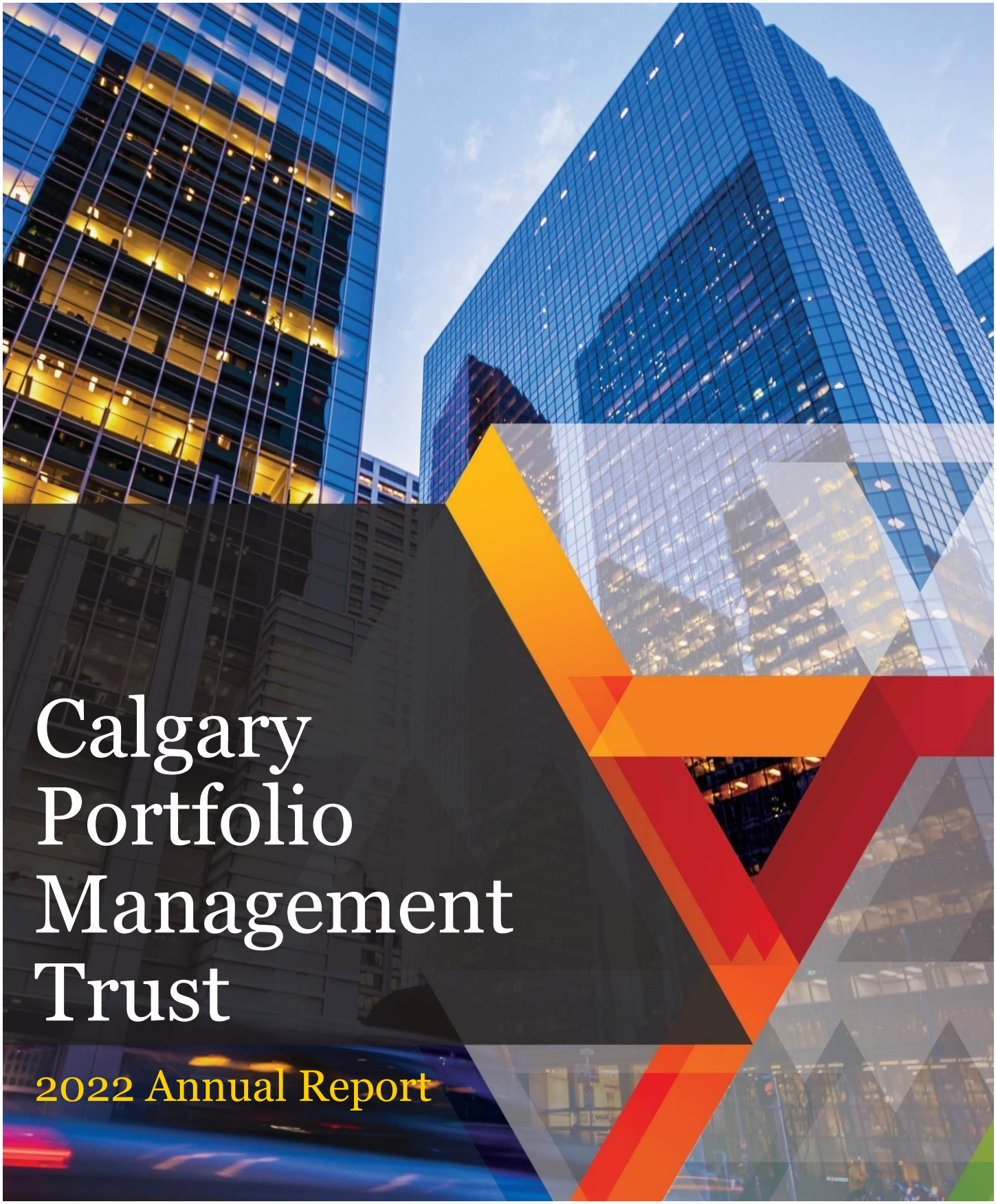

Calgary Portfolio Management Trust

2022 Annual Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2022 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 of 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.

Another important part of the CPMT is the speaker series program, where industry professionals take valuable time out of their days to speak with the Fund. The CPMT team is grateful to all of those professionals that have made the time to speak 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 40/60 weighting between Canadian and U.S. equities. As 2021 realized a successful finish, the fund aims to carry the momentum and rigor of last year's work into continued fruition in 2022. 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 students, along with external support, will continue to develop knowledgeable and skilled graduates from the program. We are eager to continue to innovate and improve the program and strive to maintain our commitment to excellence.

Sincerely,

Abhishek Sewak, Portfolio Manager

Jack Morgan, Portfolio Manager

Katie Tu, Portfolio Manager

Kian Sadeghi, Portfolio Manager

Sina Ardakani, Portfolio Manager

Class of 2022

Biographies

CPMT CLASS OF 2022

ABHISHEK SEWAK
Portfolio Manager
5th Year, Finance / Actuarial Science

Abhishek joined the CPMT in March 2020 as an Investment Analyst and is thankful to all the Board of Trustees, mentors, and alumni who continue to enrich the student experience in Finance. He is excited to gain insights into financial modeling, equity research, and overall portfolio management skills. In addition to the program, Abhishek competed in the JDC West Case Competition as a Finance Delegate. He will be joining RBC Capital Markets as an Investment Banking Summer Analyst next summer. Abhishek worked as an Actuarial Analyst at Manulife over summer 2021 and has completed internships with Fidelity Investments as an Inside Sales Advisor in Winter 2020, and as an Investment Banking Co-op Analyst at CIBC World Markets during Winter 2021. Upon graduation, Abhishek would like to attain the CFA designation and explore a career in Capital Markets. In his spare time, Abhishek enjoys reading non-fiction books, hiking, playing & watching cricket, and travelling.

JACK MORGAN
Portfolio Manager
4th Year, Finance (Honours)

Jack joined the CPMT in March 2020 as an Investment Analyst seeking to broaden his skills and technical understanding of capital markets. He is thankful to the Board of Trustees, alumni, and mentors who have made this opportunity for rewarding and challenging work possible. After completing his second internship with Canadian Natural Resources as a Financial Marketing Student last summer, Jack is looking forward to joining BP as a Commercial Energy Trading Intern in summer 2022. Jack has been active on campus in various student clubs during his undergraduate and is currently undertaking the BComm Honours Program working alongside a professor in the development of a new Haskayne course. As a Portfolio Manager, Jack is optimistic toward the future and grateful for the experience the CPMT has provided him thus far. In his free time, Jack enjoys basketball, hiking, and serenading his roommates with guitar.

KATIE TU
Portfolio Manager
4th Year, Finance / Economics (Minor)

Katie joined the CPMT in March 2020 as an Investment Analyst. She is grateful for the opportunity to develop her portfolio management, financial modelling, and equity research skills through the program. This past summer, she worked at CIBC World Markets as an Investment Banking Summer Analyst in the Energy, Infrastructure and Transition group, where she will be returning full time upon graduation. Outside of school and work, Katie volunteers as a merchandiser at Dress for Success Calgary, a non-profit organization that provides professional attire to help women succeed in the mainstream workplace. In her spare time, Katie enjoys listening to music, watching movies, exercising at the gym, and travelling.

KIAN SADEGHI
Portfolio Manager
4th Year, Finance / Mathematics

Kian joined the CPMT in March 2020 as an Investment Analyst. He is looking forward to expanding his knowledge in portfolio management, equity research, valuation, and financial markets throughout the program. In addition to the CPMT, he is a member of the University of Calgary Trading Team and has competed at the Rotman International Trading Competition. Kian will be joining RBC Capital Markets this upcoming summer as an Investment Banking Summer Analyst. Previously, he has completed internships at the McLean Family Office and Landstar Development Corp. Upon graduation, he intends to pursue a career in capital markets, as well as obtain his CFA designation. In his spare time, Kian enjoys playing soccer, basketball, and listening to music.

SINA HADJIAHMADI-ARDAKANI
Portfolio Manager
4th Year, Finance

Sina joined the CPMT in March 2020 as an Investment Analyst. He would like to thank the Board of Trustees, speakers, faculty, and mentors for supporting the program. He looks to gain a greater understanding of capital markets, valuations, and portfolio management. After completing previous internships at the National Digital Asset Exchange, Sina will be joining Credit Suisse as an Investment Banking Summer Analyst this summer. Sina intends to pursue a career in capital markets and obtain his CFA designation upon graduation. During his spare time, Sina enjoys playing hockey, chess, and listening to podcasts.

CPMT CLASS OF 2023

ADRIANNA DOLATA
Investment Analyst
4th Year, Finance / Economics
Adrianna joined the CPMT in March 2021 as an Investment Analyst. She is excited to develop her equity research and financial modeling skills through the program. Adrianna is currently working on completing a dual degree in Finance and Economics with a concentration in Applied Energy Economics. In addition to the CPMT, Adrianna is Director of Marketing at the University of Calgary Consulting Association. Adrianna is currently completing an employment term with groHERE Harvest as a Business Development Intern. In summer 2022, she will be interning at NBF as an Investment Banking Summer Analyst in the Global Energy group. In her free time, Adrianna enjoys cooking, baking, hiking, swimming, reading, and travelling.

ARNUV MAYANK
Investment Analyst
4th Year, Finance / Mathematics
Arnuv joined the CPMT in March 2021 as an Investment Analyst. He is looking forward to applying his classroom knowledge to complete real-life equity research and modelling. Arnuv is currently working on completing a dual degree in Finance and Mathematics. Currently, Arnuv is working as the Chief Strategy Officer for a Calgary-based startup called Collavidence. In Summer 2021, Arnuv was an undergraduate researcher in financial mathematics at the University of Calgary. Arnuv has also completed a prior internship with Hicks Intellectual Property as a patent assistant. In his free time, Arnuv enjoys tennis, gaming, travelling, running, and hiking.

EMILY CHEN
Investment Analyst
3rd Year, Accounting / Data Science (Minor)
Emily joined the CPMT in March 2021 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. Emily is currently working towards a degree in Accounting with a minor in Data Sciences. In addition to CPMT, Emily is involved with the Inter-Collegiate Business Competition, the Calgary Social Value Fund, and the University of Calgary Consulting Association's McKinsey pro-bono consulting engagement. In Summer 2022, Emily will be interning at CIBC World Markets as an Investment Banking Summer Analyst in the Energy, Infrastructure and Transition group. Emily has also completed a prior audit internship with Deloitte and has worked at the University of Calgary as a summer research assistant. In her spare time, Emily enjoys baking, painting, music, fashion, yoga, and fitness.

ERIC XIAO
Investment Analyst
4th Year, Finance / Mathematics
Eric joined the CPMT in March 2021 as an Investment Analyst. He is excited to further develop skills in equity-research, valuation, and portfolio management throughout his time with the program. Eric is currently working towards completing a dual degree in Finance and Mathematics. In addition to the CPMT, Eric is a part of the University of Calgary Trading Team and has competed in the Rotman International Trading Competition. Eric will be joining Macritchie this upcoming summer as a Private Equity Summer Analyst. Previously, he completed an 8-month co-op term with Seven Generations Energy and ARC Resources as a Treasury intern. Upon graduation, Eric intends to pursue a career in the capital markets. In his free time, Eric enjoys weightlifting, golf, hockey, and snowboarding.

GAVIN STALWICK
Investment Analyst
3rd Year, Finance
Gavin joined the CPMT in March 2021 as an Investment Analyst. He is thankful for the Board of Trustees and the alumni base that provide continued support of the program. Gavin is looking to develop his knowledge of financial markets, equity research, valuation, and portfolio management during his time in the program. Gavin is currently working towards completing a degree in finance. In addition to the CPMT, he is a student-athlete with the University of Calgary Men's Rugby Club. Gavin is looking forward to joining the Credit Capital Markets team at National Bank Financial for the summer of 2022. In the past Gavin has worked part-time throughout the school year with Invico Capital and completed a summer employment term with the University of Calgary's Endowment as a Treasury and Investments intern. In his spare time, Gavin enjoys snowboarding, weightlifting, rugby, and video games.

KARLEN SLATER
Investment Analyst
4th Year, Finance
Karlen joined the CPMT in March 2021 as an Investment Analyst. He is thankful to the Board of Trustees, mentors, and alumni for the continued support in making this opportunity possible. Karlen is looking to develop his skills in equity research, portfolio management, and financial modeling during his time with the program. Karlen is currently working towards completing a degree in finance and an embedded certificate in leadership studies. In addition to the CPMT, Karlen is working part time with Macritchie, as a Private Equity Analyst after completing a co-op term with them in fall 2021. Previously, Karlen completed an internship in summer 2021 at Radicle as a Global Markets and Strategy Intern. In summer 2022, Karlen will be interning at National Bank Financial as an Investment Banking Summer Analyst in the Global Energy group. In his spare time, Karlen enjoys hockey, golf, and water sports.

NOOR AZEEM
Investment Analyst
4th Year, Finance
Noor joined the CPMT in March 2021 as an Investment Analyst. She looks forward to developing a deeper understanding of financial markets, valuation, portfolio management, and equity research. Noor is currently working towards completing a degree in finance. In addition to the CPMT, Noor has been involved with the University of Calgary Consulting Association, the CFA research challenge, and JDC West as a Business Strategy delegate. After completing a summer work term with Peters & Co. Limited as a Corporate Finance Intern, Noor joined BCI as a Canadian Large Cap Equities Analyst for the fall. For summer 2022, she looks forward to joining the investment banking team at JP Morgan Calgary. In her spare time, Noor enjoys spin, hiking, paintball, music, and basketball.

WESLEY SHERRARD
Investment Analyst
4th Year, Finance / Computer Science
Wesley joined the CPMT in March 2021 as an Investment Analyst. He is looking forward to expanding his knowledge on portfolio management, financial markets, and financial modeling. Wesley is currently working towards completing a dual degree in Finance and Computer Science. In addition to the CPMT, Wesley has been involved with the University of Calgary Trading team. Previously, Wesley completed a summer employment term with National Bank Financial as a Summer Analyst in the Credit Capital Markets Team and an internship with Merchant Equities Capital Corp as a Fall Co-op Analyst. In summer 2022, Wesley will be returning to National Bank Financial as a Summer Analyst in the Project Finance Team. In his spare time, Wesley enjoys hiking, snowboarding, and reading.

Speaker Series and Mentorship Program

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

2021 - 2022 CPMT Speaker Series	
Firm	**Organizer(s)**
ABB	Christian Erana
Asterion Industrial Partners	Kate-Lynn Gordey
ATB Financial	Jaclyn Perrot / Joe Wong
Barclays	Fedja Saric
BCI	Matthew Watson / Derek Spronck
Builders VC	Mark Blackwell
Citigroup	Serge Vigneault
Fengate	Jia Liang / James Newman
Golden Gate Capital	Roman Burgess
Goldman Sachs	Maxim Bouianova / Conor Ross / Owen Thurston
H&S Advisory	Stephanie Blais
Halliburton	Dan Dorney
HealthQuest Capital	Janice Woo
Invico Capital	Allison Taylor / Jason Brooks
N/A	Vincent Chahley
National Bank Financial	Mark Williamson
QV Investors	Diana Chaw / Ian Cooke
Richardson Wealth	Athina Ivziku
Tailwind Associates	Darren Engels / Sarah Cathcart / Harrison Evans
TD Securities	Nicholas Arnold / Taso Arvanitis / Jason Field
The Marquee Group	Jamie Wilkie
Thoma Bravo	Carl Chan
Tourmaline Oil	Jamie Heard
Trafigura	Rahim Jiwani

CPMT Student Mentorship		
Alkeon Capital	Andrew C. Kim	Karlen Slater
ATB Financial	Jaclyn Perrot	Abhishek Sewak
BCI	Amy Chang	Abhishek Sewak
Carbon Royalty Corporation	Amber Brown	Katie Tu
CIBC Capital Markets	Emma Loewen	Adrianna Dolata
CIBC Capital Markets	Chris Chow	Kian Sadeghi
CPP Investments	Connor Luck	Noor Azeem
CPP Investments	Bryton Hewitt	Wesley Sherrard
Enbridge	Max Chan	Arnuv Mayank
Fulcrum Capital	Timothy Clark	Gavin Stalwick
Global Infrastructure Partners	Michelle Creighton	Karlen Slater
Keyera	Jessica Hulsman	Emily Chen
Mawer Investment Management	Siying Li	Emily Chen
Palisade Capital Management	James Anderson	Sina H. Ardakani
Pembina Pipeline	Olga Rechytska	Eric Xiao
QV Investors	Ian Cooke	Jack Morgan
QV Investors	Dan Morgan	Arnuv Mayank
RBC	Jenna Halwa	Sina H. Ardakani
RIV Capital	Hashim Chawdhry	Kian Sadeghi
The Marquee Group	Jamie Wilkie	Eric Xiao
Thoma Bravo	Carl Chan	Adrianna Dolata

Portfolio Strategy and Sector Views

OVERVIEW

During FY2022, 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, maintains a focus on owning high-quality businesses, and reduces the probability of errors. The Portfolio Managers will 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 COVID-19 pandemic, and its lasting economic impacts, will be a continual area of consideration for us as we evaluate potential names, placing increased importance on mandate fit and the ability to remain resilient in the current circumstances.

COMMUNICATION SERVICES

After divesting its position in Comcast (NASDAQ: CMCS.A), the CPMT's sole holding in the Communication Services sector is Alphabet (NASDAQ: GOOGL). Following the divestiture, the Fund is currently 3.2% underweight in the sector relative to the blended benchmark. Moving forward, the CPMT will continue to monitor its current holding within the sector while evaluating other telecommunication and media names that meet our mandate and provide growth opportunities in a post-pandemic environment.

CONSUMER DISCRETIONARY

The CPMT is currently weighted in-line in the Consumer Discretionary sector relative to the blended benchmark. Despite a challenging labour market, supply chain risks, and potential declines in consumer disposable income, the Fund believes that the sector will continue to benefit from ongoing declines in unemployment and recoveries of brick-and-mortar traffic. The CPMT currently holds Aritzia (TSX: ATZ), Best Buy (NYSE: BBY), and lululemon athletica (NASDAQ: LULU), all of which possess strong consumer loyalty and omnichannel platforms that can offset potential long-term declines in mall traffic.

CONSUMER STAPLES

The CPMT is content remaining 1.8% overweight relative to the blended benchmark in Consumer Staples, as we continue have a favourable view towards the sector given its defensive nature and historical outperformance during recessionary periods and times of market uncertainty regarding COVID-19 restrictions. The Fund has strong conviction in our sole Consumer Staples holding, Costco (NASDAQ: COST), and will continue to monitor the name to ensure its alignment with our investment mandate.

ENERGY

The CPMT's Energy weighting is currently in-line with the blended benchmark. The sector has benefited from increased production activity, positive oil strip pricing, recently surging natural gas prices, and improved demand for oil due to lifting of travel restrictions globally. A shift towards asset optimization, continued support from the government towards decarbonization, pipeline and margin expansion projects, coupled with positive price realizations experienced by E&P firms will drive the valuations forward. We aim to maintain exposure to energy through companies with distinct competitive advantages and the ability to generate free cash flow throughout commodity price cycles. Going forward, we will monitor the mandate fit of our current energy holdings, Canadian Natural Resources (TSX: CNQ) and Enbridge (TSX: ENB).

FINANCIALS

The CPMT believes its financial holdings are diversified and of high quality, however, it will look to increase its exposure to this sector. The Fund is currently 9.0% underweight in the Financials sector relative to its blended benchmark. The banking industry has seen a significant recovery in 2021 and the CPMT has a positive outlook on its bank holdings with PCLs decreasing from 2020 and interest rates rising. The Fund's current bank holdings include JPMorgan Chase & Co. (NYSE: JPM) and the Royal Bank of Canada (NYSE: RY). Additionally, the CPMT's position in Brookfield Asset Management (TSX: BAM.A) looks to capitalize on growth in the asset management industry and provide superior long-term returns.

HEALTH CARE

The CPMT is comfortable remaining 2.5% overweight in Health Care to vast growth opportunities within the sector as a result of a high demand for technological and product innovation to accommodate ever-evolving health concerns and treatment methods. Additionally, the sector's historically low beta and non-discretionary nature allows it to remain defensive during recessionary periods. The Fund's Health Care holdings, Abbott Laboratories (NYSE: ABT), Thermo Fisher Scientific (NYSE: TMO), and Zoetis (NYSE: ZTS), all possess distinct competitive advantages, providing the Fund with strong diversification within the space.

INDUSTRIALS

The CPMT believes that North American economies will experience above average growth in the coming year. This has historically supported the Industrial sector's performance, since many companies in the sector are heavily levered to economic growth. The Fund currently holds Canadian National Railway (TSX: CNR), Cintas (NASDAQ: CTAS), and Waste Connections (TXS: WCN) within the sector. The CPMT is currently 4.0% overweight the sector relative to its blended benchmark. Moreover, the Fund will continue to evaluate other companies in the sector that demonstrate economic resiliency and secular growth trends going forward.

INFORMATION TECHNOLOGY

The Information Technology sector offers tremendous growth opportunities and diverse business models. Therefore, the CPMT is comfortable being 4.3% overweight the sector relative to its blended benchmark. The COVID-19 pandemic has accelerated the adoption of many technology companies' offerings. As a result, the CPMT remains optimistic on the growth opportunities of its technology holdings, which include Microsoft (NASDAQ: MSFT), Apple (NASDAQ: AAPL), Adobe (NASDAQ: ADBE), Constellation Software (TSX: CSU), and PayPal Holdings (NASDAQ: PYPL). In FQ4 2021, the CPMT received shares of CSU's spin-off Topicus.com (TSXV: TOI) and initiated a position in the name in FQ2 2022.

MATERIALS

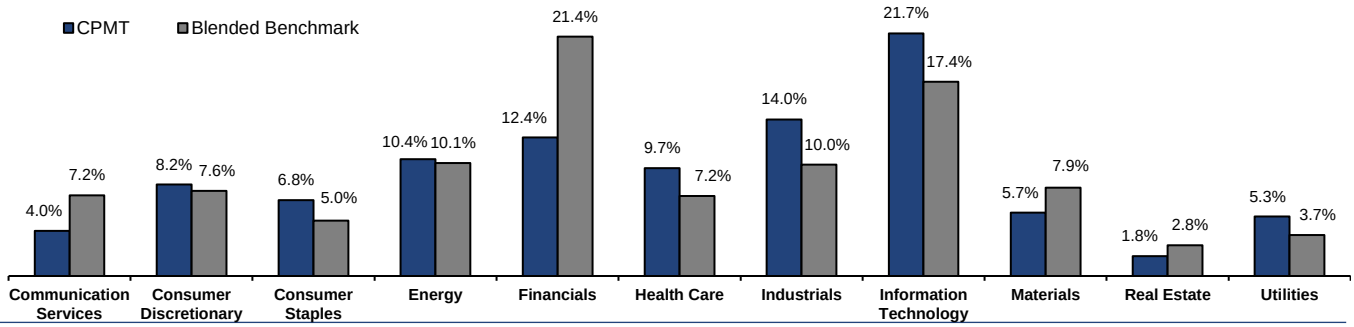
The CPMT is currently 2.2% underweight in Materials relative to the blended benchmark. Companies within the sector have experienced major shifts in scalability and profitability due to streamlined operations. The increasing demand for industrial gases, electrification, and construction and renovation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

REAL ESTATE

The CPMT is currently 1.0% underweight in Real Estate, relative to the blended benchmark. In FQ3 2021, the Fund initiated a position in American Tower (NYSE: AMT), which continues to be the its sole holding in the sector. The CPMT maintains a strong view on telecommunications REITs due to the industry's high lease renewal rates, high operating margins, and low maintenance expenses. Additionally, AMT's international asset base and acquisition strategy continue to be key parts of our thesis on the name. Although we expect long-term outperformance, the Fund will continue to monitor developments throughout the sector, including changes in the interest rate environment, material input costs, and the progression of the ongoing economic reopening.

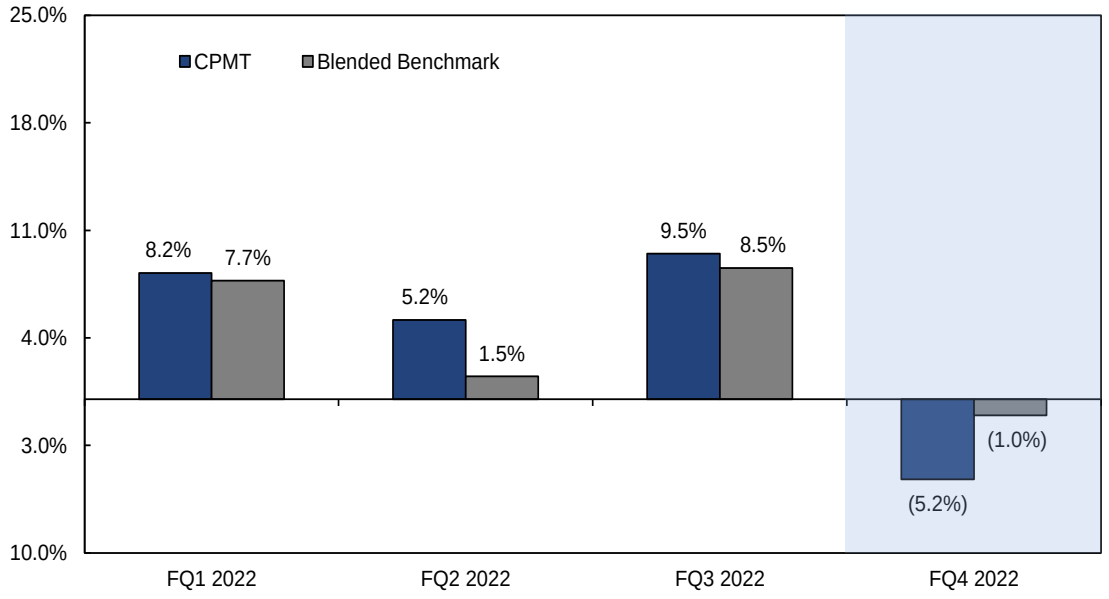
UTILITIES

Considering positive industry catalysts such as the U.S. infrastructure bill, the CPMT is comfortably positioned 1.6% overweight relative to the blended benchmark. The CPMT currently holds NextEra Energy (NYSE: NEE), and Brookfield Renewable Partners LP (TSX: BEP.UN) which are leading renewables producers, poised to capitalize on the energy transition. Given the increasing interest rate environment, updated federal carbon price targets, and sector's underperformance in 2021 relative to the blended benchmark, the Fund is cautiously monitoring its positions but sees strong growth potential founded in rising regional demand and lifts in power market pricing.

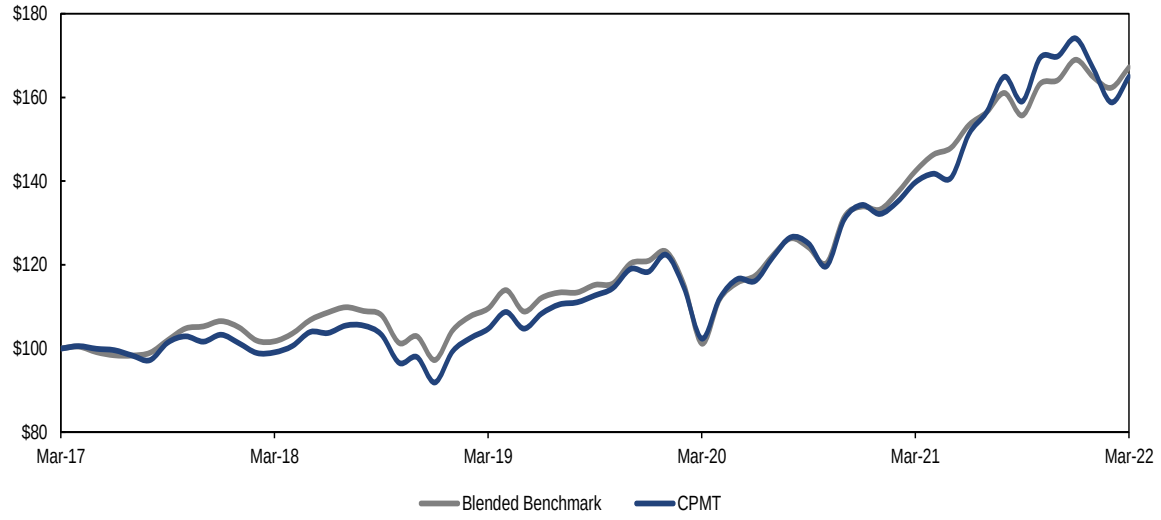


Quarterly Snapshot - FQ4 2022

CPMT and Benchmark Total Return (TTM)



Value of $100 (since December 30, 2016)

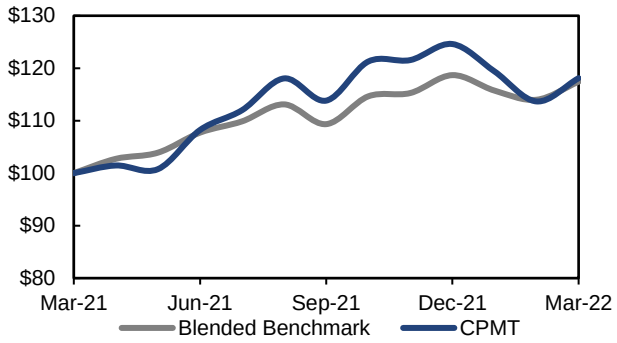


Fund Universe

	FQ4	1 Year	3 Year	5 Year	10 Year
CPMT	(5.22%)	20.09%	17.02%	10.91%	9.13%
Blended Benchmark	(1.05%)	17.43%	15.14%	10.83%	9.32%
Blended Benchmark Difference	(4.17%)	2.65%	1.88%	0.08%	(0.20%)

Year in Review

ANNUAL RETURN



NOTE TO STAKEHOLDERS

The CPMT Class of 2022 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 those 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

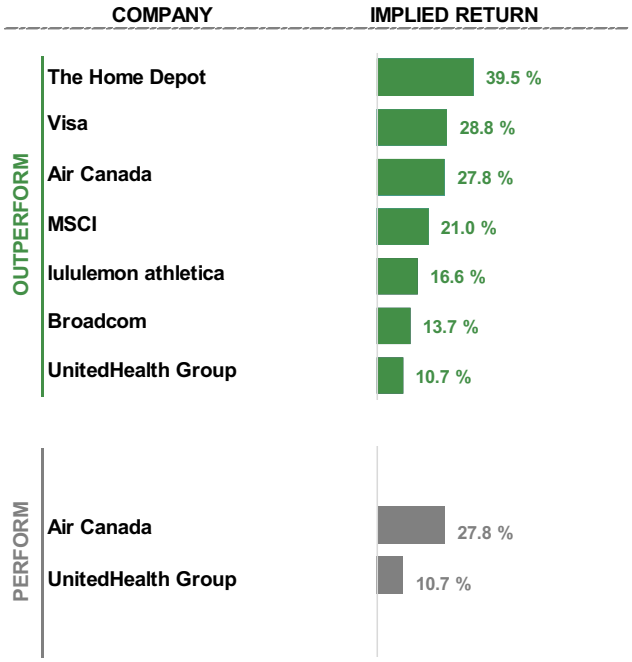
The Fund returned -5.22% over the quarter, 417 bps below the Blended Benchmark's return of -1.05%. The underperformance can be largely attributed to the Health Care, Materials, and Real Estate sectors but was offset by outperformance in Energy and Industrials. The Fund currently has 40/60 Canada/U.S. equity exposure. We are comfortable being overweight U.S. names due to the quality and growth profiles of our U.S. holdings, but will continue to seek companies with a mandate fit in both Canada and the U.S.

Over FQ4, the Fund continued to actively monitor its current holdings to ensure alignment with our investment mandate while monitoring the shifting macroeconomic environment. The Fund purchased two new names over the quarter: Best Buy (NYSE:BBY) and Teck Resources (NYSE: TECK). Each position was initiated at 2.0% AUM, and these trades were funded by the divestment of our position in Comcast (NYSE: CMCSA). The investment in BBY was predicated on the Company's dominance in the consumer electronics stores industry and unreplicated omni-channel platform, as well as its ability to capture growth through the development of its Totaltech membership program. TECK was purchased on the basis of the Company's low-cost, long-life reserves of steelmaking coal, copper, and zinc; strong development pipeline of high-margin operations; and favourable long-term industrial demand and pricing for its commodities. CMCSA's divestment was predicated on significant headwinds faced by cable communication, including the emergence of fibre-to-the-home technologies.

Additionally, the Fund decreased its conviction in PayPal following a lowering of near and mid-term revenue and earnings guidance from management. The proceeds from this trade were invested in Canadian energy due to favourable demand dynamics and pricing for North American energy. The CPMT increased its conviction for Canadian Natural Resources (TSX: CNQ) from 1 to 2, and the remaining proceeds were invested in the S&P/TSX Capped Energy Index ETF (TSX: XEG).

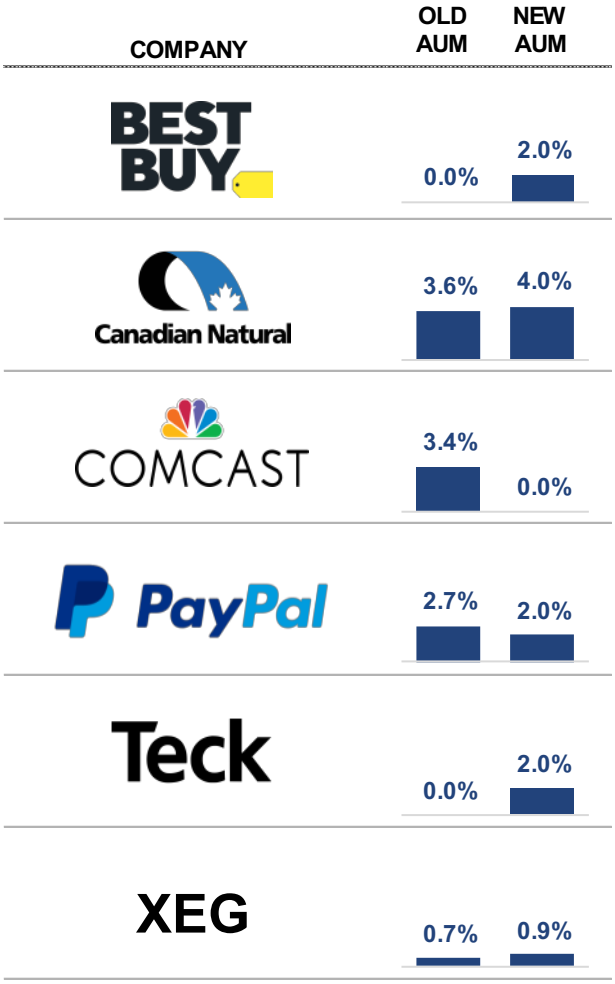
As the outgoing PM class prepares to leave the program, we shift our focus onto the Class of 2023 and reflect on another year of further development and successes of the program. Throughout the year, the Fund maintained high levels of collaboration, aiming to make nimble portfolio decisions while maintaining commitment to high-quality due diligence and our investment mandate. CPMT members also competed in multiple international case competitions, including the Inter-Collegiate Business Competition, the McGill International Portfolio Challenge, and the Rotman International Trading Competition. Over the quarter, the Fund continued to host Speaker Series through both in-person and virtual formats, and is grateful to have had the opportunity to speak with finance professionals across Canada, the U.S., and Europe. Lastly, we proudly welcomed Daniel Krapiwin, Jake Kemp, Jeevan Gill, João Vitor Beani, Joel Homersham, Lucas Frame, Raunak Sandhu, Rebecca Butler, and Ryan Crisalli to the Class of 2024. We look forward to the next year, when each Investment Analyst will be showcasing the unique skillsets they bring to the program.

NEW RECOMMENDATIONS



*Note: Reflects implied upside as of March 31, 2022

TRANSACTION LOG



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

Air Canada

Industrials
TSX: AC
Market Outperform | Buy

Calgary Portfolio Management Trust

AIR CANADA

March 31, 2022

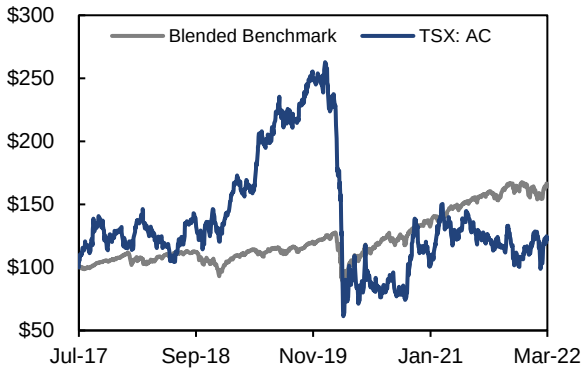
Adrianna Dolata, Investment Analyst

Return on Investment	
Current Share Price	$24.25
Target Price	$31.00
Dividend Yield	0.00%
Implied Return	28%
Conviction Rating	1

Market Profile	
52-Week Range	$19.31 - $29.17
Market Capitalization ($mm)	$8,678
Net Debt ($mm)	$7,721
Enterprise Value ($mm)	$16,399
Beta (5-Year Monthly)	2.38

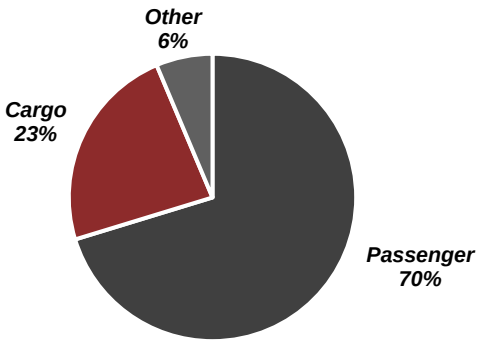
Metrics	2022E	2023E	2024E
Revenue ($mm)	$15,141	$18,610	$22,890
EBITDA ($mm)	$1,921	$3,336	$4,103
EPS	($1.06)	$1.64	$1.83
EV/EBITDA	8.5x	4.9x	4.0x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: FY2021 Revenue Mix



Source: Company Filings

Business Description

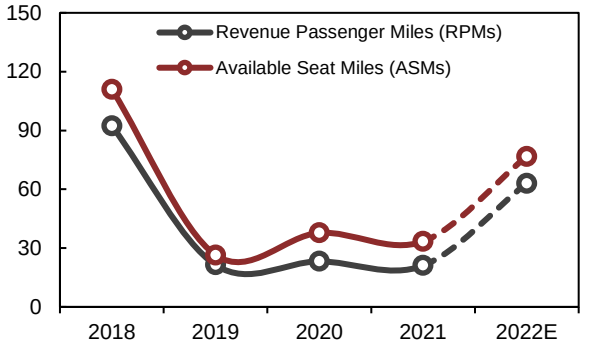
Air Canada (TSX: AC) offers scheduled passenger airline services under the Air Canada Vacations and Air Canada Rouge brand name in the Canadian market, the Canada - U.S. transborder market, and in the international market to and from Canada, as well as through capacity purchase agreements on other regional carriers. As of December 31, 2021, the Company operated a fleet of 175 aircrafts under the AC mainline brand name comprising 97 Boeing and Airbus narrow-body aircraft, and 78 Boeing and Airbus wide-body aircraft; 123 aircraft under the Air Canada Express brand name; and 39 aircraft under the Air Canada Rouge brand name. It also provides air cargo services in domestic and U.S. transborder routes, as well as on international routes between Canada and markets in Europe, Asia, South America, and Australia. Additionally, the Company operates, develops, markets, and distributes vacation travel packages in the Caribbean, Mexico, the U.S., Europe, Central and South America, South Pacific, Australia, and Asia; offers cruise packages in North America, Europe, and the Caribbean; and provides travel loyalty programs. AC was founded in 1937 and is headquartered in Saint-Laurent, Canada.

Industry Overview

AC is considered a major player in the Canadian Scheduled Air Transportation industry. This industry provides air transportation for passengers and cargo over regular routes and schedules. Network carriers operate a significant portion of their flights using at least one hub where connections are made for flights on a spoke system. First-tier suppliers include aircraft, engine, and parts manufacturing; airport operations; and aircraft maintenance, repair, and overhaul. Second-tier suppliers include companies that manufacture plastics and rubber products, iron, steel, and aluminum. The main buyers in this industry are consumers, freight forwarding brokerages and agencies, couriers and local delivery services, and public administration. The industry has performed well in the five years leading up to 2020 as rising levels of disposable income enabled more consumers to purchase airline tickets and a weak Canadian dollar encouraged inbound travel from foreign consumers. Although the COVID-19 pandemic severely constrained industry revenues in 2020 due to the suspension of international service and social distancing guidelines, international and domestic travel has rebounded amid expanded vaccine access.

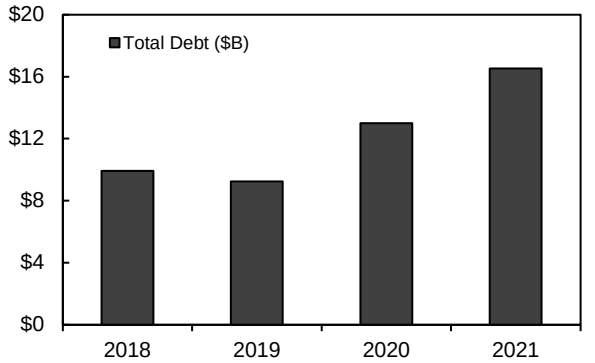
The industry generated $16.1B in revenue in 2021 and is forecasted to see annual growth of 12.6% to $29.2B by 2026. Key external factors impacting this industry include per-capita disposable income, corporate profit, inbound international travel, international trips by Canadian residents, and international crude oil prices. AC holds the largest market share in this industry at 61.8%, followed by WestJet Airlines at 18.8%, and other carriers making up the remaining 19.4%. Although the Canadian government has eased aviation regulation allowing the emergence of low-cost carriers, the industry is still dominated by large established network carriers. Market share concentration is likely to increase due to consolidation from the industry's two largest players, AC and WestJet Airlines.

Figure 3: RPMs (B) & ASMs (B)



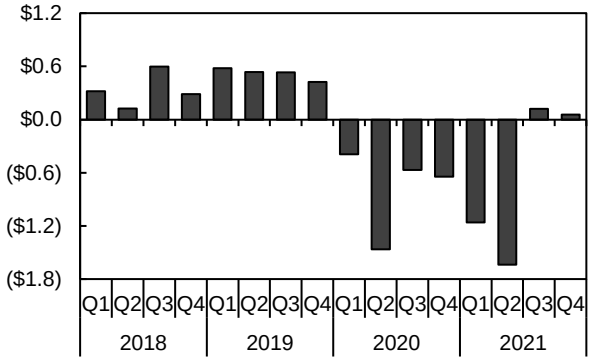
Source: Company Filings, CPMT Estimates

Figure 4: Total Debt ($B)



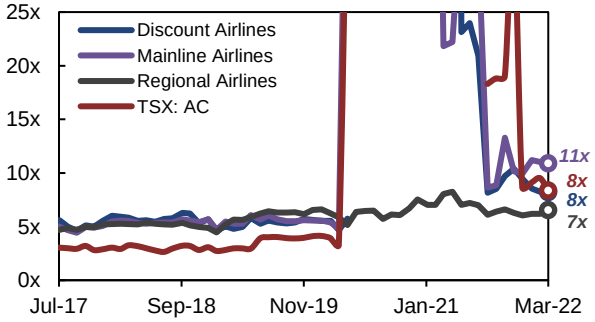
Source: Company Filings

Figure 5: Free Cash Flow ($B)



Source: Company Filings

Figure 6: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

Mandate Fit

Quality Management: Michael Rousseau was appointed AC's President and CEO in February 2021. He previously served as the airline's Deputy CEO and CFO since January 2019, where he oversaw several significant corporate initiatives and businesses, including Air Canada Rouge and the airline's overall financial strategic direction. From 2007 to 2018, he was Executive VP and CFO and has played a significant and highly strategic role in AC's successful transformation over the past decade.

Competitive Advantage: As Canada's largest domestic and international full-service airline and global provider of scheduled passenger services, AC is well-positioned to recover from the industry's deep recession. AC is diversified through its Cargo segment, which achieved $1.5B in revenue in 2021 as it increased the number of cargo-only flights to 10,000 from 4,000 in 2020. AC has plans for three more freighters to join the fleet by YE2022. Lastly, AC has expanded its Aeroplan rewards program through corporate partnerships. The program acquired over 1.2mm members in 2021 and reported gross billings surpassing those of 2019.

Strong Balance Sheet: While AC's net debt increased to $7.1B in 2021 from $5.0B in 2020, its unrestricted liquidity improved, ending 2021 at $10.4B compared to about $8B a year earlier. In Q3 2021, AC completed a series of refinancing transactions on attractive terms, generating gross proceeds of ~$7.1B, providing substantial liquidity and extending debt maturities to the end of the decade. In April 2021, AC entered into a series of debt and equity financing agreements with the Government of Canada which allowed AC to access up to $5.9B in liquidity. In November 2021, AC withdrew from this support without penalty, having accessed the facility solely to refund customers' previously non-refundable tickets. The $4.0B available under the secured revolving and the unsecured non-revolving credit facilities remained undrawn. AC has a B+ credit rating from S&P Global Ratings and Fitch Ratings, and Ba3 from Moody's. These ratings are in-line with that of its mainline airlines peer group (NYSE: DAL, NASDAQ: UAL, AAL), and superior to its main competitor WestJet from all three agencies.

Growing Free Cash Flow: The Company suffered from negative FCF in 2020 and in the first two quarters of 2021. However, AC began to generate positive FCF with $120mm in Q3 2021 and $55mm in Q4 2021. Prior to the COVID-19 pandemic, AC generated consistent FCF. Management expects cumulative FCF generation of ~$3.5B over the next two years.

Key Risks

AC can be adversely affected by weakening macroeconomic and geopolitical conditions, increasing fuel and labour costs, intensifying competition within the industry, fluctuations in the value of the Canadian dollar, and continued COVID-19 restrictions. Company-specific risks include those related to labour, reputation, and operating leverage.

Valuation and Investment Thesis

The CPMT valued AC using a five-year DCF analysis at a WACC of 15%. The target price of $31 was based on a 50/50 blend of (1) the Gordon Growth method (assuming a terminal growth rate of 2.0%) and (2) an EV/EBITDA exit multiple of 5.5x, which is in-line with the peer group average prior to the COVID-19 pandemic. The CPMT believes that AC remains in a relatively strong position given its high-quality management and will flourish as air travel demand continues to recover.

Broadcom

Information Technology
NASDAQ: AVGO
Market Outperform | Buy

March 31, 2022

Arnuv Mayank, Investment Analyst
Noor Azeem, Investment Analyst
Wesley Sherrard, Investment Analyst

Return on Investment

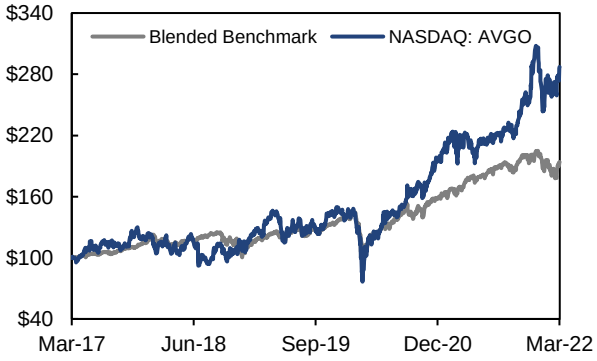
Current Share Price	$629.98
Target Price	$700.00
Dividend Yield	2.60%
Implied Return	13.71%
Conviction Rating	1

Market Profile

52-Week Range	$419.14 - $677.76
Market Capitalization (US$B)	$257
Net Debt (US$B)	$29
Enterprise Value (US$B)	$286
Beta (5-Year Monthly)	1.02

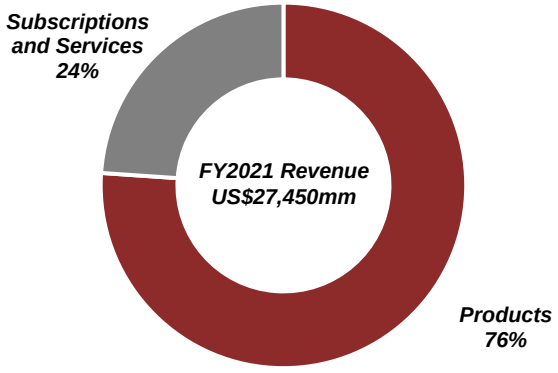
Metrics	2022E	2023E	2024E
Revenue (US$mm)	$32,490	$34,450	$36,438
EBT (US$mm)	$8,856	$9,853	$10,796
EPS (US$)	$16.22	$18.13	$19.93
EV/EBITDA	16.6x	15.4x	14.4x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Segmented Revenue FY2021



Source: Company Filings

Business Description

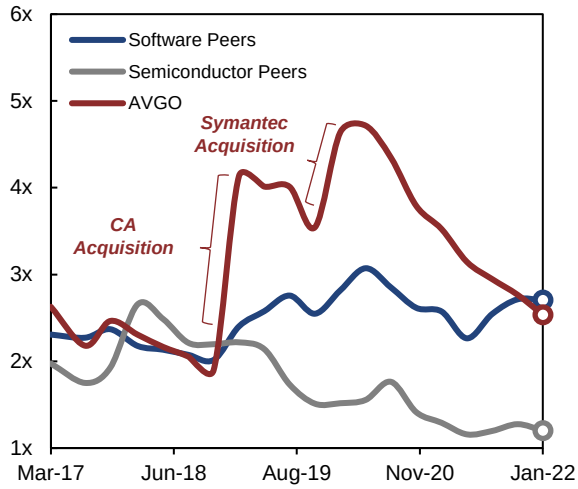
Broadcom (NASDAQ: AVGO) operates under two primary segments: Products and Subscriptions. Products involve the design and manufacturing of semiconductor solutions for the wired infrastructure, wireless communications, enterprise storage, and industrial markets. Subscription and Services includes a robust portfolio of enterprise software solutions including mainframe, distributed, and cybersecurity software. The Company's primary product offerings include targeted network semiconductors, broadband products, and connectivity chips. ~20% of AVGO's revenues is derived from radio frequency filters that are used in smartphones such as the Apple iPhone and the Samsung Galaxy. AVGO was founded in 1961 and is headquartered in California.

Revenue Segmentation and Sector Outlook

Semiconductor Solutions: AVGO divides its semiconductor solutions into five product families: Broadband (16% of semiconductor revenue), Networking (32%), Wireless (34%), Storage (14%), and Industrial (4%). The Company's strategy revolves around having customers at every stage of the internet ecosystem, from data centres to carrier networks to access points, with ~99.9% of all internet traffic crossing at least one AVGO chip. While the semiconductor industry is known for its high cyclicality, some analysts see this cyclicality subsiding over time, as semiconductors are becoming an integral part of many different devices (e.g., computers, cloud data centres, 5G, etc.). AVGO's exposure to each of these areas positions it well to capture the overarching growth of the semiconductor industry driven by rapid technological advancement; indeed, the Company is increasing its R&D expenditures for both product and process development to maintain its competitive position. In the near-term, this growth will be concentrated in Networking, as AVGO's Tomahawk 4/Jericho 2 chips see rapid penetration among cloud titans that are upgrading optical connectivity speeds. However, when this upgrade cycle passes and growth slows, it is very likely that one of AVGO's other semiconductor products sees demand accelerate, with tailwinds including 5G implementation and the continued release of new iPhones. AVGO competes with a unique subset of companies for each of its product families; however, factoring in company scale and size of threat yields the following primary semiconductor peer group: NASDAQ: AMD, INTL, QCOM, SWKS, and TXN.

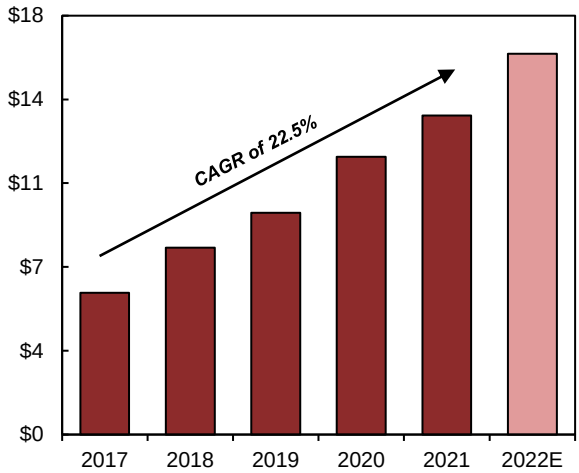
Enterprise Software: The enterprise software industry has experienced significant tailwinds in the past five years due to positive demand growth and significant investment in software solutions. The COVID-19 pandemic has increased demand of enterprise software products as businesses increase focus on expanding their online presence and cloud infrastructure. The Company has four primary Software portfolios: Mainframe, Distributed, Symantec Cyber Security, FC San Management, and Payment Authentication. As such, its main software peers are NASDAQ: CRM, CSCO, IBM, and VMW. AVGO is a market leader in the U.S. security software industry with an estimated 13.6% market share. The security software industry is expected to significantly grow over the next five years (CAGR of 8%), as corporations rapidly acquire valuable (cont.)

Figure 2: LTM Debt/EBITDA vs Peer Group Average



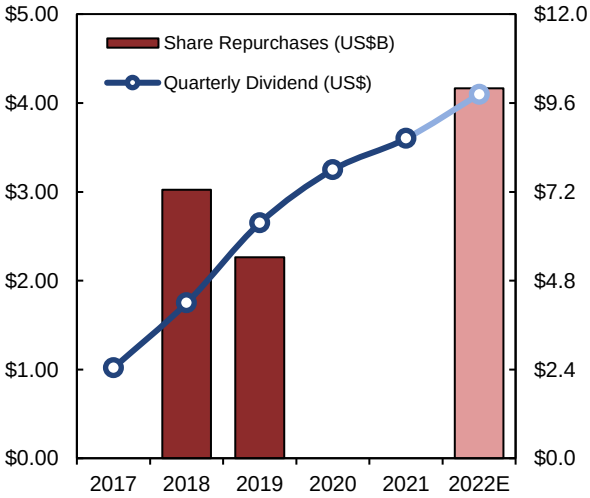
Source: Bloomberg

Figure 3: Free Cash Flow (US$B)



Source: Company Filings, CPMT Estimates

Figure 4: LHS Dividend Per Share vs RHS Repurchases



Source: Company Filings

data that must be protected from sophisticated cyberattacks. Furthermore, the enterprise industry overall is expected to grow at a more modest annualized rate of 3.5% over the next five years. AVGO's entrance into the software space from hardware has been exclusively through acquisitions.

Acquisition Overview

AVGO's business plan focuses on continuous investment in product development, both organically and through acquisitions. Its acquisition strategy centers around finding technological leaders with high operating expenses, which, upon acquisition and integration, can be greatly reduced through economies of scale. Additionally, AVGO's software acquisitions are meant to provide cross-selling opportunities with its existing semiconductor clients. AVGO has executed ~US$50B of M&A transactions since 2014.

CA Technologies (CA): The acquisition of the software company CA was announced in 2018 for US$18.9B. CA is known for its enterprise software solutions such as mainframe development, infrastructure operations and management, and enterprise data protection and compliance solutions. The acquisition was AVGO's first step into diversifying into the enterprise software industry.

Symantec Enterprise: In 2019, AVGO acquired the enterprise cybersecurity assets of Symantec for US$10.7B, securing the largest market share of the U.S. security software industry.

AppNeta: In 2020, AVGO announced its intent to acquire AppNeta for its leading SaaS-based network performance monitoring solutions. Management indicated they will continue their strategy of acquiring industry-leading businesses to achieve inorganic growth.

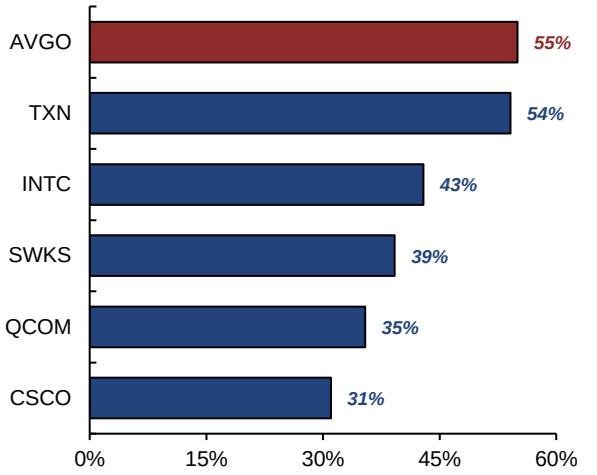
Mandate Fit

Quality Management: AVGO's management team reiterated their commitment to return capital to shareholders with a 50% FCF payout ratio for dividends. Since 2017, AVGO has steadily increased its quarterly dividend from US$1.02 to US$4.10 as of Q1 2022. The Board authorized a US$10.0B stock repurchase plan at the end of 2021, of which they have acted upon US$2.7B at a weighted average stock price of US$681, reflecting their confidence in the Company's capacity to generate FCF. Hock E. Tan (CEO) is integral to AVGO's continued success, given his track record in integrating acquisitions (Symantec, CA, Brocade, etc.).

Competitive Advantage: AVGO's substantial scale has allowed it to acquire ~80% of the Fortune 500 list as its clients in an oligopolistic industry. It uses acquisitions of top-performing companies with accretive margins to diversify its offerings and earn economies of scale advantages. Additionally, it has one of the broadest IP portfolios in industry with over 20,000 patents, which serves to strengthen its foothold as a market leader.

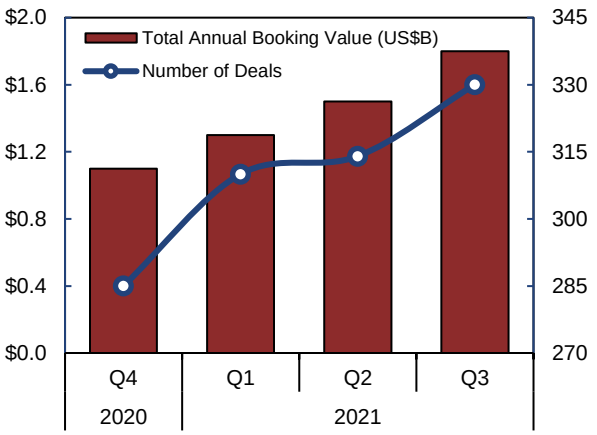
Balance Sheet: Historically, AVGO has been more levered than its peers as it uses heavy amounts of debt for acquisitions. Following these acquisitions, AVGO significantly de-levers its balance sheet; for example, in FY2021, it lowered its LTM Net Debt/EBTIDA ratio of from 3.0x to 1.9x YoY to align closer with peers. The Company's long-term credit rating is BBB- from S&P and Fitch. The credit agencies have indicated that the credit rating reflects the expectation of future acquisitions being mainly funded through debt. Management has indicated that achieving an investment grade rating is critical to the Company's strategy. The Fund believes that if deleveraging continues through the FCF generated by its acquisitions, a credit rating upgrade is likely to occur.

Figure 5: EBITDA Margin vs Peers



Source: S&P Capital IQ

Figure 6: LHS Deal Size vs RHS Number of Deals(1)



Source: Company Filings, Refinitiv Eikon
(1) *Deals with clients that exceed US$1mm*

Growing Free Cash Flow: Since 2017, AVGO's unlevered FCF has grown at a 22.5% CAGR, albeit with decelerating growth caused by the cyclical nature of the semiconductor industry. For example, net income grew from US$3,939mm to US$8,352mm YoY, but FCF remained stagnant due to inventory backlogs. While AVGO's FCF has historically fluctuated with the ebbs and flows of the industry, the CPMT predicts continued and relatively stable future FCF growth, attributable primarily to its increasingly diverse product portfolio. Not only are its software solutions agnostic to cyclical trends, but the Fund also predicts that its products within its semiconductor segment will grow in accordance with secular trends that may mask the cyclicality. Furthermore, this diversity enables additional revenue growth through cross-selling, especially of hardware and software among the Company's cloud storage customers.

Key Risks

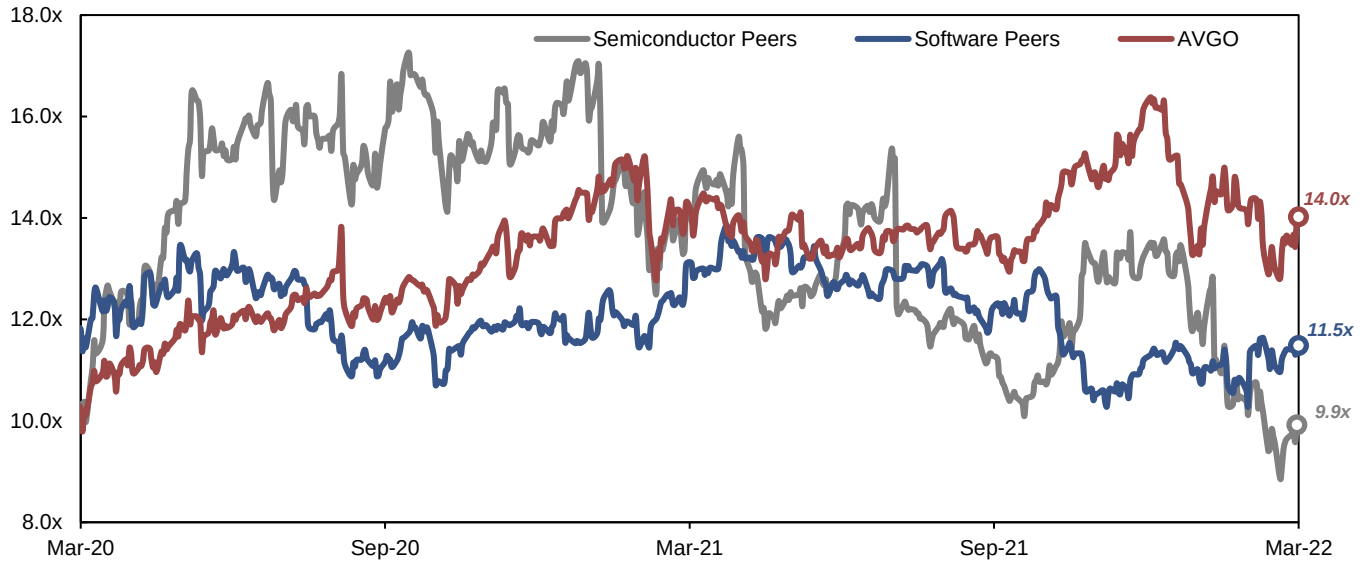
Customer Concentration: The bulk of AVGO's net revenue is derived from a few major clients, putting its top-line at risk in the event they choose an alternative provider or to develop its current offerings in-house. Apple (NASDAQ: AAPL) makes up ~20% of AVGO's net revenue (70% of wireless communications); in December 2021, AAPL announced its plan to develop wireless chips in-house that could eventually replace AVGO as its supplier. Additionally, major clients insourcing manufacturing poses a risk to AVGO's ability to retain talent, as they will be sought out by these fresh competitors.

Executing Acquisitions: AVGO's capital allocation and growth strategy is heavily dependent on its ability to execute successfully on acquisitions. The acquisitions can encounter issues such as restructuring changes, difficulties integrating, and inaccuracies of assumptions used to assess a transaction which could adversely affect the outcome of operations.

Investment Thesis and Valuation

AVGO's product portfolio offers a compelling combination of a sticky business model with best-in-class margins. It is well-positioned to capitalize off the secular tailwinds within the semiconductor space given its leading position in an oligopolistic industry. AVGO target price of US$700 was valued using an 18x adjusted P/E multiple.

Figure 7: NTM EV/EBITDA vs Peer Group Median



Source: S&P Capital IQ

lululemon athletica

Consumer Discretionary
NASDAQ: LULU
Market Outperform | Hold

March 31, 2022

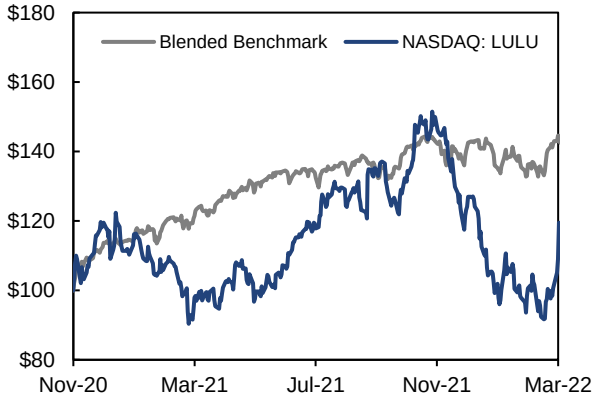
Katie Tu, Portfolio Manager
Emily Chen, Investment Analyst

Return on Investment	
Current Share Price	$365.23
Target Price	$426.00
Dividend Yield	0.00%
Implied Return	17%
Conviction Rating	1

Market Profile	
52-Week Range	$278.00 - $485.82
Market Capitalization (US$mm)	$44,818
Net Debt (US$mm)	($1,260)
Enterprise Value (US$mm)	$43,558
Beta (5-Year Monthly)	1.34

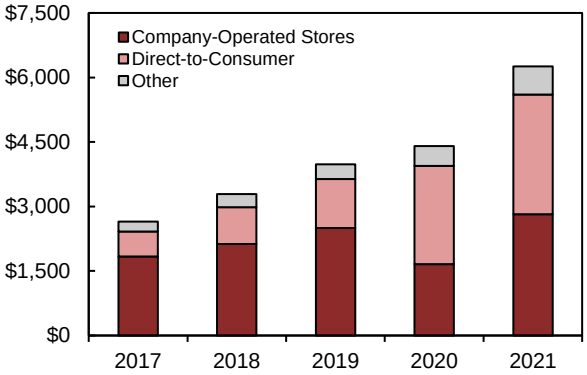
Metrics	2022E	2023E	2024E
Revenue (US$mm)	$7,421	$8,601	$9,577
EBITDA (US$mm)	$1,907	$2,275	$2,605
EPS (US$)	$9.14	$10.73	$12.36
EV/EBITDA	22.8x	19.1x	16.7x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Segmented Revenue (US$mm)



Source: Company Filings

Business Description

lululemon athletica (NASDAQ: LULU) is a Canadian athletic apparel retailer focused on the design, distribution, and sales of activewear and related accessories. Specifically, LULU positions itself as a premium brand that supports "living the sweatlife" through its stylish, innovative, and high-quality apparel products. The Company reports in three segments: (1) company-operated stores, (2) direct-to-consumer, and (3) other. As of FY2021, the Company operated 574 stores in 17 countries, with the highest percentage of stores found in the U.S. (56%), China (15%), and Canada (11%). LULU's direct-to-consumer segment consists of sales from its e-commerce website and mobile app, both of which enhance the Company's omnichannel strategy. All other revenues are captured in the final segment, which includes sales from outlets, temporary locations, wholesale, and MIRROR (an interactive in-home workout platform acquired by LULU in 2020). The Company was founded in 1998 and is currently headquartered in Vancouver, British Columbia.

Original Investment Thesis

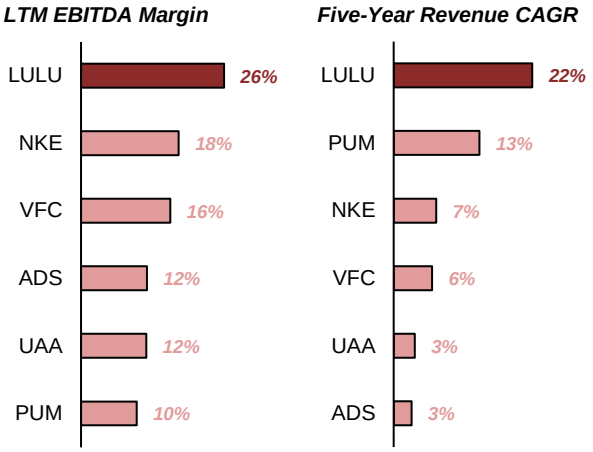
The CPMT entered a position in LULU in November 2020 due to the Company's strong fundamentals, brand presence, and opportunities for market expansion. LULU's unique brand image, diverse product offerings, and emphasis on product innovation was viewed favourably by the CPMT. Furthermore, LULU's e-commerce platform was expected to help the Company adapt to COVID-19 challenges. Overall, the CPMT believed LULU to be a strong operator and an attractive addition to its consumer discretionary holdings.

Industry Overview

The retail apparel industry faces near-term headwinds as a result of economies recovering from the COVID-19 pandemic. With the support of government stimulus and the lifting of restrictions, apparel retailers' top-lines benefitted from increased consumer disposable income and spending. However, as demand rebounded quickly, supply chains struggled to keep up, given that many manufacturing and transport companies laid off workers when uncertainties took hold during the pandemic. As these dynamics played out, inflation emerged, impacting households and leading to a decrease in consumer confidence. However, these effects are unlikely to persist in the long term as inflation will likely normalize when supply chains mitigate temporary shortages and the labour market recovers. Additionally, the circular fashion movement has accelerated as shoppers become more aware of the environmental impact of clothing production. In combination with a reduction in spending power, demand is expected to grow for pre-owned items, thus adversely impacting revenue growth for apparel retailers.

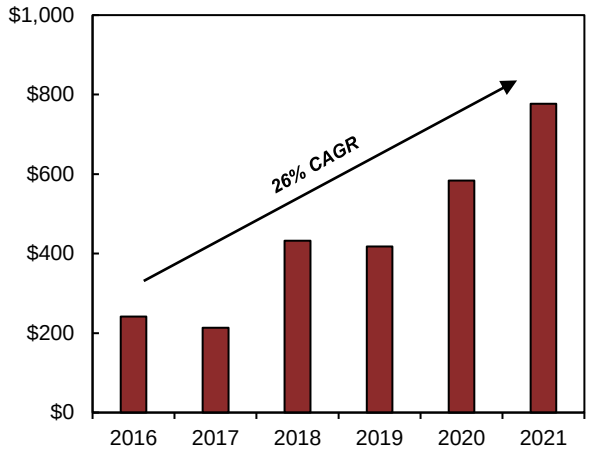
Within the retail apparel industry, LULU competes in the activewear segment with several publicly-traded companies (NYSE: NKE, UAA, VFC; XTRA: ADS, PUM) as well as direct-to-consumer brands, such as Gymshark, Alo Yoga, and Sweaty Betty. This segment continues to benefit from the growing athleisure trend. Since its introduction in 2015, athleisure has defied the typical lifecycle of fashion trends (growth explosion, market saturation, and decline within the span of a few years), and the CPMT expects its sustainability with the growing movement of wellness and pandemic-induced (cont.)

Figure 2: Comparable Analysis



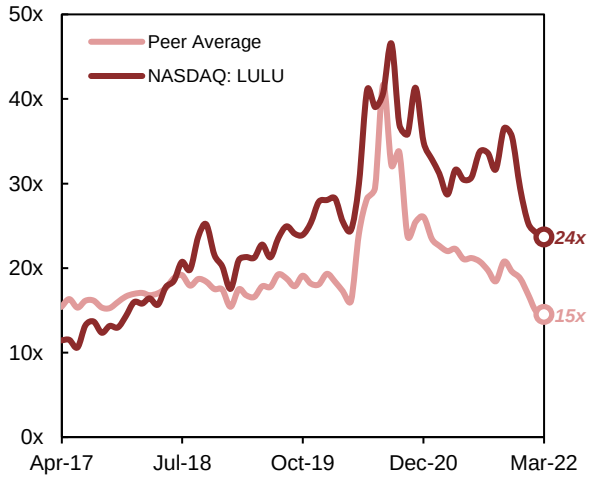
Source: Company Filings

Figure 3: Free Cash Flow (US$mm)



Source: Company Filings

Figure 4: NTM EV/EBITDA vs Peers



Source: S&P Capital IQ

changes in workplace culture. As more work can now be done virtually, companies are increasingly inclined to adopt a more relaxed approach to workwear. Athleisurewear has accommodated this new lifestyle, as it is appropriate for video conferences in the daytime, yet still comfortable enough for relaxation after work.

Mandate Fit

Quality Management: LULU's current CEO, Calvin McDonald, took on the position in 2018 and implemented a five-year plan that included three growth priorities: product innovation, omniguest experiences, and market expansion. Despite challenges with respect to store closures, supplier factory closures, and reduced air freight capacity, management's execution on this strategy has been successful and ahead of schedule. In 2021, the Company achieved several key growth goals, generating a record US$6.0B in net revenues and doubling men's and e-commerce net revenues relative to 2017 levels. LULU is on track with its goal to quadruple its international business by 2023 (from 2018 levels), after seeing a 53% revenue growth in this segment in 2021. Lastly, management has responded well to circular fashion trends, launching the "Like New" initiative where guests can trade-in and buy used gear.

Competitive Advantage: Within the activewear industry, LULU competes on superior product innovation and its ability to grow a loyal customer base. Relative to its peers, LULU continues to outperform operationally through higher margins while maintaining a comparable inventory turnover (3.3x vs peer average of 3.1x).

Strong Balance Sheet: LULU has no debt in its capital structure and has been able to fund its growth strategy with operating cash flows. As of Q4 2021, the Company is in a strong cash position of US$1.5B. Additionally, LULU maintains a high ROIC of ~25% compared to the peer average of ~11%, inclusive of capital leases.

Growing Free Cash Flow: LULU continues to maintain strong FCF generation, with an impressive five-year FCF CAGR of 26%. FCF for 2021 was US$777mm, representing an 86% increase from pre-COVID-19 levels in 2019. The Company's stock repurchase program is a significant use of cash, with LULU approving a new US$1.0B repurchase program on March 23, 2022.

Key Risks

In the current inflationary environment, top-line growth may be jeopardized by lower consumer demand. Additionally, operating costs are expected to increase as supply chain delays extend into 2022. LULU may need to resort to higher-cost air freight as a method of distributing products, thus pressuring margins. Another key risk is the integration of MIRROR, which has already caused 3% - 5% EPS dilution in 2021. Additionally, the level of financial investment and SG&A expense required to scale MIRROR is uncertain. Other risks include decreased mall traffic, COVID-19 store closures, increased competition, and an unsuccessful rollout of LULU's footwear line.

Valuation and Revised Thesis

The target price of $426 was derived using a 50/50 blend of (1) the Gordon Growth method (using a WACC of 7.84% and a 3% terminal growth rate) and (2) applying an EV/EBITDA exit multiple of 22x. LULU trades at a premium to its peers, which the CPMT believe is justified given its operational excellence and runway for growth. Since entering a position, LULU has outperformed operationally despite a challenging macro-environment, and have valuations decreased to more attractive levels. However, the CPMT hesitates to increase conviction in the name due to risks of margin compression, resulting in our Hold recommendation.

March 31, 2022

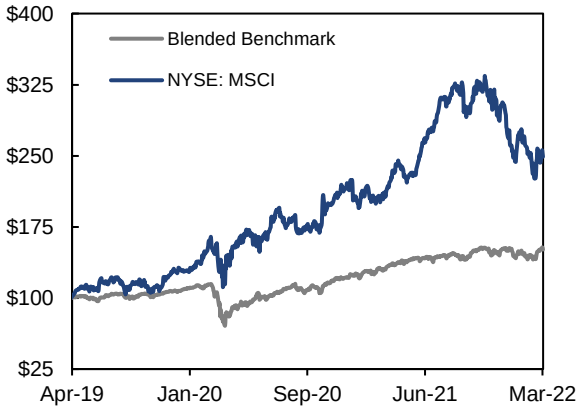
Gavin Stalwick, Investment Analyst

Return on Investment	
Current Share Price	$502.88
Target Price	$606.00
Dividend Yield	0.72%
Implied Return	21%
Conviction Rating	2

Market Profile	
52-Week Range	$419.28 - $662.14
Market Capitalization (US$mm)	$41,524
Net Debt (US$mm)	$2,740
Enterprise Value (US$mm)	$44,264
Beta (5-Year Monthly)	1.00

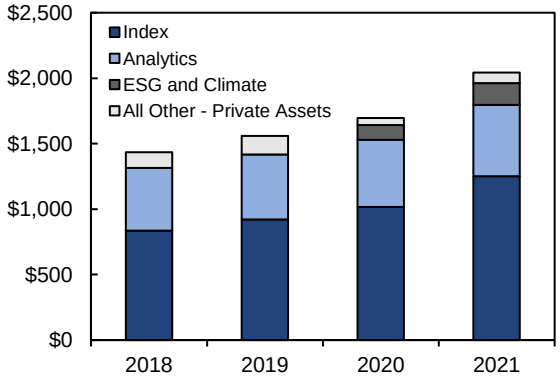
Metrics	2022E	2023E	2024E
Revenue (US$mm)	$2,317	$2,621	$2,957
EBITDA (US$mm)	$1,333	$1,564	$1,821
EPS (US$)	$10.17	$12.55	$15.19
EV/EBITDA	33.2x	28.3x	24.3x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Revenue Segmentation (US$mm)



Source: Company Filings

Business Description

MSCI (NYSE: MSCI) is an international investment research firm based in New York. MSCI has four primary operating segments: Index, Analytics, ESG and Climate, and All Other – Private. MSCI's products and services include indices; portfolio construction and risk management tools; environment, social, and governance (ESG) and climate solutions; and real estate market and transaction data and analysis. With over 6,300 clients, MSCI services a large variety of groups in the global investment industry, including asset owners, asset managers, financial intermediaries, wealth managers, real estate professionals, and corporates. MSCI was created when Capital International's licensing rights were purchased by Morgan Stanley (NYSE: MS) in 1986, thus changing the name to Morgan Stanley Capital International. MS spun out MSCI in 2007 during its initial public offering.

Operational Segments (% of FY21 Revenues)

Index (61%): MSCI develops indices for clients for indexed product creation, performance benchmarking, portfolio construction and rebalancing, and asset allocation. MSCI currently calculates more than 267,000 end-of-day indices daily and more than 15,000 indices in real time. MSCI's index segment also includes revenues from licenses of The Global Industry Classification Standard (GICS) and GICS direct, which are developed and maintained by both MSCI and Standards and Poor's Financial Services.

Analytics (27%): The Company's analytics segment offers risk management, performance attribution and portfolio management solutions, applications and services that provide clients with an integrated view of risk and return. The Company also provides tools for analyzing market, credit, liquidity, counterparty, and climate risk across all major asset classes, spanning all time horizons.

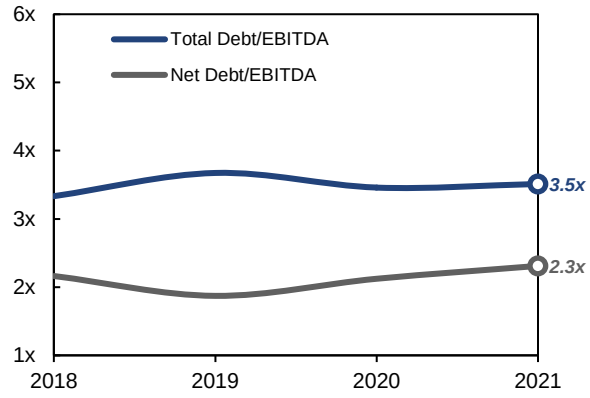
ESG and Climate (8%): This segment offers products and services to institutional investors, which enables them to understand how ESG and climate considerations impact the long-term risk and return of their portfolio alongside an analysis of individual security risk in the portfolio. MSCI currently analyzes over 9,800 entities worldwide using their proprietary rating systems.

All Other – Private Assets (4%): MSCI's Real Estate offerings include real estate market and transaction data, benchmarks, return-analytics, climate assessments, and market insights for investors.

Mandate Fit

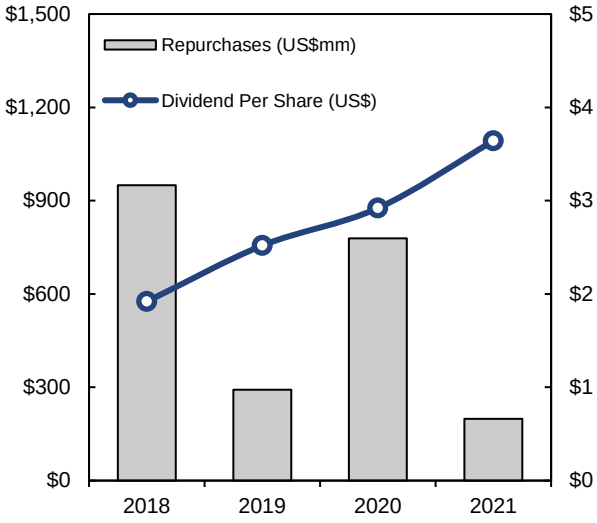
Competitive Advantage: MSCI was the first ESG rating provider to measure and embed ESG risk exposure and assess companies based on industry materiality. Within MSCI, there are 600+ dedicated ESG experts and technologists to process data for over 650,000 securities worldwide. MSCI has over 1,500 ESG indices and is the top ESG index provider by ESG equity ETF assets. Currently, 16 of the top 20 asset managers in the world use MSCI's ESG and climate data. MSCI also possess proprietary index and factor models which are easily integrated into client workflows. The Company has 90%+ retention rates within all segments of the business demonstrating the mission-critical nature of the software and analytics that MSCI provides.

Figure 2: LTM Debt/EBITDA



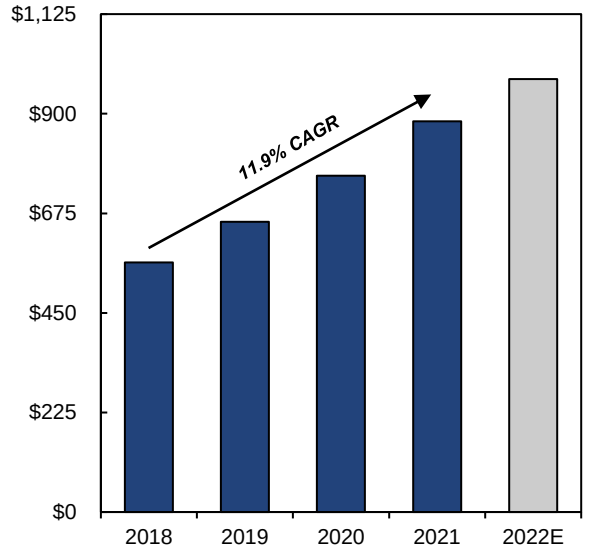
Source: Company Filings

Figure 3: LHS Repurchases vs RHS Dividend Per Share



Source: Company Filings

Figure 4: Free Cash Flow (US$mm)



Source: Company Filings, CPMT Estimates

Quality Management: CEO Henry Fernandez has been with MSCI since 1996 as Head of the Division while MSCI was still part of MS. In 1998, he was appointed as President and a director of MSCI and in 2007, he became Chairman and CEO, a title which he still holds today. Fernandez has led the Company through seven acquisitions and delivered an annualized rate of return of 135% since 2007. Prior to MSCI, Fernandez was a Managing Director at MS where he worked in emerging markets business strategy, mergers and acquisitions, mortgage-backed securities, and corporate finance.

Balance Sheet: The Company has a large cash balance of US$1.4B and currently boasts a 6.0x interest coverage ratio. MSCI had a Net Debt/EBITDA and a Total Debt/EBITDA ratio of 2.3x and 3.5x, respectively. MSCI aims for Total Debt/EBITDA to be in the range of 3.0x - 3.5x to optimize their capital structure.

Growing Free Cash Flow: MSCI has grown FCF by US$319mm since 2018 at a CAGR of 12%. The Company currently maintains a 44% FCF margin and has returned capital to shareholders through share repurchases totaling US$2,528mm since 2018, of which US$634mm was from January 1 - February 10, 2022. The Company targets a payout ratio of 40% - 50% of adjusted EPS, which resulted in over US$300mm of dividends being paid out in FY2021.

Key Risks

Within the index segment, MSCI generates revenue by licensing its indices and collecting fees based on AUM and trading volumes. Some asset managers decide to create their own indices using a process called self-indexing which decreases the need for MSCI's index products. MSCI is subject to revenue concentration among clients where the largest AUMs often provide the most revenue. In FY2021, BlackRock (NYSE: BLK) accounted for 12.7% of MSCI's total revenues. Lastly, if there are large declines in products linked to MSCI indices, there could be adverse effects on the Company as Index accounts for ~60% of total revenue.

Investment Thesis

The Fund looks favourably upon MSCI's long-term prospects. MSCI has a strong core business through its index and analytics segments, which provide stable revenues with very high retention rates. MSCI's products and services are essential and fully embedded within the investment process of clients which the fund believes to be a strong competitive advantage. Furthermore, with a growing focus on ESG, the Fund expects MSCI to outperform given its first-mover advantage in the US$3.9B addressable market for ESG data and analytics. Given the changing landscape of the investment industry, investors will likely have increasingly complex portfolios in the future; MSCI is well-positioned to capitalize on providing data within most, if not all, major asset classes within the coming years.

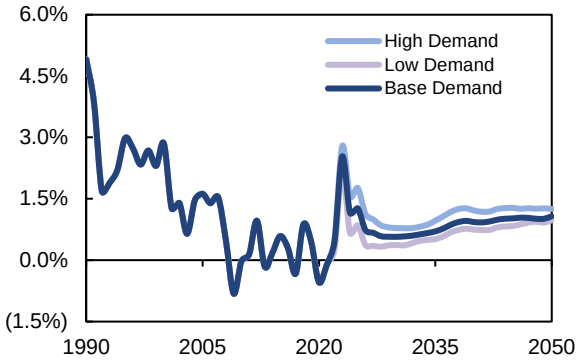
Valuation

MSCI's target price was achieved through a 50/50 blend of a five-year DCF (6.31% WACC and a 2.5% terminal growth rate) and an EV/EBITDA exit multiple of 30x. The industry average EV/EBITDA multiple is ~25x; however, the Fund believes that the premium valuation is warranted given MSCI's industry leading position, first-mover advantage within the ESG analytics industry, and stable organic growth within its core business segments in index and analytics. Furthermore, MSCI has best-in-class EBITDA margins and strong return of capital, which the Fund looks upon favourably.

North American Renewables

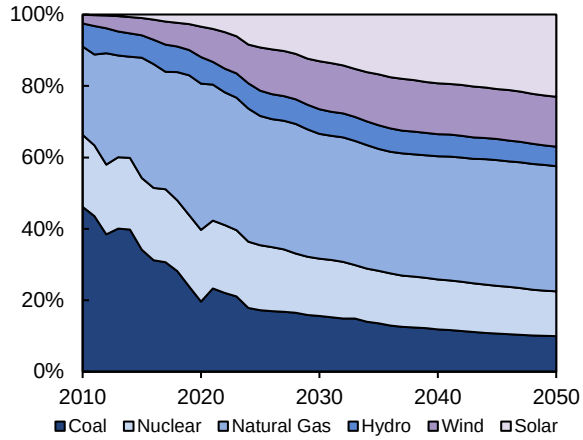
March 31, 2022
Sina Hadjiahmadi-Ardakani, Portfolio Manager
Kian Sadeghi, Portfolio Manager

Figure 1: U.S. Electricity Base Load Growth Over Time



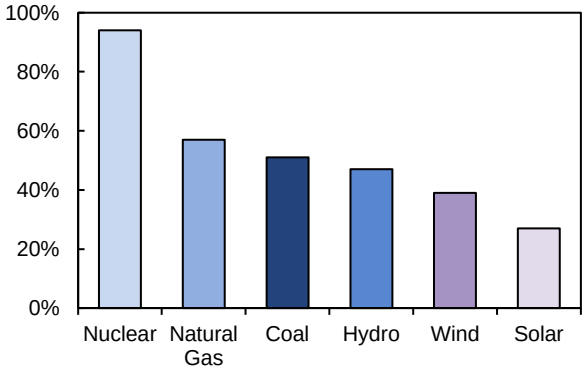
Source: U.S. Energy Information Administration

Figure 2: U.S. Power Generation Mix Over Time



Source: U.S. Energy Information Administration

Figure 3: Capacity Factor by Energy Source



Source: U.S. Energy Information Administration

Executive Summary

In 2021, adoption of renewable power generation increased in North American markets, with electricity demand reaching decade highs. This report will analyze the renewable industry and its key drivers moving forward. As a result, the report focuses on the generation segment of the value chain, with an emphasis on independent power producers (IPP) and commercially viable power sources.

Utilities Overview

Utilities tend to be less volatile than the market and offer predictable profits, given that the rates charged by regulated power producers are fixed periodically. As a result, Utilities tend to outperform the market in unfavourable economic conditions and provide a sustainable income stream. Conversely, Utilities tend to provide less upside potential than other sectors due to their regulated nature.

Growth Drivers: As demand for power increases, the price received for power generally follows, with unregulated power producers (IPPs) receiving higher cash flows and earnings in such environments. For regulated producers, regulation interferes with free market dynamics, inhibiting their ability to deliver drastically greater returns relative to IPP peers. Electricity load growth (demand) is driven by population growth, increased usages per customer, and economic development. Historically, North American load growth has mirrored North American economic (GDP) growth, tending to average between 1% - 2% annually.

However, increasing energy efficiency amongst households and everyday items serves as a significant offset to baseline load growth. Nonetheless, greater electrification trends (especially in motor vehicles) are expected to offset the energy efficiency factors.

Renewable Industry Overview

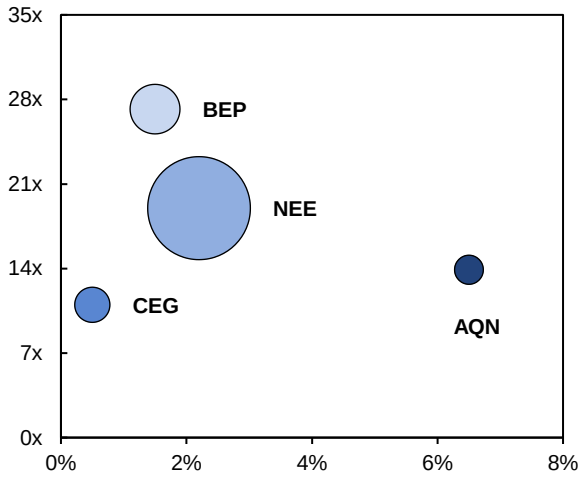
The advent of production and investment tax credits for alternative sources of power have supported the growth of renewables, in addition to technological advancements lowering operating costs. This trend is expected to continue in the coming decades, allowing many participants to enter the space, increasing the power supply, and likely causing a decline in the pricing environment and returns. Alternatively, increasing regulation on carbon-intensive power sources (such as coal) has made such plants less economical, accelerating their retirement.

Renewable Power Generation Methods

Hydropower: Power is generated by allowing water to flow through a set of turbines. Hydro assets tend to merit a premium valuation over other renewable sources due to their stable power generation and perpetual nature. Stability can be exemplified by capacity factors, which measure how often a plant is generating maximum power.

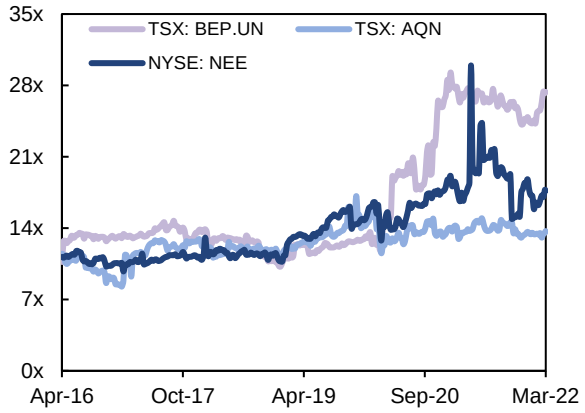
Wind Power: The forces of wind spin the blades of wind turbines, creating electricity. Windy regions tend to be distant from major population centres and existing transmission grids, necessitating costly transmission connections. Wind is a less dependable source of power (has lower capacity factors), given its relatively higher variability versus alternative energy sources.

Figure 4: NTM EV/EBITDA vs Three-Year EBITDA CAGR



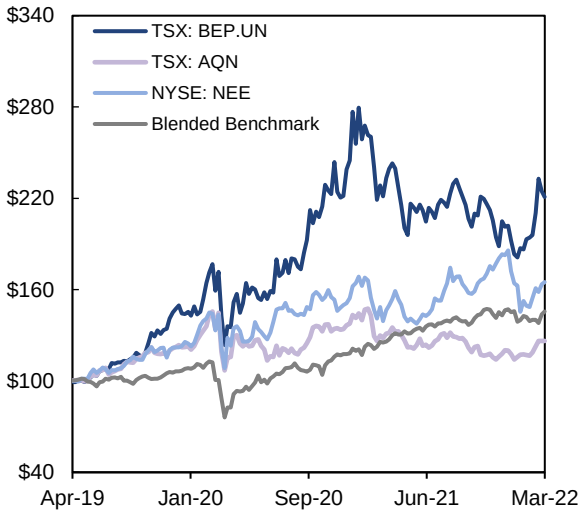
Source: S&P Capital IQ

Figure 5: NTM EV/EBITDA



Source: Bloomberg

Figure 6: Historical Returns (Indexed to $100)



Source: S&P Capital IQ

Solar Power: Solar power converts sunlight into electricity through direct conversion methods including solar photovoltaic (PV) technologies (solar panels) or generation methods, which can be split into two groups:

1) Utility-Scale involves the generation of power through a solar farm and supply to a utility. Here, utilities will agree to power purchase agreements (PPA) to buy electricity, and in turn will supply power while passing on costs to consumers.

2) Distributed Generation involves power generation from small scale, on-site sources including rooftop solar farms. Additionally, this method is typically associated with net metering, which involves the net inflow or outflow of electricity received or generated to provide credits for production.

Similar to wind power, solar is a less reliable power source as it is only generated during hours of sunlight. As a result, it has the lowest capacity factor relative to other power sources.

Nuclear Power: Low-enriched uranium fuels are used to produce electricity through the process of fission, where uranium atoms are split in a nuclear reactor. Power plants do not emit any combustion by-products or greenhouse gasses, which helps protect air-quality. However, the development of nuclear power plants is capital intensive and typically takes 5 - 10 years to complete, with its power generation producing nuclear waste byproducts. Furthermore, nuclear power is notoriously campaigned against due to high-profile nuclear meltdowns including Chernobyl and Fukushima. Since nuclear plants can generate electricity at any time (+90% capacity factor), they are deemed to be a very reliable source of power.

Valuation Impacts from Rising Interest Rates

Historically, there has been a strong inverse correlation between utility stocks' performance and interest rates. The primary reason is that utilities are seen as "dividend plays" for many investors, given the consistent and high dividend-payout ratios prevalent across the sector. Therefore, when interest rates are high, utilities are less attractive as investors shift to fixed income alternatives offering similar yields with less risk. Additionally, as interest rates rise, interest expenses increase for utilities with floating debt or those looking to refinance debt. New rate cases allow regulated utilities to adjust revenues for higher interest expenses, but there tends to be a lag before this recovery occurs.

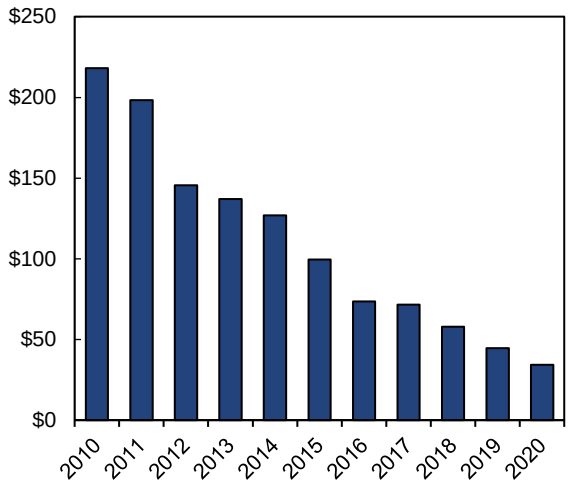
Major Renewable Power Producers

Algonquin Power & Utilities (TSX: AQN): AQN owns and operates regulated and non-regulated generation, distribution, and transmission power assets in the Western Hemisphere. The Company generates its power from hydro, wind, solar, and thermal facilities with a generating capacity of ~23K MW, in addition to regulated electric, natural gas, and water distribution utility systems.

Brookfield Renewable Partners (TSX: BEP.UN): BEP has a high-quality global portfolio of power assets (50% hydro, 22% wind, 15% solar, 13% other), with a focus on acquiring strategic and distressed assets. Its operations span 14 countries, 843 generating facilities, and 21K MW of capacity. The CPMT currently holds a position of ~2% in BEP.

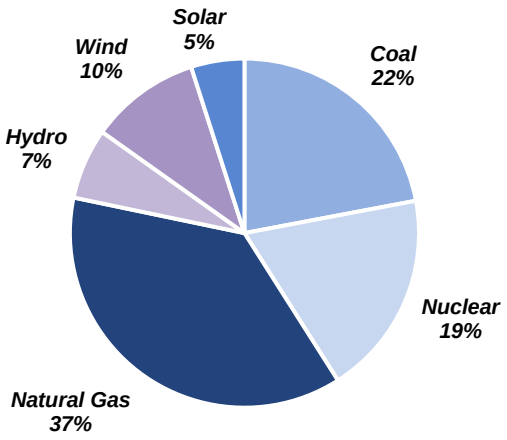
NextEra Energy (NYSE: NEE): NEE focuses on the generation, transmission, distribution, and sale of electric power to retail and wholesale customers in North America. It generates electricity from wind, solar, nuclear and natural gas utilities, giving it 46K MW of capacity. The CPMT currently has a ~4% position in NEE.

Figure 7: Generation-Weighted LCOE (US$/MWh)



Source: Bloomberg

Figure 8: 2022E North America Power Generation Mix



Source: U.S. Energy Information Administration

Constellation Energy (NASDAQ: CEG): CEG generates and sells electricity from its nuclear, wind, solar, natural gas, and hydro assets. The Company has 32.4K MW of generating capacity, serving U.S. residential and commercial customers. CEG is one of few public companies with a large nuclear exposure, 86% of its current energy generation comes from nuclear plants with long life cycles. CEG was recently spun-out of Exelon (NASDAQ: EXC), which is a North American IPP.

Key Themes to Monitor

Legislative Catalysts: In the U.S., the Build Back Better plan (BBB) aims to lower emissions by giving households financial incentives to install rooftop solar panels. The BBB also provides up to US$12.5K in electric car rebates for middle-class families, with renewable companies receiving greater tax rebates for manufacturing (solar panels, wind blades, etc.) domestically. Recently, U.S. President Joe Biden invoked the Defense Production Act to promote domestic production of minerals used in EV batteries and energy storage solutions. This order is expected to help miners receive government funding for projects that extract lithium, nickel, cobalt, and related metals for EV production.

Supply Chain Migrations: The renewable industry has suffered recently amid logistics-related cost pressures and U.S. – China trade tensions. For instance, the solar industry has experienced price increases for the first time in seven years, due to supply shortages of components, raw materials, labour, and rising shipping costs. The risks of tariff extensions leads to further cost pressures on solar panel materials made in China. Ultimately, renewable companies are expected to seek alternative suppliers domestically, which is accelerated by many legislative actions mentioned previously.

Sustainable Growth: End-of-life plans for products within the renewable industry are expected to capture greater attention as early installations approach the end of their useful life. Installations of solar, wind, and battery are expected to climb to all-time highs with ~8K aging wind blades expected to be removed in 2022 alone. For instance, industry stakeholders have explored the disposal of wind blades by recovering its materials and repurposing the output as raw materials for constructing pedestrian bridges and playgrounds.

Energy Storage: Energy storage solutions are an integral part of the renewable ecosystem. Storage systems capture energy produced at one time for use at another time. This reduces supply – demand imbalances for energy and complements relatively unreliable power sources (wind and solar) very well. Current global storage capacity is ~30 GW and is expected to grow to 600 GW by 2030 with more innovation in the space.

Figure 9: Comparable Companies

	Market Cap	EV	NTM EV/Revenue	NTM EV/EBITDA	NTM P/E	LTM Gross Margin	LTM EBITDA Margin	LTM Net Income Margin	LTM Total Debt/EBITDA
Algonquin Power & Utilities (TSX: AQN)	$10.5B	$18.8B	6.9x	13.9x	21.0x	37.8%	33.5%	11.6%	8.3x
Brookfield Renewable Partners (TSX: BEP.UN)	$19.4B	$54.8B	12.5x	27.7x	N/A	68.7%	61.7%	N/A	8.7x
Constellation Energy (NASDAQ: CEG)	$19.0B	$27.8B	3.0x	10.9x	21.2x	14.0%	19.4%	N/A	2.2x
Innergex Renewable Energy (TSX: INE)	$3.3B	$7.5B	11.1x	16.1x	92.3x	76.4%	69.5%	N/A	9.7x
NextEra Energy (NYSE: NEE)	$168.4B	$231.2B	10.5x	18.5x	30.4x	50.3%	43.0%	20.9%	7.5x
Northland Power (TSX: NPI)	$7.6B	$14.0B	8.1x	14.3x	29.0x	74.1%	67.2%	9.1%	5.8x
TransAlta Renewables (TSX: RNW)	$3.9B	$4.6B	11.4x	11.5x	25.0x	51.9%	50.6%	29.8%	4.1x
Median			**10.5x**	**14.3x**	**27.0x**	**51.9%**	**50.6%**	**16.3%**	**7.5x**
Mean			**9.1x**	**16.1x**	**36.5x**	**53.3%**	**49.3%**	**17.8%**	**6.6x**

Source: Bloomberg, CPMT Estimates, S&P Capital IQ

The Home Depot

Consumers Discretionary
NYSE: HD
Market Outperform | Buy

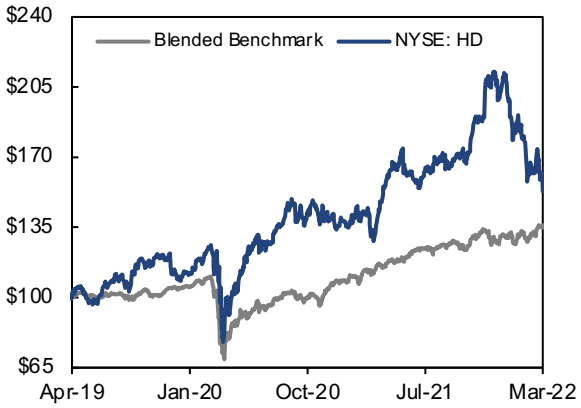
March 31, 2022
Karlen Slater, Investment Analyst

Return on Investment	
Current Share Price	$299.33
Target Price	$410.00
Dividend Yield	2.54%
Implied Return	40%
Conviction Rating	1

Market Profile	
52-Week Range	$298.40 - $420.61
Market Capitalization (US$B)	$309
Net Debt (US$B)	$33
Enterprise Value (US$B)	$342
Beta (5-Year Monthly)	0.96

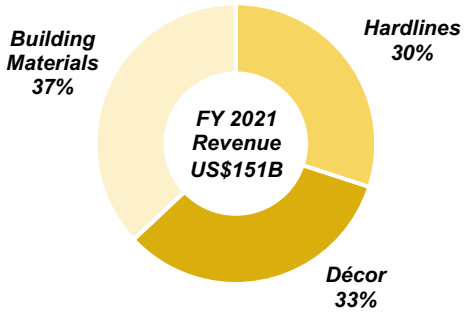
Metrics	2022E	2023E	2024E
Revenue (US$B)	$156	$160	$171
EBITDA (US$B)	$26	$26	$28
EPS (US$)	$16.13	$16.69	$17.87
EV/EBITDA	13.3x	12.9x	12.2x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: FY2021 Revenue Segmentation



Source: Company Filings

Business Description

The Home Depot (NYSE: HD) operates as the world's largest home improvement retailer. The Company sells building materials, home improvement, lawn and garden, and décor products, as well as facilities maintenance, repair, and operations products. HD also provides tool and equipment rentals, as well as installation services for flooring, cabinets, countertops, furnaces, windows, and central air systems. The Company serves two primary customer groups: Professional Customers and Consumers. The Professional Customers group includes professional renovators/remodelers, general contractors, maintenance professionals, handymen, property managers, electricians, plumbers, and painters. The Consumers customer segment includes do-it-yourself (DIY) customers who purchase products and complete their own projects and installations, as well as do-it-for-me (DIFM) customers who purchase products and use outside professionals to complete their project or installation. As of January 30, 2022, HD operates 2,317 stores in the U.S., Canada, and Mexico, with nearly 500,000 employees.

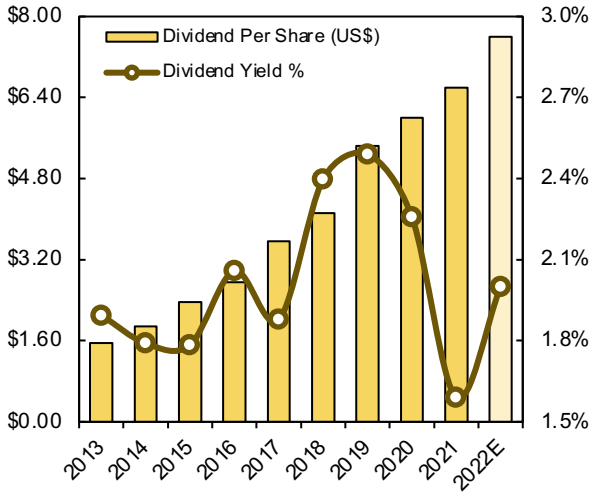
Industry Overview

The home improvement industry is a part of the Consumer Discretionary sector. Other major companies in the industry in the U.S. include Lowe's (NYSE: LOW), and Menards, a privately owned company. The industry has seen significant revenue growth in the last couple of years, which can be attributed to the strong demand for in-home improvement, which boosted demand for housing with the low interest rate environment. In 2021, HD had ~55% of the industry's market share, LOW accounted for ~37%, and Menard held ~6% of the market share. Over the past several years, the industry has made many technological advancements that have reduced capital and labor costs while improving cost controls. The increase of online-based retailers with fast delivery times has introduced more competition to the sector; however, customers traditionally prefer a retail presence for the ability to address customer inquiries and have immediate access to products. Work-from-home mandates also allowed consumers to take on small household projects. Looking forward, rising labour costs will likely be a constraint on profit growth as companies in this industry will need to retain talent for customer service purposes. The highly competitive nature of the industry motivates a focus on consumer analytics technologies to allow companies to grow professional customer revenues with targeted marketing and promotions.

Mandate Fit

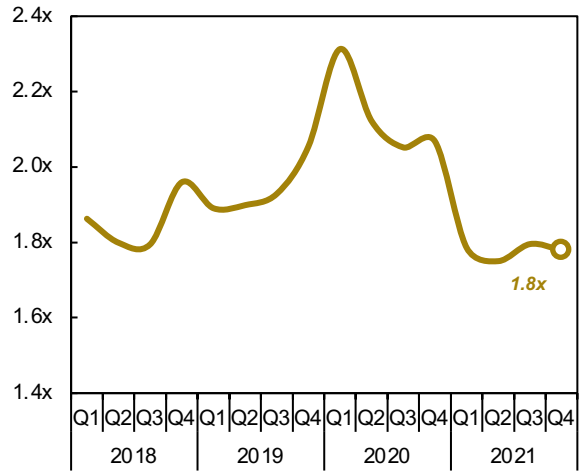
Quality Management: Edward Decker was recently named CEO of HD effective March 1, 2022, after being with the Company for 22 years. Prior to becoming CEO, Decker served as the COO of the Company while also holding the President role, a position in which he will continue to operate. Decker has diverse experience in several different roles within the Company and has a deep understanding of the culture that has added to HD's previous success. Craig Menear, Decker's predecessor, held the position from November 2014 until March 2022. Decker implemented a "One Home Depot" strategy that focused on creating an interconnected shopping experience, allowing customers to blend the digital and physical worlds. (cont.)

Figure 2: LHS Dividend Per Share vs RHS Dividend Yield



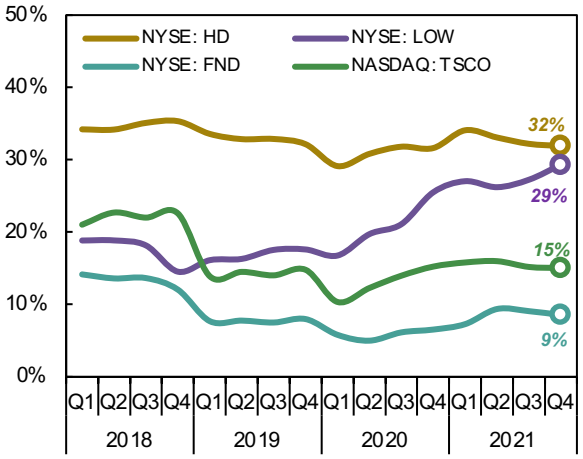
Source: Company Filings, S&P Capital IQ

Figure 3: LTM Lease Adjusted Debt/EBITDAR



Source: Company Filings

Figure 4: LTM ROC vs Peers



Source: S&P Capital IQ

This strategy stems from the servant leadership style that senior management carries. In May 2021, management announced the commitment of US$20B to shareholders through a share repurchase program. Since 2010, the Company has continually increased its annual dividends.

Competitive Advantage: "One Home Depot" has a major focus on supply chain/fulfillment and technology advancement. This initiative was highly capital intensive due to building direct fulfillment centers for faster deliveries so capital expenditures saw increases over the past few years. HD has the potential to gain a first-mover advantage and achieve a higher market share in the Professional Customers revenue segment due to faster deliveries than competitors.

Strong Balance Sheet: HD has maintained a strong balance sheet with consistent debt levels in comparison to EBITDAR. Management has set guidance to operate at under ~2x adjusted debt to EBITDAR. HD's cash balance dropped from ~US$7.9B to ~US$2.3B YoY with ~US$15B in share repurchases through FY2021 and the issuance of ~US$7B in dividends. Management has provided guidance for a target lease adjusted debt/EBITDA ratio of 2x, a number in line with previous quarters. There is some uncertainty around Decker's transition to CEO, however, from a credit rating standard, HD recently received reaffirmation of high investment grade ratings from Fitch (A), S&P (A), and Moody's (A2).

Growing Free Cash Flow: HD saw FCF of over US$16B in 2021, nearly a 50% increase from 2020. The Company's FCF has grown steadily despite increasing capital expenditures to focus on growing the supply chain and fulfillment part of the "One Home Depot" initiative. Looking forward, the CPMT expects EBIT growth to slow and capital expenditures to decrease, resulting in steady FCFs. This initiative has also helped improve operating margins which we expect to reach 15% in 2023. HD has a history of higher ROC in comparison to peers, with HD's ROC averaging ~30% consistently.

Key Risks

Interest rates remain the key risk to the Consumer Discretionary sector. Higher mortgage rates reduce the affordability of houses; however, this could increase trends in the improvement of consumers' current houses. Another risk includes increased pressure from e-commerce retailers selling similar products. If consumers lean towards pure play e-commerce retailers rather than home improvement specific stores, HD could lose market share. The recent transition of Decker becoming the new CEO is another risk, given his limited experience in the role; however, being with the Company for 22 years and working in several different business units should help mitigate this concern.

Investment Thesis and Valuation

The Fund's target price of $410 was determined using a 50/50 blend of (1) the Gordon Growth method (WACC of 7.75% and 1.5% terminal growth rate) and (2) an EV/EBITDA exit multiple of 13.0x. This method returns an implied share price of US$410, which represents an implied return of 40%, including the current 2.54% dividend yield.

The CPMT views HD as an attractive name given its current valuation and the position the Company holds in the Home Improvement industry. The Company has grown FCF while focusing on shareholder returns through dividends and buybacks. Management has also been able to adapt quickly to change throughout the COVID-19 pandemic and has positioned the Company for continued long-term success.

UnitedHealth Group

Health Care
NYSE: UNH
Market Outperform | No Action

UNITEDHEALTH GROUP

March 31, 2022

Abhishek Sewak, Portfolio Manager
Jack Morgan, Portfolio Manager
Katie Tu, Portfolio Manager

Return on Investment

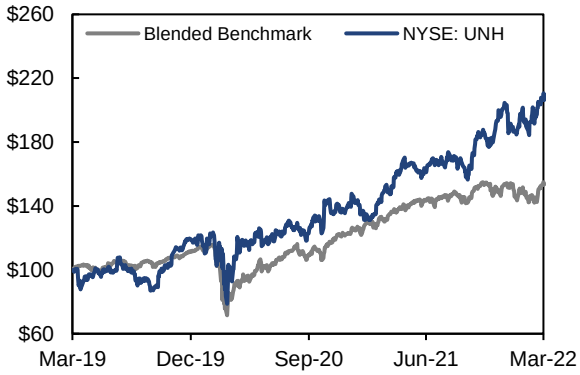
Current Share Price	$509.97
Target Price	$559.00
Dividend Yield	1.11%
Implied Return	11%
Conviction Rating	N/A

Market Profile

52-Week Range	$360.55 - $521.89
Market Capitalization (US$mm)	$490,039
Net Debt (US$mm)	$22,096
Minority Interest (US$mm)	$4,719
Enterprise Value (US$mm)	$516,854
Beta (5-Year Monthly)	0.87

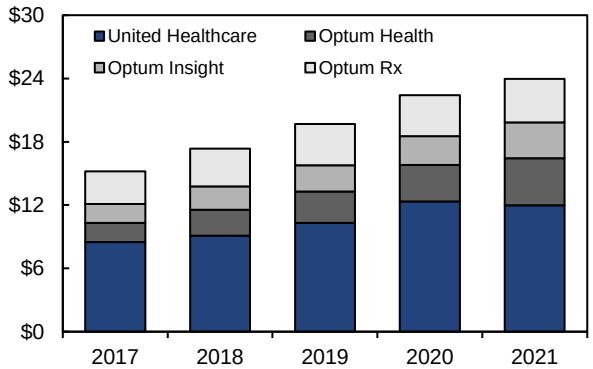
Metrics	2021A	2022E	2023E
Revenue (US$B)	$288	$320	$348
EBIT (US$B)	$24	$27	$31
EV/EBIT	21.6x	18.9x	16.8x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Segmented EBIT (US$B)



Source: Company Filings

Business Description

UnitedHealth Group (NYSE: UNH) is a diversified health benefits and services provider based in Minnetonka, Minnesota that operates in all 50 states in the U.S. and internationally in more than 130 countries. Operations consist of the following segments:

UnitedHealthcare (UHC) offers health benefits for domestic and international employers, individuals, Medicare beneficiaries, and retirees. This segment also manages health care benefit programs on the behalf of state Medicaid and community programs.

Optum Health provides local primary, in-home, specialty, surgical, and urgent care; post-acute care planning services; on-demand digital health technologies such as telehealth and remote patient monitoring; and health care financial service.

Optum Insight offers data, analytics, research, consulting, technology, and managed services solutions to facilitate clinical, administrative, and financial processes in the health care system.

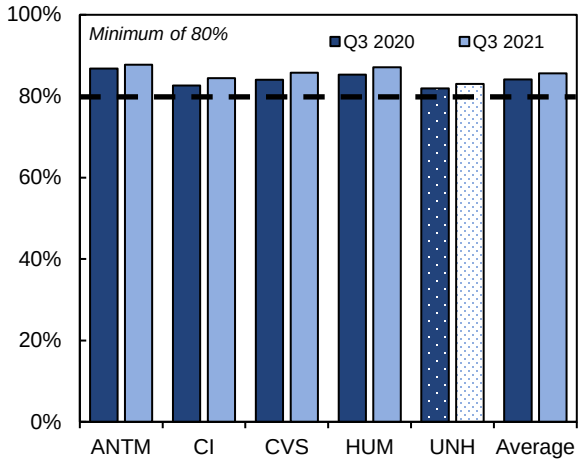
Optum Rx provides pharmacy care services through its network of more than 67,000 retail pharmacies and manages a broad range of prescription drug spending.

Industry Overview and Outlook

The U.S. health and medical insurance industry is comprised of public and private insurance providers. The industry experienced a five-year revenue CAGR of 3.1% to US$1.0T in 2021, spanning ~91% of the U.S. population. As of 2020, private health insurance remained the primary source of coverage (capturing 63% of the population), with public funding options like Medicaid and Medicare insuring ~33% of the population. The industry is currently in its growth stage and is highly correlated with total health expenditure, medical cost inflation, aging U.S. population, disposable income, and uninsured rates. The total health consumption expenditure (HCE) by private, public, and uninsured individuals amounted to US$3.9T in 2020, equivalent to ~18.8% of U.S. GDP. The industry is highly concentrated as the top four competitors (Anthem (NYSE: ANTM), CVS Health (NYSE: CVS), Humana (NYSE: HUM), and UnitedHealth Group (NYSE: UNH)) comprise 71% of market share, as of 2021. Furthermore, intense regulation by Federal and State laws and high capital requirements create a challenging environment for new companies to enter the market.

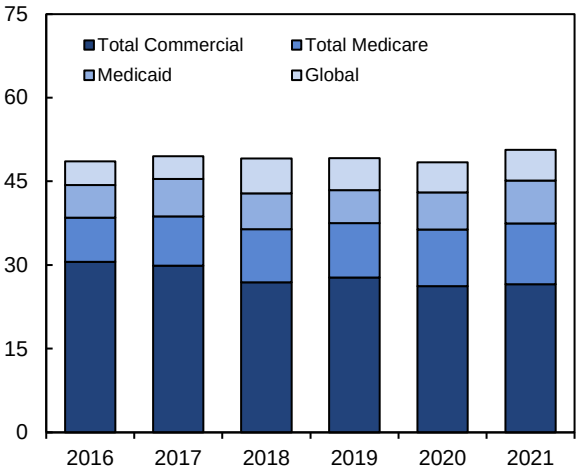
The tax-advantageous setting of employer-sponsored group insurance has spurred growth for private health plans in the U.S., accounting for ~54% of the industry's coverage. The managed care plans provide the following array of options to choose from: Preferred Provide Organization (PPO) Plans, Pharmacy Benefit Management (PBM), High Deductible Health Plans (HDHPS), Health Maintenance Organization Plans (HMO), Point-of-Service (POS) Plans, and Fee-for-Service (FFS) Plans. These plans are chosen based on the flexibility and availability of doctors and hospitals, integrated pharmacy and drug care, inclusion of family members, and the amount of coverage desired. Despite a strong market presence, recent upliftment of the mandatory health insurance under the Affordable Care Act (ACA) and increased unemployment due to COVID-19 have enhanced the need for public health coverage.

Figure 2: Consolidated Mean Loss Ratio vs Peers



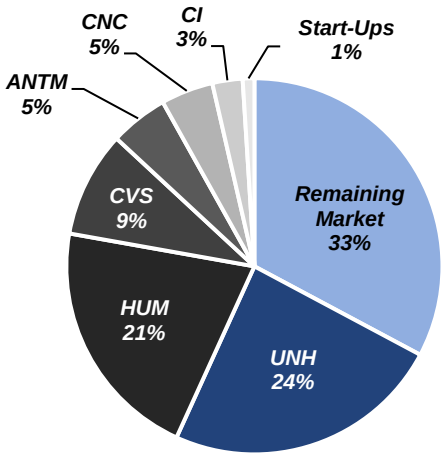
Source: Street Research

Figure 3: UHC Enrolled Members (mm)



Source: Street Research

Figure 4: 2021 Medicare Advantage Market Share



Source: Street Research

Medicare, a federal health insurance program, serves 60mm U.S. residents beyond the age of 65 and people with long-term disabilities. Medicare covers a range of services including hospital stays, skilled nursing facilities, and physician visits, albeit it is susceptible to higher deductibles than private plans. Medicaid is a joint federal-state program covering primary and acute medical services alongside long-term support systems for ~58mm low-income earners, as well as pregnant women and children. As of 2020, Medicare and Medicaid accounted for US$829B (24%) and US$693B (20%) of the HCE, respectively. Periods of economic downturn usually experience higher enrollment under Medicaid, as evident in 2020.

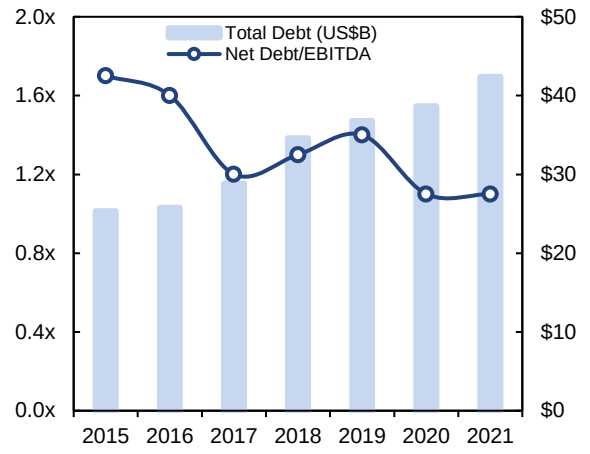
Given the stiff competition and uncertain regulatory environment, it is imperative for industry players to constantly re-evaluate their strategy. Some of the key success factors include a nation-wide extensive network of hospitals, pharmacies, and physicians, strong brand reputation with a history of quality customer satisfaction, and capacity to comply with regulations. Mean Loss Ratio (MLR) is an important profitability metric, and as per regulation, cannot fall below 80%. A range of 80% - 85% depicts strong performance from a competitor. Overall, the industry is expected to experience continued demand due to an aging U.S. population, improving median household disposable income, and rising medical costs globally. The heightened use of technology and growing awareness regarding mental health will further accelerate the demand for virtual care, improve cost transparency, and make room for a customized value-based delivery care system for individuals across the world.

Mandate Fit

Quality Management: UNH's management holds an impressive track record of consistent organic growth and successful acquisitions, ultimately returning value to shareholders in various forms. Sir Andrew Witty is the current CEO of UNH. Although he only took on the position in February 2021, Witty has been with the Company since 2017 holding numerous leadership positions after leaving his prior role as CEO of GlaxoSmithKline (NYSE: GSK) pharmaceuticals manufacturer. Management has successfully met growth goals not only through earnings growth but also through the Company's strong M&A pipeline of expansive acquisitions, such as Landmark Health and MCNA Health Holdings. Though UNH's dividend yield remains relatively low, the management team has proven its ability to return value to shareholders through its current growth strategy in delivering differentiated care with a goal of achieving 13% - 16% in annual EPS growth. Capital deployment has been effective in achieving this target through investment in operational improvements, consumer base expansion, and margin accretion. Overall, UNH's C-suite is comprised of bright individuals with rich backgrounds in both medicine and business, providing the skill and knowledge necessary to guide UNH to success.

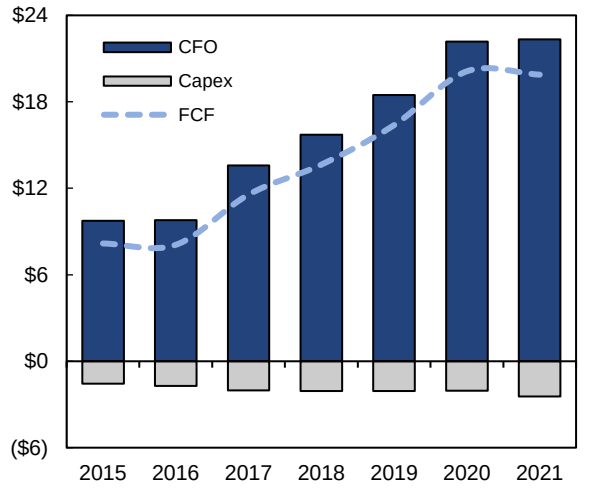
Competitive Advantage: UNH is the largest and most diversified company in the managed care industry, with an unparalleled breadth of offerings designed for people in all stages of life and at all income levels. This diversified business model makes UNH the best name to hold within the industry as it provides hedges against changes in the regulatory or competitive environment that could materially impact earnings visibility for its managed care peers. For instance, UHC has been able to accumulate nearly 500,000 additional net risk lives since the start of the COVID-19 pandemic despite having lost commercial lives due to mass layoffs, as many of these commercial members found coverage through various Medicaid plans.

Figure 5:LHS LTM Net Debt/EBITDA vs RHS Total Debt



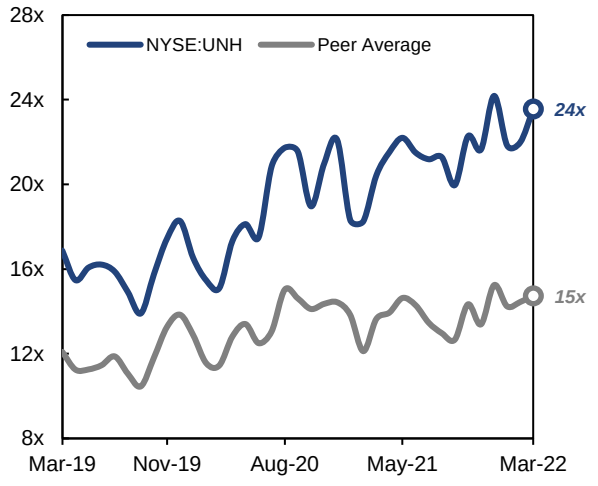
Source: Company Filings, S&P Capital IQ

Figure 6: FCF Generation (US$B)



Source: Company Filings

Figure 7: NTM P/E vs Peers



Source: S&P Capital IQ

UNH has grown the UHC segment to be one of the largest health insurers in the U.S., especially within the fastest growing sub-verticals: Medicare Advantage and the special needs population. UNH's Medicare Advantage plans currently serve ~24% of seniors eligible for Medicare in the U.S., and it has achieved 13% annual enrollment CAGR since 2016 with excellent customer retention. UNH also benefits from the highly complementary nature of the UHC and Optum businesses. UNH has a long-standing commitment to promoting and incentivizing value-based care, a health care delivery model through which physicians receive payments tied to the quality of care provided, as opposed to the traditional fee-for-service model with payments tied to the number of visits or tests ordered. Through Optum, UNH works with providers to move from fee-for-service to value-based care, delivering higher quality and lower cost sites of service for UHC members. UNH has established strong value-based relationships, consisting of 113,000 physicians and 1,200 hospitals.

Strong Balance Sheet: The size and scope of UNH's operations provide versatility in leverage across a broad range of segments without compromising the strength of its balance sheet. UNH has proven to be a prudent manager of its debt levels as its profitability improves, as displayed through its declining Net Debt/EBITDA ratio since 2015, which now sits comfortably at 1.1x. Current debt levels are well covered by earnings as UNH holds an interest cover ratio of 16.5x. The Company also holds a cash position of US$21.4B, more than double that of PP&E at US$9.3B. Total debt stands at US$42.3B while the current portion of long-term debt sits at only US$3.5B, readily covered by cash on hand.

Growing Free Cash Flow: UNH has maintained upward trends in FCF growth for over five years. Consistent top-line growth has provided UNH with the continuous expansion of its profit volumes and margins. The Company has exhibited exceptional earnings growth with a revenue CAGR of 17% over the last decade, translating to positive cash flows with an unlevered FCF yield and EBITDA margin of 7% and 9%, respectively. The Company's proven consistency in its delivery of long-term cash flow is an attractive quality of UNH as it displays the Company's ability to mitigate earnings volatility and successfully manage periods of market uncertainty. Net income has grown nearly 11% annually since 2011 and cash flow from operations reached all-time highs in FY2021. UNH's profit growth is impressive for a company of its size and is indicative of the robust business strategy it implements.

Investment Thesis and Valuation

UNH was valued using a sum-of-the-parts analysis. P/E multiples of 19.2x and 11.1x were applied to 2023E EPS for the UHC and Optum Rx segments, respectively. Additionally, EV/Sales multiples of 3.3x and 3.7x were applied to 2023E Sales for the Optum Health and Optum Insight segments, respectively. Multiples for valuation were determined using peer averages for each segment, and a 10% premium was applied to the P/E multiple for the UHC segment due to its relatively more diversified customer base. UNH has historically traded at a premium to its managed care peers, which the Fund believes is justified given the resiliency of its business model, focus on value-based care, and track record of high earnings growth. However, since quarter end, rising concerns regarding another surge in COVID-19 cases lead to a market rotation into the health care sector. Consequently, UNH's share price reached an all-time high of ~US$546 without a significant change in fundamentals. The Fund sees limited upside at this current valuation, resulting in our No Action recommendation.

Visa

Information Technology
NYSE: V
Market Outperform | Buy

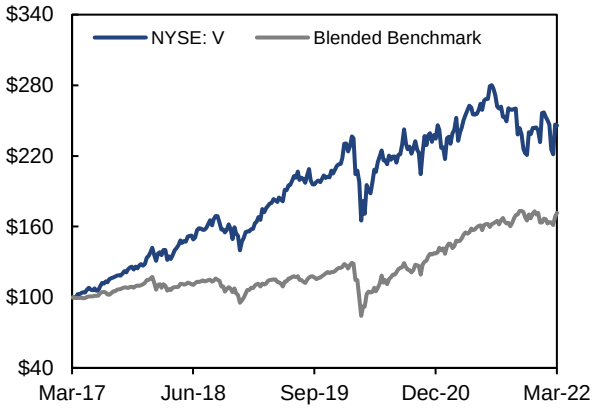
March 31, 2022
Eric Xiao, Investment Analyst

Return on Investment	
Current Share Price	$226.36
Target Price	$290.00
Dividend Yield	0.66%
Implied Return	29%
Conviction Rating	2

Market Profile	
52-Week Range	$186.67 - $252.67
Market Capitalization (US$mm)	$458,266
Net Debt (US$mm)	$4,490
Enterprise Value (US$mm)	$462,756
Beta (5-Year Monthly)	0.92

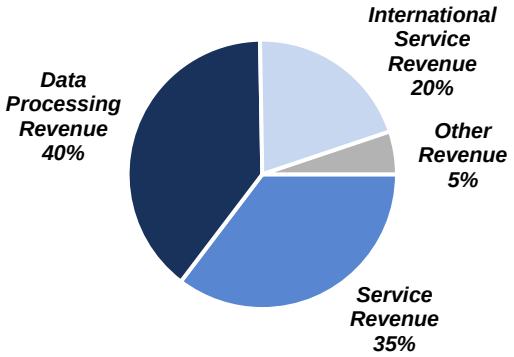
Metrics	2022E	2023E	2024E
Revenue (US$mm)	$28,003	$31,893	$34,372
EBITDA (US$mm)	$19,816	$22,613	$24,303
EPS (US$)	$6.73	$7.73	$8.33
EV/EBITDA	23.4x	20.5x	19.0x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: 2021 Revenue Mix



Source: Company Filings

Business Description

Visa (NYSE: V) is the world's largest payments technology company, providing services in more than 200 countries and territories. In 2021, it processed over 164B transactions and experienced US$10.4T in payments volume across its business. V facilitates payments among consumers, businesses, financial institutions, and governments globally through its VisaNet network, which enables the authorization, clearing, and settlement of payment transactions. The Company also offers card products with varying degrees of associated benefits, platforms, and value-added services.

Segment Overview

Under V's Payment Services segment, its business is divided into four unofficial revenue sub-segments: Service Revenue, Data Processing Revenue, International Transaction Revenue, and Other Revenue, which are reported gross of client incentives. Client incentives are long-term contracts with clients, merchants, and strategic partners that provide cash and other incentives with the goal of increasing revenue through payments volume growth. These are classified as reductions in revenues.

Service Revenue: The second-largest source of V's gross revenue is Service Revenue (35%), earned for services provided to support clients' use of Visa payment services. These revenues are driven by payments volume. For example, the purchase of a smartphone will generate more service revenue than a pair of socks. As the dollar volume of a transaction rises, so does the fee, representing a natural inflation hedge for the Company.

Data Processing Revenue: Data processing revenue makes up ~39% of gross revenue, representing the fees collected for the authorization, settlement, and clearing of payments, as well as value-added and other services for its payment network. In contrast to Service Revenue, these fees depend on the number of transactions processed.

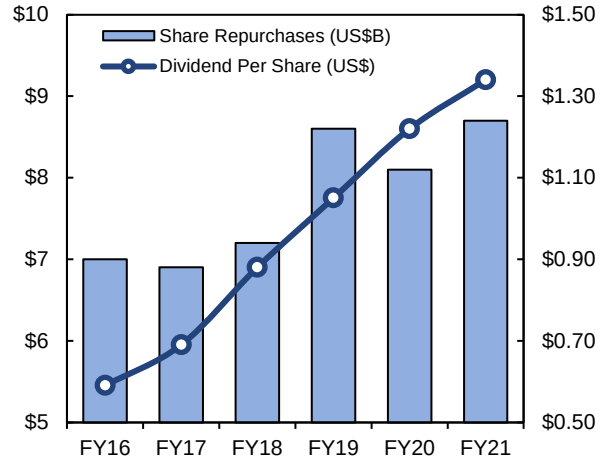
International Transaction Revenue: 20% of revenues are derived from cross-border transaction processing and currency conversion activities, driven by cross-border payments volume. Cross-border transactions occur when the country of origin of the issuer originating the transaction is different from that of the beneficiary.

Other Revenue: The remaining 5% of revenue is comprised of license fees for the use of the V brand or technology, fees for account holder services, and licensing and card benefits.

Industry Overview and Competitive Landscape

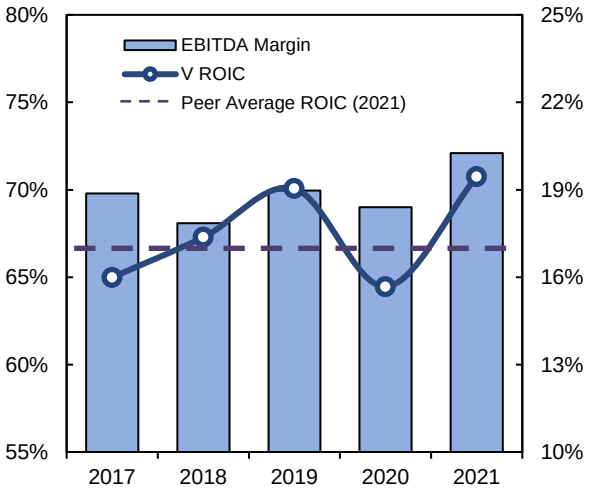
The electronic payments industry is dominated by a few players, namely V, Mastercard (NYSE: MA), American Express (NYSE: AXP), Discover Financial (NYSE: DFS), Capital One Financial (NYSE: COF), and PayPal (NASDAQ: PYPL). V and MA differ from the broader group in that they neither extend credit nor issue cards directly. Instead, they partner with financial institutions to issue cards to individuals and businesses, often in partnership with airlines, hotels, or retail brands to offer the perquisites that come with their cards. Thus, V and MA are not exposed to lending risk and can scale their businesses without being weighed down by (cont.)

Figure 2: LHS Repurchases & RHS Dividend per Share



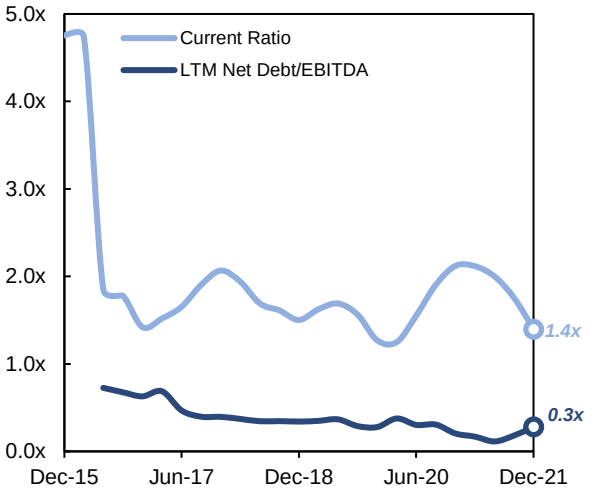
Source: S&P Capital IQ

Figure 3: LHS EBITDA Margin & RHS ROIC



Source: Bloomberg

Figure 4: LTM Net Debt/EBITDA & Current Ratio



Source: Bloomberg

lending exposure, explaining the lofted valuations relative to peers. While PYPL experiences similar tendencies, its role is different. PYPL primarily bridges the gap between consumers and merchants, often utilizing bank accounts or V/MA cards as a funding source. In January 2022, V and PYPL announced a partnership to further synergize their two businesses.

Growing trends in the consumer payments industry include a further shift to cashless transactions, the adoption of tap-to-pay and click-to-pay capabilities, and the disruption of buy-now-pay-later (BNPL) platforms and digital wallets. Analysts predict that 13% of all online transactions will utilize BNPL loans by 2025, nearly doubling in growth off a 2021 base year. However, growing delinquencies among BNPL users may inhibit the service's growth.

Growth Strategy

The Company has identified three areas to bolster revenue growth: consumer payments, new flows, and value-added services.

V plans to target the US$18T in global consumer spending that is still conducted in cash and cheque to move these transactions to its networks. The Company has also been developing its cryptocurrency capabilities, looking to serve as a bridge between cryptocurrency networks and V's global payments network. In FY2021, V had US$3.5B in payments volume on crypto-linked card programs, which are crypto wallets linked to V credentials.

New flows represent a US$185T global payments volume opportunity. Addressing this market involves facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b), and government-to-consumer (G2C) capital flows. The Company plans to serve these markets through its Visa Direct and Visa Business Solutions offerings. For cross-border B2B transactions, V has developed Visa B2B Connect, which facilitates transactions from the bank of origin to the beneficiary bank, negating SWIFT payments and removing the need for an intermediary bank to process payments. What this means is that critical, high-sum transactions are processed quicker, enabling better-informed business decisions.

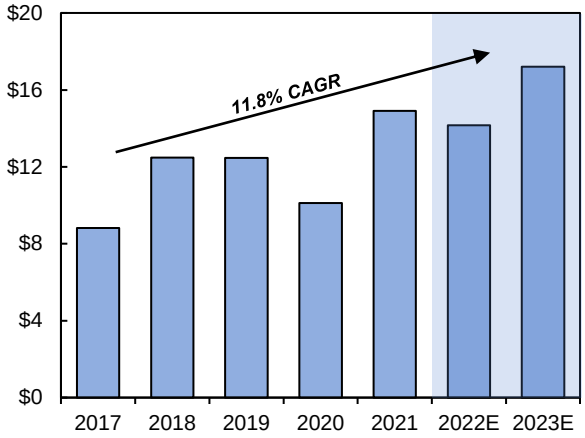
Within V's value-added services, it now offers its own solutions to installment payments: Visa Installments. It plans to partner with existing BNPL platforms that use V's cards and services to provide more installment options. In addition, this service allows V-product-issuing banks to offer installment options to V cardholders at the time of transaction.

Mandate Fit

Quality Management: Alfred Kelly has held the position of CEO since December 2016, previously acting as President and CEO at Intersection, a technology and digital media company. Despite what appears to be a seemingly unconventional foray into the payment space, Mr. Kelly had spent most of his career (23 years) at AXP, where he held several senior positions. The Company's compensation program targets 94% and 92% of pay to be at-risk for the CEO and other NEOs, respectively (with the remaining 6% and 8% representing compensation in the form of salary). For the CEO, target at-risk pay is comprised of 84% target long-term incentives (stock options, restricted stock units, and performance shares), and 16% cash-based annual incentives.

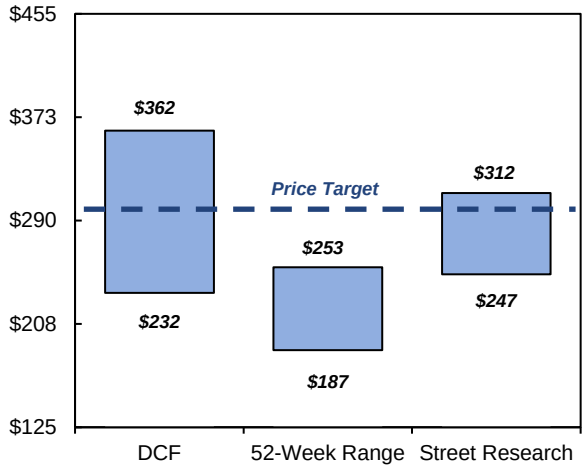
Competitive Advantage: Riding the secular shift to electronic payments, the Company has experienced growing barriers to entry due to "network effects". Essentially, as more individuals (cont.)

Figure 5: Free Cash Flow (US$B)



Source: Company Filings, CPMT Estimates

Figure 6: Valuation Summary (US$)



Source: Bloomberg, CPMT Estimates, Street Research

connect to the payment network, the more attractive it becomes to merchants, resulting in a snowball effect. In conjunction with an asset-light, highly scalable business model, V enjoys a best-in-class LTM EBIT margin of 66.5%, fueling LTM ROIC and ROE of 19.5% and 39.3%, respectively.

Balance Sheet: As of YE2021, the Company had US$20.9B of debt on its balance sheet, offset by US$14.7B of cash and equivalents, resulting in net debt of US$6.2B. Operating at a LTM Net Debt/EBITDA of 0.3x, this raises no concern to the Fund. V's primary source of liquidity is its cash on hand and significant free cash flow which will suffice for the Company's projected needs over the next 12 months. However, if additional liquidity is required, V has US$1.5B of liquidable current investments, US$3.0B of commercial paper capacity, and a US$5.0B revolving credit facility. V holds investment grade credit ratings of AA- and Aa3 from S&P and Moody's, respectively. The Company boasts a superb balance sheet, thanks to its asset-light business model and significant cash flow generation capabilities.

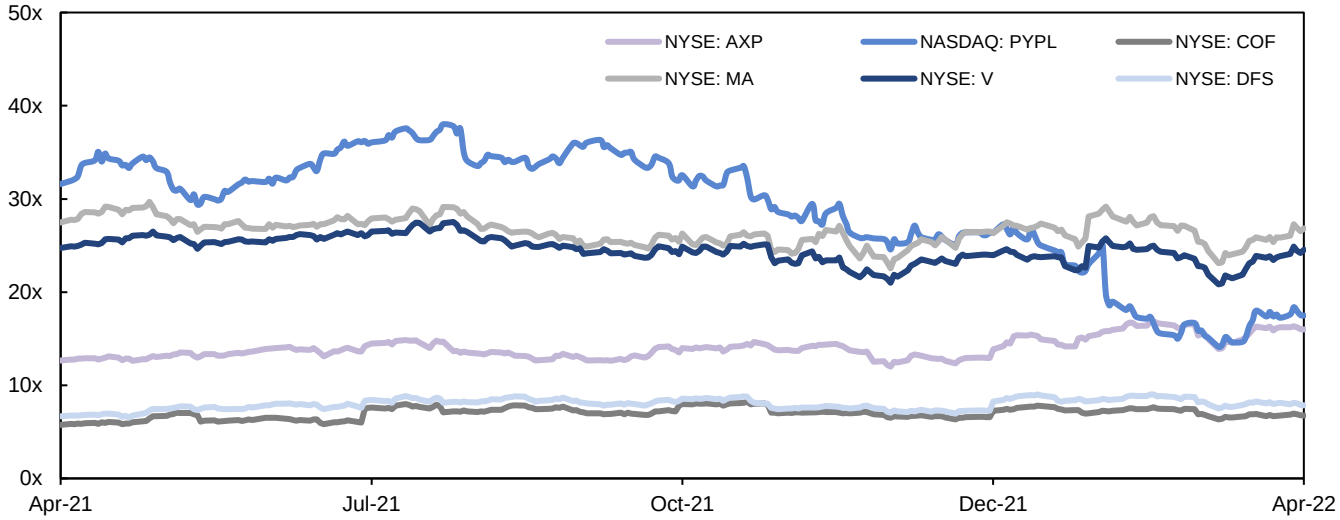
Growing Free Cash Flow: Over a five-year period (2017 - 2021), the Company produced a FCF CAGR of 14%. Including the CPMT's 2022 and 2023 projections, the Fund believes that this will translate to a 11.8% CAGR, reduced by the absence of substantial COVID-19-induced consumer spending increases that occurred over 2021.

Investment Thesis and Valuation

The CPMT valued V using a 10-year DCF analysis with a WACC of 7.2%. The valuation consisted of a 50/50 blend of (1) the Gordon Growth method (using a terminal growth rate of 1.5%) and (2) the application of a 20.0x EV/EBITDA exit multiple, yielding a target price of $290.

While V/MA trades at a premium to the broader peer group (excluding PYPL), V has historically traded at a ~2x NTM EV/EBITDA discount to MA. Both companies are heavily investing in expanding their TAM by addressing new flows, however, the Fund believes that V is better positioned to dominate this strategy as its larger scale (82% more payment volume in 2021) enables more banking partnerships and enhances its M&A strategy. Correspondingly, the Fund expects V to experience modest multiple expansion as this valuation gap tightens.

Figure 7: NTM EV/EBITDA vs Peers

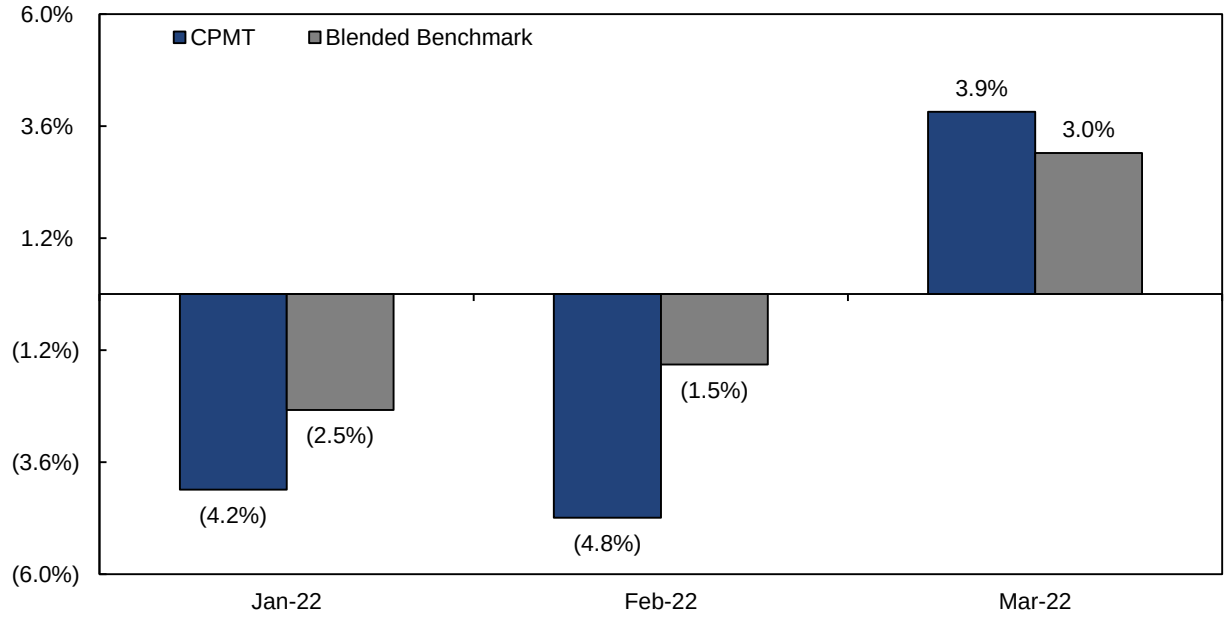


Source: Bloomberg

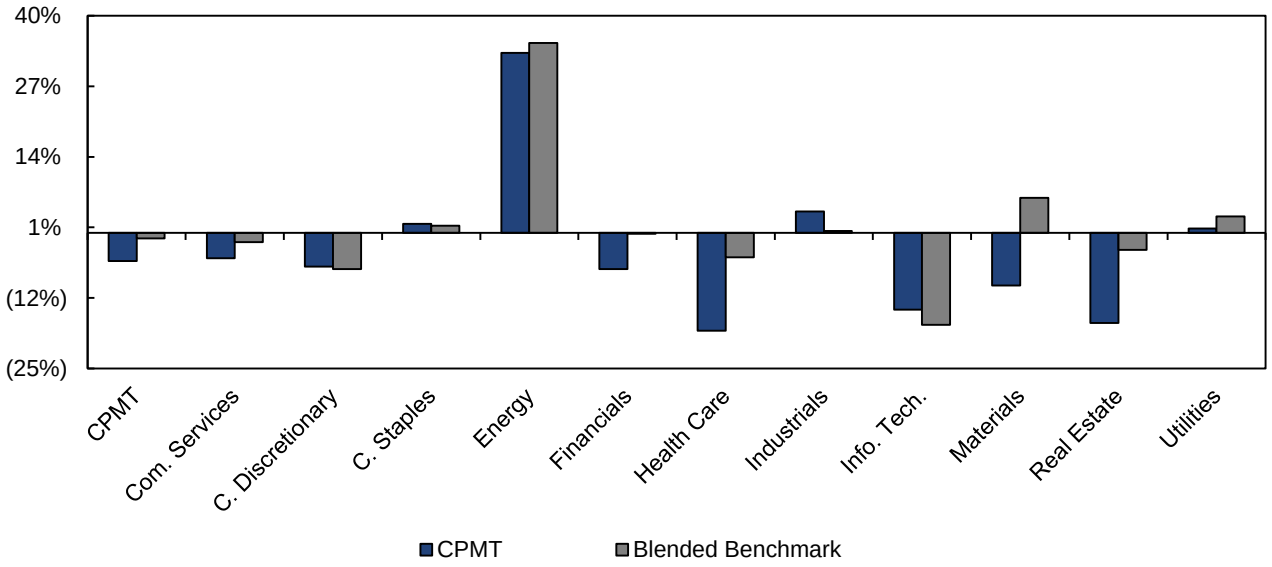
Compliance and Performance

QUARTERLY PERFORMANCE

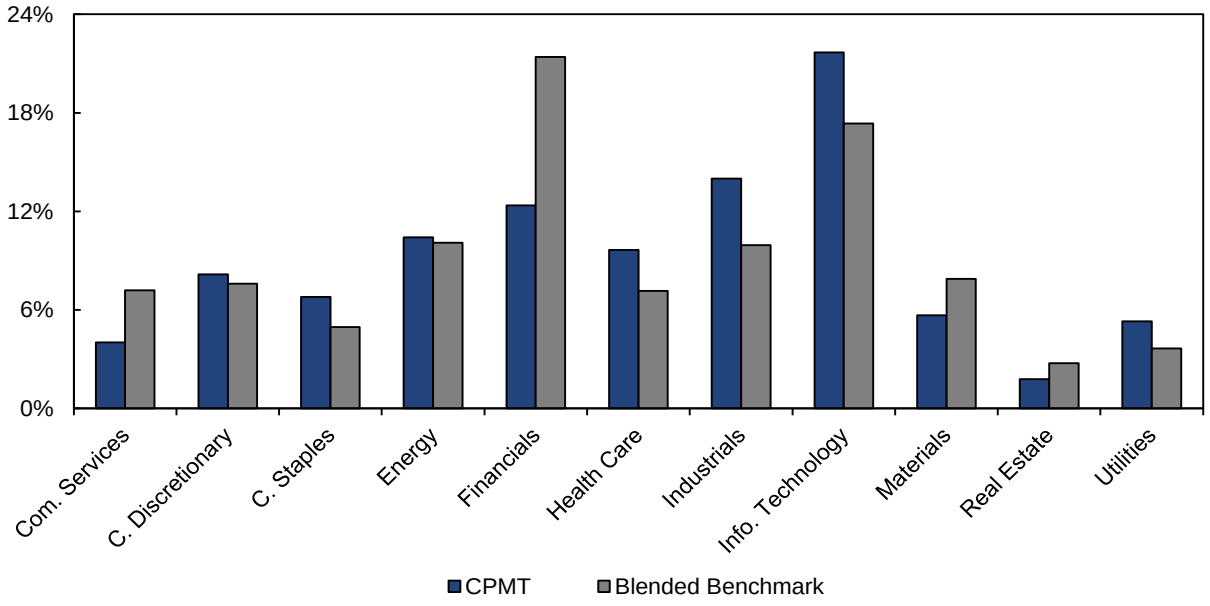
CPMT and Blended Benchmark Monthly Returns



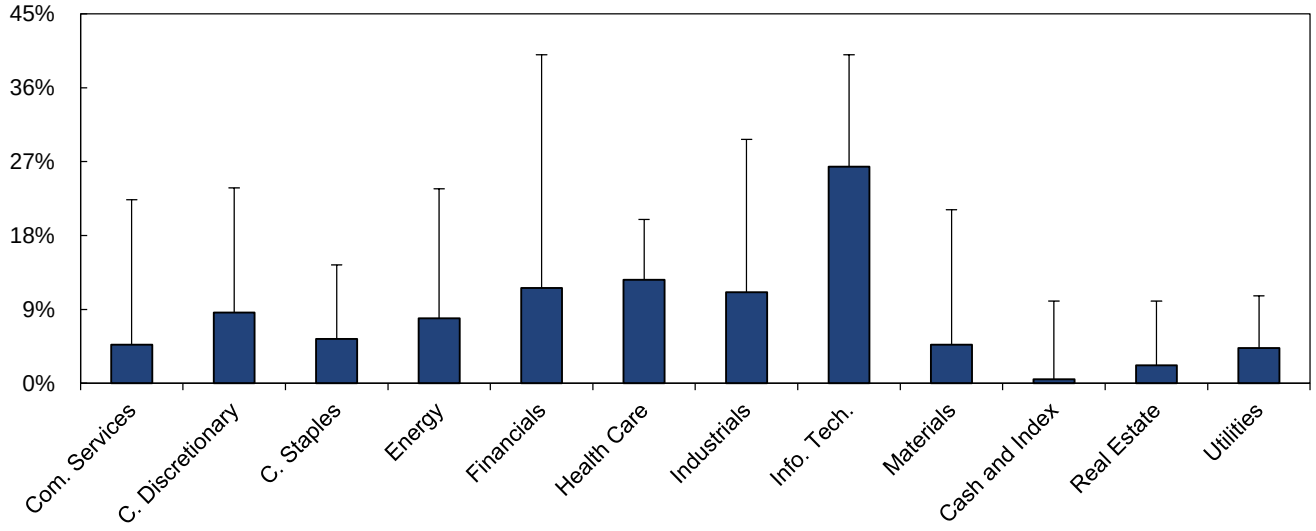
CPMT and Blended Benchmark Quarterly Sector Returns



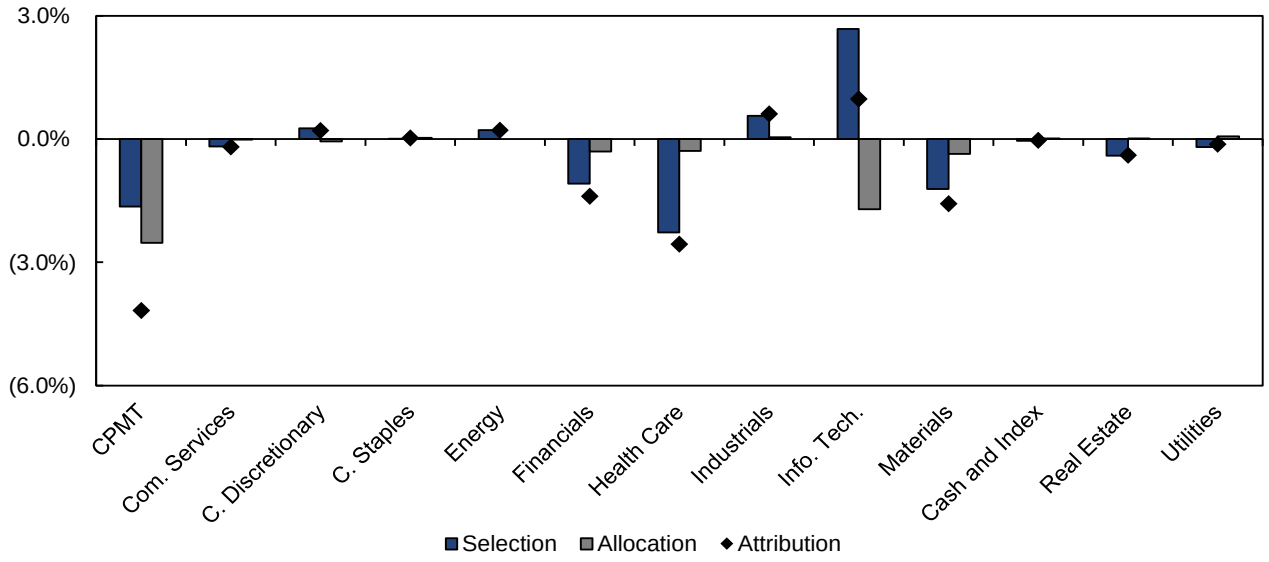
CPMT and Blended Benchmark Sector Weightings



CPMT Sector Weights vs Maximum Weight



Attribution Analysis (FQ4 2022)



CPMT Attribution Analysis

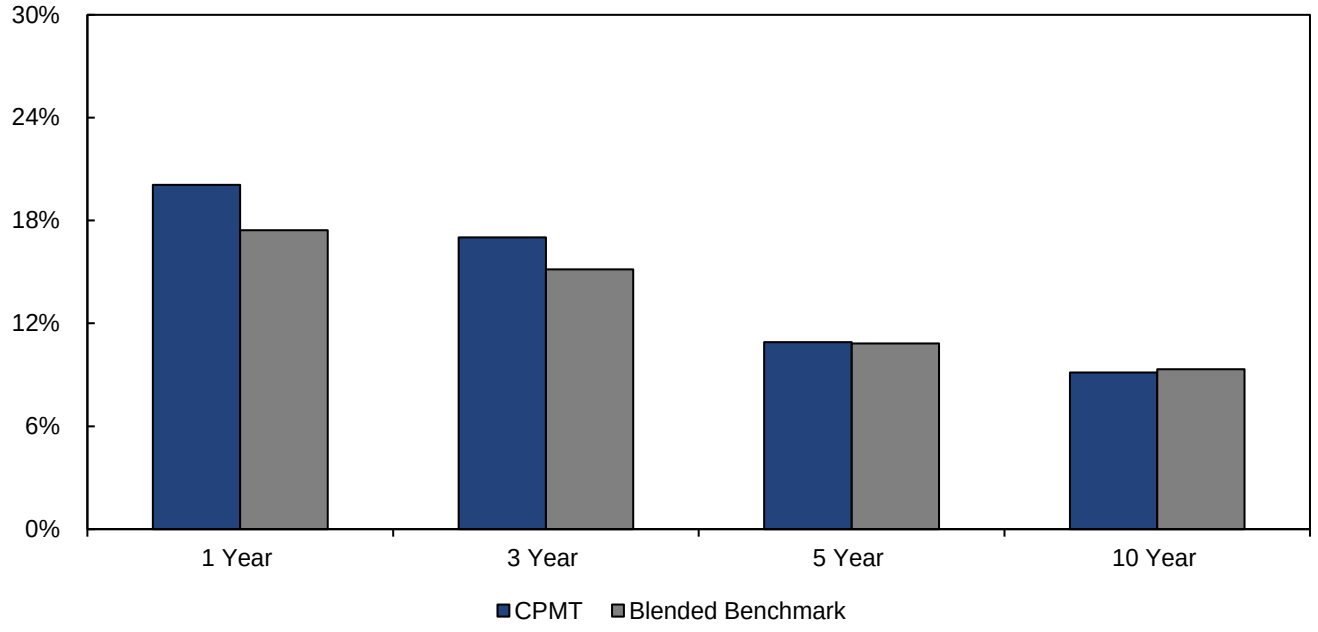
FQ4 2022	Attribution	Allocation	Selection
CPMT	(4.17%)	(2.53%)	(1.64%)
Communication Services	(0.18%)	(0.01%)	(0.18%)
Consumer Discretionary	0.21%	(0.05%)	0.26%
Consumer Staples	0.04%	0.03%	0.00%
Energy	0.22%	0.00%	0.22%
Financials	(1.38%)	(0.30%)	(1.09%)
Health Care	(2.56%)	(0.28%)	(2.27%)
Industrials	0.62%	0.05%	0.57%
Information Technology	0.98%	(1.71%)	2.69%
Materials	(1.57%)	(0.36%)	(1.21%)
Other	(0.03%)	0.02%	(0.04%)
Real Estate	(0.39%)	0.02%	(0.41%)
Utilities	(0.12%)	0.07%	(0.19%)

1 Year	Attribution	Allocation	Selection
CPMT	2.65%	(3.70%)	6.35%
Communication Services	(1.22%)	0.01%	(1.23%)
Consumer Discretionary	2.98%	(0.10%)	3.08%
Consumer Staples	1.98%	0.11%	1.87%
Energy	0.12%	(0.09%)	0.21%
Financials	(0.67%)	(0.21%)	(0.45%)
Health Care	1.75%	(1.50%)	3.26%
Industrials	0.44%	(0.11%)	0.54%
Information Technology	0.57%	(1.03%)	1.60%
Materials	(2.10%)	(0.54%)	(1.56%)
Other	(0.12%)	(0.08%)	(0.04%)
Real Estate	(0.52%)	(0.12%)	(0.39%)
Utilities	(0.56%)	(0.03%)	(0.53%)

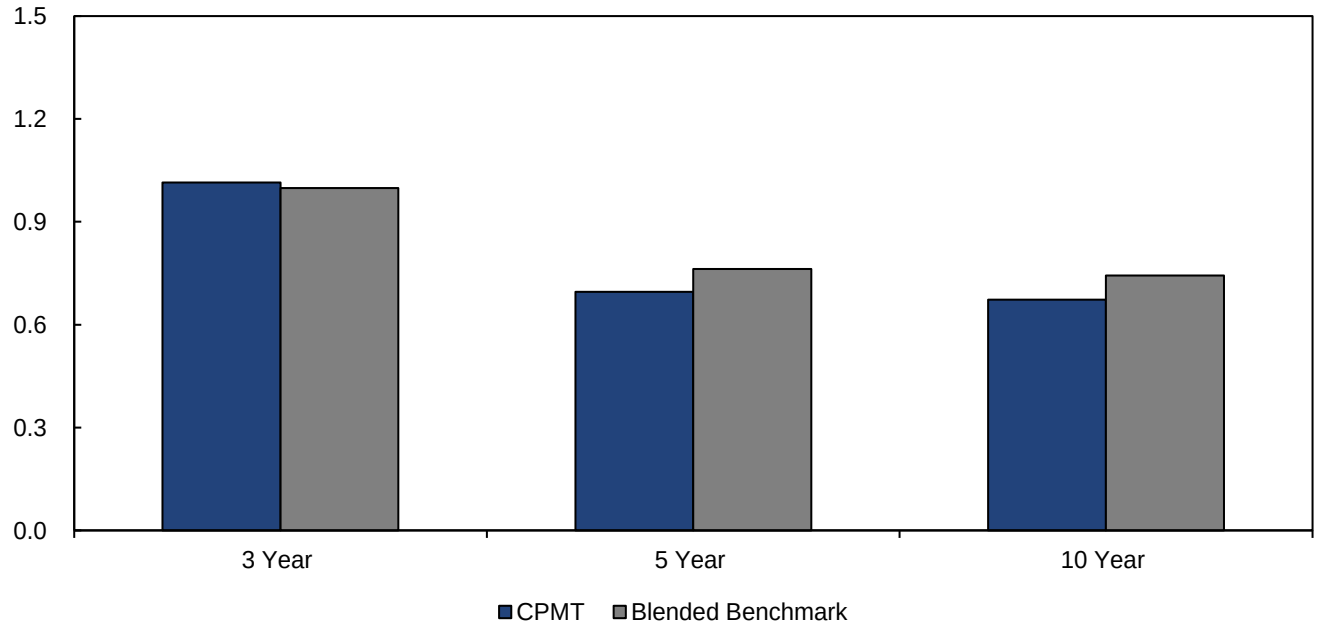
Compliance and Performance

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]	✓	20.09%	✓	17.02%	✓	10.91%	✓	9.13%
Relative Returns (bps)								
Blended Benchmark [2]	✓	265	✓	188	✗	8	✗	(20)
Risk Adjusted Returns (bps)								
Blended Benchmark [3]	✗	(623)	✗	98	✗	(40)	✗	(26)

(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	20.09%	17.02%	10.91%	9.13%
Blended Benchmark	17.43%	15.14%	10.83%	9.32%
Annualized Volatility				
CPMT	13.82%	14.82%	13.42%	11.17%
Blended Benchmark	8.57%	13.85%	12.42%	10.48%
Sharpe				
CPMT	1.17	1.01	0.70	0.67
Blended Benchmark	1.74	1.00	0.76	0.74

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 (2021-2022)

FQ1 2022	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
ADBE	15-Apr-20	Buy	39	$521.89				
AMGN	15-Apr-20	Sell	60	$192.09	$255.25	USD	$3,789.60	32.88%
BAM.A	15-Apr-20	Sell	32	$49.31	$57.31	CAD	$256.00	16.22%
BEP.UN	15-Apr-20	Buy	24	$54.05				
CMCS	15-Apr-20	Buy	446	$45.40				
CNQ	15-Apr-20	Sell	201	$21.49	$39.16	CAD	$3,551.67	82.22%
IVV	15-Apr-20	Sell	11	$298.89	$416.58	USD	$1,294.59	39.38%
MA	15-Apr-20	Sell	79	$229.51	$385.79	USD	$12,346.20	68.09%
PG	15-Apr-20	Sell	60	$117.56	$137.25	CAD	$1,181.40	16.75%
PYPL	15-Apr-20	Buy	50	$273.36				
T	15-Apr-20	Sell	680	$19.44	$25.74	CAD	$4,284.00	32.41%
TD	15-Apr-20	Sell	200	$53.61	$82.47	CAD	$5,772.00	53.83%
TMO	15-Apr-20	Buy	41	$495.52				
ROST	15-Apr-20	Sell	143	$108.17	$129.24	USD	$3,013.01	19.48%
RY	15-Apr-20	Buy	216	$117.58				
ZTS	15-Apr-20	Buy	61	$165.47				
Total							$35,488.47	41.60%

FQ2 2022	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
ATVI	22-Sep-21	Sell	200	$92.35	$73.31	CAD	-$3,808.00	(20.62%)
XEG	23-Sep-21	Buy	1620	$8.88				
TOI	29-Sep-21	Buy	80	$132.25				
AAPL	29-Sep-21	Sell	72	$74.26	$143.95	USD	$5,017.68	93.85%
Total							$1,209.68	5.08%

FQ3 2022	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain	Return
ATZ	12-Oct-21	Sell	200	$24.00	$40.27	CAD	$3,254.00	67.79%
VFV	14-Oct-21	Buy	86	$96.22				
PYPL	18-Nov-21	Buy	39	$213.85				
BAMR	18-Nov-21	Sell	3	$67.66	$77.96	CAD	$30.90	15.22%
ISRG	2-Dec-21	Sell	36	$183.39	$328.38	USD	$62.85	79.06%
GOOGL	2-Dec-21	Buy	5	$2,853.51				
PYPL	30-Dec-21	Buy	120	$193.27				
GOOGL	30-Dec-21	Buy	3	$2,930.41				
IVV	30-Dec-21	Sell	11	$362.96	$480.29	USD	$1,290.63	32.33%
MSFT	30-Dec-21	Sell	15	$119.28	$341.28	USD	$3,329.93	186.11%
Total							$7,968.31	45.83%

FQ4 2022	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain	Return
VFV	2-Feb-22	Sell	86	$96.22	$101.06	CAD	$416.24	5.03%
XEG	2-Feb-22	Sell	1275	$8.88	$12.45	CAD	$4,551.75	40.20%
PYPL	16-Feb-22	Sell	32	$233.61	$114.50	USD	($3,811.58)	(50.99%)
CNQ	16-Feb-22	Buy	36	$67.07				
XEG	16-Feb-22	Buy	100	$12.96				
CMCSA	7-Mar-22	Sell	375	$54.08	$47.40	CAD	($2,503.13)	(12.34%)
BBY	7-Mar-22	Buy	100	$109.35				
TECK	7-Mar-22	Buy	275	$39.49				
Total							($1,346.72)	(2.84%)

Appendix 2: Account Activity

Dividend Summary

April, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
T	01-Apr-21	$0.31	$211.62
CNQ	05-Apr-21	$0.68	$246.75
CSU	09-Apr-21	$0.05	$17.44
AMT	29-Apr-21	$1.52	$59.25
JPM	30-Apr-21	$0.90	$128.70
TD	30-Apr-21	$0.79	$158.00
Total			**$821.76**

May, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
ATVI	06-May-21	$0.57	$114.77
MA	08-May-21	$0.60	$42.18
AAPL	09-May-21	$0.27	$61.62
COST	14-May-21	$0.98	$63.64
ABT	17-May-21	$1.15	$80.29
RY	21-May-21	$1.10	$237.44
WCN	26-May-21	$0.25	$32.24
Total			**$632.18**

June, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Jun-21	$0.84	$501.00
ZTS	01-Jun-21	$0.31	$18.90
MSFT	10-Jun-21	$0.69	$83.28
NEE	15-Jun-21	$0.48	$110.70
CTAS	15-Jun-21	$0.93	$55.77
IVV	16-Jun-21	$1.52	$16.69
LIN	18-Jun-21	$1.31	$45.98
CNR	30-Jun-21	$0.62	$153.75
BAM.A	30-Jun-21	$0.16	$70.21
CCL.B	30-Jun-21	$0.21	$42.00
BEP.UN	30-Jun-21	$0.37	$86.27
Total			**$1,184.55**

July, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
CNQ	05-Jul-21	$0.47	$171.55
AMT	09-Jul-21	$1.58	$61.79
CSU	12-Jul-21	$1.24	$17.39
TMO	15-Jul-21	$0.33	$13.50
CMCSA	28-Jul-21	$0.32	$118.73
Total			**$382.96**

August, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
JPM	03-Aug-21	$1.14	$162.99
AAPL	12-Aug-21	$0.28	$62.97
COST	13-Aug-21	$1.00	$65.03
ABT	16-Aug-21	$0.56	$82.96
RY	24-Aug-21	$1.45	$101.68
Total			**$475.64**

September, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Sep-21	$0.84	$501.00
WCN	01-Sep-21	$0.26	$33.66
ZTS	01-Sep-21	$0.32	$19.31
MSFT	09-Sep-21	$0.71	$85.11
CTAS	15-Sep-21	$1.20	$72.19
NEE	15-Sep-21	$0.49	$113.12
LIN	20-Sep-21	$1.34	$46.99
BAM.A	29-Sep-21	$0.16	$72.86
BAMR	29-Sep-21	$0.16	$0.49
BEP.UN	29-Sep-21	$0.38	$90.06
CNR	29-Sep-21	$0.62	$153.75
IVV	30-Sep-21	$4.84	$53.19
Total			**$1,241.72**

Account Activity Continued

Dividend Summary

October, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
CNQ	05-Oct-21	$0.47	$171.55
CSU	08-Oct-21	$1.27	$17.81
AMT	15-Oct-21	$1.61	$62.90
TMO	15-Oct-21	$0.33	$13.49
CMCSA	27-Oct-21	$0.32	$118.60
Total			**$94.20**

November, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
JPM	01-Nov-21	$1.27	$180.91
AAPL	11-Nov-21	$0.28	$42.86
COST	12-Nov-21	$1.00	$64.96
ABT	15-Nov-21	$0.71	$105.19
WCN	23-Nov-21	$0.29	$37.22
RY	24-Nov-21	$1.07	$230.84
Total			**$661.99**

December, 2021			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Dec-21	$0.84	$501.00
ZTS	01-Dec-21	$0.32	$19.29
MSFT	09-Dec-21	$0.78	$94.12
CTAS	15-Dec-21	$1.20	$72.11
NEE	15-Dec-21	$0.49	$113.00
IVV	17-Dec-21	$1.90	$20.85
LIN	20-Dec-21	$1.34	$46.94
CCL.B	29-Dec-21	$0.21	$42.00
CNR	30-Dec-21	$0.62	$153.75
BAM.A	31-Dec-21	$0.17	$73.98
BEP	31-Dec-21	$0.39	$91.31
Total			**$1,228.35**

January, 2022			
Equity	**Date**	**DPS**	**Credit (CAD)**
CNQ	05-Jan-22	$0.59	$214.44
XEG	06-Jan-22	$0.06	$94.28
VFV	10-Jan-22	$0.34	$28.84
CSU	11-Jan-22	$1.29	$18.12
AMT	14-Jan-22	$1.21	$47.26
TMO	14-Jan-22	$0.23	$9.35
CMCSA	26-Jan-22	$0.22	$82.14
JPM	31-Jan-22	$0.88	$125.29
Total			**$619.72**

February, 2022			
Equity	**Date**	**DPS**	**Credit (CAD)**
AAPL	10-Feb-22	$0.19	$29.69
ABT	01-Feb-22	$0.03	$61.70
COST	02-Feb-22	$0.69	$45.00
RY	09-Feb-22	$1.17	$252.27
Total			**$388.66**

March, 2022			
Equity	**Date**	**DPS**	**Credit (CAD)**
ENB	01-Mar-22	$0.84	$501.00
ZTS	01-Mar-22	$0.28	$17.38
MSFT	10-Mar-22	$0.54	$57.04
CTAS	15-Mar-22	$0.83	$49.94
NEE	15-Mar-22	$0.37	$86.39
WCN	16-Mar-22	$0.29	$37.88
LIN	25-Mar-22	$1.46	$51.25
BAM.A	31-Mar-22	$0.18	$78.46
BEP	31-Mar-22	$0.41	$95.49
CCL.B	31-Mar-22	$0.24	$48.00
CNR	31-Mar-22	$0.73	$183.13
TECK.B	31-Mar-22	$0.62	$171.64
XEG	31-Mar-22	$0.08	$33.38
Total			**$1,410.98**

CPMT Holdings - March 31, 2022	Market Cap	Conviction	Position Size			Target Price			Stock Price	Total Return	
Financials			Current	Target	Difference	Prior		Current	End of Period	QTD	TTM
Brookfield Asset Management	Large	2	4.53%	4.00%	0.53%	$70.00	▬	$70.00	$70.68	(7.47%)	27.35%
JPMorgan Chase & Co.	Large	2	3.53%	4.00%	(0.47%)	$158.00	▬	$158.00	$136.32	(13.91%)	(10.45%)
Royal Bank of Canada	Large	2	4.30%	4.00%	0.30%	$136.00	▬	$136.00	$110.27	3.89%	17.33%
Information Technology											
Adobe Inc	Large	2	3.22%	4.00%	(0.78%)	$639.00	▬	$639.00	$455.62	(19.65%)	(13.07%)
Apple Inc	Large	2	4.87%	4.00%	0.87%	$148.00	▬	$148.00	$174.61	(1.67%)	42.95%
Constellation Software	Large	2	4.33%	4.00%	0.33%	$1,800.00	▬	$1,800.00	$2,137.00	(8.95%)	21.76%
Microsoft Corp.	Large	3	5.87%	6.00%	(0.13%)	$270.00	▬	$270.00	$308.31	(8.33%)	30.77%
PayPal Holdings	Large	2	1.95%	4.00%	(2.05%)	$239.00	▬	$239.00	$115.65	(38.67%)	(52.38%)
Topicus.com	Mid	1	1.43%	2.00%	(0.57%)	$145.00	▬	$145.00	$93.25	(19.68%)	12.98%
Materials											
CCL Industries	Mid	1	1.63%	2.00%	(0.37%)	$82.00	▬	$82.00	$56.40	(16.85%)	(18.87%)
Linde PLC	Large	1	2.03%	2.00%	0.03%	$282.00	▬	$282.00	$319.43	(7.79%)	14.03%
Teck Resources	Large	1	2.01%	2.00%	0.01%	$62.00	▬	$62.00	$40.39	2.29%	2.29%
Energy											
Canadian Natural Resources Ltd.	Large	2	4.50%	4.00%	0.50%	$36.00	▲	$84.00	$77.41	41.59%	99.25%
Enbridge	Large	2	5.00%	4.00%	1.00%	$49.00	▲	$59.00	$57.55	16.47%	25.71%
iShares S&P/TSX Capped Energy Index ETF	Mid	N/A	0.93%	N/A	N/A	N/A	▬	N/A	$14.44	29.92%	47.05%
Consumer Discretionary											
Aritzia	Mid	2	4.80%	4.00%	0.80%	$33.00	▬	$33.00	$51.03	(2.52%)	74.76%
lululemon athletica	Large	1	1.72%	2.00%	(0.28%)	$379.00	▲	$426.00	$365.23	(6.70%)	19.08%
BestBuy	Large	1	1.65%	2.00%	(0.35%)	$133.00	▬	$133.00	$90.90	(16.94%)	(16.94%)
Consumer Staples											
Costco	Large	3	6.79%	6.00%	0.79%	$380.00	▬	$380.00	$575.82	1.44%	63.37%
Telecommunications											
Alphabet Inc Class A	Large	2	4.03%	4.00%	0.03%	$3,225.00	▬	$3,225.00	$2,781.35	(3.99%)	(3.59%)
Healthcare											
Abbott Laboratories	Large	2	3.18%	4.00%	(0.82%)	$126.00	▬	$126.00	$118.36	(15.90%)	(1.23%)
Thermo Fisher Scientific Inc.	Large	2	4.39%	4.00%	0.39%	$563.00	▬	$563.00	$590.65	(11.48%)	19.56%
Zoetis Inc	Large	1	2.09%	2.00%	0.09%	$189.00	▬	$189.00	$188.59	(22.72%)	14.23%
Industrials											
Canadian National Railway	Large	3	6.07%	6.00%	0.07%	$154.00	▬	$154.00	$167.70	7.93%	14.99%
Cintas Corp.	Large	2	4.63%	4.00%	0.63%	$430.00	▬	$430.00	$425.39	(4.01%)	24.63%
Waste Connection Inc.	Large	2	3.29%	4.00%	(0.71%)	$140.00	▬	$140.00	$174.83	1.41%	28.77%
Real Estate											
American Tower Corp.	Large	1	1.78%	2.00%	(0.22%)	$295.00	▼	$279.00	$251.22	(14.11%)	5.09%
Utilities											
Brookfield Renewable Partners LP	Large	1	3.56%	2.00%	1.56%	$51.00	▬	$51.00	$51.31	13.24%	(5.07%)
NextEra Energy	Large	2	1.75%	4.00%	(2.25%)	$88.00	▬	$88.00	$84.71	(9.27%)	12.04%