprise value is the theoretical price of the company in the eyes of an acquirer looking to purchase the whole business.

What is the difference between shares outstanding and fully diluted shares outstanding?

Shares outstanding are the actual shares the company has sold that are currently in the market. Fully diluted shares include outstanding shares plus any securities that have the potential to be converted into additional shares in the future. This can include call options, warrants, stock options, and convertible bonds.

What is the Capital Asset Pricing Model?

The Capital Asset Pricing Model (CAPM) shows the relationship between risk and expected returns. It is comprised of three components: 1) risk-free rate, 2) market risk premium, and 3) beta. The risk-free rate is the rate of return for investments that are said to contain zero risk of default. The market risk premium shows the excess return expected by investing in the market compared to risk-free rate, given the risk of investing in the market. Beta is the measure of the systematic risk of the security compared to the market. The CAPM can be used to calculate a firm's required cost of equity.

Capital Asset Pricing Model:

$$r_e = r_f + \beta_e * (r_m - r_f)$$

What is the Weighted Average Cost of Capital?

The weighted average cost of capital (WACC) is a calculation of a firm's costs of capital that is often used in a discounted cash flow model to present value the cash flows. WACC is dependent on the company's capital structure where each source of capital, such as stocks and bonds, are proportionately weighted. The WACC is comprised of three components: 1) cost of equity, 2) cost of debt, and 3) cost of preferred equity.

$$WACC = r_e * \left(\frac{E}{E+D+P}\right) + r_d * \left(\frac{D}{E+D+P}\right) * (1 - T_c) + r_p * \left(\frac{P}{E+D+P}\right)$$

What are three of the most common methods of valuing a company?

The three most common valuation methods are comparable companies analysis (relative), precedent transaction analysis (relative), and DCF valuation (intrinsic).

What is involved in each of these methods?

Comparable companies analysis requires analysts to determine a peer group for the firm being valued and apply an average trading multiple to the firm's forecasted metrics.

Peers are chosen based on a number of criteria including industry, business model, size, geography, and other relevant factors. Trading multiples are then selected based on key metrics within the specific industry and an average is applied to the firm's metrics as seen below.

Peer Group Analysis	P/E	EPS	P/BV	BVPS	EV/EBITDA	EBITDA
Comparable A	19.1x	6.2x	2.5x	45.6x	10.5x	396.4
Comparable B	30.8x	3.0x	3.7x	24.7x	12.0x	267.5
Comparable C	24.6x	4.3x	5.6x	17.9x	12.0x	734.5
Comparable D	18.7x	8.1x	1.8x	77.4x	11.8x	1487.4
Comparable E	16.9x	1.9x	1.0x	29.5x	7.8x	235.1
Median	22.0x	4.7x	2.9x	39.0x	10.8x	624.2

From here, the median (average) for each multiple are applied in order to determine an implied value. For example, assume that a company's book value per share is \$10. Using the P/BV multiple of its peers, the company's estimated share price would be \$29.20 ($\$10 \times 2.92 = \29.20).

Precedent transactions determines a target multiple based on realized multiples of prior transactions involving similar companies. This is done by analyzing prior transactions, determining the multiples at which each transaction was conducted, and determining the average in order to apply a target multiple. This average can then be applied to the company being analyzed in order to determine a value. A precedent transaction analysis typically returns a higher valuation than a comparable companies analysis because shareholders are often paid a premium on the stock price at the time of sale.

Discounted Cash Flow (DCF) valuations estimate a company's value by predicting future cash flows and discounting them to a present value. This involves creating a model that forecasts how much free cash flow the company will generate in the future. To do so effectively, one needs to analyze historical financial data, determine the drivers of future cash flow growth, and then forecast future cash flows. A DCF analysis is typically comprised of two components: a short-term (5 year) forecast and a terminal value. The free cash flows from these two components are then discounted at the appropriate cost of capital (see WACC) to provide a present value for the firm.

Analysts need to perform in-depth research of the company and determine reasonable assumptions in order to construct a strong DCF. The majority of the value comes from assumptions that can accurately forecast market conditions, firm growth, and total value.

Walk me through a DCF

There are six key steps in conducting a DCF analysis:

1. Forecast the firm's free cash flows over a relevant period.
 - a. Use a combination of the firm's historical growth, seasonality, operations, expected demand, market conditions, and other external factors in order to make key assumptions about the firm's future growth.
2. Discount cash flows back to the present day using an appropriate discount rate
3. Calculate the company's terminal value and calculate its present value
 - a. Use either the Gordon Growth Model of perpetual growth or an exit multiple in order to arrive at a terminal value. Exit multiples can be determined using industry averages and/or precedent transactions.
4. Find the firm's enterprise value by summing the discounted cash flows
5. Subtract net debt from enterprise value to arrive at an equity value
6. Divide equity value by the number of shares outstanding to get a theoretical share price

Buy Side vs. Sell Side – What’s the Difference?

Buy Side

The “buy-side” of the industry corresponds to firms that purchase and invest in securities for the purpose of profit or fund management. These are usually firms with capital that are looking to buy assets or whole companies to earn a sufficient return on investment and grow their assets under management (AUM). Individuals working in the buy-side have numerous responsibilities, but mainly aim to grow their AUM, manage clients’ money, make investment decisions, and/or find investors and raise capital to manage through various types of funds. The universe of firms within the buy-side includes mutual funds and ETFs, hedge funds, private equity firms, pensions funds and many other large institutional investor bases.

Sell-Side

The sell-side of the industry corresponds to firms in the market that issue, sell, or trade securities, assets, and companies to the public markets. It mostly consists of banks and other advisory firms that facilitate the selling of securities on behalf of their clients. Sell-side firms act in an advisory role to corporate clients including facilitating the raising of capital such as debt and equity, advising on potential mergers and acquisitions, marketing and selling securities while creating liquidity in the market, as well, provides equity research coverage of their client base for institutional and retail investors.



Fund Analysis and Compliance

What is the role of the Fund Analysts?

The role of the FA may be summarized as the watchman of the Fund with respect to performance, diversification, and compliance with the Charter of Investment Policies and Procedures (CIPP). FAs understand the Fund deeply, and the position provides an excellent opportunity to learn about portfolio management, auditing, along with exposure to the high standards that the finance industry expects. The intent of the FA role is to improve the flow of information between the Board, stakeholders, PMs, and IAs. Understanding the CIPP fully is the first responsibility of a FA. The CIPP outlines the types of investments the PMs can purchase, diversification requirements of the portfolio, and the required content in each Quarterly and Annual report.

What is the portfolio's objective?

The objective of the Fund is long-term growth through investment in Canadian securities. This is accomplished by investing in companies that demonstrate quality management, competitive advantages, a strong balance sheet, and growing free cash flow. . The return of the Fund is evaluated on the following measures:

- Absolute return of 7% annually, gross of all fees;
- Relative returns – Outperform the returns of the S&P/TSX Composite Total Return Index by 100 basis points;
- Exceed the 50th percentile of professionally managed Canadian Equity funds that are similar in investment style;
- Risk adjusted returns – the Fund is expected to meet the aforementioned performance requirements with the lowest possible risk, measured by standard deviation, across the whole portfolio.

What financial instruments can the Fund purchase?

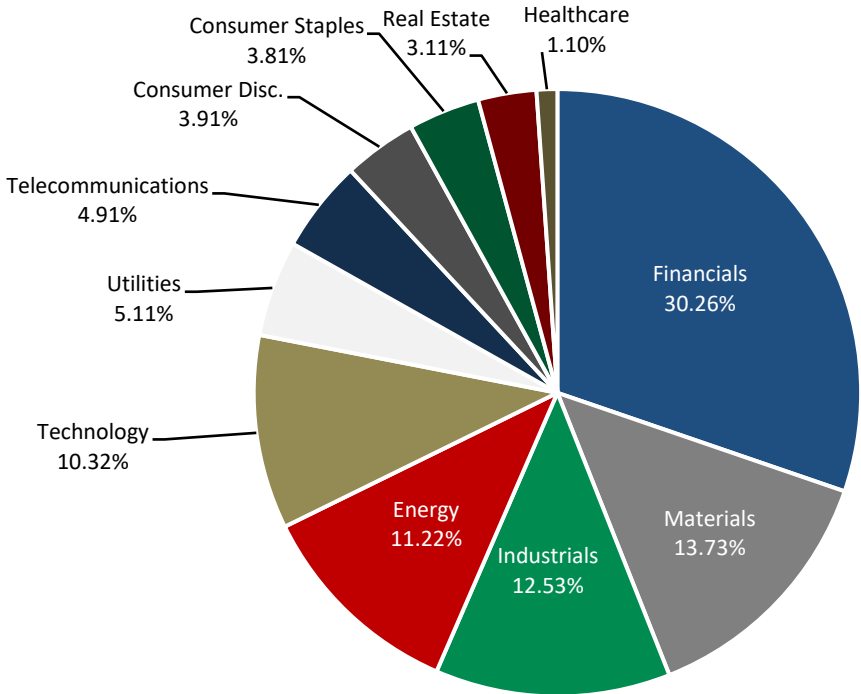
The Fund can invest in common shares of Canadian or American companies traded on the TSX, TSX-V, NYSE, or the NASDAQ, guaranteed investment contracts, exchange traded funds (ETF's), real estate investment trust units (REITs), and mutual funds. The Fund may not short sell any asset, as it conflicts with the goals of the Fund and investment criteria set forth in the CIPP.

What asset diversification requirements must be met in the portfolio?

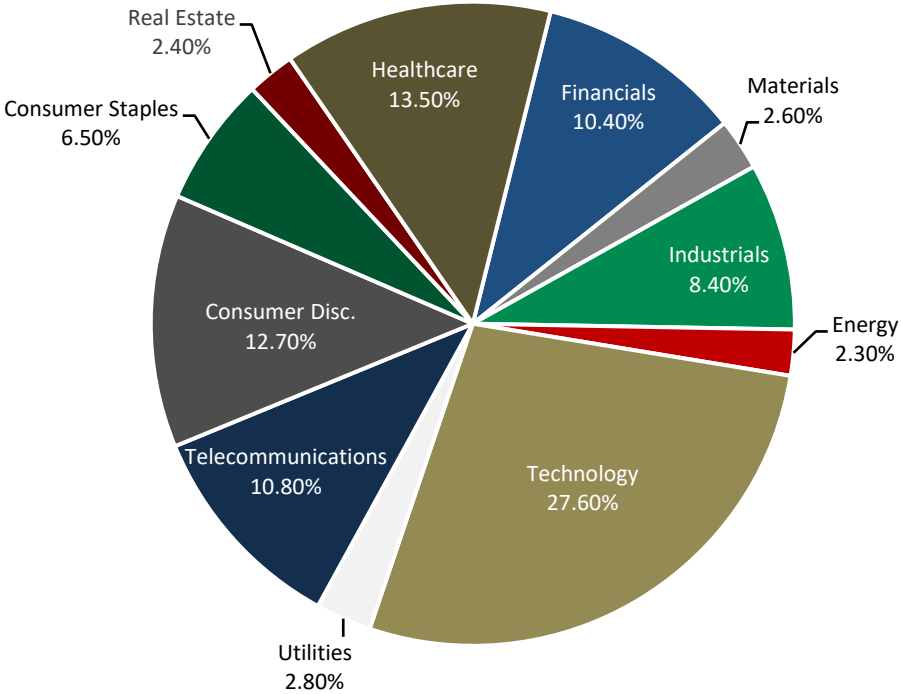
The portfolio's asset mix policy requires that a minimum of 60% of its total assets be invested in mid and large-cap equities (\$1 billion or more). Consequently, small-cap equities (\$100 million to \$1 billion), may only make up a maximum of 40% of the portfolio's total value.

On a more granular level, a single equity holding cannot exceed 7% of the portfolio's total value. The portfolio must also be invested in at least 7 of the 10 S&P/TSX sector groups. The maximum weight for any industry group within the portfolio's holdings must be no more than 40% of the portfolio's total value, or 300% of the sector's weight in the TSX, whichever is less.

What are the sector weights of the S&P/TSX?



What are the sector weights of the S&P 500?



Data as of January 17th, 2021

How does the portfolio become overweight in a sector and what must be done about it?

The portfolio may become overweight in a sector if a sector's securities grow enough in value or if securities are bought or sold. Alternatively, holdings that belong to other sectors may shrink in value, while the others remain constant, affecting the relative weight of the sector within the entire portfolio.

The FAs must inform PMs if a particular sector or holding exceeds the maximum allowable weight as stated in the CIPP. The PMs then must contact the Faculty Supervisor and inform him of a sell order. The Fund Analyst will need to help calculate how much of the holding must be sold, keeping in mind the implications of any sales.

What is the difference between the S&P/TSX Composite Total Return Index and the S&P/TSX?

The difference between the two is that the Total Returns Index accounts for reinvestment of all dividends received from the underlying equities, while the S&P/TSX does not. Essentially, the Total Returns Index shows the compounded growth of the S&P/TSX Index. The CPMT measures against the Total Returns Index as cash received from dividends is reinvested.

What are time-weighted returns?

Time-weighted returns account for any cash inflows or outflows, such as donations (or withdrawals), into a portfolio when evaluating performance. The necessity of time-weighted returns is best illustrated in an example. A portfolio has \$1,000 in its assets under management (AUM) and grows 5% over one month to \$1,050. Now, suppose afterwards \$100 is added to its AUM from a new client and the new funds are not yet reinvested. At the end of the month, the portfolio's total AUM is \$1,203, a growth of 14.5% in one month. The \$100 in new funds boosted the AUM growth for the month, though the equities that the original \$1,000 were invested in may have only grown by another 5%. Time-weighted returns resolve this inaccuracy by weighting the new funds against when they were added to the AUM. The return calculation subtracts the new funds from the AUM at the end of month and then time-weights the new funds to the AUM at the beginning of the month. Formulae and guidelines explaining in detail how time-weighted returns are calculated can be found in most CFA Level I guides.

What risk measurement ratios and metrics are commonly used to evaluate portfolios?

The most common risk measures used in portfolio management include the Sharpe ratio, Treynor ratio, and Beta. The Sharpe and Treynor ratios produce a measurement of the portfolio's returns relative to the risk it undertook to achieve that return. The Sharpe ratio examines the risk/volatility of the equities in the portfolio against the returns achieved, whereas the Treynor ratio measures the risk of the portfolio against the market as a whole.

The Sharpe Ratio is the excess return of the portfolio above the risk-free rate

$$\bullet \text{ Sharpe Ratio} = \frac{\text{Portfolio Return} - \text{Risk Free Rate}}{\text{Portfolio Standard Deviation}}$$

The Treynor is the average excess return of the portfolio against the average risk-free rate

$$\bullet \text{ Treynor Ratio} = \frac{\text{Average Portfolio Return} - \text{Average Risk Free Rate}}{\text{Beta of a Portfolio}}$$

Beta is the regression of the portfolio's returns with the market index returns

$$\bullet \text{ Beta} = \frac{\text{Covariance of a Portfolio Returns with the Market Returns}}{\text{Variance of Market Returns}}$$

Which databases are useful for tracking the portfolio?

Bloomberg offers an excellent portfolio tracking function that can store data, track performance, measure risk, back test strategies, and a plethora of other analytical tools. This is available using the PORT and PRTU functions.

What goes into a weekly performance update?

It is the expectation that FAs will provide an update on the Fund's performance every week, summarizing any major events that took place in relation to the portfolio's holdings. It is important that the FAs monitor upcoming earnings reports or other events pertinent to the CPMT to bring to the attention of the PMs and IAs.

Concluding Remarks

What other technical skills are assets to CPMT candidates?

Learning keyboard shortcuts, formatting tools, and graphing/charting in Microsoft Excel are technical skills that would be an asset for any role in CPMT. A handle on these skills will save a considerable amount of time in preparation of reports and presentations.

Other recommendations

Any role in CPMT offers an excellent opportunity to learn about portfolio management, equity research, and capital markets, which can certainly be rewarding for anyone interested in the field. Paying close attention to the Markets and understanding the effects of macroeconomic events on the markets is an excellent way to learn more about financial management and analysis.

Another recommendation for this role is to ask questions about matters in which you are unsure. Attempt to find answers on your own, but don't be afraid to ask for help and be keen to learn. When reporting any information to the CPMT team and Board, you need to be confident in what you present. Seeking clarity and other opinions will improve the quality of your work.

We hope that you found this guide insightful for your understanding of finance, as well as a useful tool for your application to CPMT. We look forward to receiving your application and wish you the best of luck.

Glossary

Asset Allocation: The chosen investment mix. The decision of how much of the portfolio to allocate to stocks (equity), bonds, cash etc.

Investment policy or mandate: Includes the portfolio's objective, constraints, investment universe, and other parameters that dictate decision making. CPMT's investment policy is outlined in the Charter of Investment Policies & Procedures.

Investment universe: The list of securities a portfolio decides to look at when making a stock pick. It can refer to securities in a defined price range, product line, industry, country or index.

Metrics: A quantitative assessment used for measurement, comparison, or tracking performance.

Portfolio: Collection of securities including stocks, bonds, cash, and equivalents.

Securities: An umbrella term for different financial instruments you can own including stocks (ownership in the equity of a company), bonds (debt), or rights to ownership (options).

Stock Exchange: A market where securities are bought and sold.

Stock Index (Stock Market Index): A grouping of stocks in order to replicate a particular market, sector, currency, etc. It is used to track how markets are performing (i.e., S&P/TSX tracks the most widely quoted Canadian index, based on the market capitalization of large companies listed on Toronto Stock Exchange).