Calgary Portfolio Management Trust

FQ1 2025 Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2025 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 who 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 three years ago to include U.S. equities, the Fund currently sits at a 41/59 weighting between Canadian and U.S. equities. Following a volatile year in the market, the Fund aims to carry the momentum and rigour 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,

Emmanuel Fikreselassie, Portfolio Manager

Jack Demo, Portfolio Manager

Lukas Fairley, Portfolio Manager

Max Konwitschny, Portfolio Manager

Sarah Adamjee, Portfolio Manager

Sohil Agrawal, Portfolio Manager

Tara Jindal, Portfolio Manager

Class of 2025

Biographies

CPMT CLASS OF 2025

EMMANUEL FIKRESELASSIE
Portfolio Manager
6th 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. Emmanuel is currently completing an internship at 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
Portfolio Manager
4th 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. Jack is currently completing an internship with BMO Capital Markets as an Investment Banking Summer Analyst. In his free time, Jack enjoys fitness, golf, hockey and podcasts.

LUKAS FAIRLEY
Portfolio Manager
5th 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. Lukas is currently completing an internship at TD Securities as an Investment Banking Summer Analyst in its Global Energy team. Previously Lukas was a Corporate Development Summer Student at Enbridge and a Crude and Condensate Supply and Trading intern at Plains Midstream Canada. In his spare time, Lukas enjoys golf, hiking, and basketball.

MAX KONWITSCHNY
Portfolio Manager
4th 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 BMO Capital Markets as an Investment Banking Fall Analyst in the Energy group. Currently, Max is working at Inter Pipeline as a Corporate Development Summer Analyst. In his spare time, Max enjoys astronomy, espresso, and hockey.

SARAH ADAMJEE
Portfolio Manager
4th 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 Haskayne Finance Club and JDC West as a Business Strategy Delegate. Previously, Sarah completed an internship with Dream as a Financial Planning and Analysis Intern. She is currently completing an internship with National Bank Financial as an Investment Banking Summer Analyst. In her free time, Sarah enjoys fitness, listening to music, and hiking.

SOHIL AGRAWAL
Portfolio Manager
5th 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 in his final year of a Bachelor of Commerce degree in Finance, with a minor in Data Science and Certificate in Entrepreneurial Thinking. With previous experience in consulting and private equity, he is applying his skills learned through CPMT in his current role as an Investment Banking Analyst with BMO Capital Markets. 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, golf, hiking, and watching F1.

TARA JINDAL
Portfolio Manager
4th Year, Finance

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. 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. Tara has completed internships in Investment Banking, Private Equity, and is currently interning at BP as a Trading and Shipping Natural Gas intern. In summer 2025, Tara is looking forward to joining Morgan Stanley as an Investment Banking Summer Analyst. In her spare time, Tara enjoys listening to music, fitness, and playing piano.

CPMT CLASS OF 2026

CAITLIN HEGGERUD
Investment Analyst
3rd Year, Finance / Actuarial Science

Caitlin joined the CPMT in February 2024 as Investment Analyst and is excited to further develop her skills in financial modelling, portfolio management, and qualitative analysis. She is thankful for the Board of Trustees and the alumni base that continues supporting the program. Caitlin is currently working towards a dual degree in Finance and Actuarial Science. In addition to the CPMT, Caitlin has been involved in JDC West, Haskayne Commerce Undergraduate Society, and Science Ambassadors. Caitlin has previously completed an internship at Saskatchewan Government Insurance and is currently pursuing her Society of Actuaries designation. In her free time, Caitlin enjoys long distance running, camping, skiing, and graphic design.

CLAYTON LILLACE
Investment Analyst
3rd Year, Finance

Clayton joined the CPMT in February 2024 as an Investment Analyst and is looking forward to developing his knowledge in portfolio management, financial modeling, and capital markets. He would like to thank the Board of Trustees and the alumni base that continues to support the program. Clayton is currently working towards completing his degree in Finance, to build on his previous experiences gained from working in industry. Previously, he worked for eight years as a project manager in the automotive restoration industry and continues to consult part-time while finishing his degree. In addition to the CPMT, Clayton is involved with the Haskayne Finance Club. In summer 2025, Clayton will be joining TD Securities as an Investment Banking Summer Analyst in its Global Energy team. In his spare time, Clayton enjoys rock climbing, working on cars, and cooking.

CONNOR BOT
Investment Analyst
3rd Year, Finance

Connor joined the CPMT in February 2024 as an Investment Analyst. He is thankful for the work of the Board of Trustees and alumni base and their continued support of the program. Connor is looking forward to further developing his skills in equity research, financial modelling, and portfolio management. In addition to the CPMT, Connor has previously been involved with the University of Calgary Consulting Association and JDC West as an International Business delegate. Connor has previously completed an internship at PwC’s Assurance practice. In his free time, Connor enjoys weightlifting, piano, and cooking.

DYLAN WESTLAKE
Investment Analyst
4th Year, Finance

Dylan joined the CPMT in February 2024 as an Investment Analyst. He is thankful for the Board of Trustees and the alumni base that provides continued support of the program. He is excited to further develop skills in equity research, portfolio management, and financial modelling throughout his time with the program. Dylan is currently working towards completing a degree in Finance. In addition to the CPMT, Dylan has been involved with the CFA Research Challenge, the DeNovo Student Investment Fund, and JDC West. Dylan has previously completed internships in Equity Research, Accounting, and is currently interning at AGI as a Corporate Development Summer Analyst. In summer 2025, Dylan is looking forward to joining J.P. Morgan as an Investment Banking Summer Analyst. In his free time, Dylan enjoys hiking, hockey, skiing, and weightlifting.

JAMES ALTAMIRANO
Investment Analyst
3rd Year, Finance
James joined the CPMT in February 2024 as an Investment Analyst and is excited to further develop his equity research, portfolio management, and financial modelling skills during his time in the program. James is grateful for the Board of Trustees and the alumni base that provide continued support of the program. Currently, James is working towards completing a degree in Finance. Along with his role at the CPMT, James has also been involved with the DeNovo Student Investment Fund, UCalgary Racing, and has competed in multiple business case competitions. James is currently working at the McLean Family Office as an Equity Research intern. In summer 2025, James will be joining National Bank Financial as an Investment Banking Summer Analyst. In his free time, James enjoys racing shifter karts, watching F1, fishing, playing poker and reading.

JOSHUA OLSON
Investment Analyst
5th Year, Finance
Joshua joined the CPMT in February 2024 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 the alumni base that provide continued support of the program. Joshua is currently working towards completing a degree in Finance. In addition to the CPMT, Joshua has been involved with the Haskayne Finance Club Equity Research program and will be competing in the Inter-Collegiate Business Competition on the finance team. Joshua has previously completed internships in Corporate Development and Accounting with Pivotal Energy Partners and Burnet Duckworth & Palmer LLP. In summer 2025, Joshua will be joining National Bank Financial as an Investment Banking Summer Analyst. In his spare time, Joshua enjoys golfing, cooking, travelling, and video games.

SMRITI SEWAK
Investment Analyst
3rd Year, Finance
Smriti joined the CPMT as an Investment Analyst in February 2024 and is excited to develop her skills in financial modelling, portfolio management, and qualitative analysis. She is grateful to the Board of Trustees and alumni who continue to support the program. Smriti is currently pursuing a degree in Finance. In addition to the CPMT, Smriti has collaborated with the DeNovo Investment Fund and the Haskayne Student Association. She is looking forward to joining BMO Capital Markets as an Investment Banking Analyst in fall. In summer 2025, Smriti will be joining J.P. Morgan as an Investment Banking Summer Analyst in the Energy, Renewables, Power, and Mining Group. In her spare time, Smriti enjoys reading, photography, baking, and playing badminton.

TARO LAKRA
Investment Analyst
3rd Year, Finance / Economics (Minor)
Taro joined CPMT as an Investment Analyst in February 2024 and is looking forward to developing his skills in equity research, financial modelling, and portfolio management. He is grateful to the Board of Trustees and the alumni base for providing him with this valuable learning opportunity. Taro is currently pursuing a degree in Finance with a minor in Economics. Beyond CPMT, he is actively involved in the Inter-Collegiate Business Competition (ICBC), Scholars Academy, and the MIT Sloan Sports Analytics Mentorship Program. Taro is currently interning in Montreal with KisoJi Biotechnology, an AI-driven antibody discovery company. In his free time, Taro enjoys tennis, poker, travel, and watching sports. He is also currently learning to kitesurf.

Portfolio Strategy and Sector Views

OVERVIEW

During FY2025, 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 lead 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 Communication Services holdings are Alphabet (NASDAQ: GOOGL). The Fund is currently 1.5% underweight relative to the blended benchmark. The CPMT will continue to closely monitor its current positions in GOOGL, with the company set to make its largest acquisition of Wiz worth ~US$23B. Alongside this name, the Fund will evaluate 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 2.0% underweight relative to the blended benchmark. The performance of companies in this sector rebounded after facing pressure in FY2025 as consumer health remained relatively resilient in 2024. The U.S. personal saving rate has fallen to 3.4% in June 2024 after rising to 4.0% in January 2024; as such, the Fund believes these renewed savings will slowly increase consumer spending in 2023. With U.S. unemployment staying flat at 4%, the Fund believes a relatively healthy labour market should continue to boost retail sales. Moving forward, companies will need to invest heavily in fulfillment capabilities and focus on customer retention. While Hershey (NYSE: HSY) has recently been impacted by higher cocoa prices, The CPMT is confident in its holding Aritzia (TSX: ATZ) due to its cash flow resilience and strong market share.

CONSUMER STAPLES

The CPMT's Consumer Staples weighting is currently 8.5% overweight relative to the blended benchmark. The Fund views the sector favourably going forward into a possible 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 (TSX: DOL), given each Company's dominant market share, proven management teams, and industry-leading margins.

ENERGY

The CPMT is currently 1.9% underweight in Energy relative to the blended benchmark. The sector has seen a strong rally YTD from record-high production in the WCSB and Permian, high WTI pricing, and continued geopolitical instability. Natural gas remains under pressure, though LNG offtake in Europe and Asia, continued infrastructure buildout, and new domestic energy demand sources such as data centers have incentivized production into the Montney's gas glut. The CPMT believes the shift towards producers monetizing infrastructure, government-incentivized decarbonization, and continued high netbacks will drive strong returns to shareholders in the near term. The Fund holds companies with distinct competitive advantages and the ability to generate free cash flow throughout various commodity price cycles and 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), Brookfield Corporation (TSX: BN), and Brookfield Asset Management (TSX: BAM). We view strong underlying credit quality and high deposit levels as tailwinds to the performance of larger banks. Over the past two years, the space has been tempered by increasingly negative investor sentiment due to the recent downfall of several banks, the large credit spreads on subprime consumer loans, and geopolitical tension. However, the easing of monetary policy in G7 countries is posed to stimulate capital markets activity, soften margins, and deliver superior returns. Currently, The Fund is assessing additional weighting in its financials holdings, as the CPMT is 9.5% underweight in the sector.

HEALTH CARE

The CPMT believes that growth opportunities in the Health Care sector will persist post-pandemic, as ever-evolving health concerns continue to drive demand for technological and product innovation of treatment methods. The sector's historically low beta and non-discretionary nature allow it to remain defensive during recessionary periods, a trend that the Fund has primarily capitalized on through Thermo Fisher Scientific (NYSE: TMO), McKesson (NYSE: MCK), and Zoetis (NYSE: ZTS). All names provide diversification through exposure to both human and animal health, as well as drug distribution. The Fund remains 2.0% overweight in the sector but is actively exploring the potential divestment of ZTS after the Wall Street Journal claimed its Librela and Solensia drugs cause harm to dogs and cats.

INDUSTRIALS

The CPMT is currently 4.4% overweight in Industrials relative to the blended benchmark, as we view sector trends in nearshoring and sensitivity to GDP growth as favourable for our holdings. High interest rates and valuations continue to pressure growth through infrastructure expansions or M&A, though pricing realizations on transportation and physical products have kept up with inflation. The CPMT is principally invested in companies with distinct competitive advantages in critical industries to weather high commodity prices and interest rates while generating consistent free cash flow. The Fund currently holds Canadian National Railway (TSX: CNR), Canadian Pacific Kansas City (TSX: CP), Cargojet (TSX: CJT), Cintas (NASDAQ: CTAS), and Waste Connections (TSX: WCN).

INFORMATION TECHNOLOGY

The CPMT is 0.5% overweight in Information Technology relative to its blended benchmark. The Fund has actively monitored the performance of Information Technology sector valuations amidst a cooling interest rate environment coupled with the emerging trend of Artificial Intelligence (AI). The CPMT remains optimistic about the growth opportunities of its Information Technology holdings, which include Microsoft (NASDAQ: MSFT), Apple (NASDAQ: AAPL), Visa (NYSE: V), Constellation Software (TSX: CSU), and Topicus.com (TSXV: TOI). The Fund sees outperformance over the medium term, driven by the increasing trend in AI, strong market share, and stickiness of our holdings.

MATERIALS

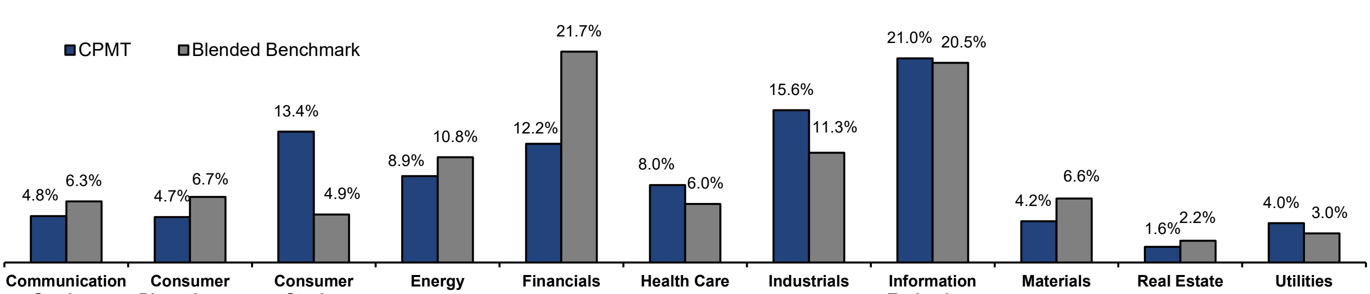
The CPMT is currently 2.4% underweight in Materials relative to the blended benchmark. The sector has seen increasing demand for green industrial gases, electrification minerals, and construction products, and are expected to be key catalysts for growth. Although high interest rates labour shortages, and supply chain constraints have hindered the recent momentum experienced by major operators, 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) and Linde Plc (NYSE: LIN).

REAL ESTATE

The CPMT is currently 0.8% 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.

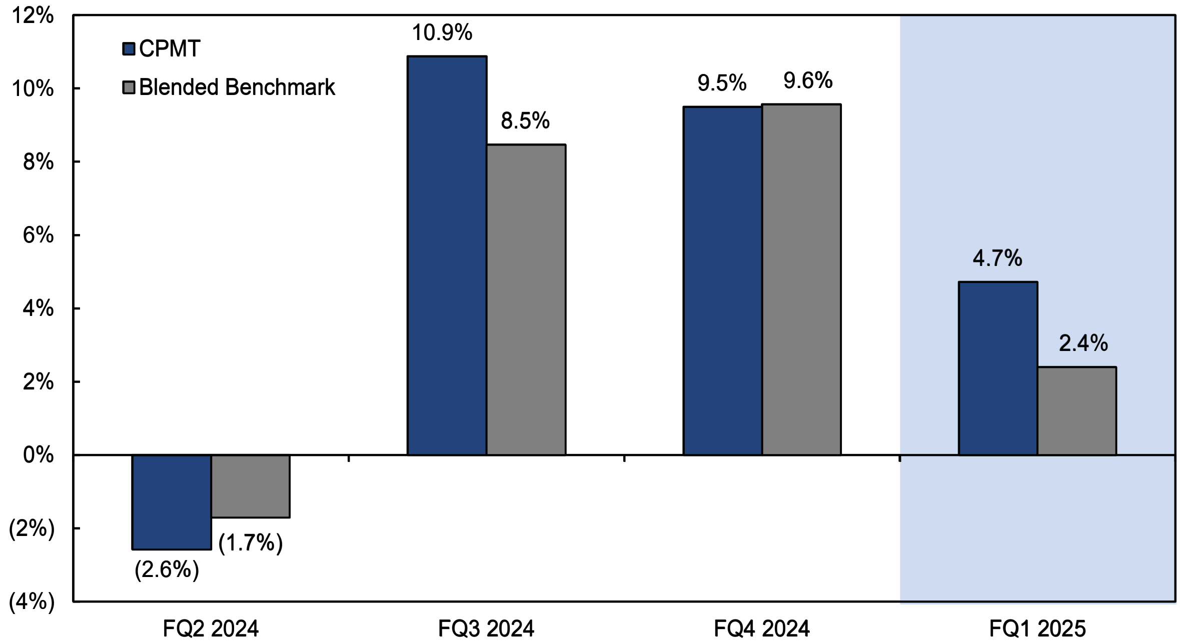
UTILITIES

The CPMT is currently 1.0% overweight in Utilities relative to the blended benchmark, with NextEra Energy (NYSE: NEE) as the sole holding. The CPMT favours NEE's focus on reinvestment and best-in-class assets with long-dated PPAs. Although high interest rates remain a concern, yields have fallen from their peak levels in 2023. The Fund is currently assessing several names as additions to its utilities portfolio, as interest rates are expected to soften in the coming year and growth in regional power demand increases.

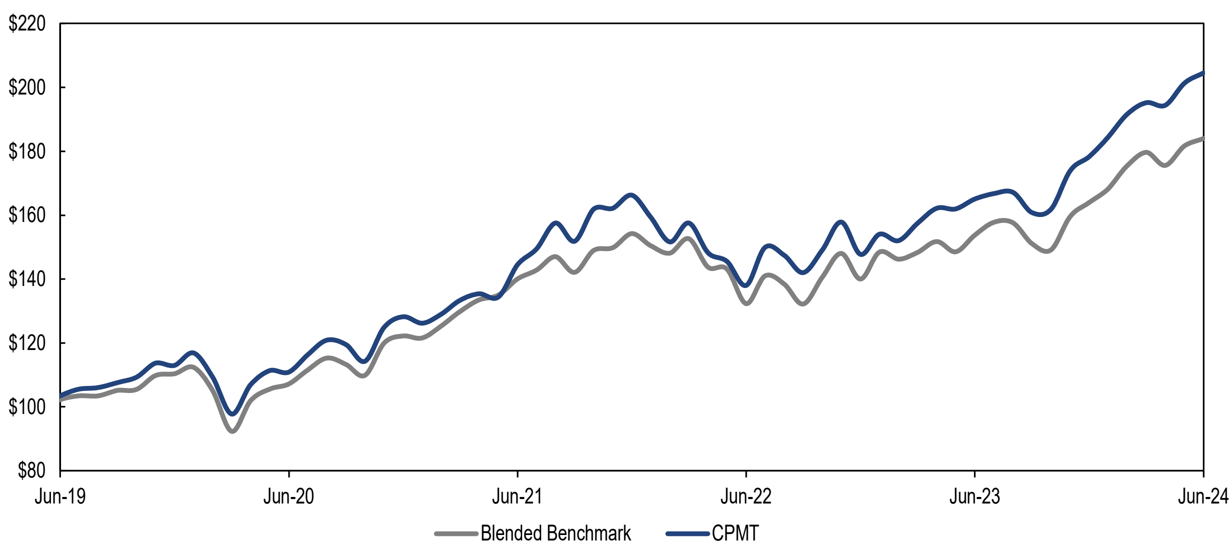


Quarterly Snapshot - FQ1 2025

CPMT and Benchmark Total Return (TTM)



Value of $100 (since June 28, 2019)

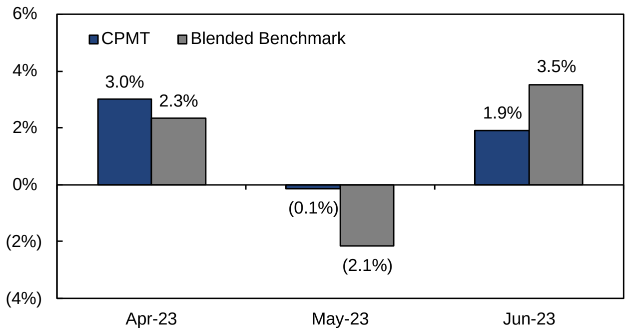


Fund Universe

	FQ1 2025	1 Year	3 Year	5 Year	10 Year
CPMT	4.72%	23.87%	12.92%	14.97%	9.38%
Blended Benchmark	2.40%	19.62%	9.53%	12.45%	8.42%
Blended Benchmark Difference	2.33%	4.25%	3.39%	2.52%	0.95%

Quarter in Review

QUARTER RETURN



NOTE TO STAKEHOLDERS

The CPMT Class of 2025 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 the 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 5.50% over the quarter, 330 bps above the Blended Benchmark's return of 2.30%. The outperformance can be largely attributed to the Communication Services and Utilities sectors, which was offset by underperformance in Real Estate and Materials Sectors. The Fund currently has a 41/59 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 and will continue to seek companies with a mandate fit in both Canada and the U.S.

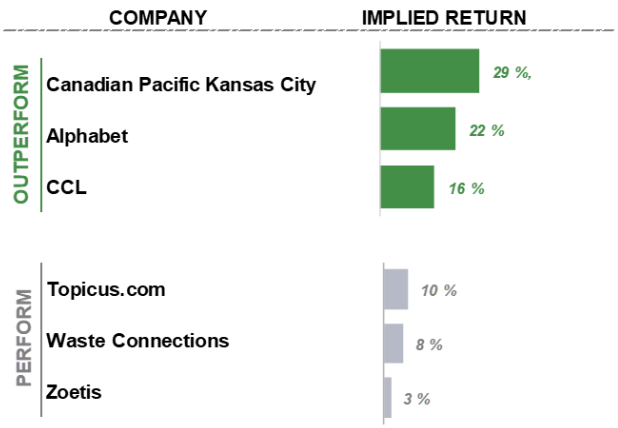
This quarter marks the beginning of a new fiscal year for the Fund. In April 2024, the Portfolio Managers and Investment Analysts of the Class of 2024 and 2025 presented a number of pitches during our Annual Pitch Day. These pitches resulted in an entry into a name that aligns with the Fund's current outlook and strategy amid the shifting macroeconomic backdrop. The Fund initiated a position in the following name:

Cargojet (TSX: CJT): In April, the Fund entered a 1 conviction position in CJT, a Canadian-based air-cargo carrier which operates a domestic air network of express delivery services and international aircraft leasing solutions. The Company services ~90% of all overnight domestic air freight volumes and has secured ~75% of revenues from this segment under long-term contracts. The Fund believes that with strong secular tailwinds in B2B and B2C E-commerce, CJT is poised to benefit from industry-leading EBITDA margins while carrying significant downside protection through long-term contracted minimum revenues and flexible fleet chartering.

To fund this trade, the CPMT made the decision to divest our position in Adobe (NYSE: ADBE). The Fund made this decision due to concerns about the Company's mandate fit following recent events: 1) ADBE's abandoned acquisition of Figma due to regulatory disputes, which the Fund believes will pressure the Company's growth-through-acquisition model. 2) The Company's delayed integration of generative AI tools into its product suite despite mounting industry pressure from Figma and Canva, initiating concerns about the future of Creative Cloud product growth. 3) Multiple consecutive quarters of decelerating earnings growth and slowing enterprise software sales.

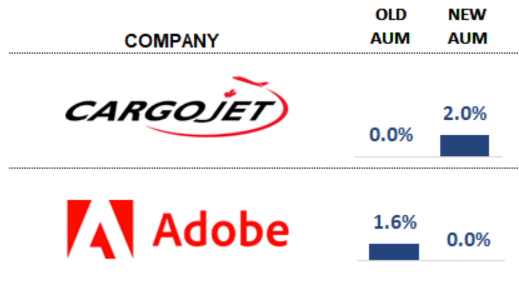
Going forward, members of the Fund will continue to conduct due diligence and evaluate current holdings to ensure alignment with our investment mandate. The Fund looks forward to our annual IA Pitch Day in September, during which the new class of Investment Analysts will be presenting preliminary pitches on prospective portfolio additions as the final component of the summer training program.

NEW RECOMMENDATIONS



*Note: Reflects implied upside as of June 30, 2024

TRANSACTION LOG



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

Alphabet

Communication Services
NASDAQ: GOOGL
Market Outperform | Hold

Calgary Portfolio Management Trust

Alphabet

June 30, 2024

Caitlin Heggerud, Investment Analyst
Clayton Lillace, Investment Analyst

Return on Investment

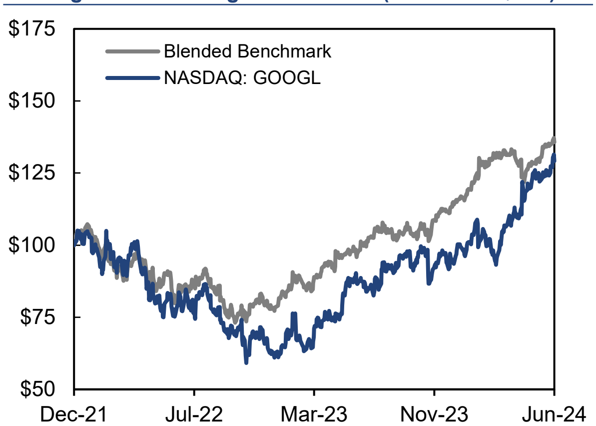
Current Share Price	$182.15
Target Price	$221.40
Dividend Yield	0.40%
Implied Return	22%
Conviction Rating	2

Market Profile

52-Week Range	$119.48 - $182.15
Market Capitalization (US$B)	$2,343
Net Debt (US$B)	($28)
Enterprise Value (US$B)	$2,315
Beta (5-Year Monthly)	1.05

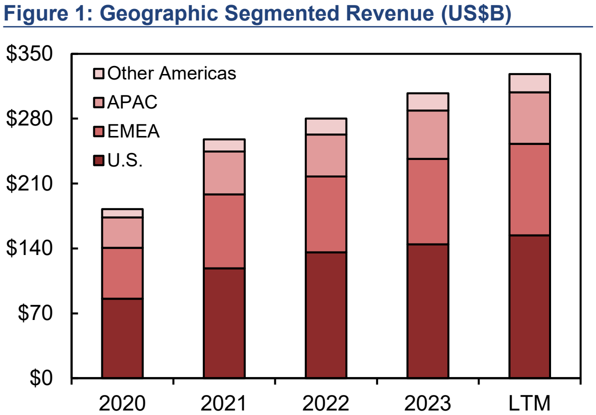
Metrics	2024E	2025E	2026E
Revenue (US$B)	$306	$306	$364
EBITDA (US$B)	$125	$132	$153
EV/EBITDA	18.6x	17.5x	15.1x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Geographic Segmented Revenue (US$B)



Source: S&P Capital IQ

Business Description

Alphabet (NASDAQ: GOOGL) is a holding company that engages in software, healthcare, transportation, life sciences, and various other technologies, driven by its core businesses such as Search and YouTube. GOOGL operates in three segments: (1) Google Services, (2) Google Cloud, and (3) Other Bets.

Google Services: GOOGL's main products and services comprise this segment which includes Ads, Search, and YouTube. Google Search dominates with ~82% of the global search engine market share, primarily leveraging its advertising model for revenue generation. YouTube ads contribute significantly, comprising ~10% of GOOGL's total revenue. The Company's strategy focuses on improving the search experience and expanding YouTube's content to drive further growth in ad revenue.

Google Cloud: Cloud products include the Google Cloud Platform, an infrastructure to test and deploy applications, and Google Workspace, a suite of cloud-based collaboration tools. Google Workspace has ~44% of the office productivity market share. The Company is developing and integrating artificial intelligence (AI) powered cloud security and AI assistance tools into the Google Workspace to improve reliability and productivity.

Other Bets: Other Bets is an investment portfolio of companies in varying stages of development that span an array of industries such as robotics, life sciences, and healthcare. GOOGL's current AI portfolio holdings include DeepMind and Duet, among others. DeepMind is an AI research laboratory that optimizes the efficiency of its data centers cooling systems and assists Google Play's app suggestions. Duet provides insights on Google Workspace data.

Industry Overview

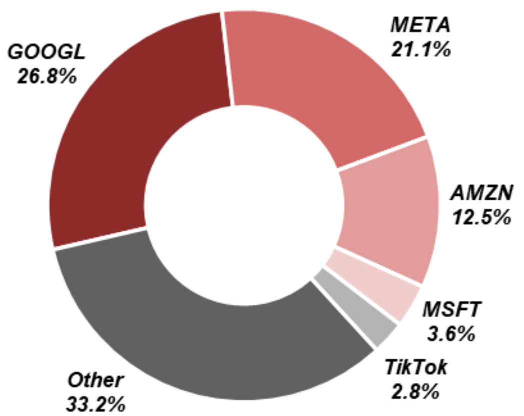
The U.S. Internet industry is dominated by established major players including Amazon (NASDAQ: AMZN), Apple (NASDAQ: AAPL), Meta (NASDAQ: META), and Microsoft (NASDAQ: MSFT). Hence, these companies require continuous investment to develop new offerings and technologies that possess a unique edge. An additional level of complexity is present in advertising business models, which must balance the interests of platform users and advertisers.

The digital advertising industry includes creating, managing, and delivering media on online platforms to promote products, services, brands, or ideas. To acquire customers, it leverages customer success stories and offers free trials of the platform. To retain customers, the industry heavily relies on performance-based pricing options, such as pay-per-click or pay-per-conversion. The digital advertising industry is expected to grow at a 14% CAGR from 2022 to 2030 driven by the rising demand for analytics-based marketing.

M&A also plays a significant role in the digital advertising industry, expanding advertising reach and integrating advanced technologies. GOOGL and META have made the most acquisitions including YouTube, AdMob, Looker, Instagram, WhatsApp, and Giphy.

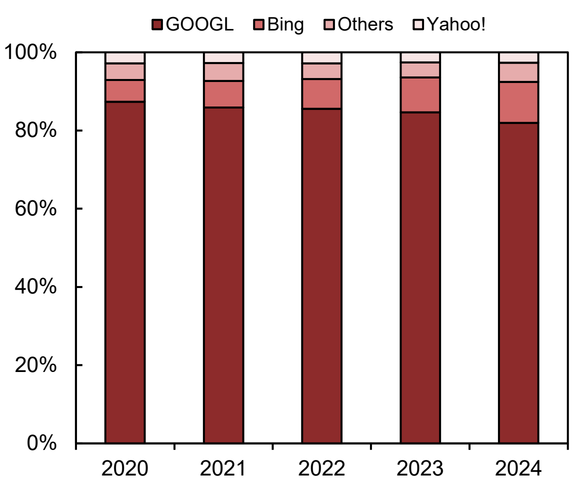
Cloud computing involves utilizing computing resources, such as servers and storage, over the internet. Cloud computing allows the elimination of hardware infrastructure often reducing overhead, expenses, and inefficiencies. GOOGL captured 10% of the (cont.)

Figure 2: 2024 Digital Advertising Market Share



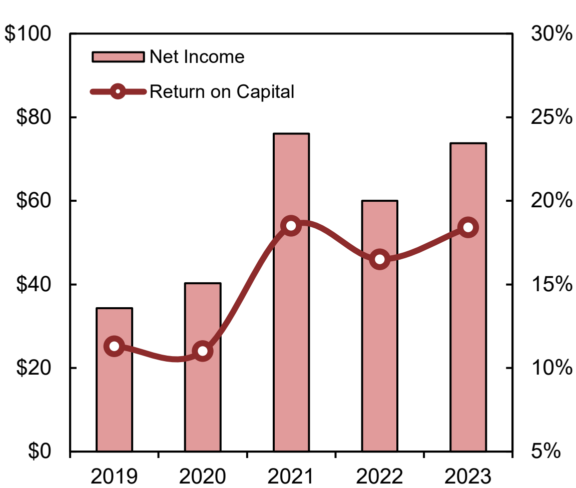
Source: Statista

Figure 3: Search Engine Market Share per Year



Source: Statista

Figure 4: LHS Net Income (US$B) vs RHS ROC



Source: S&P Capital IQ

global cloud market in Q1 2024, while Amazon Web Services and Microsoft Azure hold their market share at 31% and 25%, respectively. The cloud infrastructure market is expected to grow at a 12% CAGR from 2023 to 2032 driven by increased remote work.

The industry has also seen exponential growth following the development of AI systems. Large language models (LLM) are AI systems designed to understand, generate, and manipulate human language. LLM has experienced the largest monetization out of AI tools and is expected to grow at a 41% CAGR from 2024 to 2033 driven by increased business use. OpenAI's ChatGPT-4 is the leader in LLM and is primarily used for generating and editing writing.

The cloud computing and productivity software industries rely heavily on a freemium model to acquire customers. Under this model, a company provides basic services or a limited-time trial version of its product for free, while more advanced features or ongoing access require a paid subscription or a one-time payment. Customer retention is achieved through ongoing R&D investment, ensuring cross-platform compatibility, and creating comprehensive product ecosystems that make switching platforms more challenging.

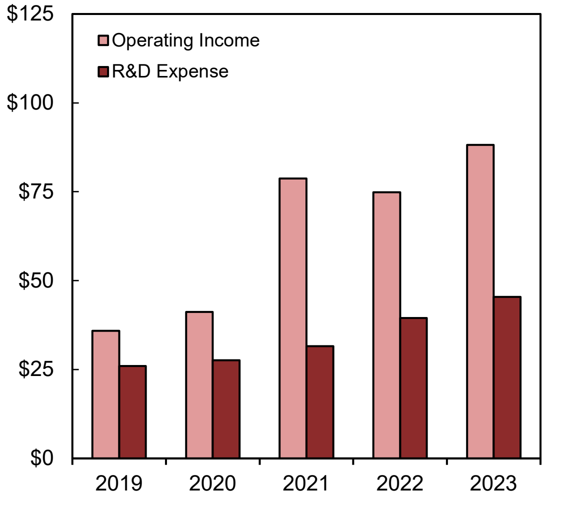
Mandate Fit

Quality Management: Sundar Pichai has served as Google's CEO since 2015 and as GOOGL's CEO since 2019. With 20 years of experience at GOOGL, Pichai has gained extensive knowledge while being directly involved in the development of several flagship products including Android, Chrome, Gmail, Maps, and Search. Under Pichai's leadership, the Company's corporate strategy has focused on the integration of innovative technology such as AI, while also remaining committed to the growth and development of GOOGL's core digital advertising business. CEO and NEO compensation remain highly competitive within the industry, ensuring that top talent is properly incentivized to remain at GOOGL. NEO compensation is also more than 95% at-risk and highly correlated to GOOGL's performance relative to the S&P 100, further ensuring that executive decisions are aligned with shareholder's interests.

Competitive Advantage: GOOGL's competitive advantage remains largely attributable to the Company's dominance in search engine market share, accounting for over 80% of all search engine traffic in the past decade. This market share enables Google to collect and analyze large amounts of user data to more accurately understand user-specific purchasing trends, while subsequently providing tailored advertisements to the same users across Search, YouTube, and the Google Network. Independent publishers are also able to partner with the Google Network to display Google ads on their platforms and share the revenue, further expanding advertisement reach and user data collection beyond GOOGL platforms. Competitors such as META have created similar services such as the Meta Audience Network however, GOOGL's first mover advantage in the publisher monetization market has yet to be challenged. As of Q1 2024, META only generates relevant ad revenues through Facebook and Instagram advertisements.

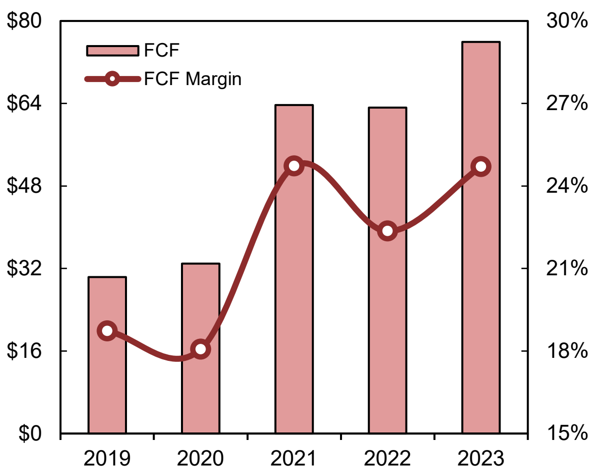
GOOGL's Search and YouTube data is also far less ambiguous compared to user data collected from social media platforms. Search queries show specific user inquiries in traditional language models, compared to social media platforms needing to decipher likes, comments, and other social interactions to determine demographic purchasing trends. Competitors such as AMZN share the advantage of language-based insights into user purchasing patterns but lack comparable online traffic to compete with search engines and social media platforms. (cont.)

Figure 5: Operating Income and R&D Expense (US$B)



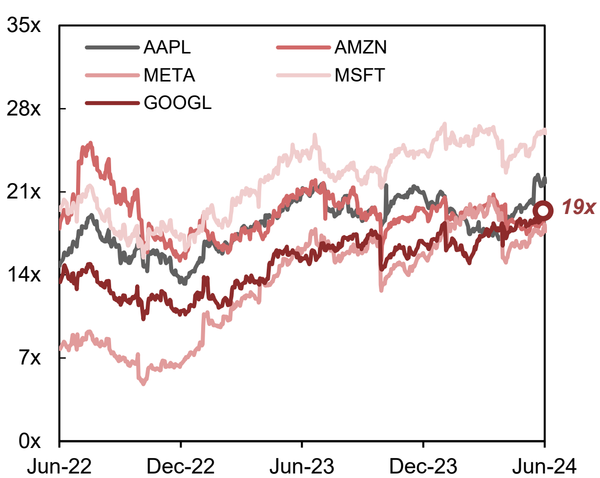
Source: S&P Capital IQ

Figure 6: LHS FCF (US$B) vs RHS FCF Margin



Source: S&P Capital IQ

Figure 7: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

The Company's market dominance has also allowed for continuous investment into new and existing product offerings, with US$168B being spent on R&D in the last five years. As regulatory restrictions regarding user-data collection continue to evolve, GOOGL has gradually invested in technologically synergistic investments to diversify its product and service offerings. For instance, years of continuous investment have led to the profitability of Cloud, leading to over US$2B of operating income in 2023.

Strong Balance Sheet: As of Q1 2024, GOOGL's financial position remains strong with US$108B of cash on hand, serving as sufficient funds to cover GOOGL's debt obligations and planned R&D investments. Short-term liquidity remains competitive with an LTM current ratio of 2.1x compared to an industry average ratio of ~2.0x. Total debt-to-equity also remains low at 9.7%, offering the Company flexibility to increase leverage without major solvency risks. GOOGL's credit risk remains low, as reflected by its AA+ and Aa2 credit ratings from S&P Global and Moody's, respectively.

Growing Free Cash Flow: GOOGL has maintained strong FCF growth over the trailing five and ten-year periods, with FCF CAGRs of 20% and 25%, respectively. This growth is primarily attributable to the continuous industry shift towards online advertising, coupled with GOOGL's prioritization of increasing capital efficiencies. ROIC has continuously stayed above 30% and reached a high of 39% in Q1 2024, with a positive five-year ROCE CAGR of 10% and reaching 26% in Q1 2024. GOOGL continues to return value to shareholders via share buybacks, having repurchased US$233B in the past five years, representing a net reduction in shares outstanding by 3.5%.

Business Risks

Industry marketing budgets have decreased ~15% YoY, threatening GOOGL with advertising revenue contraction or growth deceleration. Despite macroeconomic tailwinds for AI, the Company must continually innovate to maintain a technological edge relative to peers, requiring significant R&D expense. MSFT's Copilot poses a threat to GOOGL's Gemini due to the integration and popularity of Office 365 versus Google Workspace. Additionally, consumers are becoming increasingly sensitive to data privacy and security issues, which may prompt the development of legislation that can hinder GOOGLS' ability to monetize its offerings. Other risks include slow adoption of the Company's new ad products, enforcement of antitrust legislation, and loss of intellectual property rights.

Revised Valuation and Investment Thesis

The CPMT arrived at a target price of $221 by applying a 17.5x EV/EBITDA exit multiple to 2027E EBITDA, implying a 22% return to current price levels. GOOGL trades at a discount to its peers on a NTM EV/EBITDA basis, which the Fund believes is unjustified and will be a determining factor in future share price outperformance.

The CPMT remains confident in its original investment thesis as GOOGL has continued to allocate FCF to value-generating investments while maintaining an industry-leading position in the digital advertising space. This is evidenced by continued growth across business lines, persistent margin expansion, and increased return on capital metrics. The CPMT believes GOOGL is strategically positioned to benefit from recent developments in the communication services industry given its enterprise scale and firmly established installed user base. The inception of a GOOGL quarterly dividend has further demonstrated to the Fund management's assurance of continued operational performance. Moving forward, the CPMT anticipates that GOOGL's strategic initiatives and financial discipline will continue to drive long-term value creation for shareholders.

CCL Industries

Materials
TSX: CCL.B
Market Outperform | Hold

June 30, 2024

Joshua Olson, Investment Analyst

Return on Investment

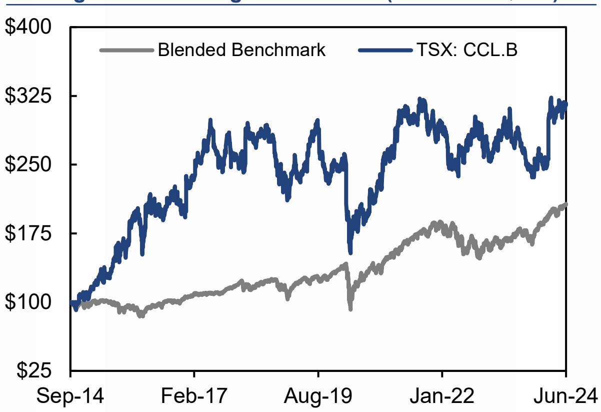
Current Share Price	$71.94
Target Price	$82.00
Dividend Yield	1.60%
Implied Return	16%
Conviction Rating	1

Market Profile

52-Week Range	$52.82 - $74.49
Market Capitalization ($mm)	$12,914
Net Debt ($mm)	$1,608
Enterprise Value ($mm)	$14,522
Beta (5-Year Monthly)	0.56

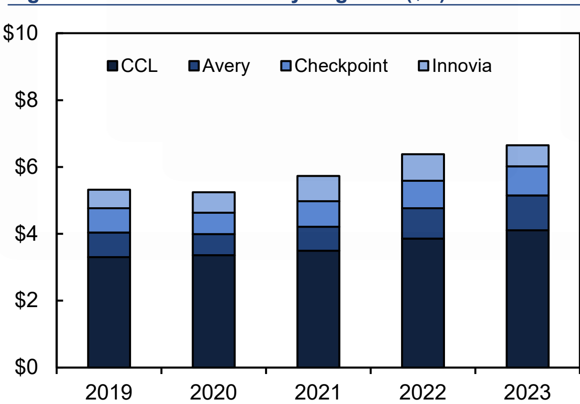
Metrics	2024E	2025E	2026E
Revenue ($mm)	$7,031	$7,276	$7,439
EBITDA ($mm)	$1,459	$1,517	$1,601
EPS	$4.16	$4.38	$4.67
EV/EBITDA	10.0x	9.6x	9.1x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Annual Revenue by Segment ($B)



Source: S&P Capital IQ

Business Description

CCL Industries (TSX: CCL.B) manufactures and sells labels, consumer printable media products, technology-driven label solutions, polymer banknote substrates, and specialty films. The Company operates globally under four segments: (1) CCL, (2) Avery, (3) Checkpoint, and (4) Innovia.

CCL: The CCL segment is the world's largest converter of pressure-sensitive and extruded film materials for a range of decorative, instructional, security, and functional applications for government institutions and large global customers. Its largest global customers consist of packaging, healthcare, chemical, consumer durable, and automotive companies. Specific end-use products are sold in parallel to the aforementioned companies.

Avery: The Avery segment is the world's largest supplier of labels, specialty converted media, and software solutions to enable short-run digital printing in businesses and homes alongside complementary end-use products. These end-use products include labels for marketing and shipping use, binders, sheet protectors, and writing instruments. These products are sold through distributors, mass-market stores, and e-commerce retailers.

Checkpoint: The Checkpoint segment is a leading developer in Radio Frequency and RFID-based technology systems for loss prevention and inventory management applications.

Innovia: The Innovia segment is a global producer of specialty high-performance, multi-layer, surface-engineered polypropylene films such as cavitated and metallised films for label, packaging, and security applications.

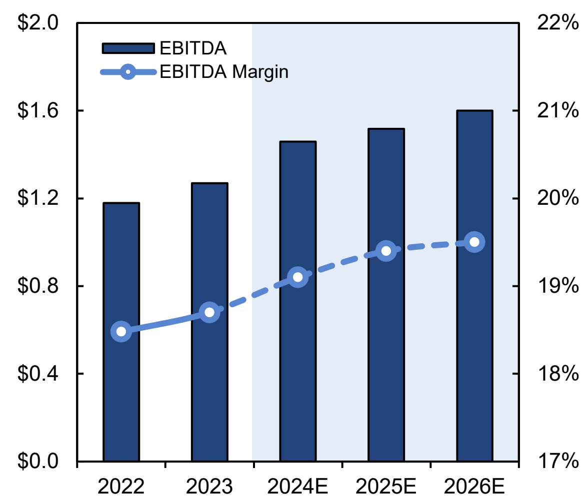
Recent Acquisitions

In Q3 2023, CCL acquired all of Imprint Energy's (IEI) intellectual property for $26.6mm. IEI was a start-up proprietary technology company with expertise in ultrathin, non-hazardous, and non-toxic printed batteries for devices, sensors, and wearables. In Q3 2023, CCL acquired Faubel, a global specialist in labels for pharmaceutical clinical trials for $169.7mm, as well as Creaprint for ~$37.7mm, which was a leader in producing labels for food and beverage packaging. CCL's focus on acquisitions supports its competitive advantage as it enters new markets and gains access to proprietary manufacturing technology. Since the market is fragmented with small private players, it has the balance sheet strength to be opportunistic.

Industry Overview

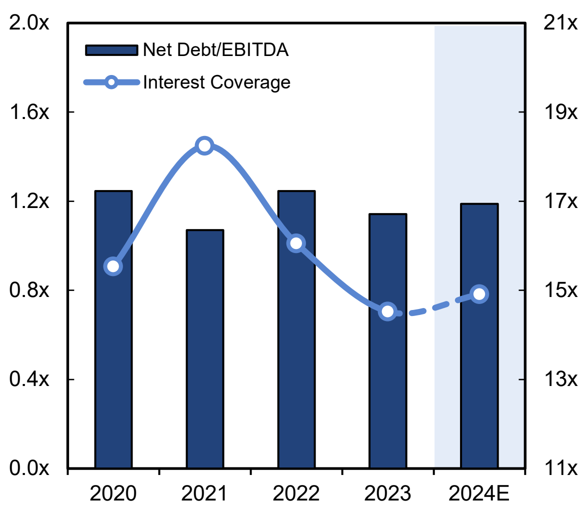
The packaging and label industry is mature, with the majority of growth coming from acquisitions of businesses or specific expertise. Many end-market users have experienced steady pressure to optimize supply chains after the COVID-19 pandemic. This has driven companies to focus on cutting costs, which has led to consolidation within the industry. Many end-market plastics are dependent on commodity pricing, such as petrochemicals, oil and gas, and base metals. The correlation between raw commodity input costs and end-market pricing is mitigated by long-term relationships with both suppliers and customers, reducing volatility and passing through costs to the end market. Competitors within the industry (consists of NYSE: ATR, CCK: TSX: WPK) have started to (cont.)

Figure 2: LHS EBITDA ($B) vs RHS EBITDA Margin



Source: CPMT Estimates, S&P Capital IQ

Figure 3: LHS Net Debt/EBITDA vs RHS Int. Coverage



Source: CPMT Estimates, S&P Capital IQ

Figure 4: Operating Segment EBIT ($mm) & EBIT Margin

	EBIT ($mm)		EBIT Margin (%)	
Operating Segment	**2023**	**2024E**	**2023**	**2024E**
CCL	*$633*	*$697*	*15.4%*	*15.9%*
AVERY	*$199*	*$205*	*19.2%*	*19.5%*
INNOVIA	*$132*	*$149*	*15.1%*	*16.2%*
Checkpoint	*$45*	*$78*	*7.2%*	*12.1%*

Source: Street Research

focus on specialized manufacturing equipment to satisfy customer requirements and maintain a competitive edge. An emerging theme with technology use within the industry includes software that manages plastic waste and exhibits more sustainable manufacturing practices. Plastic film, sheet and label manufacturing in Canada has experienced uneven results over the five years to 2023 as a result of extreme volatility in commodity prices and the pandemic. Growth has been limited despite strong economic conditions prior to the pandemic, stifled by increasing import competition from U.S. manufacturers that have competitive advantages, such as shared borders and economies of scale. Imports are anticipated to increase an annualized 1.2% to $4.7B over the five years to 2028 while satisfying 62.4% of domestic demand in 2028. Plastic products produced by the industry are not environmentally friendly, necessitating innovation for substitute products that are better for the environment. This trend is expected to have a negative effect on the industry, though industrial consumption will likely persist at steadily increasing rates and offset this negative effect.

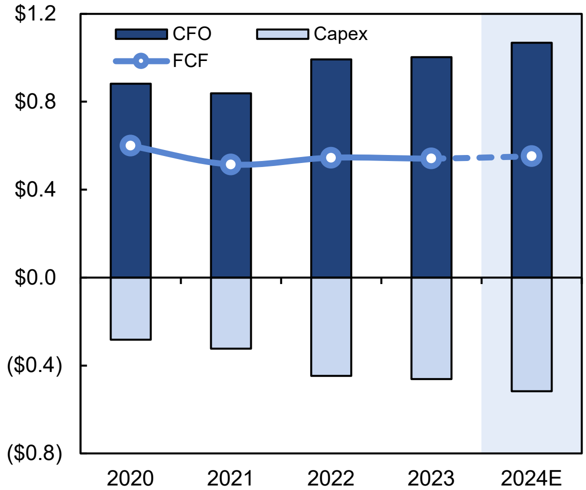
Mandate Fit

Quality Management: CCL is led by its CEO and President, Geoffrey Martin, who joined the Company in 2001 and assumed the role of CEO in 2008. Before joining CCL, Martin was the SVP of Worldwide Converting Graphic and Specialty Tapes within CCL's business segment, Avery. During his tenure, Martin has overseen numerous acquisitions, including Innovia for $1.1B. CCL's management team is separated into business segment leaders, strengthening niche industry and customer knowledge, and increasing efficiency and speed. CEO compensation consists of 32% base salary, while the remaining 68% is at-risk. Executive performance-based compensation is tied to EPS and Operating Income targets to maximize shareholder value and alignment.

Competitive Advantage: The Company's main competitive advantage stems from its strong customer service, process technology, market-leading brands, and ability to develop proprietary technologies and manufacturing techniques. CCL's global footprint of sales in North America, Europe, and Emerging Markets of 41%, 31%, and 28%, respectively, highlighting CCL's global presence. With 213 manufacturing facilities worldwide, CCL has a broader geographical reach compared to its peers. This enables the Company to enter a diverse range of markets and attract many new customers. With the plastic labelling industry highly fragmented, CCL has the advantage of acquiring smaller companies with niche technologies accessing new markets as evidenced by its eight acquisitions in 2023. These acquisitions in conjunction with the building of new plants around the world, have positioned CCL as a leader in home & personal care, healthcare, security, consumer durables, and food and beverage categories. The Company also benefits from a strong organic growth algorithm through its internal capacity additions and embedded margin expansion opportunities.

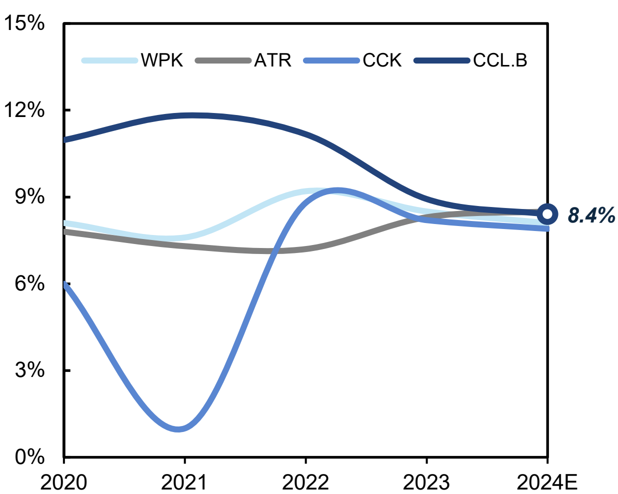
Strong Balance Sheet: CCL has consistently maintained BBB and Baa2 balance sheet ratings from S&P and Moody's, respectively. The Company holds a 1.2x Net Debt/EBITDA ratio compared to the peer average of 3.0x. CCL can maintain low interest expenses in an inflationary environment with long-term senior bonds at a weighted average term of four years and a coupon rate of 3.26%. The Company has adequate liquidity with $748mm of cash on hand and $944mm of undrawn revolving credit facilities. CCL's management has a disciplined approach to capital structure, with a current and quick ratio of 2.0x and 1.4x, respectively, and a Debt/Equity ratio of 0.3, with a weighted average interest rate on total debt of 2.8%.

Figure 5: Annual FCF Generation ($B)



Source: CPMT Estimates, S&P Capital IQ

Figure 6: Return on Capital vs Peers



Source: Bloomberg

Growing Free Cash Flow: CFO increased 61% QoQ to $171.2mm due to high organic sales growth while capex increased by 46% to $179.0mm in the same respective period. The capex increase was mainly attributable to capacity additions to support the home & personal care segment. The Company is focused on increasing its capex spend to expand its business geographically and add capacity in its facilities. CCL's annualized run-rate dividend is $1.16, giving a yield of 2%. The Company has paid a quarterly dividend since 2004 and has increased it every year since.

Risks

Raw Material Costs: CCL may experience adverse headwinds in an inflationary environment due to the nature of raw materials used in its inputs. However, the Company can pass these costs on to the customer through price increases. Polypropylene is the most significant input cost and is traded in the market, with prices linked to the market price of natural gas and refining capacity.

Political and Economic Instability: CCL operates through 213 manufacturing facilities in 43 countries. The impact of political and economic events in countries will impact the Company's operations and ability to deliver its products to market.

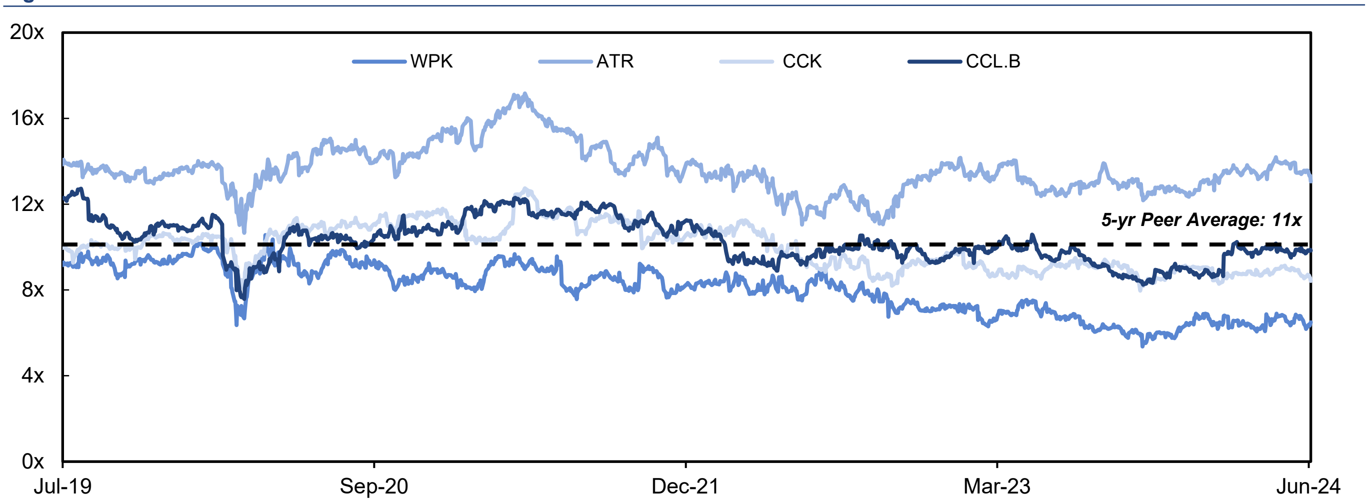
Acquisition Integration Risk: Finally, CCL's aggressive acquisition strategy poses a risk if accretive M&A opportunities become scarce. There can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to complete desired acquisitions. Poor integration of future acquired businesses can also have an adverse effect on the operational efficiency of CCL.

Investment Thesis and Valuation

CCL was valued at $82 using a five-year DCF with a WACC of 9.81%. The terminal value was derived using a 50/50 blend of (1) the Gordon growth method, using a terminal growth rate of 2.0%, and (2) an EV/EBITDA exit multiple of 11x.

The CPMT views CCL as a leader in the plastic labeling industry with operations spanning the globe. The Company's ability to acquire businesses with leading technology and enter new markets solidifies its competitive advantage. The Fund is confident in management's capital allocation track record and prudent discipline in consistently raising its dividend. The CPMT will continue to monitor CCL's performance and recommends a hold on the name.

Figure 7: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

Canadian Pacific Kansas City

Industrials
TSX: CP
Market Outperform | Hold

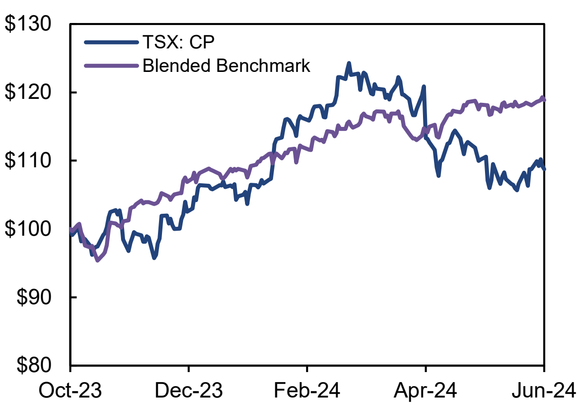
June 30, 2024
Dylan Westlake, Investment Analyst

Return on Investment	
Current Share Price	$107.74
Target Price	$138.00
Dividend Yield	0.76%
Implied Return	29%
Conviction Rating	1

Market Profile	
52-Week Range	$94.45 - $123.37
Market Capitalization ($mm)	$104,677
Net Debt ($mm)	$22,209
Enterprise Value ($mm)	$126,886
Beta (5-Year Monthly)	0.77

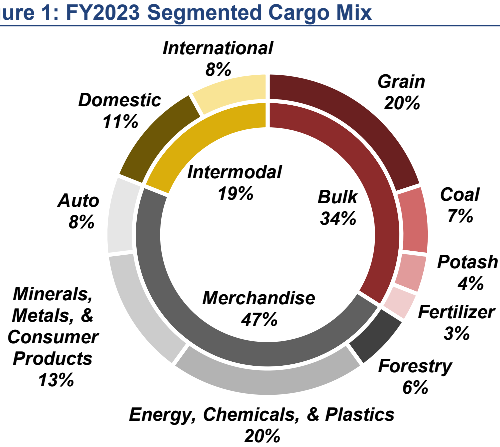
Metrics	2024E	2025E	2026E
Revenue ($mm)	$15,277	$16,603	$18,399
EBITDA ($mm)	$9,385	$10,515	$11,682
EPS	$4.83	$6.10	$7.14
EV/EBITDA	12.9x	11.5x	10.4x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: FY2023 Segmented Cargo Mix



Source: Company Filings

Business Description

Canadian Pacific Kansas City (TSX: CP) owns and operates extensive freight railway networks across North America. The Company provides direct rail and intermodal transportation services over a 20,000-mile network, connecting more than 30 ports and over 200 transload facilities. In 2023, the Company completed the US$31B merger with Kansas City Southern (KCS), establishing the first transcontinental railroad connecting Canada, the U.S., and Mexico. CP operates across three main business lines: (1) Bulk, (2) Merchandise, and (3) Intermodal.

Industry Overview

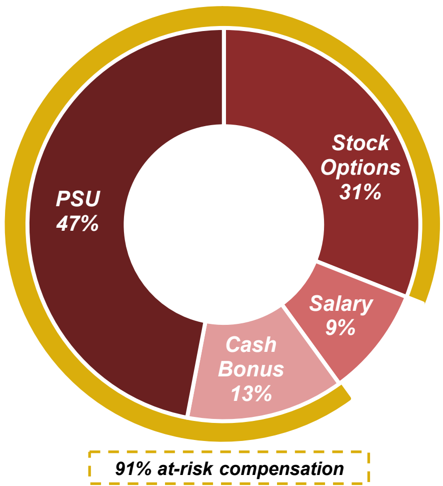
Within the transportation industry, the two primary shipping modes are truck and rail. Trucks offer flexibility with adaptable routes and schedules, while railroads excel in efficiently transporting heavy loads. As a result, railroads predominantly handle bulky freight such as coal, grains, chemicals, and metals, leveraging superior fuel efficiency and lower unit labour costs to provide cost-effective transportation compared to trucks.

By the 1970s, decades of excessive regulation had pushed U.S. freight railroads to the brink of collapse. Bankruptcies were rampant, and tracks and equipment deteriorated due to the inability to cover maintenance costs. Recognizing the need for reform, U.S. Congress passed the Staggers Rail Act of 1980. This legislation led to rapid consolidation in the North American rail industry, reducing the number of Class I railroads from 40 to seven within 25 years. Today, six Class I railroads dominate the market, controlling ~67% of freight rail mileage, employing ~87% of the industry's workforce, and generating ~94% of its revenue. Alongside CP, the other Class I railroads include BNSF Railway, Canadian National Railway (TSX: CNR), CSX Corporation (NASDAQ: CSX), Norfolk Southern (NYSE: NSC), and Union Pacific (NYSE: UNP). These companies maintain sticky customer bases due to limited shipping alternatives for suppliers and benefit from substantial barriers to entry, such as high capital requirements and unparalleled access to densely populated areas, solidifying their market position.

Following the CP-KCS merger, other Class I railroads have turned to strategic alliances to stay competitive. For instance, CNR has partnered with Ferromex and UNP to create the Falcon Premium Service, a direct challenge to CP's transcontinental freight line. Although regulatory constraints limit future M&A, the trend toward strategic partnerships is expected to persist. Carriers are increasingly acknowledging the advantages of pooling resources and expertise to improve network efficiency, elevate service quality, and secure a larger market share in a highly competitive environment.

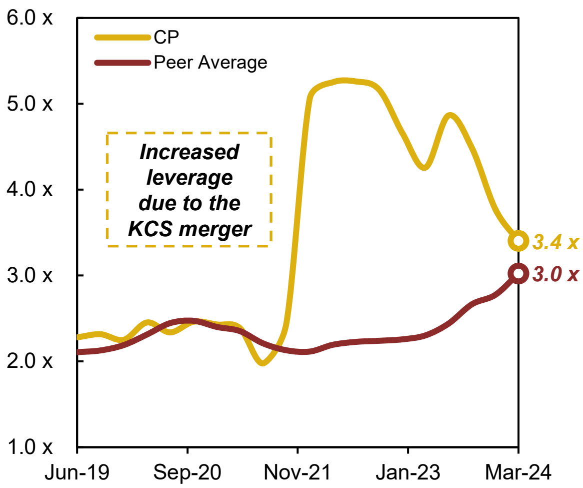
Nearshoring has become a key driver for the North American rail industry amidst post-COVID international trade tensions and supply chain disruptions. Companies are pivoting from offshoring to adopting nearshoring strategies, with Mexico emerging as a major beneficiary. This trend has sparked a heightened demand for freight shipping across the U.S./Mexico border. As manufacturers establish new supply chains for products flowing into and out of newly established facilities in Mexico, affordable transportation solutions are essential to support profitable nearshoring strategies.

Figure 2: CEO Compensation Breakdown



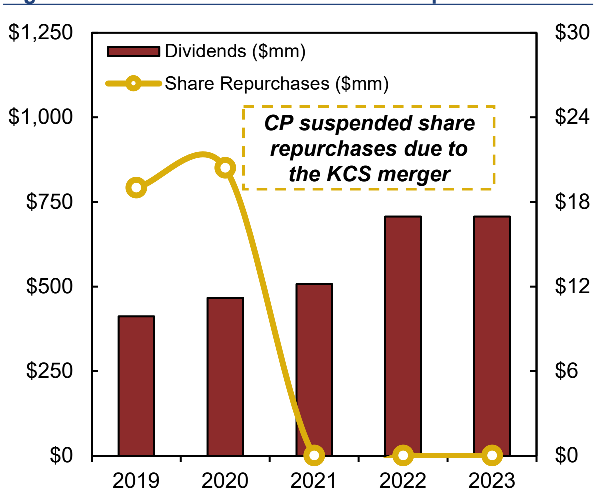
Source: Company Filings

Figure 3: Net Debt/EBITDA vs Peers



Source: FactSet

Figure 4: LHS Dividends vs RHS Share Repurchases



Source: FactSet

Mandate Fit

Quality Management: Keith Creel has been the President and CEO of CP since 2017, following a four-year tenure as COO. Prior to joining CP in 2013, Creel served as the COO of CNR and has extensive experience in the railroad industry. Mark Redd has served as CP's COO since 2022, bringing ~20 years of experience in the railway industry, beginning his career as a conductor. The Company's NEOs have been with CP for several years, bringing substantial industry knowledge and experience from other North American Class I railroads. Additionally, compensation for the CEO and NEOs consists of ~91% and ~80% at-risk pay, respectively.

Competitive Advantage: CP's competitive advantage resides in its best-in-class asset base, featuring exclusive ownership of one of the few railroad networks connecting Canada, the U.S., and Mexico. The next fastest North American transcontinental railway, Falcon Premium, operated by CNR and UNP, is approximately two days slower than CP's rail network. This unique network allows CP to capture additional market share by offering customers access to new and expanded markets through KCS's routes in Mexico. Prior to the merger, 80% of KCS traffic from Mexico to the U.S. was transferred to competitors. Now, with the integration of the legacy KCS network into a superior long-haul network, CP has enhanced operational efficiencies, cost structure, and travel time.

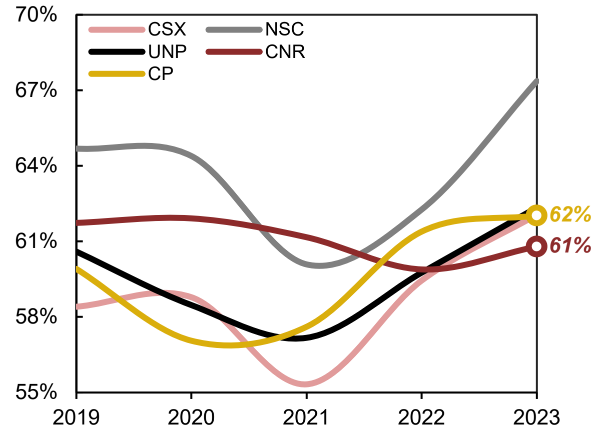
CP is better positioned than its peers to capitalize on the surge in freight demand fueled by nearshoring and improved North American trade facilitated by the Canada-United States-Mexico Agreement (CUSMA). With its transcontinental network, access to Monterrey and specialized services like the Mexico Midwest Express, CP is strategically prepared to address the evolving logistical and supply chain needs resulting from this economic shift.

CP holds exclusive access to the Port of Lázaro Cárdenas, Mexico's most technologically advanced container terminal. This strategic advantage allows CP to alleviate pressure on congested West Coast ports by leveraging the port complex. Additionally, through this access, CP offers shippers a compelling alternative to bypass the Panama Canal for shipments from Asia to Texas, significantly reducing transit time by cutting weeks off the all-water route.

Strong Balance Sheet: CP has a Net Debt/EBITDA ratio of 3.4x, slightly above its peer average of 3.0x. Following the KCS merger, the Company assumed additional leverage and held a Net Debt/EBITDA ratio of 5.2x. In response to higher debt levels, the Company has prioritized deleveraging by suspending its share repurchase program and currently aims to achieve a target Net Debt/EBITDA ratio of 2.5x. CP has available liquidity through a US$2.2B undrawn committed credit facility and a US$1.5B commercial paper program. The Company has fixed interest on 100% of its term debt and holds BBB+ and Baa2 ratings from S&P Global and Moody's, respectively.

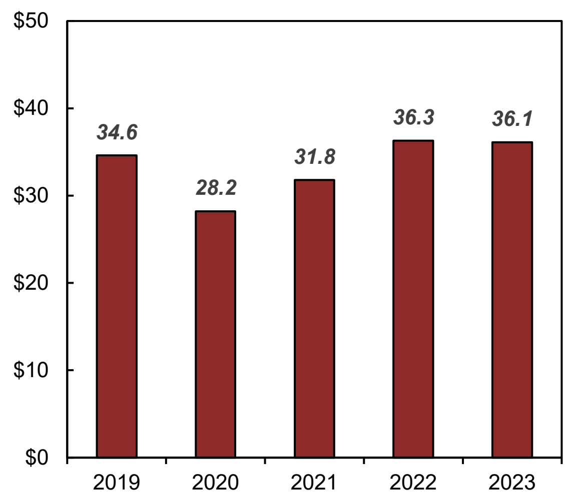
Growing Free Cash Flow: CP has realized a five-year FCF CAGR of 4.4%. The Company has been able to significantly grow FCF after acquiring KCS and has a trailing twelve-month FCF of $1.6B. The Company has consistently returned capital to shareholders through its quarterly dividend, where it has paid out $707mm over the last twelve months. CP's FCF growth has been bolstered by its intermodal cargo business, which has grown at a five-year CAGR of ~7% domestically and ~11% internationally. This has occurred partly due to growth in the North American automotive sector, on which CP has greatly capitalized.

Figure 5: Operating Ratio vs Peers



Source: S&P Capital IQ

Figure 6: Foreign Investment in Mexico (US$B)



Source: Company Filings

Risks

Mexico Concession: ~14% of CP's asset base comprises two major railways in Mexico, which operate under government concessions rather than owning the real estate. This arrangement exposes CP to the risk of nationalization, which could potentially prevent the Company from operating under these concessions.

KCS Integration: Integrating KCS presents various financial, regulatory, and operational challenges. Due to the size of the railroad, the Surface Transportation Board has imposed several commercially reasonable terms to ensure competition is maintained while permitting CP to operate with minimal restrictions. CP might encounter larger capital commitments than initially budgeted, potentially leading to reduced capital efficiency and liquidity.

Labour Disputes: ~74% of CP's workforce is unionized, represented by 75 bargaining units. In the past, disagreements or challenges in negotiating mutually acceptable contracts with these unions have led to strikes, work stoppages, slowdowns, or lockouts. Such disputes could potentially arise again in the future, causing significant disruptions to the Company's operations.

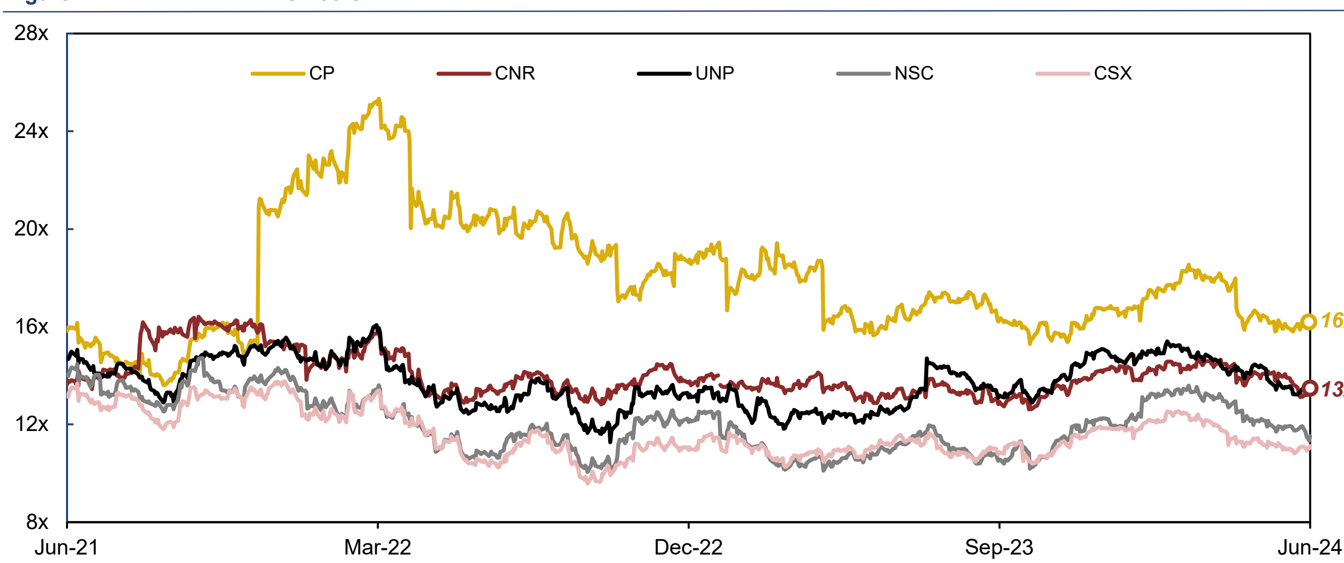
Investment Thesis and Valuation

CP was valued at $138 using a five-year DCF with a WACC of 7.61%. The terminal value was determined through a 50/50 blend of (1) the Gordon Growth method, using a 2.0% terminal growth rate, and (2) an EV/EBITDA exit multiple of 12.0x.

The CPMT views CP as a best-in-class operator poised for significant growth compared to its peers in the medium term. Following its merger with KCS, CP has enhanced its competitiveness across the continent and improved its capital efficiency. The Fund is confident in the name's ability to continue to achieve synergies and reduce its operating ratio as the network is optimized in the coming years.

The CPMT maintains positions in both CP and CN, recognizing each as fundamentally distinct businesses with unique exposures and strategies. Neither is deemed superior, yet both hold advantages over their American counterparts.

Figure 7: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

Topicus.com

Information Technology
TSXV: TOI
Market Perform | Hold

June 30, 2024

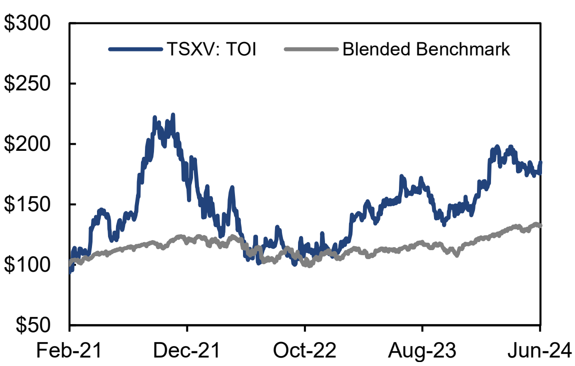
Tara Jindal, Portfolio Manager
James Altamirano, Investment Analyst
Smriti Sewak, Investment Analyst

Return on Investment	
Current Share Price	$117.00
Target Price	$128.73
Dividend Yield	0.00%
Implied Return	10%
Conviction Rating	1

Market Profile	
52-Week Range	$83.32 - $128.84
Market Capitalization ($mm)	$6,617
Net Debt ($mm)	$138
Minority Interest ($mm)	$186
Enterprise Value ($mm)	$6,941
Beta (5-Year Monthly)	0.69

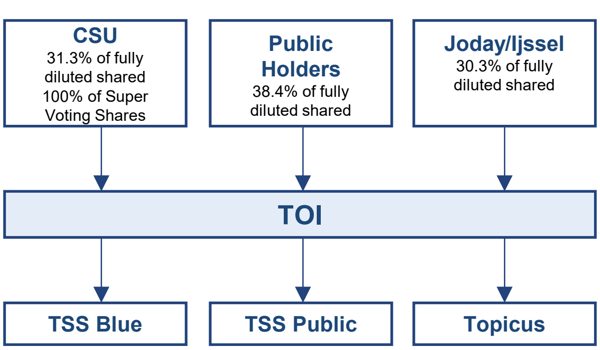
Metrics	2024E	2025E	2026E
Revenue (€mm)	$1,400	$1,740	$2,335
EBITDA (€mm)	$384	$522	$715
EPS	$1.13	$1.74	$2.63
EV/EBITDA	18.1x	13.3x	9.7x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Organization Structure



Source: Company Filings

Business Description

Topicus.com (TSXV: TOI) is a Dutch company that specializes in providing innovative Vertical Market Software (VMS) and platforms throughout Europe. TOI originated as a partial spin-off from Constellation Software (TSX: CSU), with CSU currently retaining 31.3% ownership in the Company. TOI operates through three primary groups: (1) Total Specific Solution (TSS) Public, (2) TSS Blue, and (3) Topicus. These groups serve key vertical markets, including agriculture, automotive, central government, education, healthcare, hospitality, legal, real estate, retail, and more. TSS Public focuses on the public and healthcare sectors in the Netherlands and Central Europe. TSS Blue serves private markets in Germany, the Netherlands, and the Nordics.

The Company offers a wide array of software products that are sold, serviced, and enhanced. Each of its vertical markets is supported by at least one software product, and often multiple product lines are developed and maintained within a single vertical market. Additionally, TOI complements its acquired and internally developed software products by licensing certain technologies from third parties, typically on a non-exclusive basis.

Industry Overview

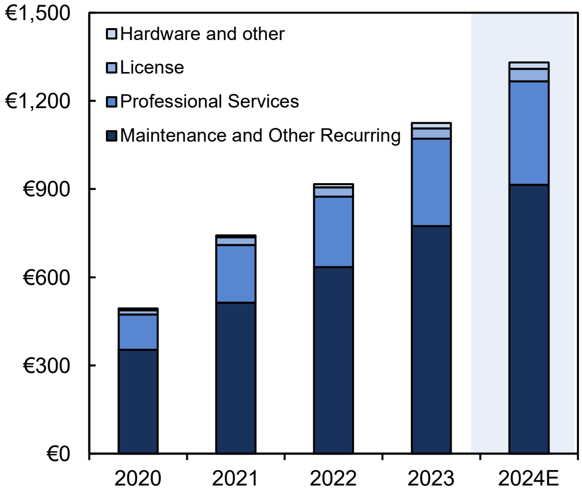
TOI operates within the European VMS market, a highly fragmented and niche industry comprised of local market leaders. VMS-based companies are characterized by low customer churn and pricing power, given the high switching costs associated with VMS software. Fragmentation within the industry exists between countries, where regulations, payment systems, and language barriers inhibit cross-border VMS integration. As a result, companies are bound to acquire a suite of VMS businesses that have products in nearly identical verticals, but little overlap in customers, leading to a larger volume of VMS acquisition targets existing in Europe.

As a software consolidator, TOI competes with Lagercrantz Group (STO: LAGR-B), Temenos AG (SWX: TEMN), Teqnion (STO: TEQ), and Vitec Software Group (STO: VIT-B). Firms acquiring VMS businesses frequently compete with private equity buyers. In addition to private equity dollars growing faster in North America than Europe partly due to differences in fundraising, there are fewer private equity dollars chasing deals in Europe than in North America. In 2023, there were over 754[1] funds in North America actively investing compared to 306[1] funds in Europe. Consequently, competition to acquire VMS businesses in Europe is likely weaker, allowing TOI to scale acquired businesses more easily than its counterpart, CSU.

VMS acquirers often operate a decentralized structure where portfolio company management holds autonomy over operating decisions while small centralized teams provide financial and strategic guidance. Common characteristics of acquisition targets include strong market position, recurring revenue growth, and market expansion opportunities. In addition to acquiring established businesses, firms invest in organic growth by building new VMS businesses from scratch and acquiring VMS intellectual property to integrate it into existing platforms. High switch costs and a decentralized organizational structure help keep churn low allowing firms like TOI to build out new VMS businesses.

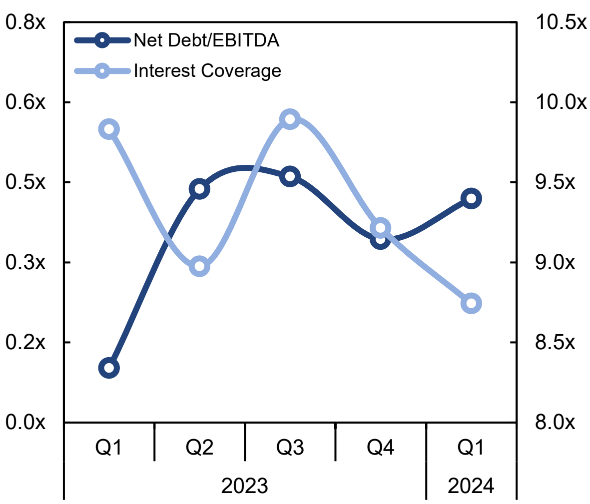
(1) Includes buyout, growth, and venture funds with a 2020 vintage

Figure 2: Revenue Segmentation (€mm)



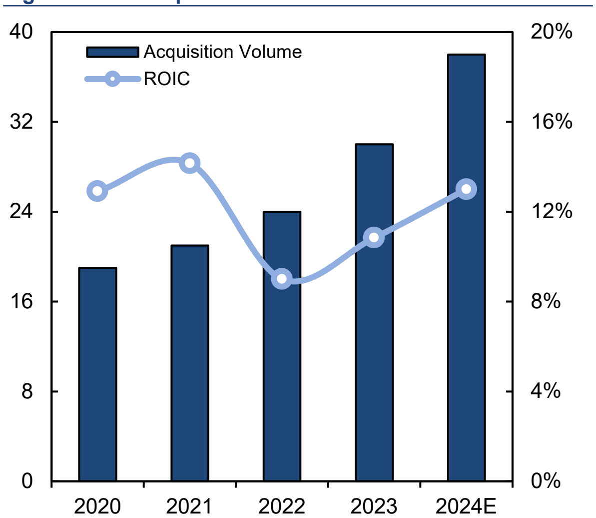
Source: Company Filings

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



Source: Bloomberg, Company Filings

Figure 4:LHS Acquisition Volume vs RHS ROIC



Source: Company Filings, FactSet

Mandate Fit

Quality Management: TOI operates through a decentralized management structure, allowing operating groups and respective management teams to retain niche industry knowledge. Robin van Poelje, Director, Chairman, and CEO of TOI, joined CSU in January 2014 following CSU's acquisition of TSS. Daan Dijkhuizen has been with TOI since 2013 and assumed the role of CEO of Topicus Operating Group in 2017. Han Knooren is the CEO of TSS Public, while Ramon Zanders serves as CEO of TSS Blue.

As of Q1 2024, CSU owns 31.3% of TOI, while the Joday Group own 30.3%. CSU holds a Super Voting Share with 50.1% voting power and can appoint six out of ten directors if it maintains at least a 15% interest in the Company. All directors are appointed by CSU or the Joday Group. Anytime after December 2023, CSU has the right to buy all of TOI shares held by the Joday Group at a price determined in accordance with the IRGA, a contractual governance document created after the spin-off. This could bring CSU's ownership stake in TOI up to 61.6%.

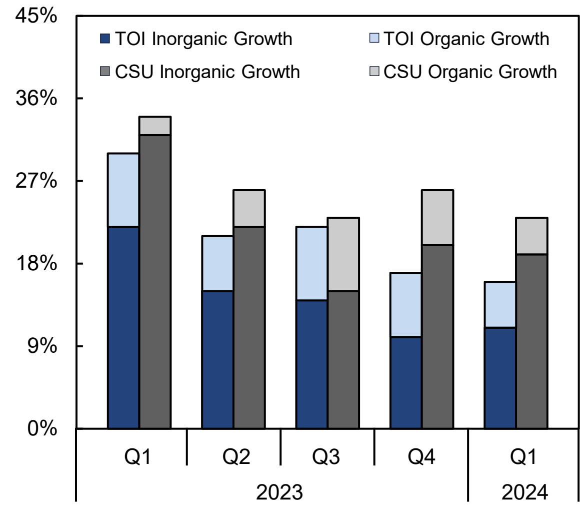
The Fund views TOI's current management structure and IRGA clauses as a potential concern but is comfortable with CSU's ownership stake and influence on the board given its successful track record and industry expertise.

Competitive Advantage: TOI benefits from a decentralized operating structure to scale the number of transactions the Company completes each year, while keeping acquisition size low. The decentralized model also allows TOI to invest more in organic growth by building new VMS businesses from scratch. The Company invests in customized mission-critical VMS, making it difficult for customers to justify switching vendors. This leads to low customer churn, better pricing power, and higher organic growth opportunities. Additionally, a substantial portion of TOI's revenue comes from customers in the public sector, which generally has much lower churn than the private sector. Finally, the Company boasts a strong reputation, making it easier to source VMS acquisition targets while avoiding competitive auctions.

Strong Balance Sheet: TOI has maintained strong capital discipline and low leverage since its spin-off in Q1 2021. The Company's Net Debt/EBITDA ratio has averaged 0.5x since September 2021, significantly lower than the peer average of 1.5x over the period. This ratio can undergo significant fluctuations due to the Company's frequent M&A activity, as TOI often funds acquisitions using a combination of CFO and debt. However, the Company's consistent EBITDA growth and debt repayment ensures leverage remains within reasonable levels. Furthermore, TOI's interest coverage ratio comes in slightly above peers, at 8.7x versus the peer average of 8.4x. Overall, TOI's low leverage relative to competitors provides the Company with the financial flexibility to continue to pursue organic and inorganic growth opportunities moving forward.

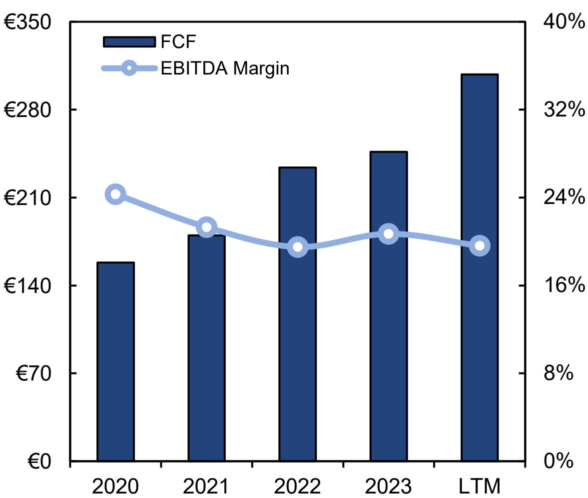
Growing Free Cash Flow: Since its spin-off, TOI has exhibited robust, double-digit FCF growth, reaching a 16% FCF CAGR from FY2020 to FY2023. This growth was mostly driven by accretive M&A and supplemented by modest organic growth from integrated companies. Additionally, the Company's business model facilitates consistent cash flows, with TOI focusing on recurring revenue. In FY2023, ~69% of the Company's revenues were derived from the Maintenance and Recurring Segment, which earns predictable fees through customer support, software as a service, subscriptions, and other recurring fees. TOI's reliable revenue streams alongside its M&A-based growth strategy will facilitate future FCF growth.

Figure 5: Organic vs Inorganic Growth



Source: Company Fillings

Figure 6: LHS FCF (€mm) vs RHS EBITDA Margin



Source: S&P Capital IQ

Risks

Elevated Interest Rates: due to TOI's size and business model, increased borrowing costs present a risk to the Company's operations and shareholder returns. Higher interest rates increase the Company's cost of capital, subsequently elevating the required return for TOI's transactions, which decreases the number of feasible acquisition targets. Considering that the majority of TOI's growth is driven inorganically through frequent M&A activity, a decrease in the number of available target companies due to higher borrowing costs could materially impact on the Company's growth.

Moreover, TOI's relatively low market cap further exacerbates interest rate risk, as small cap companies are typically more sensitive to fluctuations in rates. This was evidenced through the Company's significant underperformance in 2021 and 2022, as interest rates were expected to increase due to rising inflation.

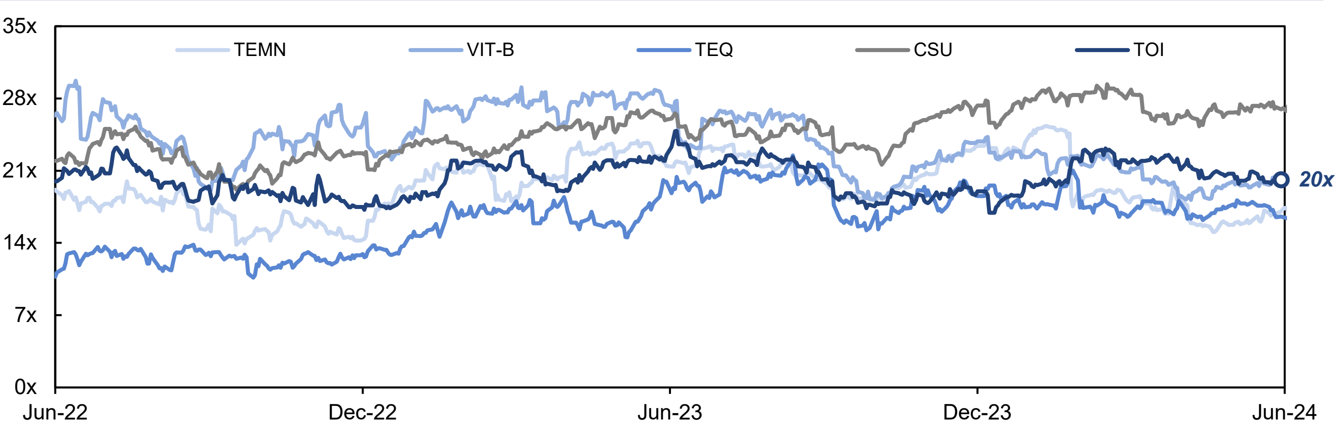
Investment Thesis and Valuation

TOI was valued at $128.73 using a seven-year DCF, a WACC of 6.59%, and a terminal growth rate of 3.0%. This provides an implied return of 10%.

The CPMT received shares of CSU's spin-off, TOI, and initiated a position at a conviction of 1 in FQ2 2021. Despite estimating an implied return of 9%, the Company has outperformed CPMT estimates with a holding period return of 17.12%, exhibiting its operational excellence and industry expertise. TOI provides favourable exposure to fragmented and scalable European VMS markets, which present less private equity competition compared to North America. The Company is able to scale VMS businesses quicker as compared to CSU given its robust average M&A growth of 30%. From 2022 to 2023, the Company, much like the rest of the IT industry experienced a decline in its share price due to rising interest rates with the Canadian and U.S. 10-yr yield curves rising above 4.8%. TOI's size and scale makes it more susceptible to interest rate swings when compared to CSU which is relatively larger.

Despite TOI's sensitivity to interest rates and significant CSU management overlap, the Company represents an attractive investment opportunity with its robust future FCF growth, coupled with its ability to compound this capital through further acquisitions across Europe. TOI's strong operations and reputable status in the European VMS industry reinforce the Fund's confidence in management's ability to execute and grow. The CPMT will continue to monitor TOI's performance and recommend a hold on the name.

Figure 7: EV/EBITDA vs Peers



Source: Bloomberg

Waste Connections

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

June 30, 2024

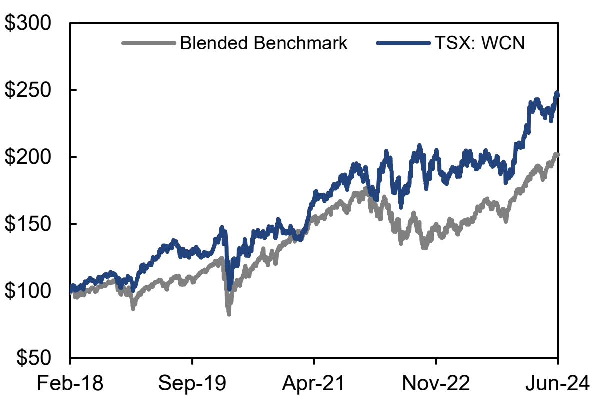
Max Konwitschny, Portfolio Manager
Connor Bot, Investment Analyst

Return on Investment	
Current Share Price	$175.36
Target Price	$189.00
Dividend Yield	0.65%
Implied Return	8%
Conviction Rating	2

Market Profile	
52-Week Range	$127.88 - $175.78
Market Capitalization (US$mm)	$45,269
Net Debt (US$mm)	$6,944
Enterprise Value (US$mm)	$52,218
Beta (5-Year Monthly)	0.71

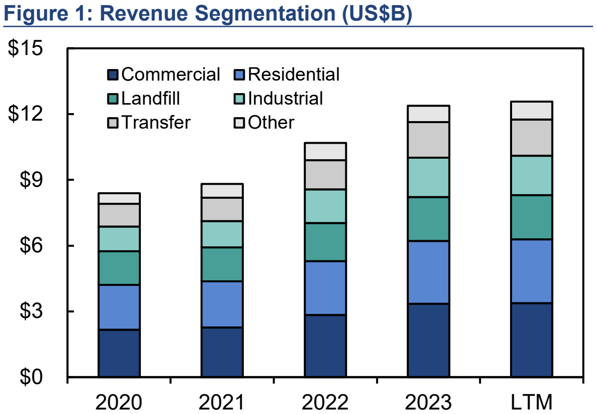
Metrics	2024E	2025E	2026E
Revenue (US$mm)	$8,824	$9,707	$10,677
EBITDA (US$mm)	$2,758	$3,033	$3,337
EPS	$ 4.45	$ 4.89	$ 5.53
EV/EBITDA	18.9x	17.2x	15.6x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Revenue Segmentation (US$B)



Source: Company Filings

Business Description

Waste Connections (TSX: WCN) is a North American integrated solid waste services company that provides non-hazardous waste collection, transfer, disposal, and resource recovery services. The Company serves approximately nine million residential, commercial, municipal, and industrial customers in largely exclusive and secondary markets across 46 U.S. States and six Canadian provinces. WCN also provides non-hazardous oilfield waste treatment, recovery, and disposal services in the U.S. and Canada, as well as intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

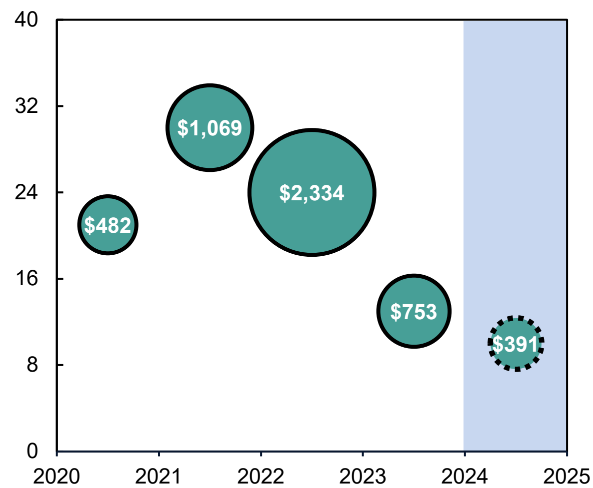
Industry Overview

WCN is the third-largest operator in the North American waste collection, transfer, and disposal industry. The sector is regionally fragmented and regulated, with dense municipal areas garnering significant competition from both major and regional operators. GFL Environmental (TSX: GFL), Republic Services (NYSE: RSG), Waste Management (NYSE: WM), and WCN are among the major operators that account for ~61% of the U.S. and Canada's Municipal Solid Waste landfill volume. Local governments control approximately 27% of these volumes, with the remainder controlled by private operators. Municipal governments have been increasingly privatizing this sector in the last decade as operating costs rise, waste disposal complexity increases, and environmental regulations tighten. This has favoured the integrated, scalable business model of major operators, and has spurred significant consolidation within the industry. For major operators, acquisition-driven growth is often the best use of capital due to advantages including (1) access to competitive waste collection areas under exclusive arrangements such as franchise agreements or municipal contracts, (2) vertical integration opportunities through consolidating collection and disposal services, and (3) access to niche markets through the provision of proprietary treatment and disposal technologies. As such, waste asset acquisitions in Canada and the U.S. amounted to ~US$6.3B and ~US$4.2B for 2022 and 2023, respectively.

The current waste landscape incentivizes operators to build up high barriers to entry in certain regions through a combination of exclusive agreements, landfill ownership, and competitive pricing. Companies that have already consolidated disposal assets are becoming more focused on building out and acquiring operators with collection, transfer or materials recovery facility (MRF) assets that can bolster their vertically integrated positions. Controlling the point of transfer from collection to landfills has become vital as landfills continue to reach capacity and incremental disposal capacity moves farther from their respective collection market. By controlling the waste stream from collection to disposal, major operators can optimize routes, transfer facility volumes, and landfill capacities, significantly raising margins. This has further widened the pricing gap between highly efficient, vertically integrated operators and regional waste service companies.

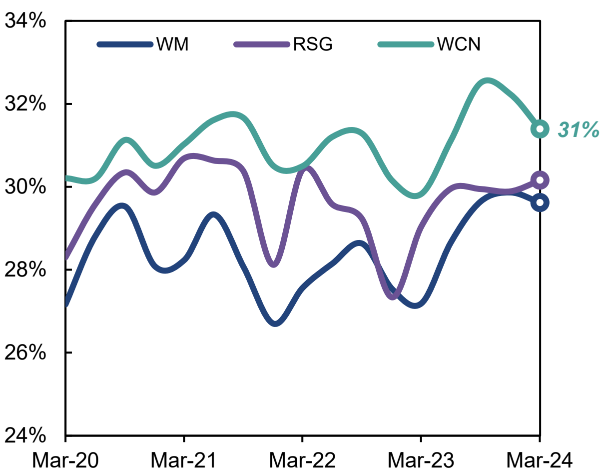
Tipping fees are also a primary driver of waste service economics and are generally set by the state or province. Fees vary (cont.)

Figure 2: Acquisition Count & Spending (US$mm)



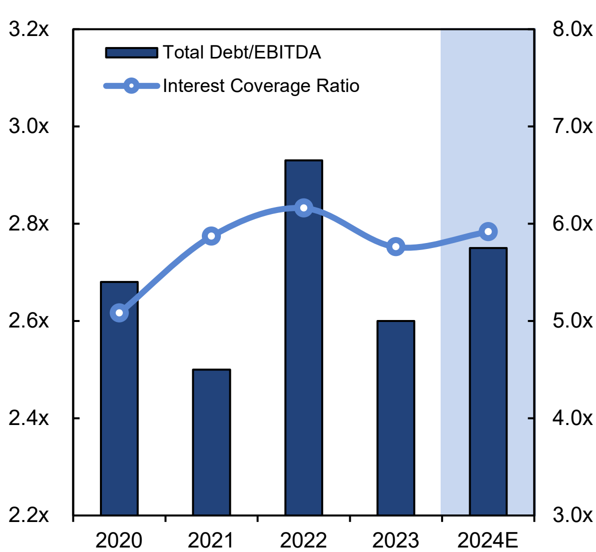
Source: Company Filings

Figure 3: Adjusted EBITDA Margin vs Peers



Source: Company Filings

Figure 4: LHS Net Debt/EBITDA vs RHS Interest Coverage



Source: Company Filings

regionally with population density, waste disposal regulations, distance to collection networks, and a variety of other factors. The Northeast U.S. and Pacific Northwest generally carry the highest tipping fees in North America, as permitting, building, and commercializing a private landfill can take multiple years. However, privately owned landfills carry favourable pricing terms including inflation-linked and fuel pass-through charges. As such, tipping fees at privately owned landfills have increased by 23% since 2017, compared to publicly-owned facilities at only 4%. Going forward, the Fund expects the trend of landfill privatization to continue, with major operators poised to benefit the most by integrating acquired collection routes into low-cost, self-owned disposal capacity.

Asset Acquisitions

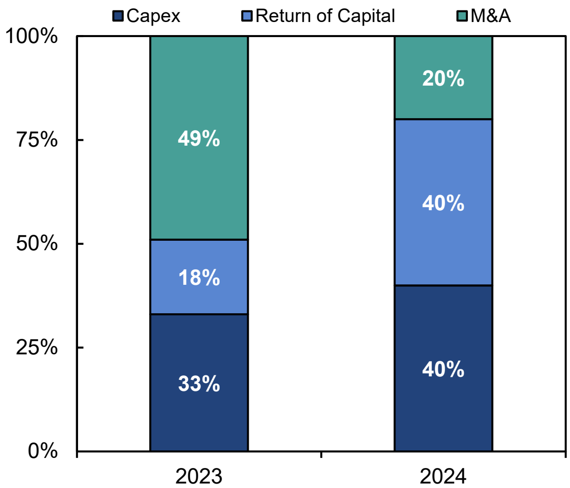
In Q1 2024, WCN closed a $1.1B all-cash acquisition of Secure Energy Services' (TSX: SES) energy waste treatment and disposal assets. WCN acquired 18 treatment, recovery, and disposal facilities, and six landfills in Western Canada. The transaction also strengthens WCN's ability to service Canadian E&Ps through the acquisition of four saltwater disposal injection wells and two disposal caverns. WCN also acquired landfill and MRF assets from Waste-Away Group in Q1 2024, solidifying the Company's presence in Indiana, a region which management intends to expand into through additional acquisitions in the long term. The Company intends to normalize M&A to ~20% of capital outlays in FY2024 and beyond, as opposed to ~50% through 2016 - 2023.

Mandate Fit

Quality Management: Following CEO Worthing Jackman's departure from WCN in April 2023, Ronald J. Mittelstaedt reassumed the role of President and CEO, a position which he had previously served since the Company's inception until 2019. Mittelstaedt has more than 30 years of experience in the solid waste industry and grew the Company into the third-largest solid waste operator in North America. Management has historically been proactive on environmental regulation and human capital, as a portion of management compensation is tied to various ESG targets including emissions reductions, biogas recovery, and recycling optimizations.

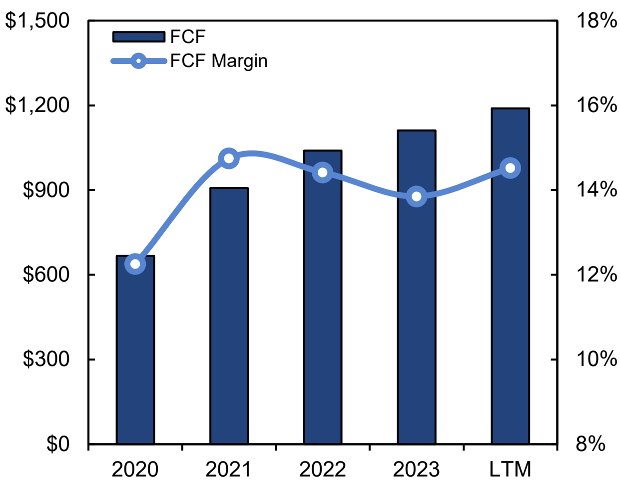
Competitive Advantage: WCN has continued to operate in the Company's historical mix of 40% exclusive markets, and 60% high-market-share competitive markets. The Company's most advantageous operations exist within the vertically integrated exclusive markets, where WCN retains ownership of local landfills and transfer facilities. This allows the Company to exert significant pricing power over collection services, out-competing all regional operators and ensuring efficient routing with fewer trucks to lower fuel costs. Additionally, WCN has historically implemented this strategy in secondary markets, achieving a higher local market share than what would generally be possible in competitive high-density urban markets. This significantly reduces collection account turnover and renewal risk, contributing to the Company's industry-leading EBITDA and FCF margins of 30.4% and 23.3% compared to the peer average of 30.3%, and 11.2%, respectively. WCN also has material footholds in niche markets such as E&P waste treatment and disposal and renewable natural gas (RNG). This has historically resulted in high-margin cashflows uncorrelated with the seasonal waste services operations. The Company also intends to open three RNG facilities in FY2024. RNG represents a new avenue of growth for the Company using its existing landfill assets, and materially lowers GHG emissions. WCN plans to have 12 RNG projects (cont.)

Figure 5: Capital Outlay Guidance



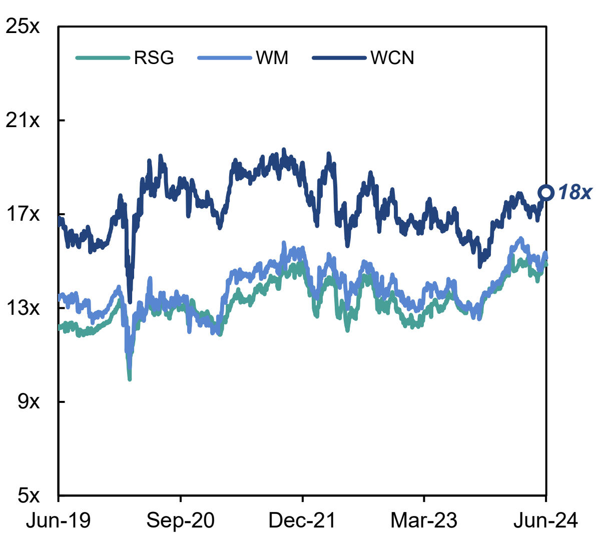
Source: Company Filings

Figure 6: LHS FCF (US$mm) and RHS FCF Margin



Source: Company Filings

Figure 7: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

in development by 2026, representing ~$200mm in annual EBITDA once fully operational. The Fund believes that WCN can comfortably sustain its exclusive and competitive market advantages stemming from its high barrier to entry waste stream integration practices and industry-leading capital allocation strategies.

Strong Balance Sheet: WCN holds a strong balance sheet with a Net Debt/EBITDA ratio of 3.1x and Debt/EBITDA ratio of 3.2x compared to the peer averages of 3.8x, and 3.0x, respectively. Management has stated an intention to keep Debt/EBITDA below 3.0x, supported by post-acquisition deleveraging and continued margin expansion from vertical integration. The Company also demonstrates its ability to meet debt obligations with an interest coverage ratio of 5.0x and holds an A- and Stable outlook rating from Fitch. For FY2023, the Company had liquidity of over US$1.5B, positioning WCN to continue acquisition activity.

Growing Free Cash Flow: WCN has continued to consistently grow FCF and dividends since Q1 2019 at CAGRs of 12% and 10%, respectively. Although management believes M&A is still the best use of capital on a long-term growth basis, the Company has shifted towards allocating 40% of capital outlays towards their capital return program (previously 18% in 2023). The shift enables WCN to pursue strategic MRF assets in competitive regions and provides ample optionality for early debt repayment, opportunistic share repurchases, or dividend increases. In combination with industry-leading FCF and EBITDA margins, management has proven themselves to be effective capital allocators, which the Fund believes will allow WCN to continue to pursue investments that deliver the highest ROIC to investors.

Risks

WCN primarily faces environmental regulatory risk on the disposal and treatment of waste post-disposal. In Q2 2024, the EPA set drinking water standards for certain poly-fluoroalkyl substances and designated PFOS and PFOA, or “forever chemicals”, as hazardous substances. Regulations such as these can increase handling costs and force companies to adopt additional sorting and disposal methods. However, disposal regulations can also provide opportunities for major operators to offer specialized disposal services at low costs through modifying in-place infrastructure.

Investment Thesis and Valuation

WCN was valued at US$189 using a five-year DCF with a WACC of 6.77%. The terminal value was derived from 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 18x. The CPMT is confident that WCN’s premium valuation is justified compared to its peers given industry-leading EBITDA and FCF margins and wide-moated operating areas. The Fund’s original investment thesis was based on WCN outperforming its peers stemming from a superior capitalization on waste stream internalization trends. This thesis materialized, as increased M&A activity driven by record privatization served as a catalyst for WCN’s growth between 2022 and 2024. The CPMT views the Company’s enhanced return of capital program as favourable, as there are fewer remaining competitive waste services regions that WCN can economically expand into. The Fund believes that WCN is in an optimal position to capitalize on the continued privatization of municipal waste services while weathering high interest rate and labour cost environments given the Company’s contracted cashflows and high infrastructure ownership.

Zoetis

Health Care
NYSE: ZTS
Market Perform | Hold

June 30, 2024

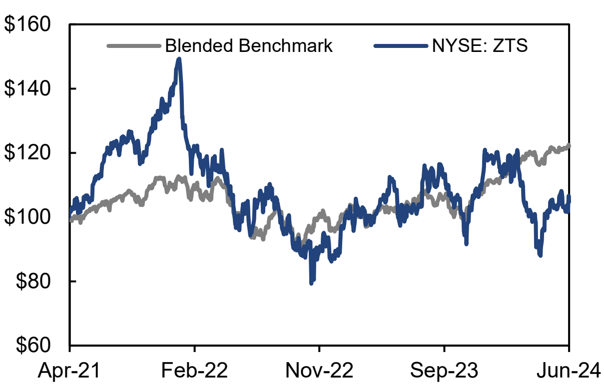
Taro Lakra, Investment Analyst

Return on Investment	
Current Share Price	$173.36
Target Price	$177.00
Dividend Yield	0.87%
Implied Return	3%
Conviction Rating	1

Market Profile	
52-Week Range (US$)	$145.62 - $200.50
Market Capitalization (US$mm)	$79,376
Net Debt (US$mm)	$4,848
Minority Interest (US$mm)	$0
Enterprise Value (US$mm)	$84,224
Beta (5-Year Monthly)	0.86

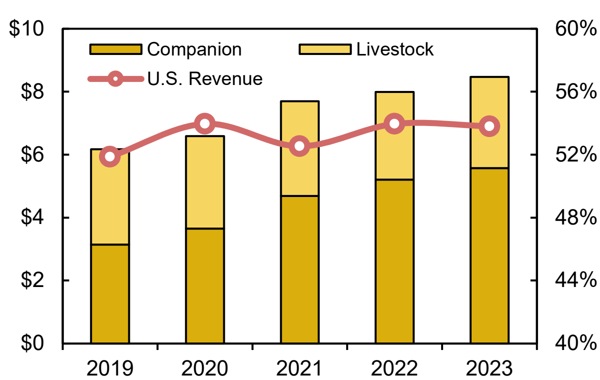
Metrics	2024E	2025E	2026E
Revenue (US$mm)	$9,238	$10,030	$11,002
EBITDA (US$mm)	$4,139	$4,458	$4,907
EPS (US$)	$5.51	$5.97	$6.83
EV/EBITDA	20.5x	19.0x	17.3x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: LHS Segmentation (US$B) vs RHS Revenue (%)



Source: Company Filings

Business Description

Zoetis (NYSE: ZTS) is a leading company in the animal health industry, focusing on the development, production, and distribution of pharmaceutical products. Zoetis operates in more than 100 countries and directly markets its products in 45 countries. The Company operates under two primary segments: (1) Companion Animals and (2) Livestock. The Companion Animal segment includes products that improve the quality and lifespan of dogs, cats, and horses, increasing convenience for pet owners and enhancing veterinarian abilities to provide quality care and efficient services. The Livestock segment covers species such as cattle, swine, poultry, fish, and sheep, focusing on disease prevention and treatment to support the cost-effective production of safe, high-quality animal protein. ZTS offers ~300 product lines across eight major categories: (1) Pharmaceuticals, (2) Vaccines, (3) Parasiticides, (4) Dermatology, (5) Anti-Infectives, (6) Pain and Sedation, (7) Animal Health Diagnostics, and (8) Medicated Feed Additives. The Company generates its remaining revenue through non-pharmaceuticals such as nutritionals, biodevices, genetics, and precision animal health.

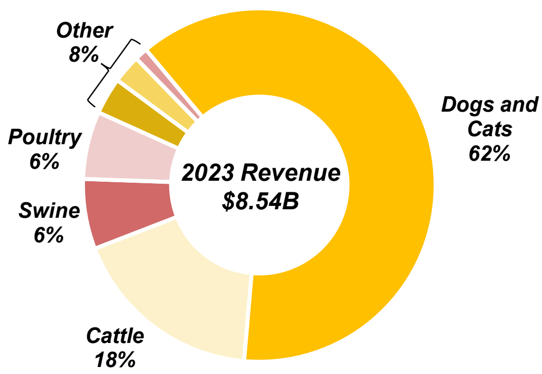
Industry Overview

The animal health care industry is dominated by few large players, including ZTS, Elanco Animal Health (NYSE: ELAN), and IDEXX Laboratories (NASDAQ: IDXX), as well as the animal health subsidiaries of Boehringer Ingelheim and Merck (NYSE: MRK). The industry benefits from significant pricing power due to its large, fragmented customer base and reduced competitive landscape. Unlike non-animal health care, where pricing is heavily regulated and consolidated, the animal health market comprises numerous, small-scale, cash-paying buyers, including individual pet owners and livestock producers. This fragmentation allows companies to implement price increases more easily than in non-animal situations. The animal health market is also experiencing significant growth, driven by the secular growth of companion animals. Since the onset of COVID-19 in 2020, there has been an increase of approximately five million pets in the U.S., with the industry projected to grow at an 8% CAGR until 2030. Similarly, due to the rise in the middle-class population, demand for livestock has increased significantly, presenting long-term opportunities for animal health companies.

Librela and Solensia Update

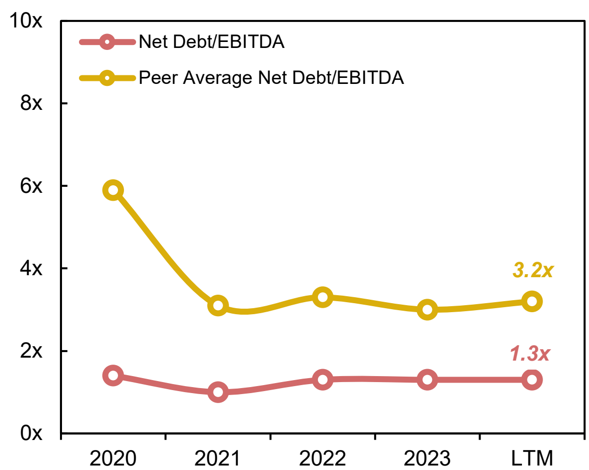
On April 12, 2024, the Wall Street Journal published an article that questioned the safety of the Company's arthritis drugs, Librela and Solensia. The article claimed these drugs were causing significant adverse reactions in dogs and cats. As a core part of ZTS's growth narrative, shares traded down 8% on the day and prompted the CPMT to reevaluate the name. Since then, these drugs have received robust support from the veterinary community. A JPM survey of vets revealed high efficacy (8.4/10) and safety (8.5/10) ratings, with Librela incidence rates in-line with typical product launches in animal health (<1%). Likewise, Barclay's reported that 88% of vets in a Q1 2024 Vet Survey continue to prescribe Librela, which suggests the concern is not around the confidence of vets in the medication, but the current noise affecting near-term Librela uptake for pet owners. However, the long-term outlook of the (cont.)

Figure 2: 2023 Species Segmentation



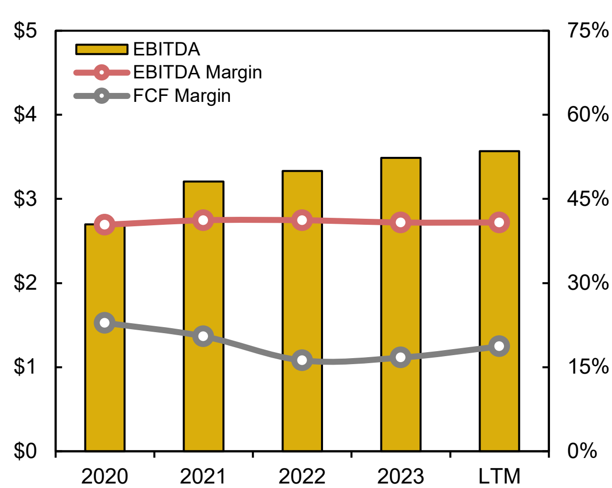
Source: Company Filings

Figure 3: Net Debt/EBITDA vs Peers



Source: S&P Capital IQ

Figure 4: LHS EBITDA (US$B) vs RHS Margin Analysis (%)



Source: S&P Capital IQ

drugs remain compelling, with few alternatives in the market. With an estimated 50-70% prescription rate in pet osteoarthritis situations, the Company maintains its trajectory to greater than US$1B in sales.

Mandate Fit

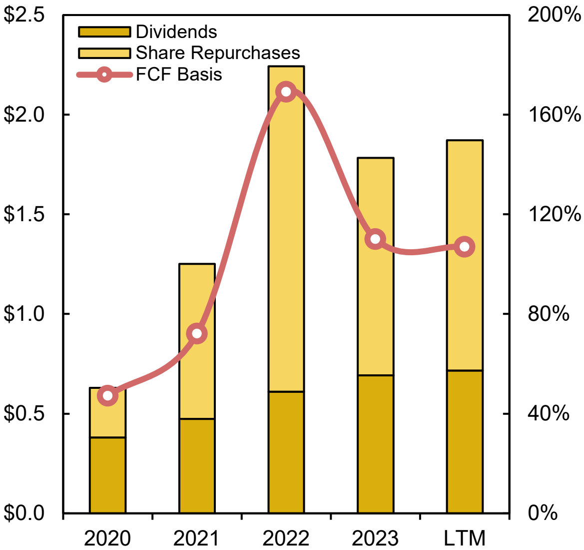
Quality Management: Kristin Peck assumed her role as CEO in 2020 after eight years with the company, during which she led ZTS through its 2013 IPO. Before joining the Company, Peck served as an Independent Director at Thomson Reuters (NYSE: TRI) and as Executive Vice President of Worldwide Business Development and Innovation at Pfizer (NYSE: PFE). In 2023, 92% of Peck's compensation was performance-based, with ~60% awarded in PSUs and RSUs. Likewise, 76% of NEO pay was considered at-risk, with 19% directly tied to revenue, EPS, and FCF results. The management team has prioritized a robust R&D platform, with equal emphasis on the prediction, prevention, detection, and treatment stages of innovation. This has allowed ZTS to introduce over 2,000 new products and lifecycle innovations over the past decade.

Competitive Advantage: ZTS's competitive advantage stems from the breadth and depth of its product lines. By species, it is ranked first in market share for companion animals, cattle, fish, and swine, which together constitute over 90% of its revenue. By geography, it ranks first in North America, Asia, and Latin America, and second in both Eastern and Western Europe. The Company's diversification in both operations and geography acts to mitigate operating risks. ZTS currently holds ~5,880 granted patents with ~1,500 patents pending, filed in over 50 countries. This allows the Company to price its products at a premium, which is further supported by the reduced impact of patent expiration in the industry. ZTS leverages its connections with more than 300 leading research institutions and universities, offering access to cutting-edge technologies and pharmaceutical targets. The Company also utilizes its direct network of 29 manufacturing sites to preserve strong operating margins relative to competitors. Lastly, ZTS continues to remain active in the acquisition market, acquiring PetMedix and Adivo in 2023 to help expand current product lines. The Company continues to seek strategic opportunities to expand its leading market position.

Strong Balance Sheet: ZTS's balance sheet possesses an LTM Net Debt/EBITDA ratio of 1.3x, an LTM Total Debt/EBITDA ratio of 1.9x, and an LTM Interest Coverage ratio of 15.6x, compared to peer averages of 3.2x, 3.5x, and 19.1x, respectively. The Company holds ~US$2.0B in cash and cash equivalents, with an additional US$1B unsecured long-term revolving credit facility. ZTS also has a US$1.1B short-term credit facility, with US$1B expiring at the end of 2024. ~40% of debt for ZTS is due post-2034, with an upcoming maturity wall worth US$1.4B in 2025. The CPMT is confident in the Company's ability to refinance due to its low leverage and superior financial position in the industry. Despite regulatory risks in animal health care resulting in lower credit ratings, ZTS holds a BBB Stable credit rating from S&P Global and a Baa1 Positive from Moody's.

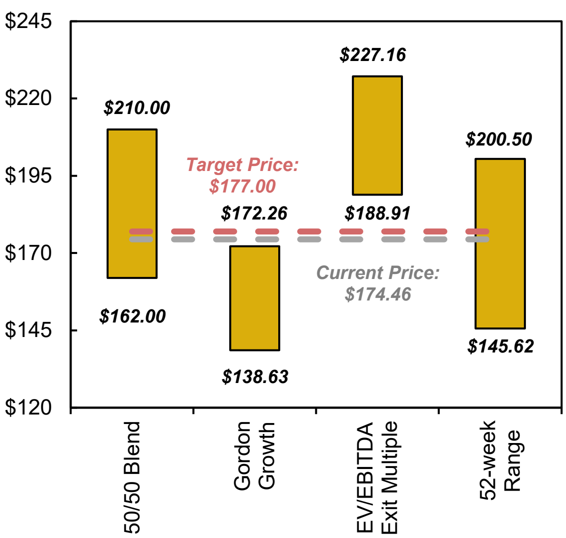
Growing Free Cash Flow: ZTS's FCF has grown at a five-year CAGR of 5.22% from 2019 to 2023. This is largely attributable to the Companion Animal segment, which has seen significant growth from the release and expansion of its Librela, Solencia, and Simparica Trio product lines. ZTS has also grown its manufacturing and distribution presence, allowing for greater control and an improved net margin over the last five years. The Company has seen an increase in SG&A expenses and encountered occasional regulatory difficulties as products are released in new geographies, which pose risks to FCF growth in the near-term.

Figure 5: Capital Returned to Shareholders (US$B)



Source: S&P Capital IQ

Figure 6: Valuation Football Field



Source: CPMT Estimates, Company Filings

Risks

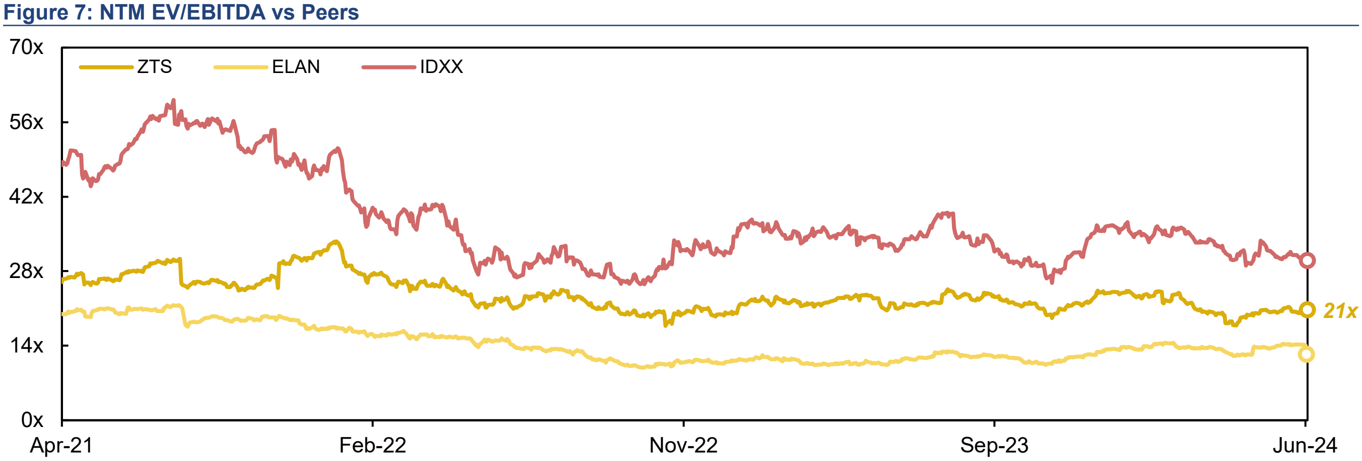
ZTS relies heavily on a global supply chain for the procurement of raw materials, manufacturing of products, and distribution to customers. The Company also depends on a network of 109 third-party contract manufacturing organizations around the world. Disruptions caused by natural disasters, geopolitical events, or logistical issues can severely affect ZTS' ability to meet demand and maintain operational efficiency. The unpredictability of animal plague also poses a risk to the Company, evidenced in 2019 during the African Swine Fever, which significantly affected international livestock segment growth. Although patent expiration is also a concern in the industry, it is lessened due to longer product lifecycles and reduced insurance coverage for animal health generics. The Company is also susceptible to foreign exchange risk, with management evaluating operations in Argentina's hyperinflationary environment, which accounts for ~3% of ZTS' overall revenue.

Investment Thesis and Valuation

The CPMT valued ZTS at US$177 using a 5-year DCF with a WACC of 7.5%. 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 average of an EV/EBITDA exit multiple of 20.0x.

Since entering a position in Q4 2021, ZTS has upheld the CPMT's original investment thesis, realizing higher-than-expected companion animal growth. That said, the holding period return has since been volatile, with Q1 2024 closing relatively flat. A period of outperformance in 2023 was driven by robust sales in Companion sales, which was offset following the Librela and Solensia drug allegations. The market is currently pricing in close to a worst-case scenario for Librela uptake, a thesis which the Fund disagrees with. The consistent positive feedback from the veterinary community and lack of alternatives in the market will likely continue to sustain market relevance, despite short-term public perception challenges. The CPMT has conviction in the name as a resilient and strategic asset in the portfolio, poised for long-term growth estimated at ~7% topline CAGR through 2030, despite using conservative Librela and Solensia estimates. The Company holds a leadership position within its industry and operates a business model that can generate superior top-line growth compared to peers based on its proven execution of organic and inorganic growth. With trading multiples approaching all-time lows, the Fund recommends a hold to continue to assess the outcome of the Librela and Solensia while gaining exposure to ZTS's attractive fundamentals.

Figure 7: NTM EV/EBITDA vs Peers

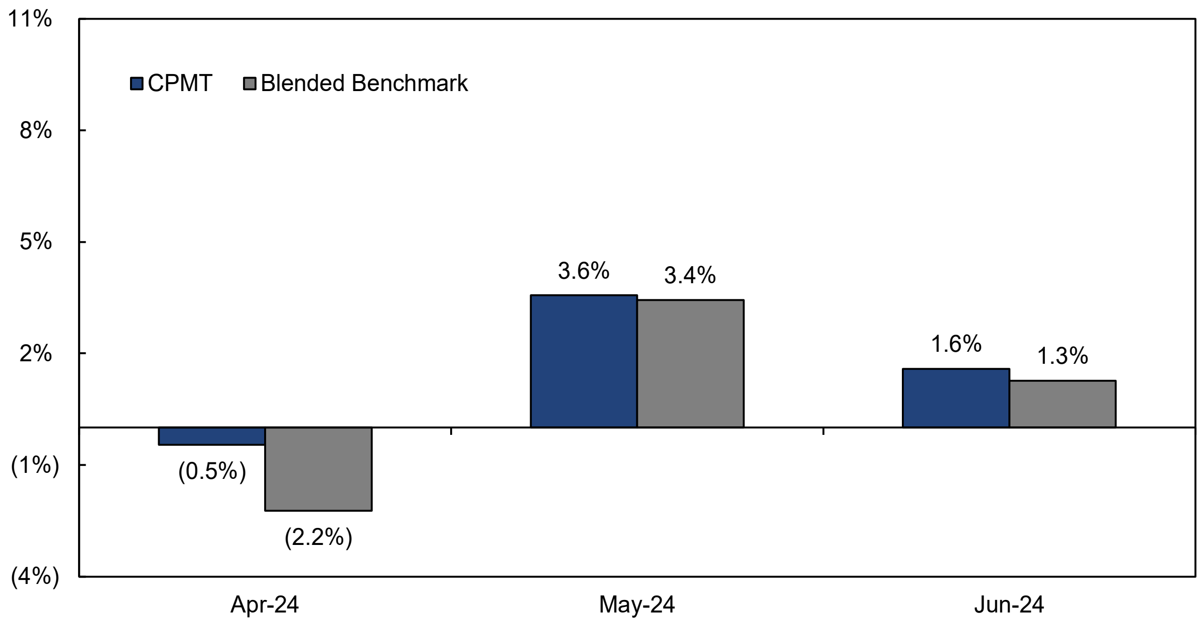


Source: S&P Capital IQ

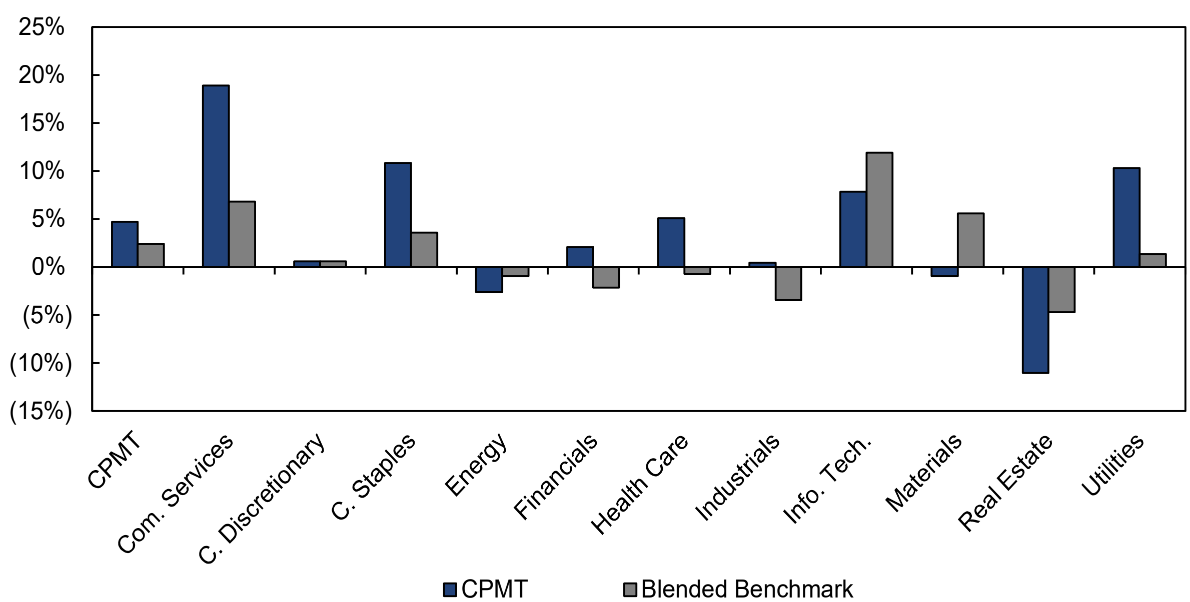
Compliance and Performance

QUARTERLY PERFORMANCE

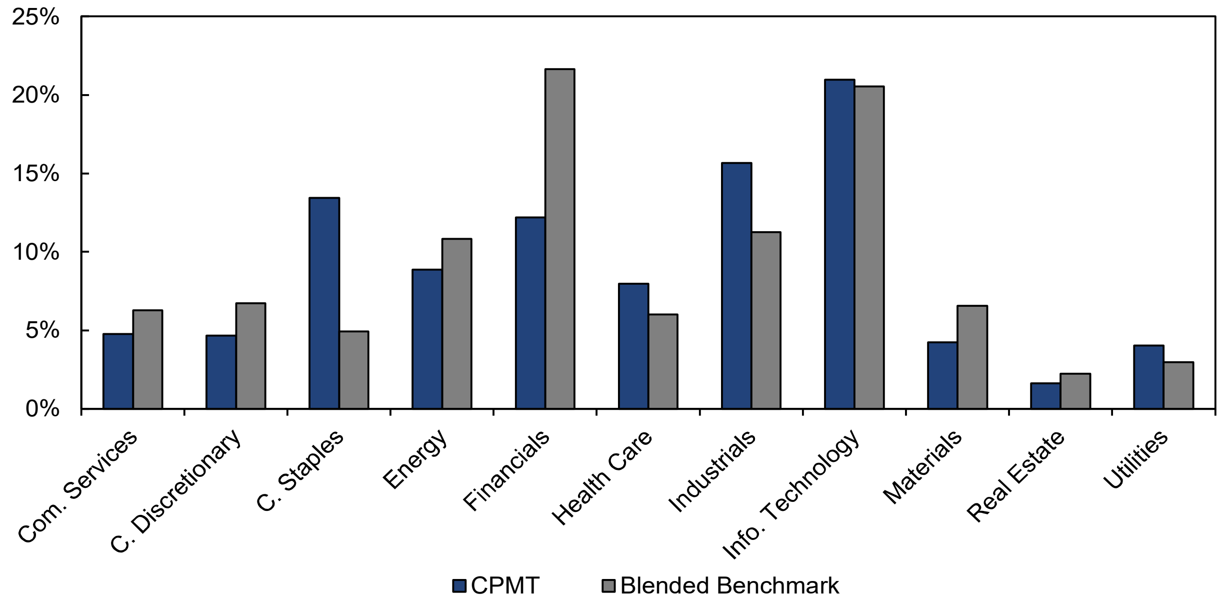
CPMT and Blended Benchmark Monthly Returns



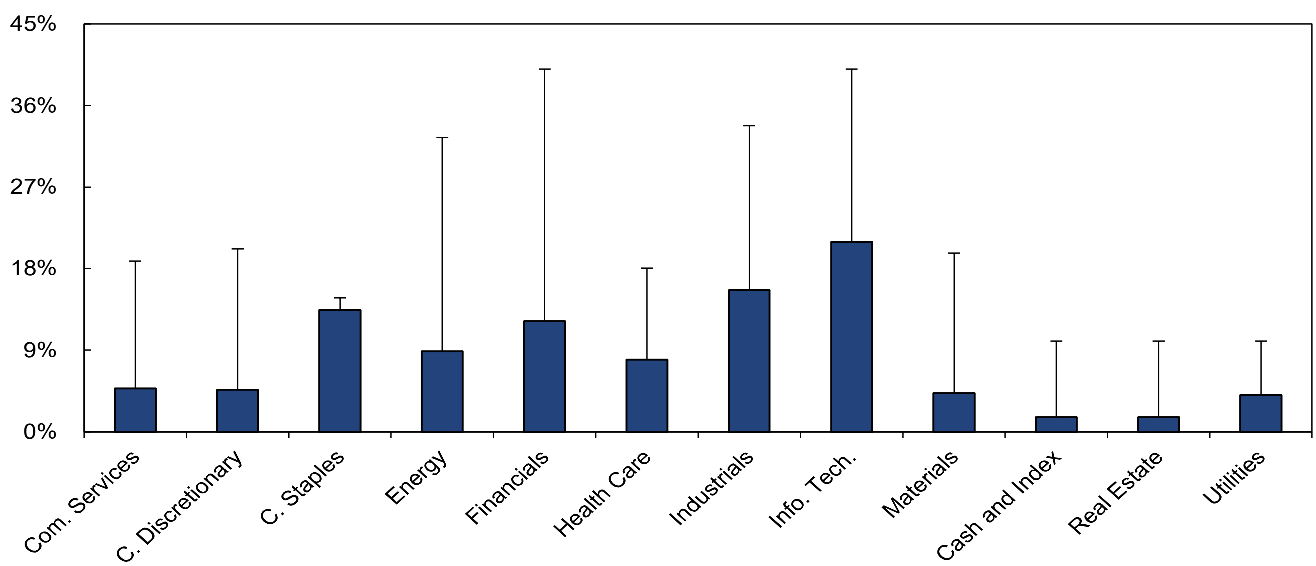
CPMT and Blended Benchmark Quarterly Sector Returns



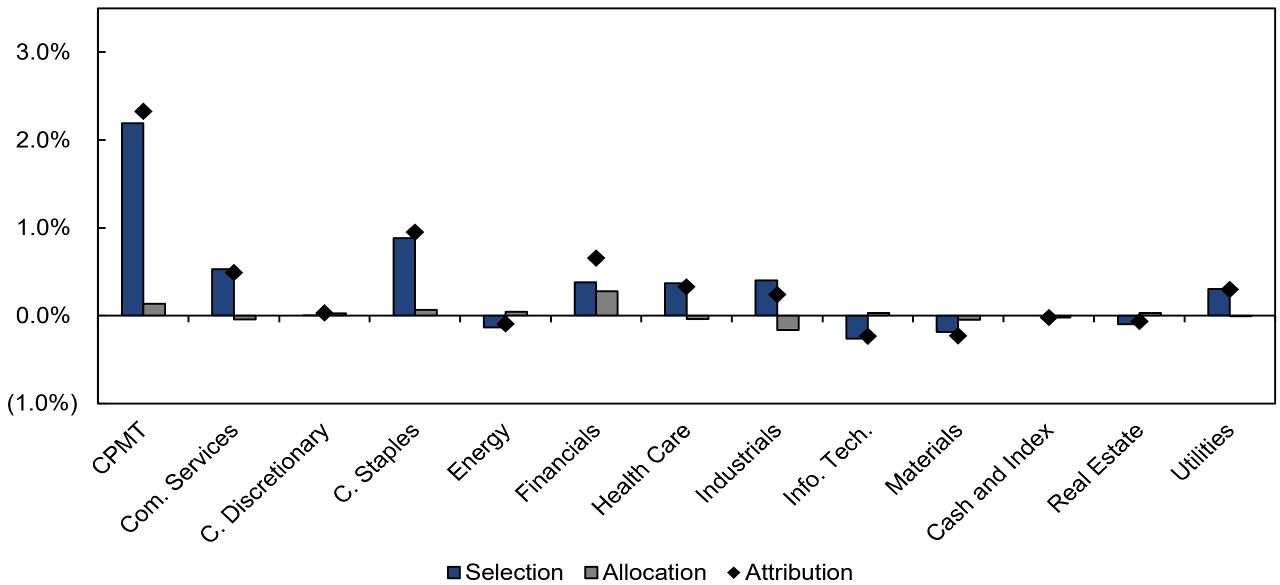
CPMT and Blended Benchmark Sector Weightings



CPMT Sector Weights vs Maximum Weight



Attribution Analysis (FQ1 2025)



CPMT Attribution Analysis

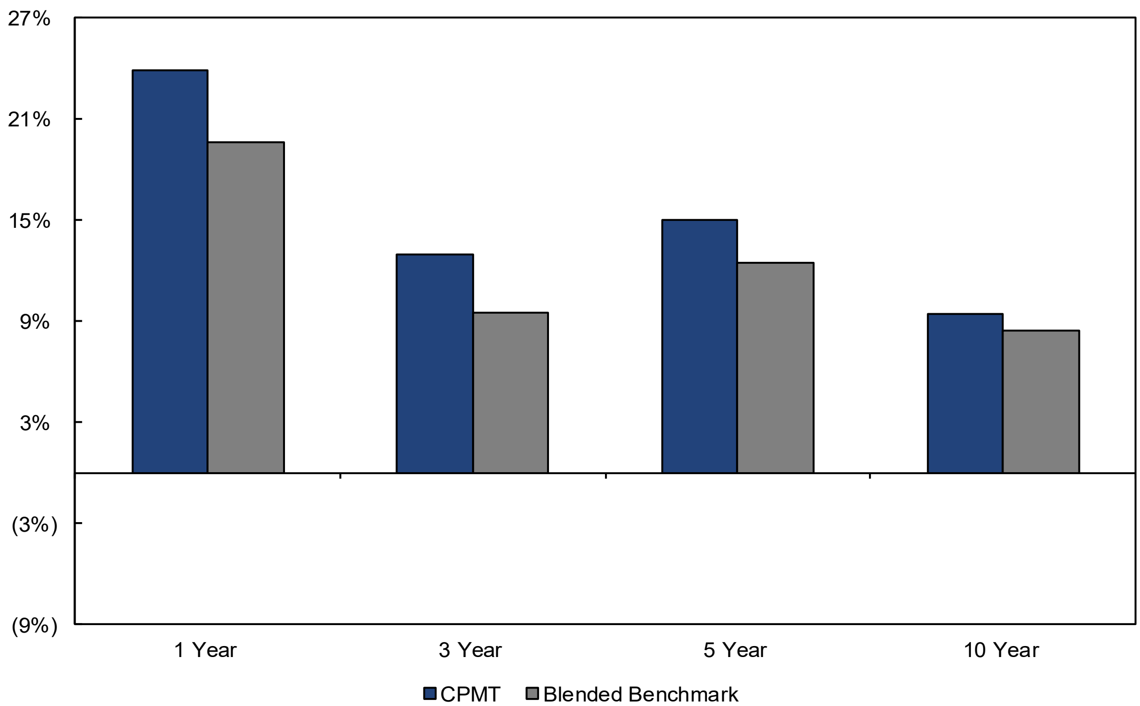
FQ1 2025	Attribution	Allocation	Selection
CPMT	2.33%	0.14%	2.19%
Communication Services	0.49%	(0.04%)	0.53%
Consumer Discretionary	0.03%	0.02%	0.01%
Consumer Staples	0.95%	0.06%	0.88%
Energy	(0.09%)	0.04%	(0.14%)
Financials	0.65%	0.28%	0.38%
Health Care	0.33%	(0.04%)	0.37%
Industrials	0.24%	(0.16%)	0.40%
Information Technology	(0.24%)	0.03%	(0.26%)
Materials	(0.23%)	(0.05%)	(0.18%)
Other	(0.02%)	(0.02%)	(0.00%)
Real Estate	(0.07%)	0.03%	(0.10%)
Utilities	0.30%	(0.01%)	0.30%

1 Year	Attribution	Allocation	Selection
CPMT	4.08%	0.18%	3.90%
Communication Services	0.27%	(0.07%)	0.33%
Consumer Discretionary	1.18%	0.16%	1.02%
Consumer Staples	0.92%	(0.51%)	1.43%
Energy	(0.75%)	0.08%	(0.84%)
Financials	1.79%	0.44%	1.35%
Health Care	0.28%	(0.02%)	0.30%
Industrials	1.24%	(0.05%)	1.29%
Information Technology	(1.48%)	0.23%	(1.71%)
Materials	0.80%	0.21%	0.59%
Other	(0.27%)	(0.27%)	0.00%
Real Estate	(0.13%)	0.10%	(0.23%)
Utilities	0.24%	(0.13%)	0.37%

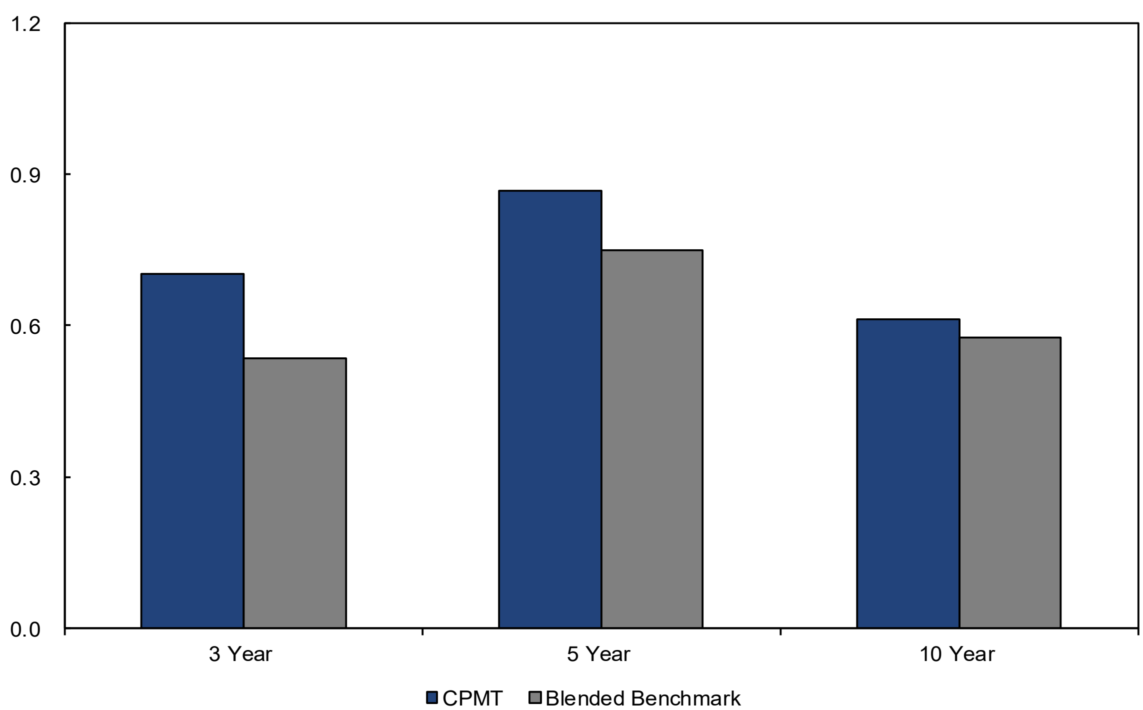
Compliance and Performance

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)	✓ 23.87%	✓ 12.92%	✓ 14.97%	✓ 9.38%
Relative Returns (bps)				
Blended Benchmark (2)	✓ 425	✓ 339	✓ 252	✗ 95
Risk Adjusted Returns (bps)				
Blended Benchmark (3)	✓ 555	✓ 273	✓ 224	✗ 87

(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	23.87%	12.92%	14.97%	9.38%
Blended Benchmark	19.62%	9.53%	12.45%	8.42%
Annualized Volatility				
CPMT	9.18%	13.50%	14.31%	12.37%
Blended Benchmark	10.19%	12.91%	13.95%	11.78%
Sharpe				
CPMT	1.97	0.70	0.87	0.61
Blended Benchmark	1.44	0.53	0.75	0.58

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 (2024-2025)

FQ1 2025	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
CJT	30-Apr-24	Buy	130	$124.27				
ADBE	30-Apr-24	Sell	20	$524.10	$467.57	USD	-$1,130.57	-10.79%
Total							-$1,130.57	-10.79%

Appendix 2: Account Activity (Continued)

Dividend Summary

April, 2024			
Equity	**Date**	**DPS**	**Credit (CAD)**
CNQ	05-Apr-24	$1.05	$374.85
ATD	15-Apr-24	$0.18	$75.25
CSU	15-Apr-24	$1.36	$17.62
CP	00-Jan-00	$0.19	$10.45
Total			**$478.17**

May, 2024			
Equity	**Date**	**DPS**	**Credit (CAD)**
DOL	03-May-24	$0.09	$13.80
TOU	16-May-24	$0.50	$100.00
WCN	23-May-24	$0.39	$50.88
Total			**$164.68**

June, 2024			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	03-Jun-24	$0.92	$228.75
BAM	28-Jun-24	$0.52	$57.48
BN	28-Jun-24	$0.11	$48.72
CCL	28-Jun-24	$0.29	$58.00
CNR	28-Jun-24	$0.85	$126.75
TOU	28-Jun-24	$0.32	$64.00
Total			**$583.70**

CPMT Holdings - June 30, 2024	Market Cap	Conviction	Position Size			Target Price		Currency	Stock Price	Total Return	
Financials			Current	Target	Difference	Prior	Current			QTD	TTM
Brookefield Asset Management	Large	0	0.74%	0.00%	(0.74%)	N/A	N/A	CAD	$32.40	11.07%	30.05%
Brookfield Corporation	Large	2	3.34%	4.00%	0.66%	$60.00	$60.00	CAD	$30.16	12.78%	42.35%
JPMorgan Chase & Co.	Large	2	4.84%	4.00%	(0.84%)	$208.00	$208.00	USD	$123.61	5.30%	41.61%
Royal Bank of Canada	Large	2	3.80%	4.00%	0.20%	$143.00	$143.00	USD	$93.98	3.35%	17.61%
Information Technology											
Adobe Inc.	Large	0	0.00%	0.00%	0.00%	$378.00	$378.00	USD	$524.10	(4.71%)	7.38%
Apple Inc.	Large	2	5.08%	4.00%	(1.08%)	$165.00	$165.00	USD	$74.26	(2.16%)	16.53%
Constellation Software Inc.	Large	2	6.70%	4.00%	(2.70%)	$3,075.00	$3,075.00	CAD	$428.79	12.38%	60.54%
Microsoft Corporation	Large	2	5.70%	4.00%	(1.70%)	$287.00	$287.00	USD	$119.28	(7.59%)	31.58%
Topicus.com Inc.	Mid	1	1.52%	2.00%	0.48%	$92.00	$92.00	CAD	$99.90	4.61%	19.43%
Visa Inc.	Large	1	2.07%	2.00%	(0.07%)	$240.00	$240.00	USD	$202.41	(2.50%)	15.22%
Materials											
CCL Industries inc.	Large	1	1.72%	2.00%	0.28%	$79.00	$79.00	CAD	$24.44	5.95%	17.23%
Linde PLC	Large	1	2.52%	2.00%	(0.52%)	$415.00	$415.00	USD	$253.46	5.25%	21.58%
Energy											
Canadian Natural Resources Limited	Large	2	3.92%	4.00%	0.08%	$84.00	$84.00	CAD	$12.81	(2.90%)	19.12%
Enbridge inc.	Large	1	1.46%	2.00%	0.54%	$53.00	$53.00	CAD	$47.29	4.60%	5.25%
Enterprise Products Partners LP	Large	1	1.77%	2.00%	0.23%	$30.00	$30.00	USD	$26.81	4.86%	18.51%
Tourmaline Oil Corp.	Large	1	1.38%	2.00%	0.62%	$80.00	$80.00	CAD	$62.45	(3.17%)	(12.57%)
Consumer Discretionary											
Aritzia Inc.	Mid	2	3.41%	4.00%	0.59%	$45.00	$45.00	CAD	$14.18	16.25%	83.84%
Consumer Staples											
Alimentation Couche-Tard Inc	Large	2	4.09%	4.00%	(0.09%)	$70.00	$70.00	CAD	$62.96	6.03%	23.89%
Costco Wholesale Corporation	Large	3	6.78%	6.00%	(0.78%)	$610.00	$610.00	USD	$217.56	(6.21%)	51.95%
Dollarama Inc.	Large	1	2.26%	2.00%	(0.26%)	$111.00	$111.00	CAD	$98.30	3.00%	33.17%
Hershey Company	Large	1	1.70%	2.00%	0.30%	$275.00	$275.00	USD	$188.55	6.77%	3.01%
Telecommunications											
Alphabet Inc.	Large	2	4.26%	4.00%	(0.26%)	$111.00	$111.00	USD	$144.24	(10.98%)	31.88%
Healthcare											
McKesson Corporation	Large	2	4.69%	4.00%	(0.69%)	$508.00	$508.00	USD	$448.30	3.74%	39.73%
Thermo Fisher Scientific Inc.	Large	1	1.65%	2.00%	0.35%	$570.00	$570.00	USD	$494.00	14.21%	13.13%
Zoetis Inc.	Large	1	1.75%	2.00%	0.25%	$153.00	$153.00	USD	$165.10	4.43%	(0.85%)
Industrials											
Canadian National Railway Company	Large	2	2.76%	4.00%	1.24%	$163.00	$163.00	CAD	$77.31	(0.73%)	(0.19%)
Canadian Pacific Kansas City	Large	1	1.93%	2.00%	0.07%	$120.00	$120.00	CAD	$100.03	4.05%	13.76%
Cargojet Inc	Large	1	1.95%	2.00%	0.05%	$137.00	$137.00	CAD	$124.27	(5.49%)	4.88%
Cintas Corporation	Large	2	5.22%	4.00%	(1.22%)	$532.00	$532.00	USD	$262.62	8.69%	58.59%
Waste Connections, Inc.	Large	2	3.64%	4.00%	0.36%	$124.00	$124.00	CAD	$92.08	0.61%	29.87%
Real Estate											
Prologis Inc	Large	1	1.72%	2.00%	0.28%	$131.00	$131.00	USD	$176.04	5.34%	5.34%
Utilities											
NextEra Energy, Inc.	Large	2	4.11%	4.00%	(0.11%)	$75.00	$75.00	USD	$60.31	4.66%	6.72%