CPMT Monthly Update – February 2018

Calgary Portfolio Management Trust

CFA Society Calgary

UNIVERSITY OF CALGARY

CPMT Calgary Portfolio Management Trust

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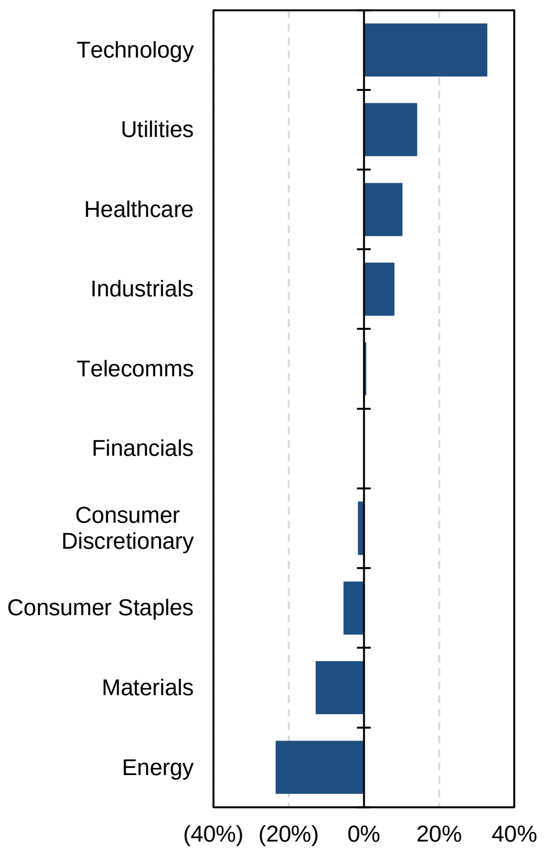
Macro Update

Portfolio Manager: *Jennifer LaBine*
Portfolio Manager: *Erick Noh*

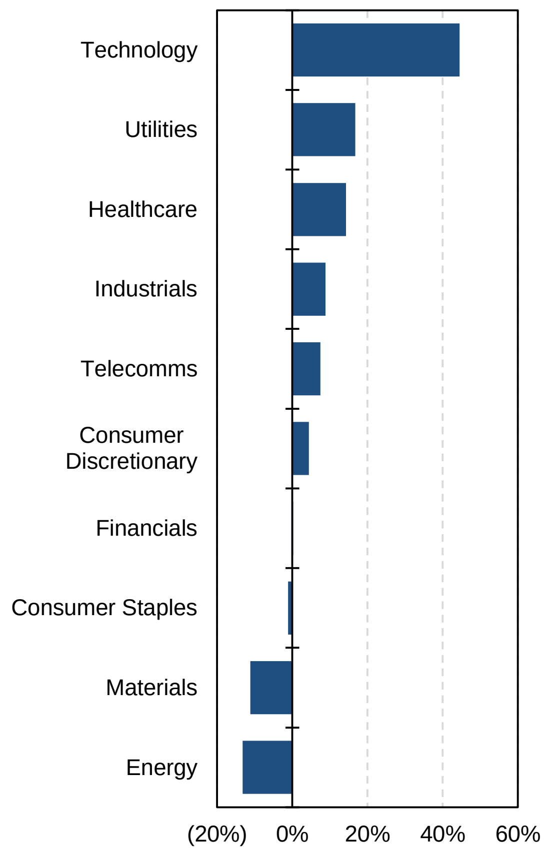
Sector Deviation From Historical Valuation

Percentage Deviation of Current vs. Historical Average Valuation *(EV / EBITDA)*(1)

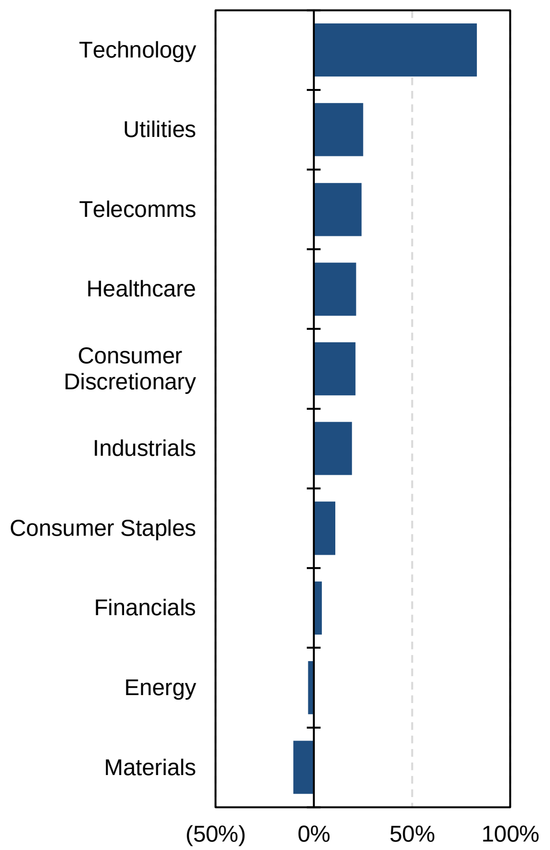
3-Year



5-Year



10-Year

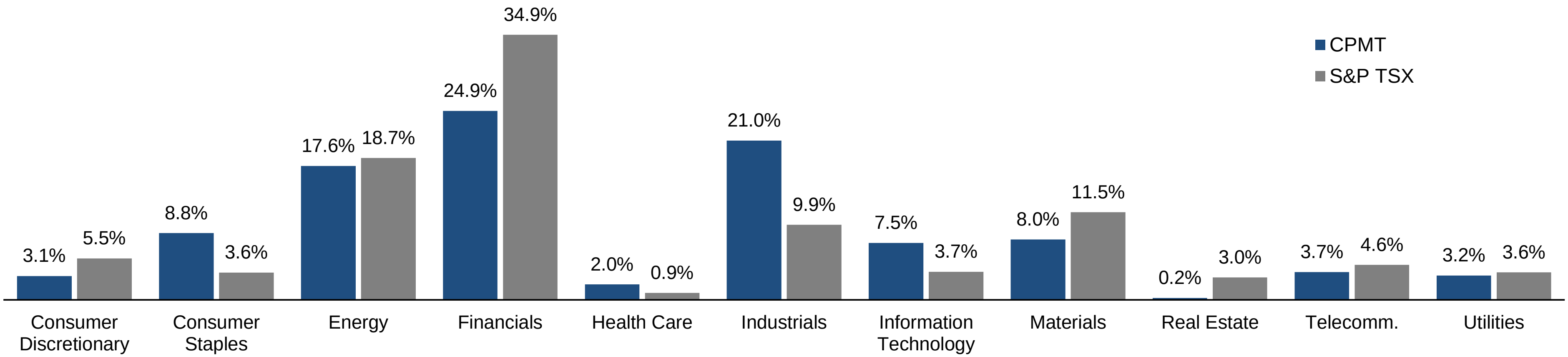


The CPMT believes that the economy is in the later stages of the current business cycle as indicated by the majority of sectors showing a positive deviation from the respective 3-, 5-, and 10-year average valuation multiples; we will elect to make more of an effort to be overweight defensive sectors such as the Financials and the Consumer Staples sectors and target being underweight commodity-driven sectors such as Energy and Materials

(1) Financial sector valuation on a P/E basis; data for the Real Estate sector not available for relevant time period; calculated as current valuation as a percentage of historical average valuation
Source: Bloomberg

Sector Allocation Analysis

Sector Allocation: *Portfolio vs. TSX Benchmark*



- *Consumer Staples: with economic growth expected to slow given a later-stage position in the current business cycle, and the potential for further rate hikes, the CPMT is comfortable being overweight the Consumer Staples sector given its defensive nature*
- *Financials: with continued rate hikes expected throughout 2018-19 contributing to higher bank profitability, accompanied by increased borrowing propelling loan book growth, the CPMT wishes to be at, or potentially overweight the Financials sector; research is currently being conducted to rectify this*
- *Real Estate: given the highly leveraged nature of REITs, the potential for rate hikes mean higher borrowing costs, and thus lower return, however we expect a decent uptick in demand for rental units; we remain cautious on the space, and continue to seek potential opportunities*
- *Industrials & Materials: given expected increases in infrastructure spending, the CPMT wishes to remain at or overweight the more robust Industrials sector, while remaining underweight Materials to mitigate unnecessary volatility characteristic of the underlying commodities*
- *Health Care: the CPMT is comfortable being slightly overweight Health Care given an aging demographic, as well as the emergence of medical marijuana companies, both of which we expect to continue to propel growth in this sector*

Note: iShares Core S&P/TSX Capped Composite Index ETD (XIC) used as benchmark portfolio
Source: Bloomberg

Financials Sector Update

Portfolio Manager: *Kristin Gorkoff*
Investment Analyst: *Ali Saleh*

Financial Sector Overview

U.S. Financial Sector Overview

- Former Federal Reserve Chair Janet Yellen oversaw her final two-day Federal Open Market Committee meeting on January 30-31, 2018. Over the meeting, the policymakers unanimously left interest rates unchanged at 1.25%-1.50%. During the meeting, the central bank forecasted three more rate hikes for 2018. The Fed expects that economic conditions will warrant gradual interest rate hikes
- Jerome Powell assumed the role of Federal Reserve Chair on February 5th as the 16th chairman of the Federal Reserve. Powell steps into the Fed Chair during a U.S. economy in its third-longest expansion in history, and unemployment and inflation near historically low levels. Former chair, Janet Yellen, became the first Fed Chair since the late 1970's to not serve at least two terms. During his first public appearance as Federal Reserve Chairman, Jerome Powell expressed optimism about the U.S. economy in 2018 after the recent tax reform, and that the U.S. Central Bank is on track to "gradually lift short-term interest rates"

Canadian Financial Sector Overview

- On January 17th, the Bank of Canada ("BoC") increased its overnight target rate by 25 bps to 1.25%. The rate hike is attributed to continued strong Canadian economic data, such as Canada's unemployment rate being at a 40-year low, and inflation being close to its target
- The BoC also acknowledged concerns regarding the economy, such as the future of the North American Free Trade Agreement ("NAFTA"), which could hinder further increases in the benchmark rate. The BoC also mentioned that it's "data dependent," and that further rate increases could be warranted if the Canadian economy continues to strengthen despite the NAFTA uncertainties that are "clouding the economic outlook." The BoC's Governor, Stephen Poloz, also recognized that the Canadian economy will be more sensitive to higher rates given the level of debt consumers have now compared to a decade ago. This comes after an MNP survey that showed that one in three Canadian's cannot cover monthly bills and debt payments. With high consumer debt levels and NAFTA uncertainty, the CPMT believes that the BoC is in no rush to raise interest rates and that monetary policy accommodation will likely be needed first
- Over the quarter, credit rating agency S&P Global Ratings raised its economic risk assessment metric for Canadian banks, from an economic risk level of 2 to 3 out of 10, after evidence of residential mortgage fraud at smaller Canadian banks. A higher number indicates greater risk. This new rating puts Canada in line with the U.S., but lower than other developed countries such the U.K. and Australia

Company Specific Updates

Brookfield Asset Management

- Over the month Brookfield Asset Management (TSX: BAM) reported fiscal year earnings, which saw net income coming in at $4.6bn, with $2.08bn of that coming in the fourth quarter. Funds from Operations ("FFO") came in at $3.8bn over the year
- BAM had a ~26% increase in fee-related earnings from asset management and had particularly higher increase in their renewable power operations – a subsector which the CPMT believes will grow over the long-term
- YoY, BAM saw its fee bearing capital increase by 15% to $126bn after fundraising in private funds and growth in BAM's listed issuers
- Brookfield continues to be as strong name, with annualized fees increasing ~26% YoY to $1.5bn, and annualized target carried interest increasing 16% YoY to $1.0bn, representing significant future earnings potential

Manulife Financial

- Manulife (TSX: MFC) reported a decline in Q4 earnings compared to last year, mostly due to higher investment gains that helped bolster earnings this time last year. MFC, along with other Canadian insurance companies have been focusing on growing rapidly in Asia and trying to capitalize on the continent's growing middle class. This helps firms diversify from Canadian markets, where competition is increasing amongst companies such as Sun-Life (TSX: SLF) and Great-West Lifeco (TSX: GWO). Sales in insurance in Asia increased 7% over the quarter. Part of Manulife's loss was also related to a $2.8bn post-tax charge that is attributed to the new U.S. tax bill, as well as the decision by management to change the portfolio asset mix
- MFC also declared a dividend increase of ~7%. This puts its annual dividend at a 12% CAGR since 2013, with core earnings growing at 15% CAGR over the same period
- MFC also launched a 2018 efficiency initiative to strengthen expense management. The Company also announced leadership changes over Q4. The CPMT will monitor how Manulife's cost-cutting will improve in the future, its market share growth in Asia, and the future of MFC's American Division, John Hancock Insurance

Company Specific Updates

Alaris Royalty Corporation

- Following our Q3 presentation, the CPMT elected to divest its entire position in Alaris Royalty Corporation (TSX: AD). The decision was made based on:
  - Poor management execution over the last two years
  - Stagnant stock price performance over the last year
  - A thesis revision made as a result of concerns surrounding management's ability to execute
- **Sell Thesis:** The Company's share price will remain stagnant until management is able to get all of its portfolio companies back on track. Management, however, lacks a track record of doing so, and therefore the CPMT is no longer comfortable holding the name

Alaris Recent Trading Performance

The Bank of Nova Scotia

- Scotiabank (TSX: BNS), reported better-than-expected earnings as net income rose 12% YoY. Profit margins at the bank improved as less capital was set aside to cover bad loans, which may be attributed to a strengthening Canadian economy. Another factor contributing to better margins were non-interest expenses (ex. salaries), which declined ~5% YoY as a result of the bank's aggressive cost-cutting initiative, which saw $500mm in annual costs slashed over 2017. This exceeded the bank's target of $350mm in cut costs. The CPMT will continue to monitor the Company's cost-cutting strategy as the bank stated it could see upwards of ~$200mm more of savings this year
- Scotiabank's residential mortgage portfolio was up 6.7% YoY, which may indicate that homebuyers had rushed to secure mortgages before tougher mortgage rules came into effect at the beginning of 2018. In 2017, this metric was up 2.6% YoY. Scotiabank's Common Equity Tier 1 ("CET1") ratio came in at 11.2%, down 0.1% YoY as the bank begins to deploy capital on acquisitions such as BBVA in Chile and Jarislowsky Fraser in Canada. BNS's global expansion strategy continued in January, as the bank also announced that its Colombian subsidiary, Banco Colpatria, reached an agreement with Citibank (NYSE: C) Colombia to acquire Citibank's consumer (retail and credit cards) and small and medium enterprise operations

Industrials Update

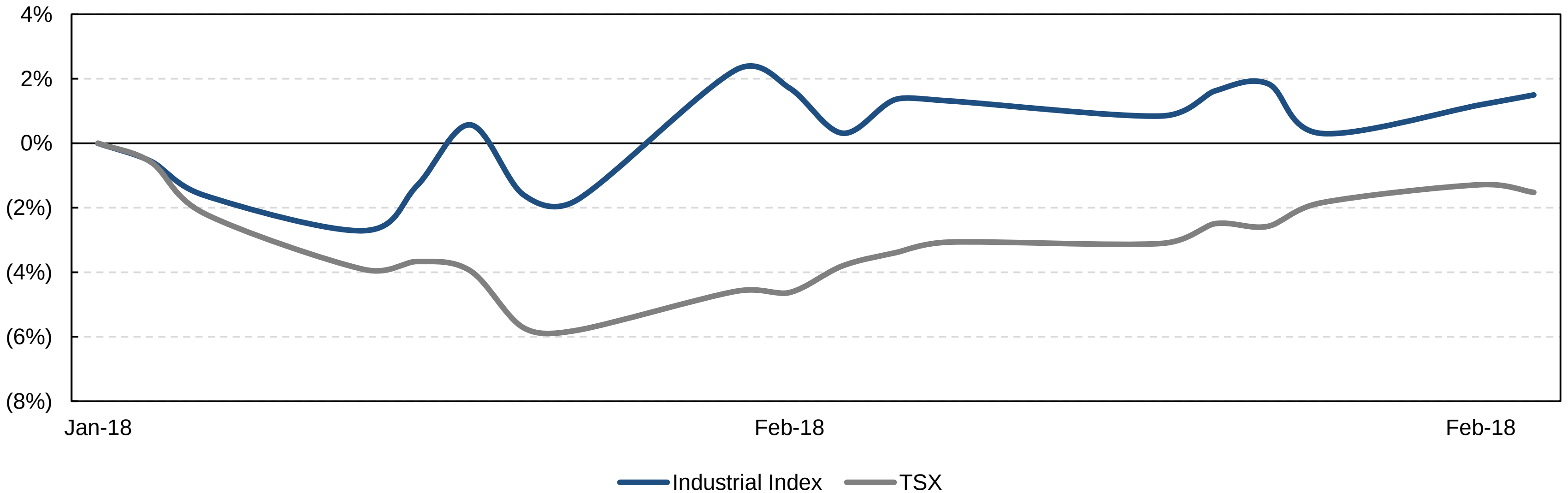
Portfolio Manager: *Mahad Nadeem*
Investment Analyst: *Eeshwar Dutt*

Industrials Update

Sector Overview

- During the month of February, the S&P/TSX Composite Industrials Total Return Index gained 1.85%
- The top performing name in the sector was Bombardier Inc (TSX: BBD) which saw a gain of 19.1% over the last two weeks. BBD demonstrated strong quarterly results, in which FCF grew by ~76%. In addition, Delta Airlines (NYSE: DAL) recently announced it would begin taking the deliveries of C-Series jets (which are produced by BBD) this year
- The worst performing name in the sector was Maxar Technologies Ltd (TSX: MAXR) which saw a loss of 22.2% over the last month. While consolidated revenues and adjusted EBITDA increased on a 3-month and 12-month basis, adjusted EPS fell on a 12-month basis. In addition, net EPS (basic and diluted) fell on a 12-month basis. This marks the third year in a row where net earnings has fallen. MAXR also reported their financial outlook for 2018, which included revenue declines of 2% to 4%

Industrial Sector Return vs. TSX Return



Source: Bloomberg

Industrials Update

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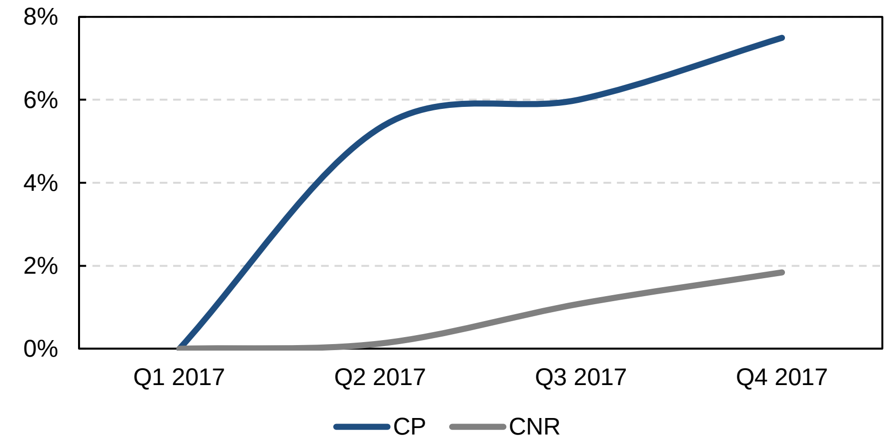
Canadian National Railway

- Canadian National Railway (TSX: CNR) gained 1.4% in the month of February
- On Feb 1st, 2018, CNR announced a public two-tranche debt offering of USD $900mm
- Rail traffic originating in North America rose 1.8% YoY in the week ended Feb. 24. North American-originated commodity carloads fell 2.7% compared to last year
- CNR continues to lag behind Canadian Pacific Railway's (TSX: CP) commodity volume which is up 2.2% this year; comparatively, CNR's was down by 7% this year

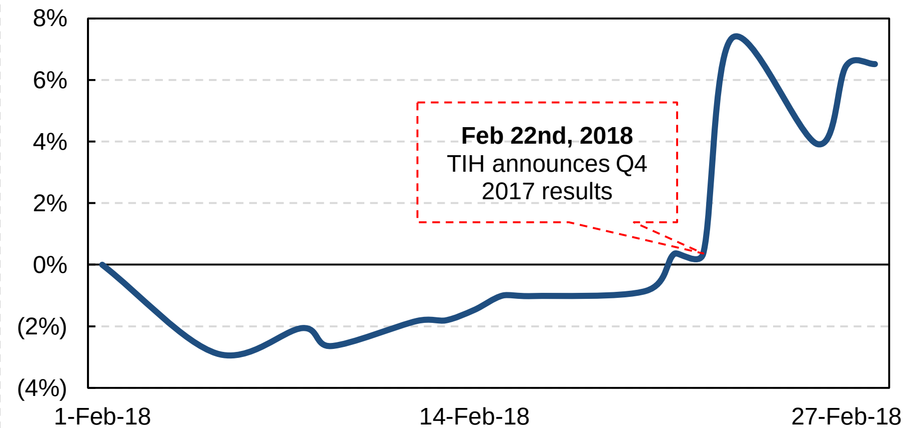
Toromont Industries Ltd

- Toromont Industries Ltd (TSX: TIH) saw an increase of 6.3% in the month of February
- The Quebec/Maritimes operations of Toromont generated revenues of $242.6mm for the three months since acquisition
- Excluding this, revenues grew by 10% for the quarter
- TIH also experienced increased selling and administrative expenses for the quarter (up 19%), due to the incremental expenses incurred by the recent acquisition of Toromont QM
- Operating income margin was 10.8% for the year, compared to 12.0% last year

Yearly Commodity Carload Growth



TIH's Monthly Performance



Sources: Bloomberg, company filings

Materials Update

Portfolio Manager: *Darren Luoma*
Investment Analyst: *Alim Suleman*

Materials Update

Holdings

CCL

- (TSX: CCL.B) had a nice upside earnings surprise boasting encouraging organic growth with the newest segment, Innovia, continuing to perform well
- We remain strongly convicted on the name and still see ~15% upside

Stella-Jones

- From Oct 2017 to Jan 2018, Stella Jones (TSX: SJ) was flirting with our $52 target price. While in discussions about a conviction trim, a $48.50 secondary offering was announced
- We are evaluating long-term growth avenues

Gold

Franco-Nevada

- The case for gold was strong in the summer of 2017. The U.S. political situation was turbulent, with gold fundamentals looking bullish. We initiated on Franco-Nevada (TSX: FNV)
- The outlook now is less bullish, we do not see enough upside to chase an investment in the space
- Jewelry demand (50%) is trending down, physical is stable, and industrial use (8%) may see a small uptick
- In 2017 FNV's gold deliveries appeared not to support the valuation, we reiterate our thesis on the name

Copper

lundin mining

- Forecasts put 2018 as the last year of a supply surplus. Less mine disruptions in Africa, coupled with stabilization in Peru and Chile may increase supply
- After 2018, mounting deficits are expected based on moderate demand increases and a dearth of projects slated for the next 5 years
- The thesis is that copper prices will continue to stagnate into Q2 2018, with an investment opportunity thereafter
- Click here to view the Lundin Mining (TSX: LUN) report

PGMs

BALLARD®

- Of platinum demand, ~50% comes from the auto industry. A slowing Chinese economy will be a drag on prices, with fuel-cell vehicles being a longer-term potential tailwind
- We do not see any relief on the palladium supply squeeze. The rhodium story of 2017, appreciating over 100% in they year, has stabilized since 2018 began
- Given uncertainty around China's actual commitment for fuel-cells, we are not actively perusing PGM exposure

Sources: Bloomberg, company filings

Real Estate Update

Portfolio Manager: *Daniel Cassino*
Investment Analyst: *Andrew Gormley*

Real Estate Sector Update

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Sector Description

- In Canada, the public Real Estate sector is mainly comprised of Real Estate Investment Trusts (REITs)
- A REIT is a company that owns, and in most cases operates income producing real estate. REITs might be diversified, or they might focus on a specific sector like commercial, residential, retail, industrial (i.e. warehouses), health care, and so on. Some firms might have a geographic concentration as well
- The primary benefit of the REIT structure is that the entity does not pay corporate income taxes in exchange for distributing at least 90% of their taxable net income as dividends to shareholders. As a result, taxes are the responsibility of the shareholder

Subsector Cap Rates

- Property classification is based on high end / low end property such as Downtown Office AA building are considered high-end, whereas an office space rated B is low-end
- These numbers solely indicate the range of the top to bottom range in the industry based on an average

	Property "Classification"	
Subsector	**High-end**	**Low-end**
Downtown Office	*4.81%*	*6.47%*
Suburban Office	*6.31%*	*7.16%*
Industrial	*5.34%*	*6.42%*
Retail	*3.69%*	*6.75%*
Apartment	*3.96%*	*5.13%*
Hotel	*7.28%*	*8.36%*

Sector Update

- ***Rising Rates*** – The spread between the 10-year Canada bonds and the overall cap rate for Canadian commerical properties has shrunk. Rising interest rates will increase carrying costs, but this will be partially offset by the upward movement of rental rates for multiple asset classes
- ***Strong Fundamentals*** – The sector exhibited strong fundamentals during 2017, and the CPMT expects this trend to continue throughout 2018
  - Over the course of last year:
    - *The national average cap rate fell to a record low of 5.7%, a reflection of increased rental revenues and property valuations nation wide*
    - *Toronto finished the year with 3.7% growth in its economy driving strong demand and growth in both office and industrial*
    - *Montreal posted over 1.9mm sq. ft. of positive net absorption, a record amount of tenant demand*

Source: CBRE Canada

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Telecommunications Update

ROGERS TELUS BCE

Portfolio Manager: *Dan Zhigatov*
Investment Analyst: *Lukas Sutherland*

Sector Overview

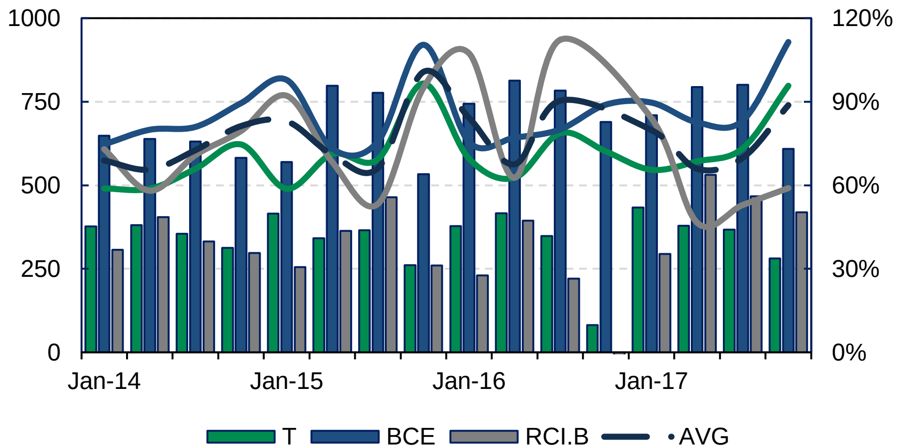
Total Payout Nearly Reached

- The CPMT took a look at the three major telecommunications companies in the Canadian Telecommunication Services Index this month
- Bell Canada (TSX: BCE) and TELUS Corporation (TSX: T) have raised dividends for the past 9 and 11 quarters, respectively
- BCE, T, and Rogers Communications Inc (TSX: RCI.B) most recent payout ratio averaged approximately 90% – a number the CPMT sees as unsustainable if growth in the sector does not stabilize
- RCI.B is unable to match the payout ratio of T and BCE due to its extremely high leverage, relative to others in the sector

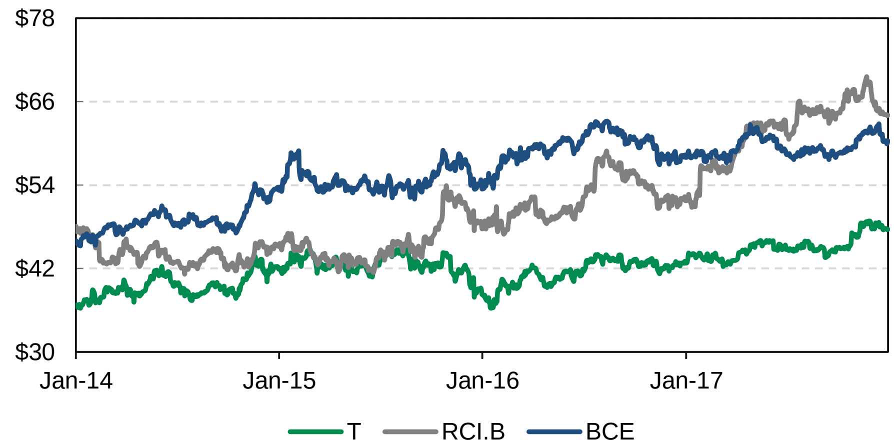
Telecommunications Sector Outlook

- T saw growth of 30% over the four year time horizon
- RCI.B has marginally outperformed other companies in the sector over past four years, appreciating 33% where BCE grew 31%
- TELUS was the lowest performer over the four year period, however the Company maintains a high payout ratio and dividend yield of 4.3%, a number it intends to grow semi-annually through to the end of 2019
- The Company is targeting a long-term payout ratio of 65% – 75%
- Telecommunications companies' dividends make them attractive, given the differential between recent payouts and targeted payout, the CPMT intends to monitor T's growth

Payout Ratio and Earnings



Recent Trading Performance



Source: Bloomberg

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Sector Overview

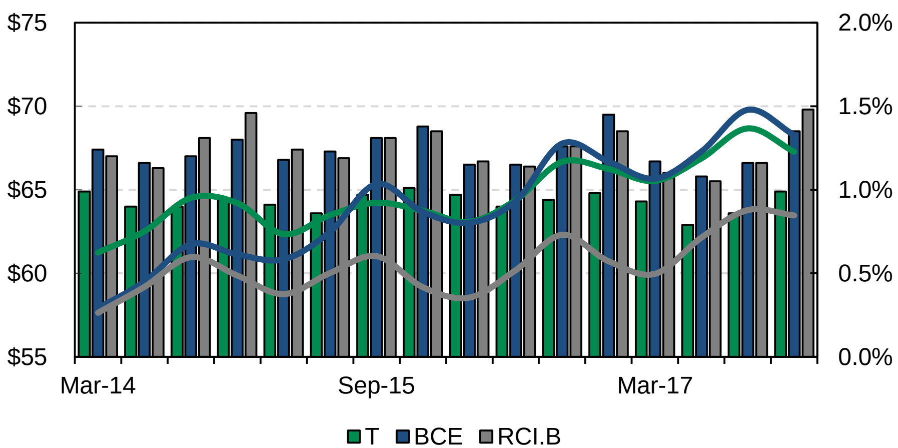
Wireless Churn and ARPU

- TELUS remains competitive to BCE in terms of Average Revenue Per User (“ARPU”)
- T has been a leader in Wireless churn throughout all relevant periods over the four year time horizon
- Following 2014, T saw a reduction in ARPU and seemed unable to capitalize on consumers of its service, the CPMT sees this as partially a result of the downturn in the oil and gas industry, a client base which contributed significantly to T’s revenue pre-2014
- BCE has grown its ARPU consistently YoY throughout the four year time period; the Company is the largest player in the sector and one of the highest ARPU generators

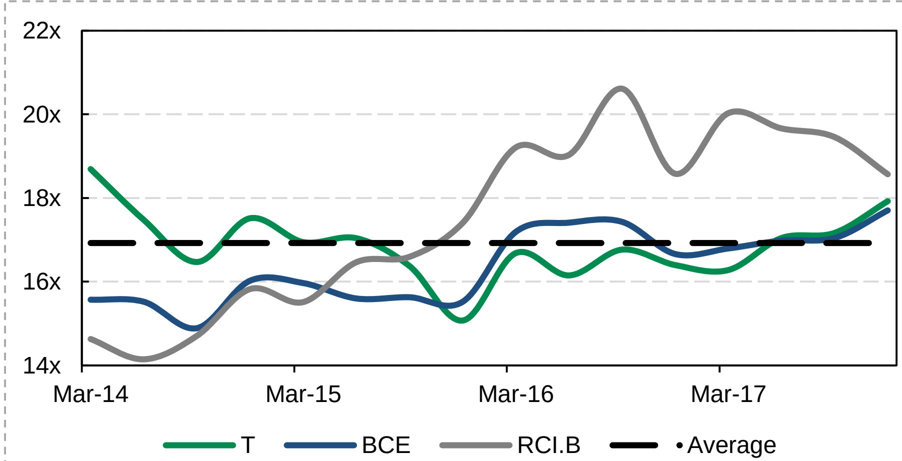
Sector Valuations

- Both BCE’s and T’s valuations have been appreciating for the past three consecutive quarters on a historical P/E basis
- RCI.B historically trades at a higher multiple on a P/E basis, this could be due to its high leverage relative to its competitors
- RCI.B’s valuation has begun stabilizing in recent quarters, this can be attributed to de-leveraging initiative the Company has undertaken since Q1 2017
- All Telecommunications Services Index constituents are currently trading at a premium on a P/E basis, relative to the trailing four year average for the three members

Postpaid Wireless Churn and ARPU



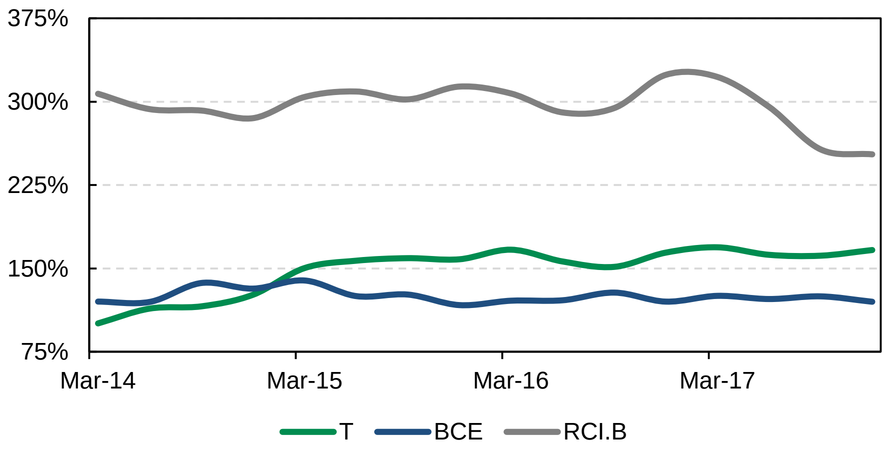
Historic P / E



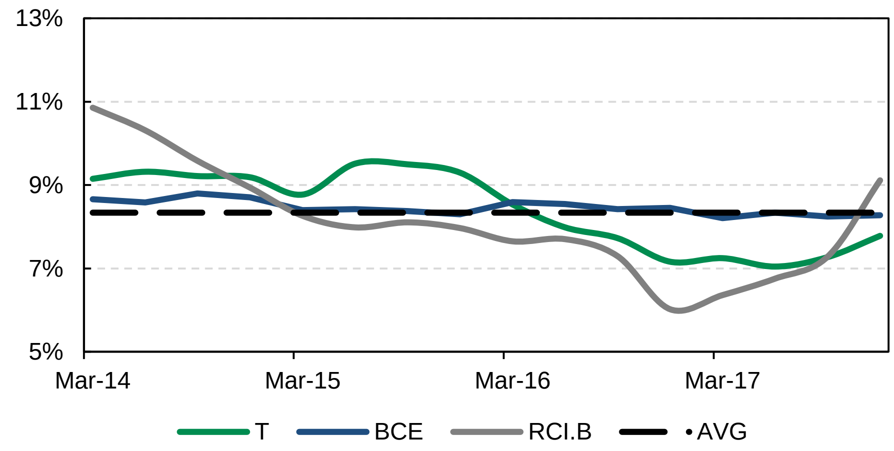
Source: Bloomberg

Sector Overview

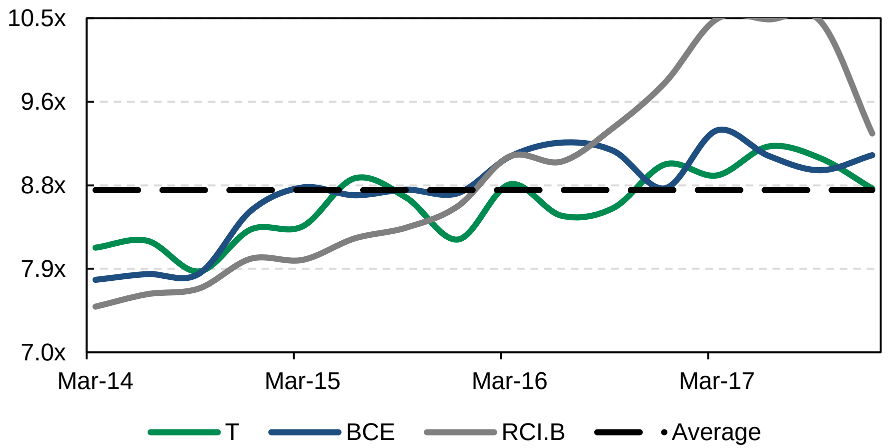
Debt / Equity



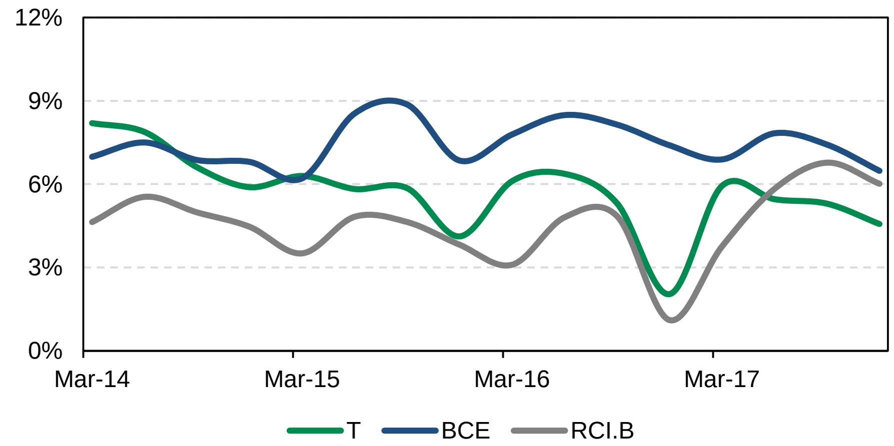
ROIC



EV / EBITDA



EBIT / Debt



Source: Bloomberg

Dollarama Inc

Portfolio Manager: *Jennifer LaBine*
Investment Analyst: *A.J. Bangloy*

Coverage Initiated

CPMT Calgary Portfolio Management Trust

DOLLARAMA $1 plus

Business Description

- Dollarama (TSX: DOL) is the largest dollar store company in Canada, with 1,135 stores as of October 29th, 2017
- The Company sells its goods at a price point between $1 - $4 and largely caters to customers who seek value and convenience
- All of Dollarama's stores are corporately owned and are generally located in high-traffic areas within metropolitan cities, mid-sized cities and small towns

Share Price	$153.03
Market Cap	$17.0B
Beta	0.48
Net Debt	$1.4B
Div. Yield	0.29%
EV/EBITDA	24.8x
P/E	35.1x

Screening Process

- Dollarama was discovered by screening for Canadian consumer names with a ROIC / WACC above 2x as well as a profit margin greater than 10%
- The goal of the screener was to try and find consumer companies that have a competitive advantage, which is generally demonstrated in companies with a high profit margin and a high ROIC / WACC ratio relative to peers
- After running the screen, four companies were listed
- Each company on this list was then looked at to see if it had a strong balance sheet, growing free cash flows and a quality management team, as per the CPMT's mandate
- Out of the four companies, Dollarama was determined to be the best, and it is now in the process of being further looked into

Checklist

Strong Balance Sheet	✓
Growing Free Cash Flow	✓
Competitive Advantage	✓
Quality Management	✓
Attractive Valuation	?

Investment Decision?

- Dollarama fulfills all of the CPMT's charter metrics
- However, it is currently being determined if the Company's current share price indicates that there is intrinsic upside

Sources: Bloomberg, company filings

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Magellan Aerospace Corporation

Portfolio Manager: *Darren Luoma*

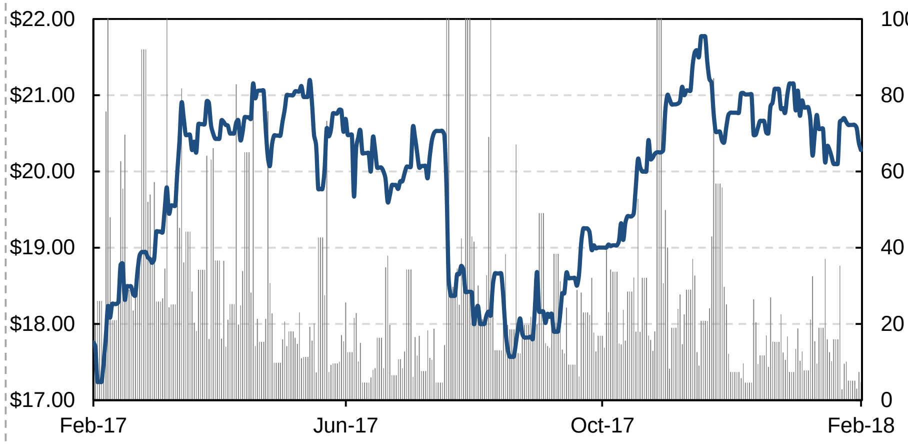
Investment Analyst: *Alim Suleman*

Magellan Aerospace Corporation

Business Description

- Magellan Aerospace Corporation (TSX: MAL) is a supplier of products and services to commercial and defense aircraft operators
- The Company designs, engineers, and manufactures aero-engine and aero-structure components
- Major customers: Boeing (NYSE: BA), Airbus (EPA: ARB), Rolls-Royce (LON: RR), Lockheed Martin (NYSE: LMT), U.S. and Canadian air forces, and NASA
- MAL diversifies by serving customers who use products for different means – it markets to defense companies while also serving companies who use aerospace engine technology as industrial power applications

Recent Trading Performance



Industry Outlook

- Commercial aircraft industry is on an upward trend
  - More than 12,000 jetliners on order at Airbus and Boeing
  - Aircraft demand is expected to peak at the end of the decade
- The business jet market is expected to remain flat until 2019 as the supply of used aircrafts has stunted demand for new aircrafts
  - The market has still not recovered from the recession in 2008
  - Increasing corporate profits, a traditional market indicator for this segment, no longer has the influence as it did prior to the recession
- In the defense industry, the U.S. Government has allowed for more spending on defense recently, with an increased budget for aircrafts as well
  - Lockheed Martin is a main supplier of aircrafts to the U.S. government, this bodes well for MAL as a supplier of Lockheed
- Other aerospace markets are expected to remain relatively flat, but stable

Sources: Bloomberg, company filings

Magellan Aerospace Corporation

Comps Table

Name	Price	Mkt Cap (mm)	P/E	EV/EBITDA	Sales Growth	Gross Margin	Operating Margin	Return on Assets	Return on Equity	Debt/ EBITDA	LT Debt/ Total Assets	Return on Invested Capital
Average	$47.51	$2,949.56	16.63x	10.59x	(1.42)%	20.26%	6.71%	3.21%	4.89%	(0.96)x	25.58x	4.70%
Median	$28.27	$1,363.50	14.45x	9.97x	2.80%	19.29%	8.15%	2.79%	6.21%	2.53x	23.46x	4.37%
Magellan Aerospace Corporation	**$20.10**	**$1,170.00**	**12.82x**	**7.06x**	**5.50%**	**17.82%**	**12.09%**	**10.44%**	**16.59%**	**0.41x**	**5.86x**	**12.49%**
Maxar Technologies Ltd	$64.71	$3,647.25	11.00x	9.22x	4.66%	23.09%	1.98%	1.94%	6.21%	18.76x	44.21x	3.98%
Heroux-Devtek Inc	$14.60	$528.13	20.62x	9.97x	(0.07)%	16.72%	8.75%	2.79%	4.73%	2.53x	20.97x	3.65%
Moog Inc	$85.05	$3,040.15	20.92x	10.42x	3.55%	29.29%	9.24%	3.68%	10.14%	2.98x	30.95x	7.11%
Spirit AeroSystems Holdings Inc	$92.39	$10,577.66	14.45x	9.73x	2.80%	11.75%	8.15%	6.65%	19.02%	1.47x	21.26x	11.88%
Triumph Group Inc	$27.45	$1,363.50	11.08x	16.40x	(9.09)%	23.86%	1.61%	(5.47)%	(28.61)%	(37.40)x	23.46x	(10.54)%
Ducommun Inc	$28.27	$320.25	25.51x	11.33x	(17.32)%	19.29%	5.19%	2.41%	6.16%	4.51x	32.38x	4.37%

Competitive Advantage

- The Company is not only reliant on defense contracts from the military
  - MAL derives much of its revenue from the likes of Airbus and Boeing
- Supply chain integration
  - MAL's supply chain partners are typically industry leaders and are willing to integrate and collaborate with MAL. This enables a low cost supply chain, which is critical in this industry, and one of the reasons MAL has industry leading margins
- Proven technical expertise and ability to manage complex assemblies
  - Won Airbus contract to design exhaust systems for the life of the program for two Airbus engines
- Click here to view (TSX: MAL) report

Checklist

Strong Balance Sheet	✓
Growing Free Cash Flow	✓
Competitive Advantage	✓
Quality Management	✓
Attractive Valuation	✓

Sources: Bloomberg, company filings

Mastercard Inc

Portfolio Manager: *Kristin Gorkoff*
Investment Analyst: *Ali Saleh*

Coverage Initiated

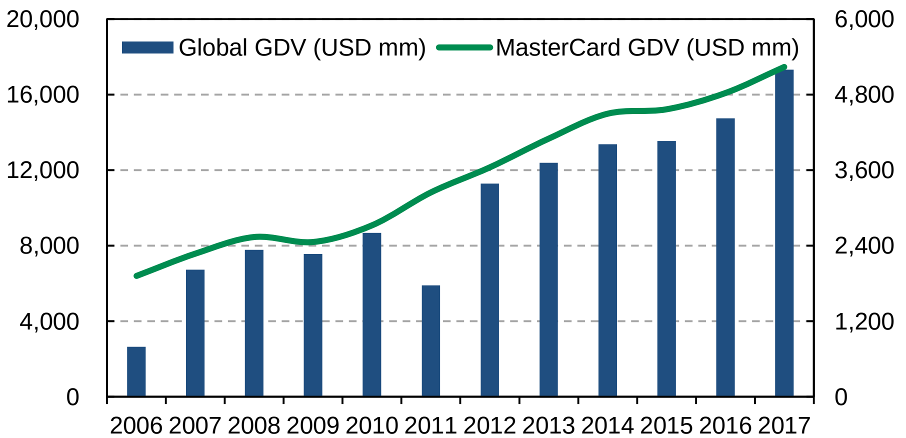
Business Description

- MasterCard Inc (NYSE: MA) provides financial transaction processing services worldwide. MA connects consumers, financial institutions, merchants, governments and businesses across the world, enabling them to use electronic forms of payment. The Company operates in the Payment Solutions segment and allows users to make payments by creating a range of payment solutions and services using its brands, which include MasterCard, Maestro and Cirrus
- The Company offers payment processing services for credit and debit cards, electronic cash, automated teller machines, and travelers checks

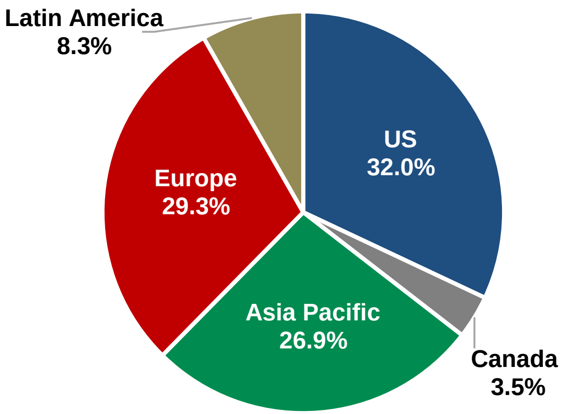
Brands & Services

- MasterCard – Credit & Charge Cards
- Maestro – Debit & Prepaid (Gifts and Social Services) Cards. This includes: (1) Social Security Payments/Employee Benefits (2) Health Savings
- Cirrus – ATM Network
- Commercial Payment Products and Solutions
- SmartData – Reporting and Expense Management
- Digital Solutions. This includes (1) MasterCard Digital Enablement Services (2) MasterPass/MasterCard Send
- MasterCard Advisors

Market Overview



Geographic Breakdown



Sources: Bloomberg, company filings

Calgary Portfolio Management Trust

Savaria Corporation

"Capitalizing on an aging demographic"

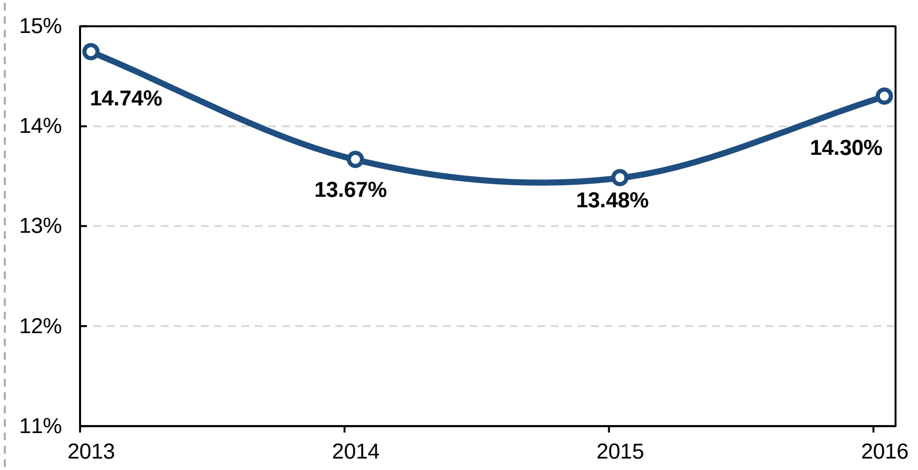
Portfolio Manager: *Erick Noh*
Investment Analyst: *Brodie Wilson*

Savaria Corporation

Original Reason For Not Investing

- We originally believed that the estimated outspend of cash flows over the next five years would pose several risks to the business of Savaria Corporation (TSX: SIS) as management has set a revenue target of $500mm by 2021
- The main concerns were with regards to risks stemming from overpaying for acquisitions, diluting the quality of the original business, and integration risks
- In addition, using reasonable assumptions, Savaria shows that it trades around fair value

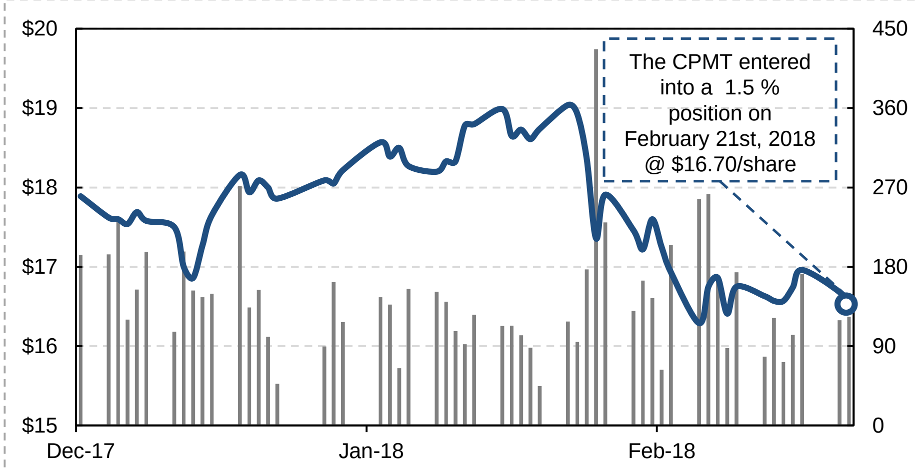
Historical Return on Invested Capital



Updated Thesis

- The CPMT believes that SIS is a solid company that meets our mandate with the exception of trading near its fair value and not showing growth with regards to free cash flows
- After examining the annual historical ROIC we are more comfortable with the cash flow outspend, as we are willing to purchase a company that can consistently show a ROIC that is greater than its WACC, although it trades near its intrinsic value
- Since SIS can show rapid growth, have a clean balance sheet, is led by a solid management team, posses a competitive advantage, and can compound capital over time, we believe entering a position at fair value is justified

Recent Trading Performance



Sleep Country Canada Holdings, Inc

Portfolio Manager: *Daniel Cassino*
Investment Analyst: *Andrew Gormley*
Investment Analyst: *Maxim Bouianova*

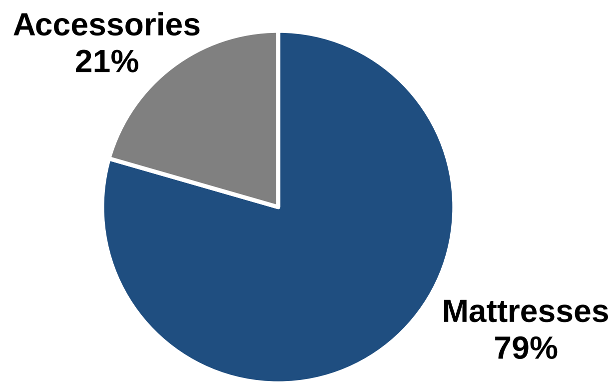
Sleep Country Canada

SleepCountry

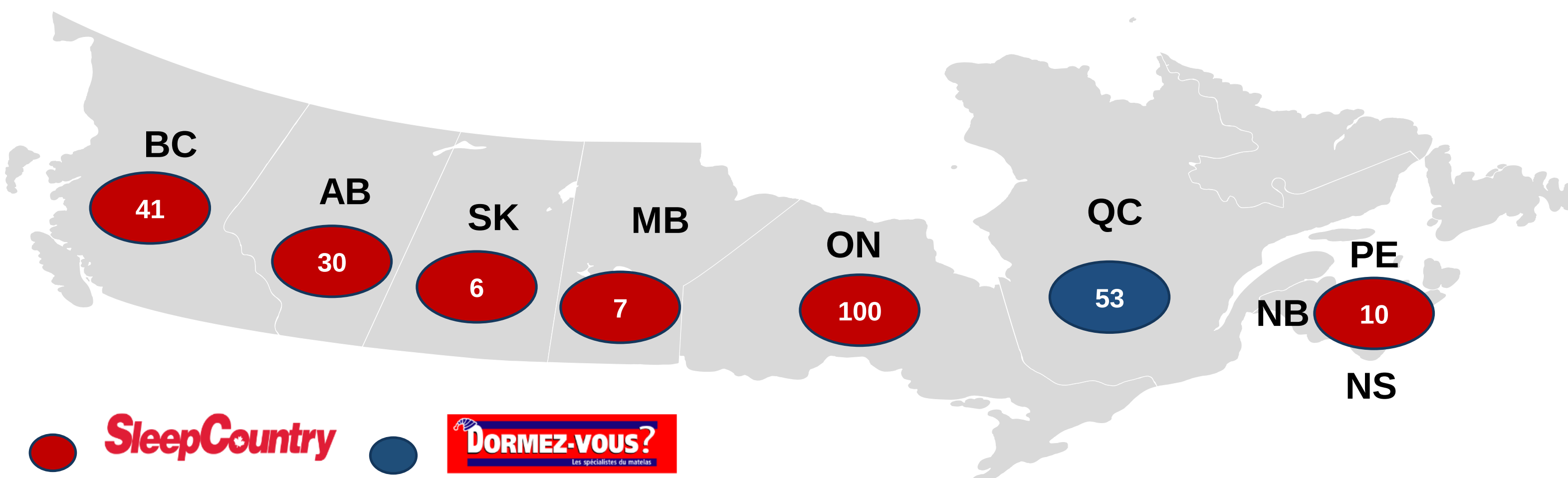
Business Description

- Sleep Country (TSX: ZZZ) is the leading specialty mattress retailer in Canada with a presence spanning coast to coast, including 247 stores and 16 distribution centers across 9 provinces
- The Company operates under two retail banners: (1) “Sleep Country Canada”, with locations across all of Canada excluding Quebec, (2) “Dormez-vous?”, the largest retailer of mattresses in Quebec
- In the simplest terms, the Company is the middle man between mattress suppliers and customers. ZZZ sources mattresses from multiple suppliers and delivers them to the customers while offering brick-and-mortar locations for customers to come in and pick out the products

Revenue Breakdown by Product



National Footprint



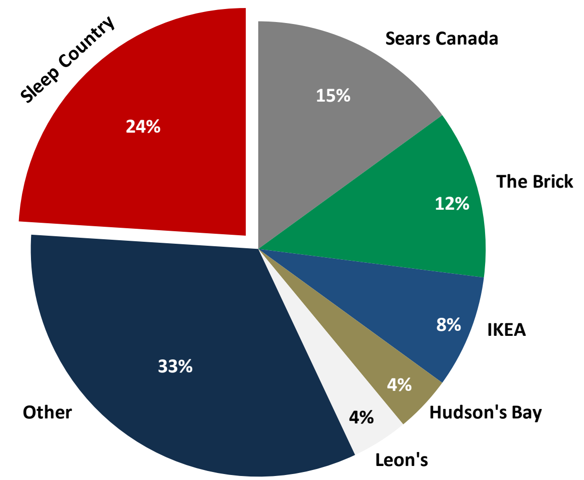
Note: Store count as of November 24, 2017
Source: Company filings

Sleep Country Canada

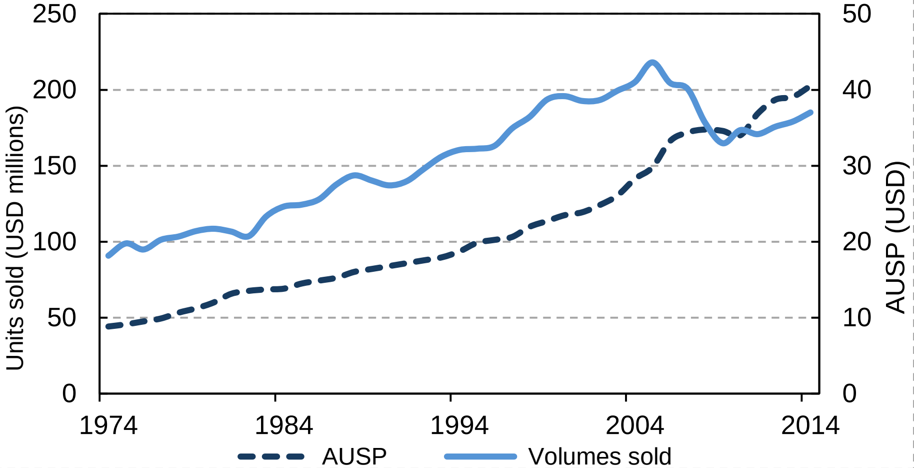
Industry Overview

- The Canadian mattress, foundation, and sleep related accessory market, with annual revenues estimated to be ~$1.4bn, is highly competitive. More than 50% of total market share is held between ZZZ, The Brick, IKEA, Hudson's Bay (TSX: HBC), and Leon's (TSX: LNF)
- Housing market and Gross Domestic Product growth are key drivers for this industry. To remain competitive, companies within this industry must adapt to evolving consumer preferences and offer a wide range of products
- Greater opportunities for organic growth exist for Canadian mattress retailers as Sears Canada's recent bankruptcy has left an estimated 15% market share in this segment open for competitors to bridge the gap between supply and demand

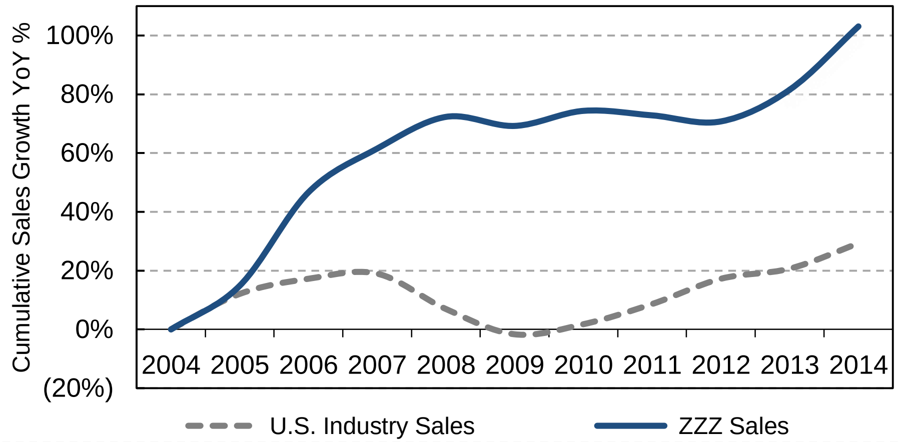
Market Share Breakdown



Industry Volume & Price Growth



ZZZ vs. Industry Growth



Note: Market share data as of 2015
Source: Company filings

Sleep Country Canada

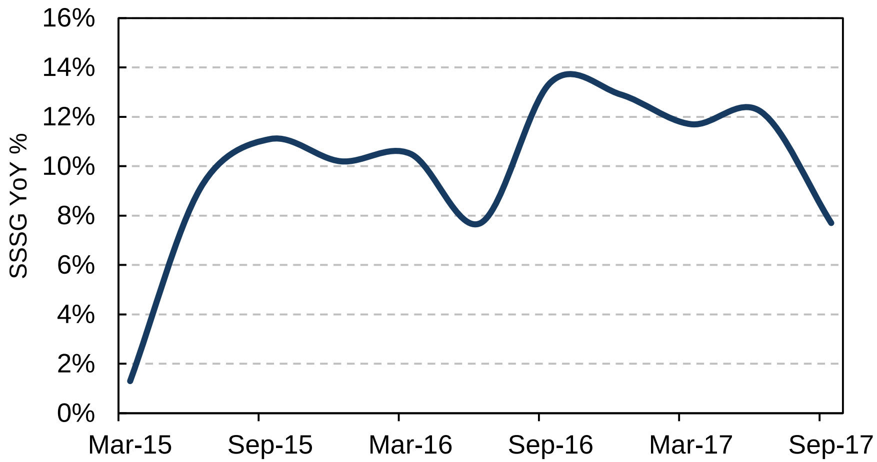
Investment Thesis

- Opportunity to capture market share from department stores
- Consumer trend towards premium mattresses
- Sells a necessity item
- Generates an attractive economic spread
- Investment grade balance sheet
- Proven track record of strong organic growth
- Low threat of e-commerce

Management & Corporate Governance

- Sleep Country is led by an experienced management team with a proven track record of both growing the business and driving shareholder value. The executive team has an average of ~15 years experience with ZZZ, and more than 20 years of relevant industry experience outside of the Company
- Sleep Country's CEO, Dave Friesema has been with the Company for over 20 years and held numerous positions with ZZZ including Head of Sales and Chief Operating Officer. Mr. Friesema has also helped establish and manage retail mattress businesses in the U.S.
- The Board of Directors consists of 4 independent and 2 non-independent directors, and is co-chaired by Stephen Gunn and Christine Magee

Same-Store-Sales Growth (SSSG)



Checklist

Strong Balance Sheet	✓
Growing Free Cash Flow	✓
Competitive Advantage	✓
Quality Management	✓
Attractive Valuation	✓

Source: Company filings

Waste Connections

"One Man's Garbage is Another Man's Treasure"

Portfolio Manager: *Chase MacDougall*
Investment Analyst: *Wyatt Phillips*

Waste Connections

Calgary Portfolio Management Trust

WASTE CONNECTIONS

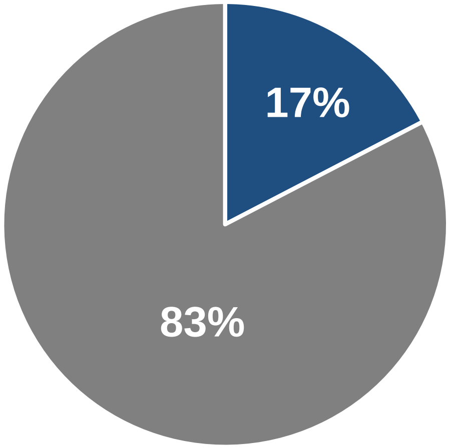
Business Description

- **3rd largest solid waste services company in North America**
  - Provides: waste collection, transfer, disposal and recycling services in mostly exclusive markets in Canada and the U.S.
  - Also provides U.S. E&P waste treatment, recovery, and disposal
  - Provide intermodal services for the rail haul movement of cargo and solid waste container through a network in the PacNW
- **Assets (owned and/or operated):**
  - 261 solid waste collections operations
  - 146 transfer stations
  - 6 intermodal facilities
  - 66 recycling operations
  - 90 MSW, E&P, and non-MSW landfills

Capitalization

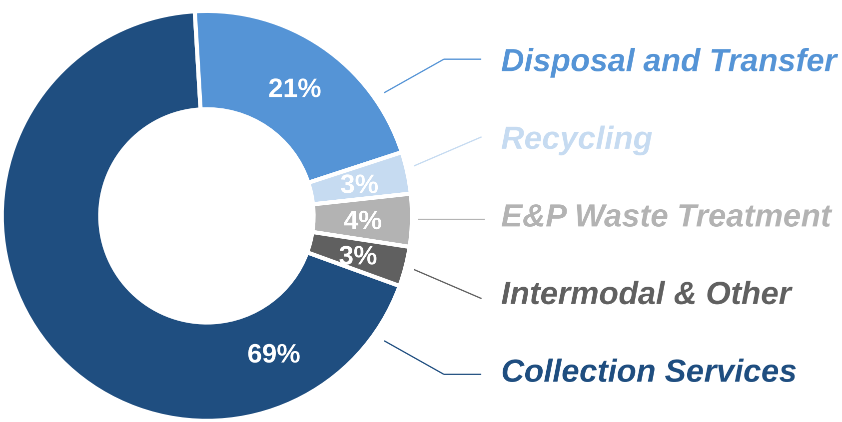
Equity
$18.7 Billion

Debt
$3.9 Billion



Historical Price Performance

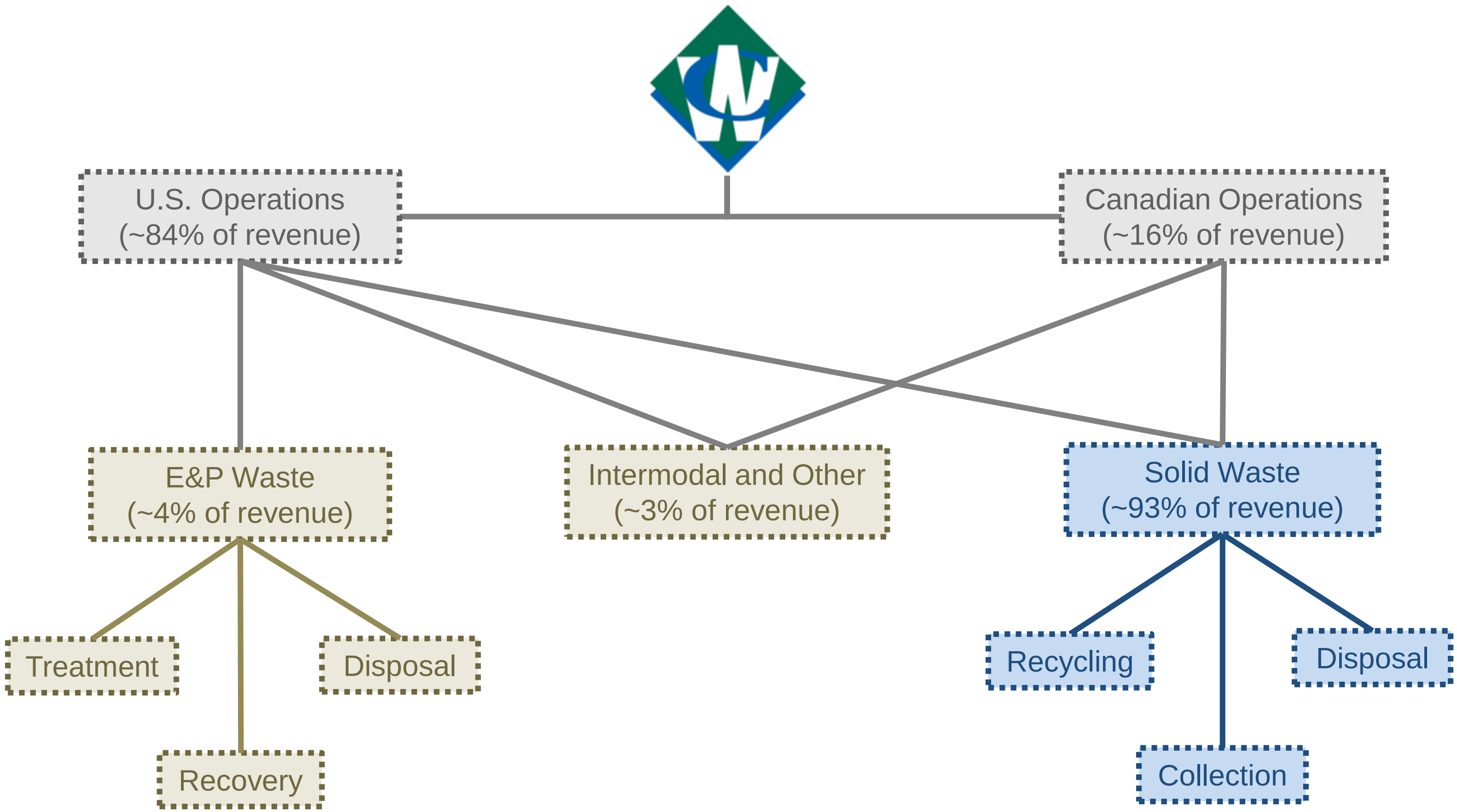
Reported Revenue Segmentation



Note: MSW defined as "municipal solid waste." All values in this presentation are in USD unless otherwise noted.

Overview of Operations

Business Model



Waste Connections derives 84% of its revenue from U.S. operations, and 93% of its revenue from solid waste services.

Source: Company filings

CPMT Calgary Portfolio Management Trust

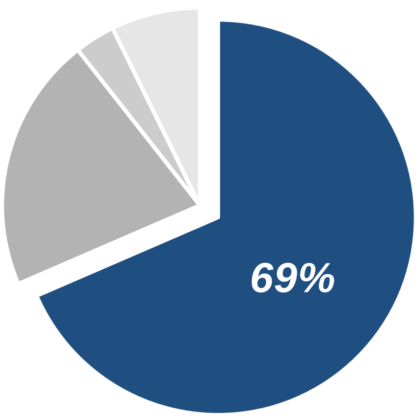
Solid Waste Services

WASTE CONNECTIONS

Revenue Breakdown

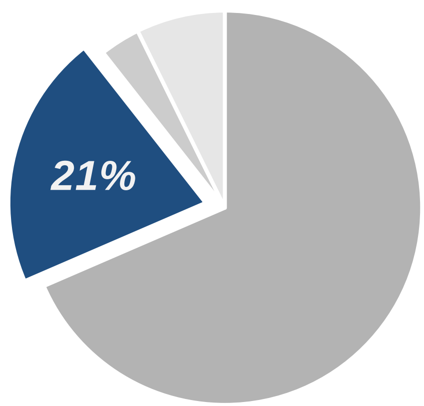
Collection

- **Network of 261 collection operations across Canada and the U.S.**
- **Provided to residential, commercial, municipal, industrial, and E&P customers**
- **Conducted under contracts ranging from one year to perpetual**
- **Counterparties**
  - Municipal/provincial governments
  - Home owners associations
  - Apartment buildings
  - Mobile home parks
  - Commercial and industrial customers



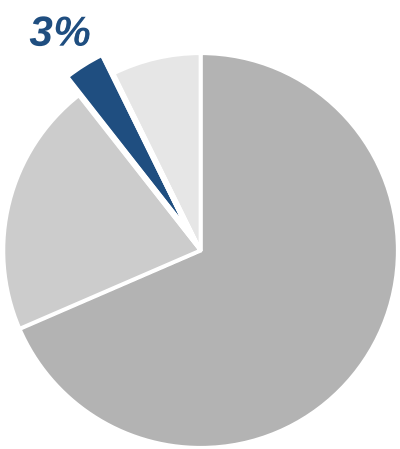
Disposal & Transfer

- **Disposal related to ownership and/or operation of landfills**
  - 66 MSW, 11 E&P,13 non-MSW landfills
  - 78 owned and operated
  - 8 operated under life of site arrangements
  - Weighted average operating life of 26 years
- **Transfer stations receive, compact, and/or load waste for transportation**
  - Operate 146 transfer stations
  - Marine access
  - Allows waste to be transported in a more efficient manner



Recycling

- **Recycling services offered for residential, commercial, industrial and municipal customers**
  - 66 recycling operations
  - Includes compost, cardboard, office paper, plastic containers, glass bottles, aluminum metals, etc.
  - Primarily process paper products shipped and sold to customers in Asia
  - Products sold into a spot market
  - End demand and regulations cause volatility in pricing for recyclables

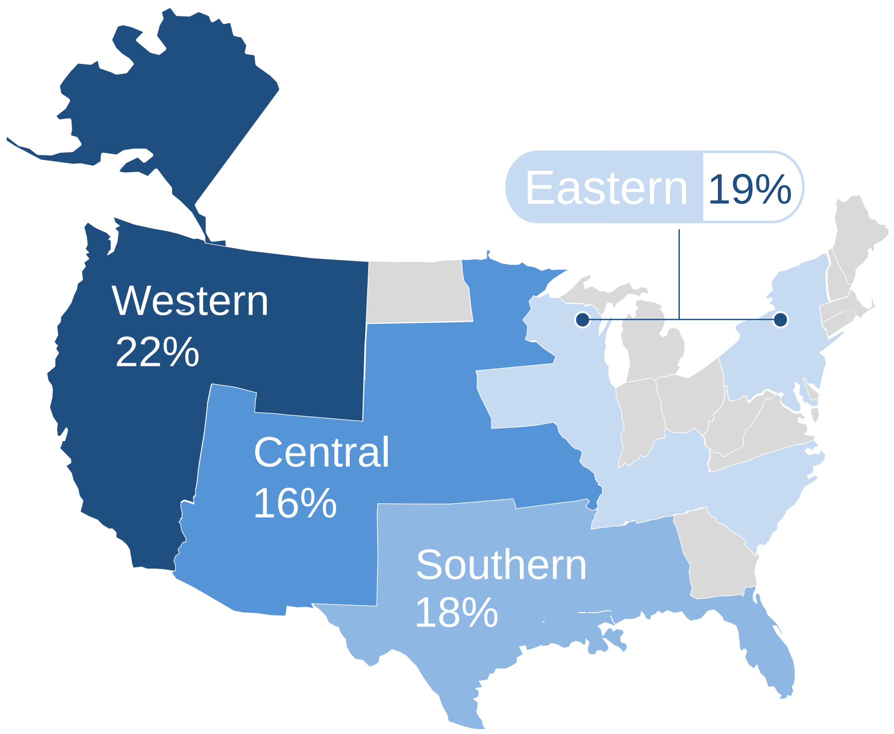


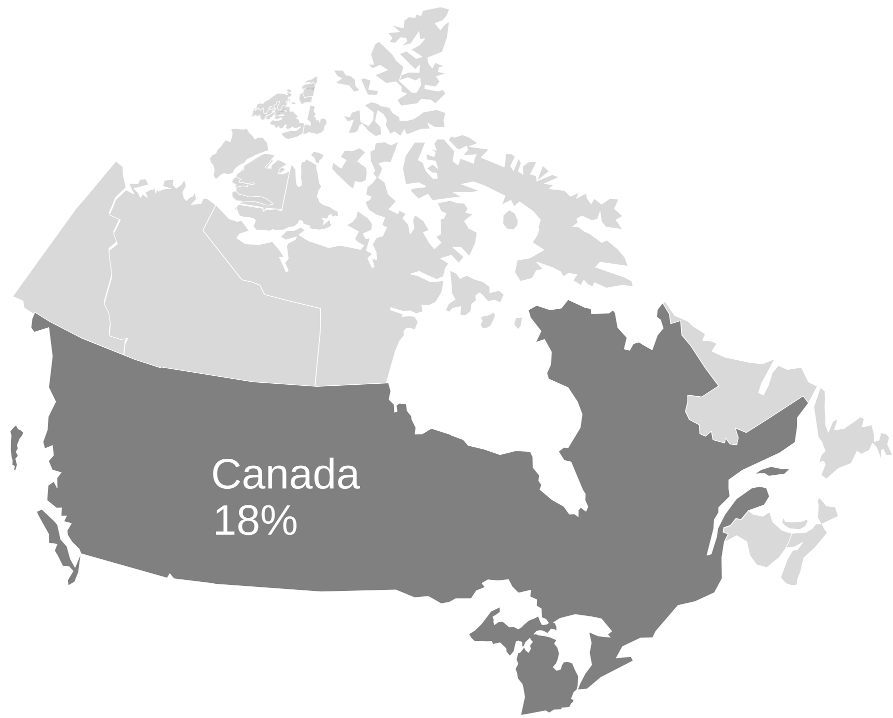
Collection services are the largest source of income for the major MSW operators; collection and landfill operations provide more stable, visible cash flows than recycling

Source: Company filings

Geographic EBITDA Exposure

United States	Canada





82% of EBITDA exposure comes from the United States; Progressive Waste acquisition established valuable foothold in Canada

Note: Illustrative, some states split between more than one segment. Canada includes Michigan. Remaining ~6% of EBITDA contributed from E&P segment. Gross of intercompany eliminations.

Collection Contract Structure

Contract	Description	Length (Years)	Desirability
Government Certificates (WUTC)	Unique to Washington State, permit MSW collection in unincorporated areas and electing municipalities; contracted rates	∞	HIGH
Municipal Contracts / Franchise Agreements	Exclusive agreement to provide waste services for long-term periods. Franchise agreements generally include right of first refusal	***10-25***	HIGH
Commercial, Industrial, E&P Service Agreements	Contracts which range between one to five years	***3-5***	MED
Residential Contracts*	Contracts with homeowners' associations, mobile home park operators	***?***	MED/LOW
Residential Subscriptions*	Agreements with individual homeowners	***?***	LOW

Comprise 40% of revenues,
80% of which are tied to CPI-like annual price adjustments

Source: Company filings

CPMT Calgary Portfolio Management Trust

Strategy and Growth

WASTE CONNECTIONS

Growth and Operational Strategy

- **Strategy driven by targeting secondary and rural markets**
  - Achieve higher local market share, higher market shares translates to greater economies of scale
  - Less competition than in urban markets, which can reduce churn and improve returns
- **Control the waste system**
  - Vertical integration from collection to disposal provides better margins and cost control than separated
- **Manage on a decentralized basis**
  - Provides an efficient structure from which to acquire business
  - Allows for decision making close to customer to tailor needs based on region

Inorganic Growth

- **Acquisitions take multiple forms, including:**
  - Tuck-in acquisitions in existing markets. Can reduce costs once acquired by reducing vehicle counts (more revenue per truck route)
  - Entrance into new markets, such as with the Progressive Waste acquisition, which helped WCN penetrate the Canadian market
  - Because exclusive contracts create a barrier to entry in new markets, acquiring companies with existing contracts is the most effective way to break in
    - *Tuck in acquisitions then provide more growth in new markets*
  - Waste services space has room to consolidate, with over 7,000 companies generating <$20mm in revenue

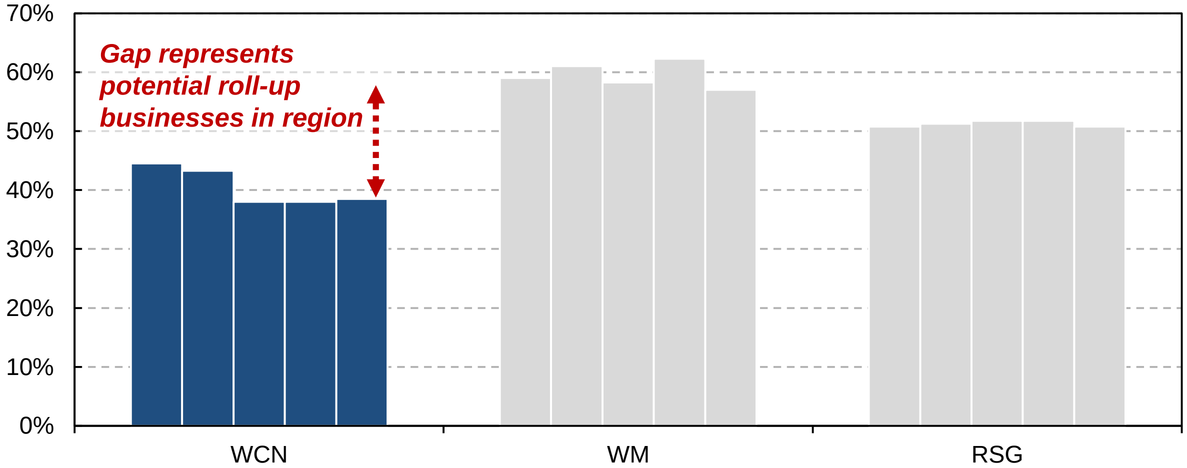
Organic Growth

- **Organic growth consists of two components**
  - Price: price inflation negotiated in contracts
  - Volume: increase in population correlated with waste generation, as new homes are built, more waste created, adds to economies of scale
- **Increased penetration when choice exists**

Source: Waste Business Journal via BMO initiating coverage report

Acquisition Outlook

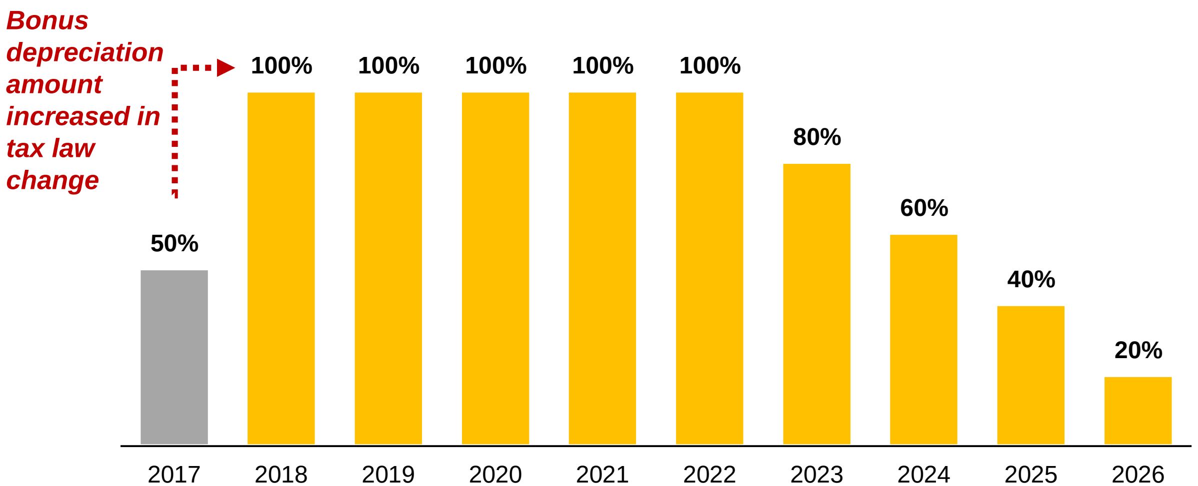
Landfill Internalization 2012-2016(1)



Commentary(1)

- **Landfill internalization refers to the proportion of material in landfills sourced from internal collection services**
  - More landfill waste not attributed to internal collections represents operations of competitors which can be tucked-in to generate synergies

U.S. Bonus Depreciation Phasing(2)



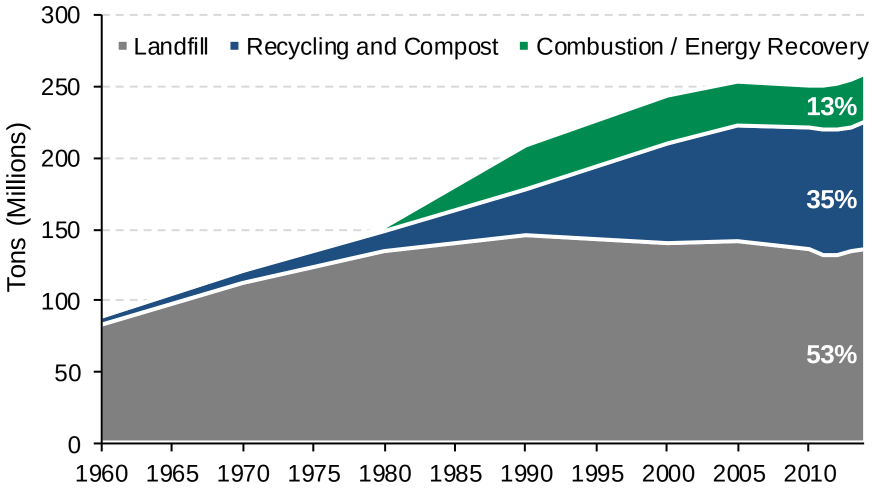
Commentary

- **100% bonus depreciation allows WCN to fully depreciate newly acquired and placed into service equipment**
  - Management expects this to stimulate higher than normal M&A volumes through to the next U.S. elections as companies look to capitalize on the benefits of the change in U.S. tax law
  - Phasing and potential for repeal on government change creates a window of opportunity

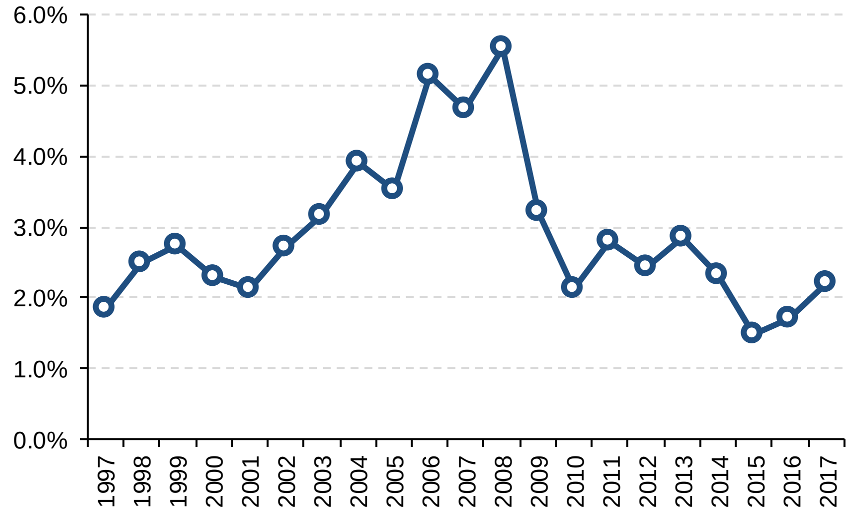
(1) Source: Analysis from BMO Capital Markets – Waste Connections Initiating Coverage Report
(2) Source: KPMG Report on New Tax Law (2018)

Industry Backdrop

U.S. MSW Growth by End Product



Collection Price Inflation



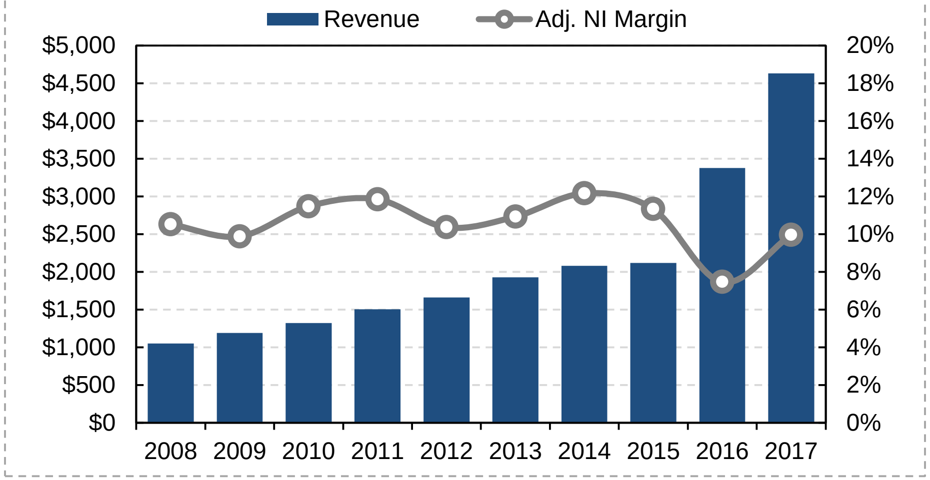
- **Volume growth has steadily growth over time**
  - 2% CAGR since 1960
- **Trend that has been developing for decades is an increased focus on diversion of waste from landfills**
  - As of 2014 recycled products now represent 35% of total MSW volumes
  - This trend will continue in the future
  - Recycled products sold into a volatile spot market, which runs counter to the contracted cash flow profile of the majority of the business
  - Since majority of revenue is produced from collection, exposure to recycling processing capacity not critical in medium term, decades down the road could play more important role

- **Price inflation between 2-3% over the last 20 years**
  - Inflation likely to continue to provide an adequate return on capital for a service critical for a functioning society
  - WCN has achieved pricing growth above both Waste Management and Republic Services consistently for the past ~15 years
  - Pricing power likely linked to strategic move to operate in rural markets

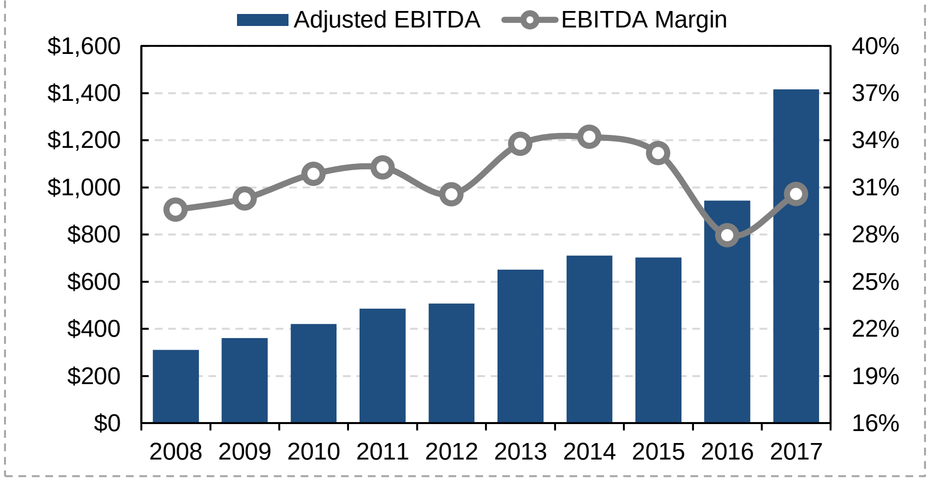
Source: EPA

Financial Performance

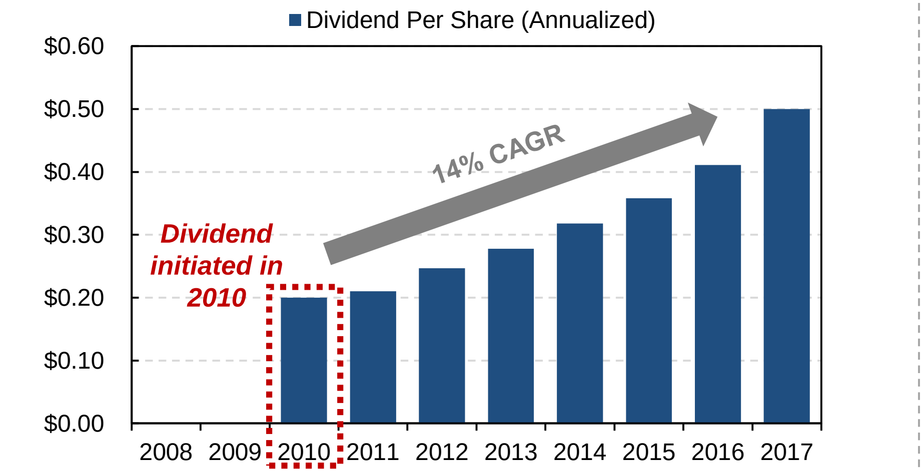
Revenue (Millions)



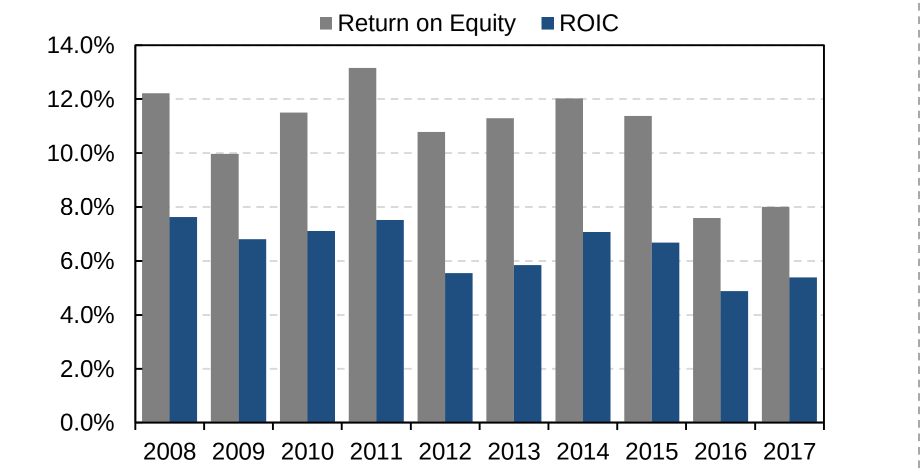
EBITDA (Millions)



Dividends



Return on Capital



Note: Return on Capital is adjusted for non-recurring items. Average invested capital/equity calculated on annual book values. Tax rates of 35% and 27.5% used in 2015 and 2017 respectively to adjust for one-time events.

Top-Tier Experience

Management

Ronald J. Mittelstaedt – *CEO & Chairman*

- CEO and Director of WCN since formation in 1997, and was elected chairman in 1998
- More than 27 years of experience in the solid waste industry
- B.A. degree in business economics, with emphasis on finance, from UC Santa Barbara
- Also serves as director at SkyWest Inc, a holding company for two scheduled passenger operations and an aircraft leasing company

Worthing F. Jackman – *CFO & Executive VP*

- Became CFO in 2004, before which he was only Executive VP of finance and investors relations from 2003-2004
- Prior IB experience at Alex Brown & Sons, now Deutsche Bank, as MD within the Global Industrial & Environmental Services Group (2003)
- B.S. degree in finance from Syracuse University and M.B.A. from Harvard Business School

Darrel W. Chambliss – *COO & Executive VP*

- Became COO in 2004, before which he was only Executive VP of operations from 1997-2003
- More than 26 years of experience in the solid waste industry
- B.S. degree in Business Administration from University of Arkansas

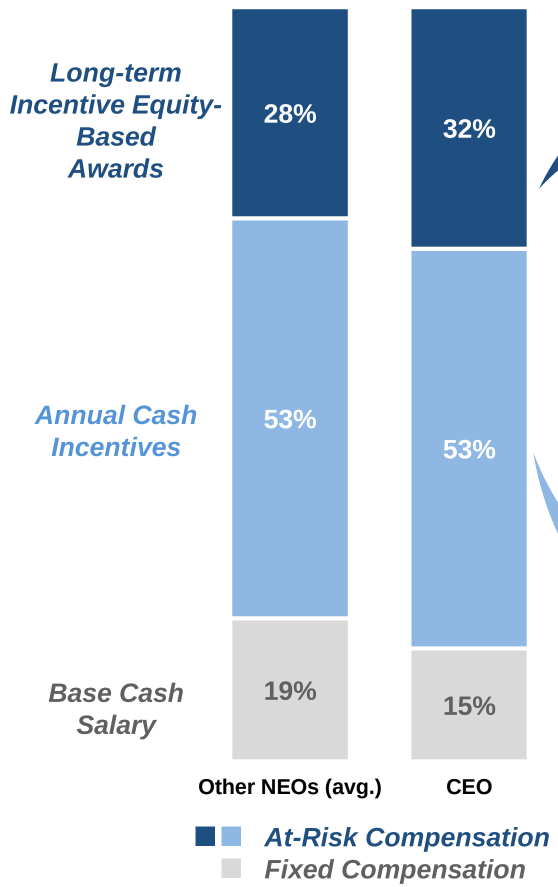
Steven F. Bouck – *President*

- Became President in 2004, before which he served as Executive VP and CFO
- Previously held positions with First Analysis Corporation (1986-1998)
- B.S. and M.S. degrees in mechanical engineering from Rensselaer Polytechnic Institute and M.B.A. in finance from Wharton School of Business

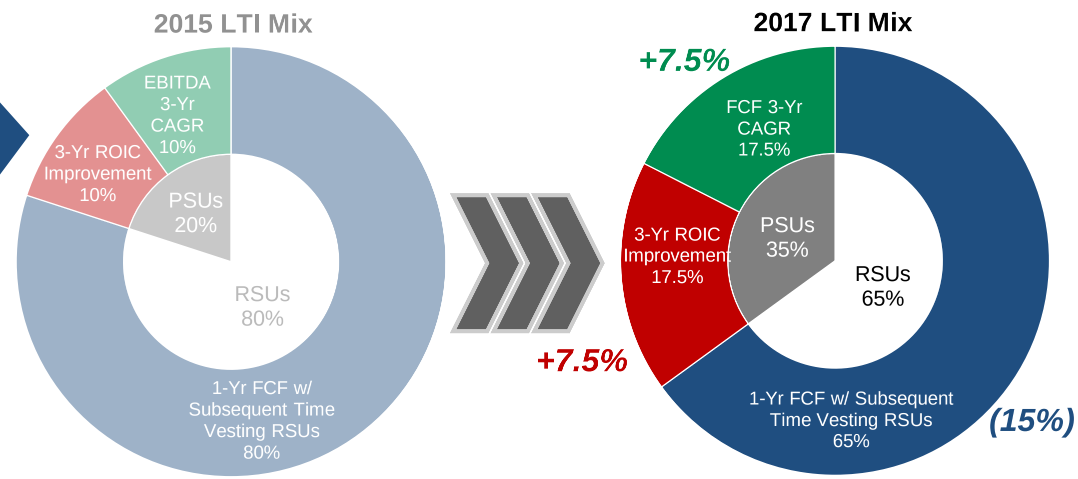
Source: Company filings

Executive Compensation

Compensation Mix



Incentive Compensation



Change in LTI mix shows commitment to aligning management values with shareholders

Cash incentives tied to profitability and operating cash flow metrics encourages effective operations

1. **EBITDA**
2. **EBIT**
3. **EBIT Margin**
4. **CFFO Margin**

Management compensation highly aligned with shareholder values, despite low overall ownership in firm

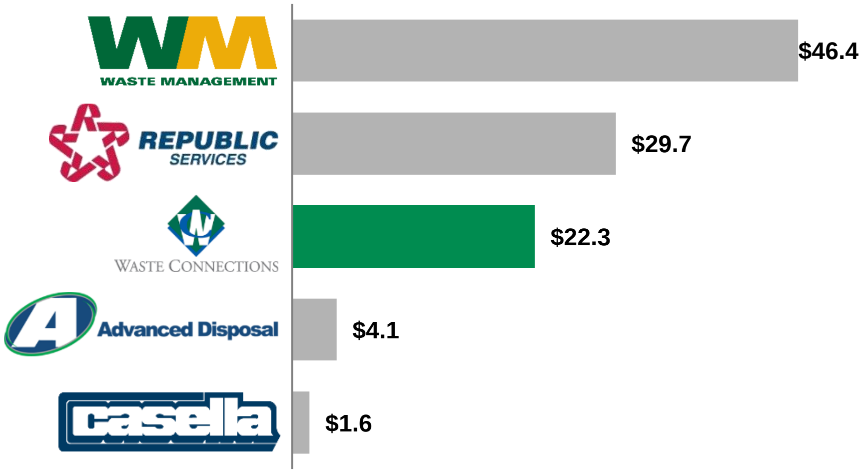
Source: Company filings

CPMT Calgary Portfolio Management Trust

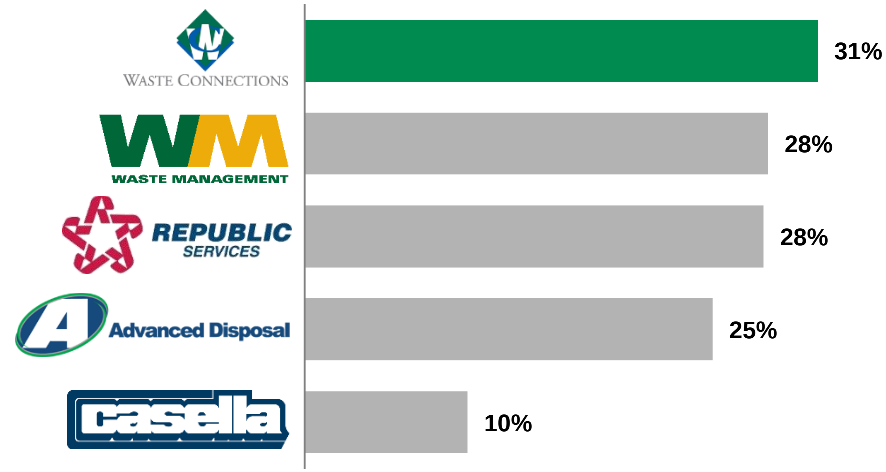
Sizing up the Competition

Waste Connections

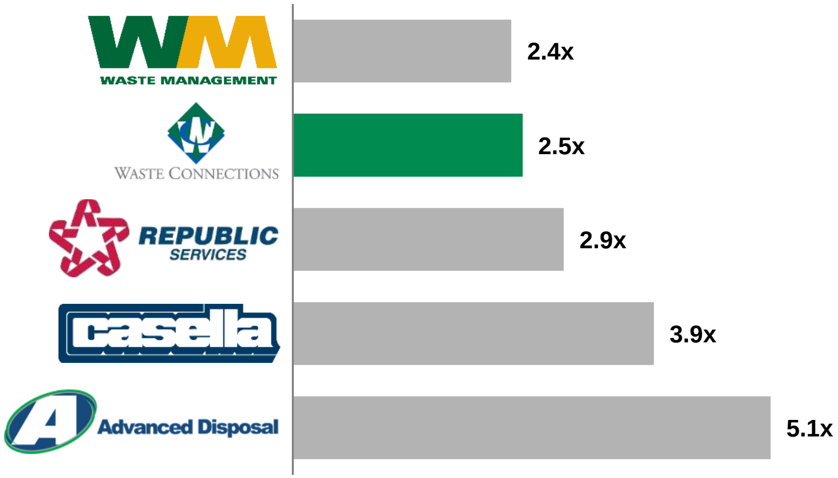
Enterprise Value (Billions)



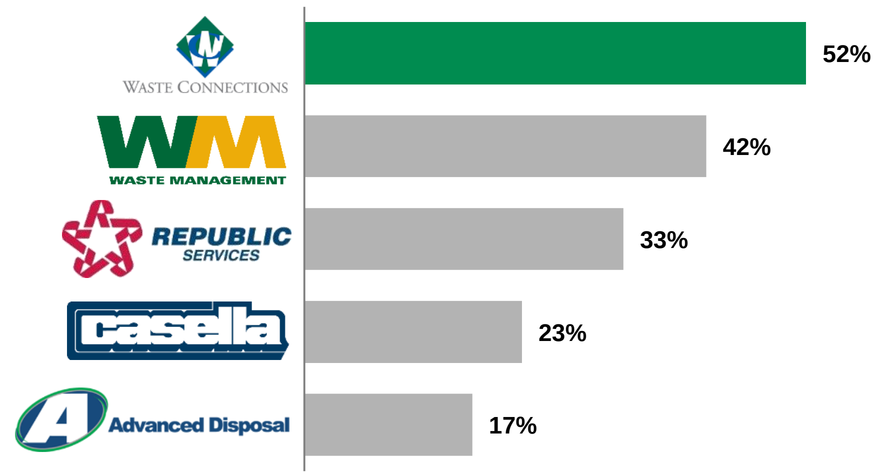
EBITDA Margin



Net Debt / EBITDA



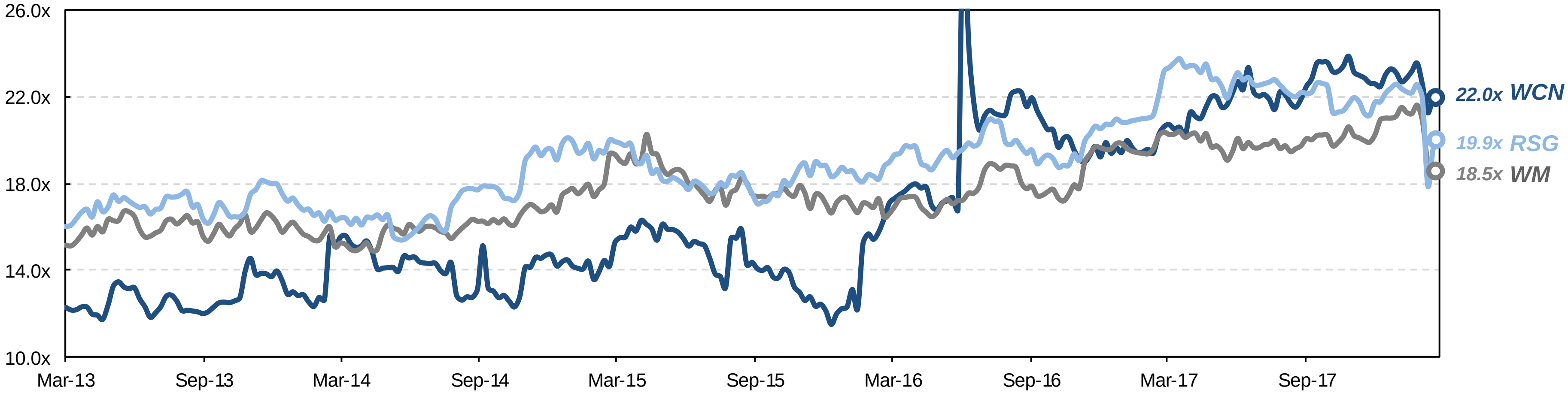
Free Cash Conversion



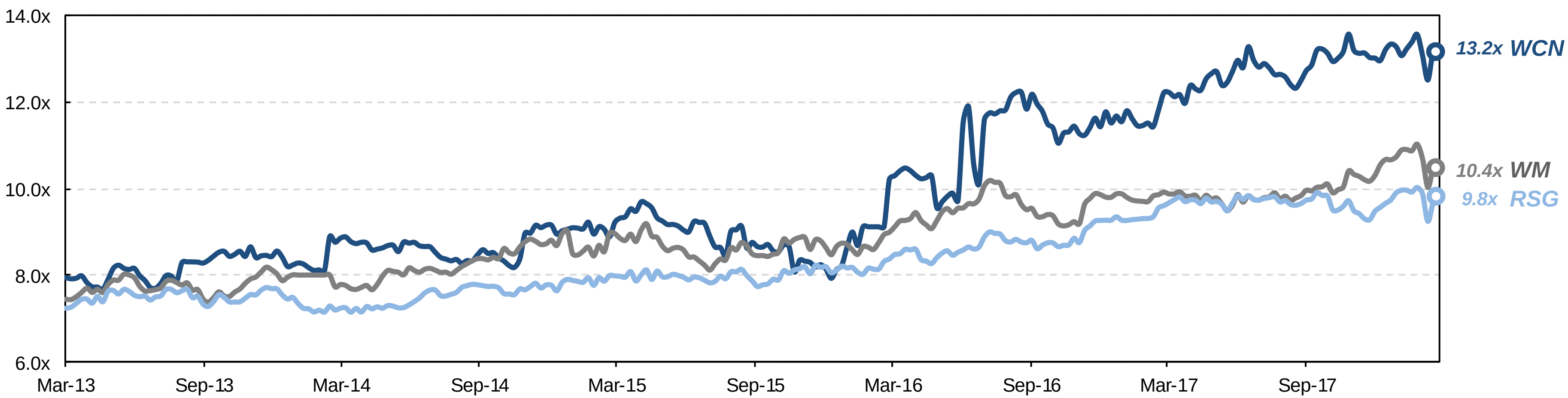
Sources: Bloomberg, company filings

Value Perspectives

24-month Forward P / FCF Multiple



24-month Forward EV / EBITDA Multiple



Source: Bloomberg

CPMT Calgary Portfolio Management Trust

Recommendation

Waste Connections

Investment Decision

ACTION	BUY
CONVICTION	2
INITIAL AUM	4%
CURRENT PRICE	C$91
TARGET PRICE	C$105

Investment Criteria

Strong Balance Sheet	✓
Growing Free Cash Flow	✓
Competitive Advantage	✓
Quality Management	✓
Attractive Valuation	?

Model Assumptions

Case	Revenue Growth Rate			Margins	Cost of Cap	Acquisitions	Value	
	First 5 Years	Next 5 Years	Terminal Rate	EBITDA	WACC	Cum. Acq. Rev.	Value Per Share	Implied Return
BULL	5.0%	4.0%	2.5%	33.5%	6.0%	$900mm	C$134	47%
BASE	4.5%	3.0%	2.0%	32.5%	6.4%	$900mm	C$103	13%
BEAR	3.0%	2.0%	1.5%	31.5%	7.1%	$0mm	C$67	(26%)

Prelim to REITs Primer

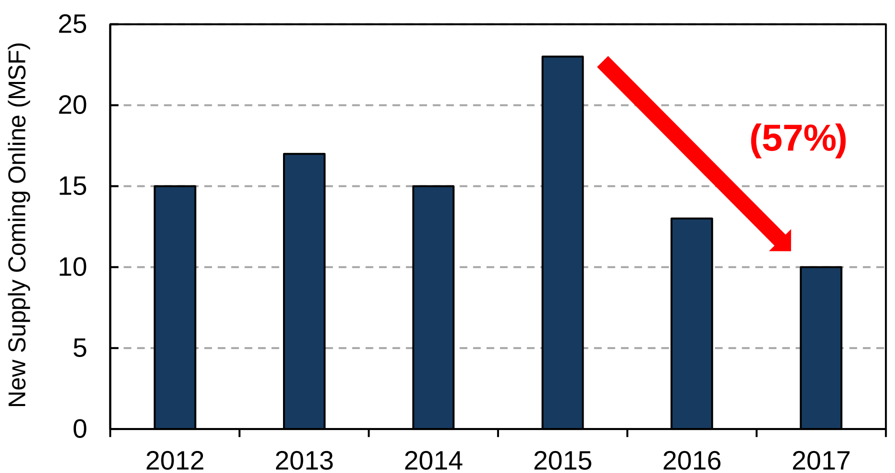
Upcoming Primer

- Given the natural two-year progression of the CPMT program, passing on knowledge in specific sectors has proven to be difficult, especially given that the GICS classification added Real Estate as its own sector in August of 2016
  - Over the course of this quarter the CPMT is working on an extensive primer to help bridge the gap between existing primers, internal knowledge, as well as relevant info that pertains to Canadian / U.S. REITs and our outlook on various subsectors
  - Once complete, the REIT primer will be published to the website by the end of FQ4 2018

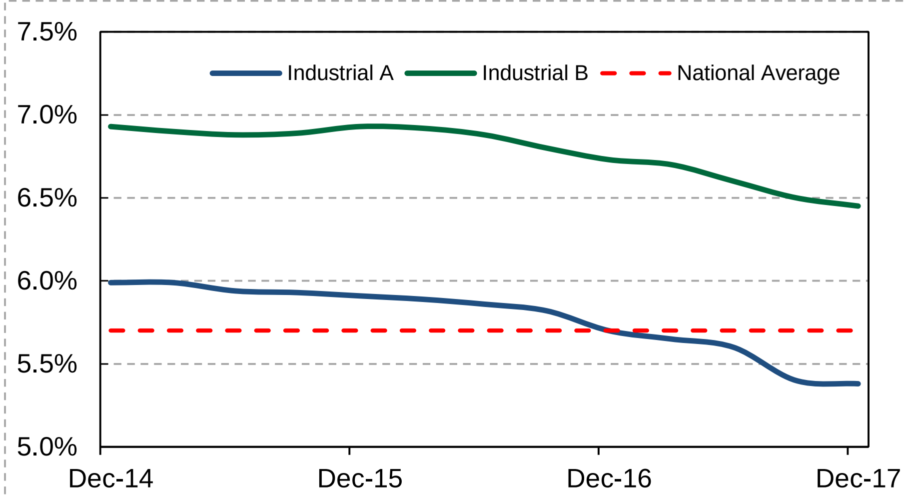
Industrial Real Estate

- 2017 saw compressing availability rates, consistently high absorption and strong tenant demand made the industrial asset class one of the most desired property types across Canada. The lack of construction pipeline in 2017 also increased the competitiveness in the space. This should continue to drive rent and property value appreciation throughout 2018
- The majority of the industrial universe is now geared towards logistics and distribution consumption. Annual new supply is at a six-year low which adds further stability to the market
- In 2018, the increased focus on distribution could result in a shift towards industrial assets being valued on a cubic feet basis rather than square feet, reflecting the increasing importance of overall space utilization that stacking technology brings

New Industrial Supply



Historical Industrial Cap Rates



Source: CBRE Canada