2021 Annual Report

Honours in Investment Management

DESAUTELS Capital Management
Gestion de capitaux

Honours in Investment Management
Class of 2021-2022

"An investment in knowledge pays the best interest."

- Benjamin Franklin

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A Message from the Strategists

Dear Investors,

On behalf of the current Honours in Investment Management cohort, we would like to thank you for your commitment to our program. Having the opportunity to manage the Desautels Capital Management funds is one of the most realistic and rewarding learning experiences that we could have asked for, and it would not be possible without your commitment and confidence in our team.

2021 has been a transition year for the HIM program. With pandemic restrictions easing, we were once again able to host our weekly meetings and team building events within the confines of the Bronfman building. Despite not having been able to step foot on the McGill campus for the better part of 18 months, we can proudly say that we have the same drive and eagerness to learn as all the previous cohorts of HIMers.

Once again, 2021 was another very successful year in terms of recruitment for HIMers. Our students landed both full-time and summer internships in investment banking, consulting, asset management, private equity, and sales & trading. The HIM program's strong network of mentors and industry professionals has enabled our students to secure positions at top firms in New York, Toronto, Montreal, and Houston. Our placement success would not be possible without the continued support from our alumni network, to whom we are very thankful (see page 90 for a full list of HIM alumni).

At the beginning of the year, as strategists, we set out to continue to improve the HIM program. Although there is always room for improvement, we can proudly say that we accomplished many of the projects we initially set for ourselves. Firstly, to improve our risk management and due diligence processes, we introduced the long vs. short pitch. Two sectors faced off in a head-to-head competition, with one team tasked with presenting a long pitch while the other presented a short pitch on the same company. This format resulted in many great debates and forced teams to defend their valuation assumptions and investment theses. For the Fixed Income Fund, we continue to grow the team and fine-tune our bond selection process. The Fixed Income team has grown to 6 analysts, and we have plans to further expand the team even more next year.

We speak on behalf of the entire program when we say that we are proud of what we have learned and accomplished this past year. Looking ahead, the program is in great hands, with an excellent group of Juniors coming back for their Senior year. We would like to extend a special thank you to Professors Vadim di Pietro, Jiro Kondo, Anisha Ghosh, and you, our investors, for your continuous help and encouragement throughout the year.

Yours truly,

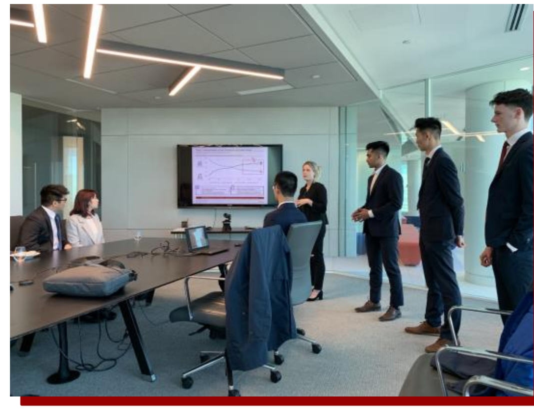
Frank Shen,
Global Equity Strategist

Grace Danner,
Fixed Income Strategist

New Investors Join the DCM Family

Dear Investors,

We would like to convey a warm welcome to the Global Equity Fund's newest investors, Aaron and Sharon Stern!

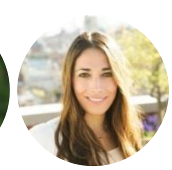


In October 2021, we had the unique opportunity to pitch the Global Equity and Fixed Income Funds at the head office of Converium Capital. While presenting in front of Aaron and Sharon was both a nerve-wracking and memorable experience, the feedback that we received was second to none. The team at Converium not only challenged our ideas, but also provided insights into their own thought processes, which will continue to shape our investment philosophy going forward.

Aaron and Sharon are both McGill University alumni. Their commitment to the Honours in Investment Management program is reinforcement that the work we do is both practical and impactful. As Sharon stated: "Professors di Pietro and Kondo have assembled some of McGill's brightest investment minds to manage Desautels Capital Management. The result is a balanced portfolio, with calculated risk and rigorous analysis and monitoring of each position. As a Desautels Advisory Board member and staunch supporter of McGill's most valuable asset, its students, the Desautels Capital Management fund is an obvious investment."

On behalf of our leadership team and all students at Desautels Capital Management, we would like to thank Aaron and Sharon Stern for their trust and ongoing support.

Sincerely,
The Honours in Investment Management Team



About Aaron Stern:

Aaron Stern is a Managing Partner and the Chief Investment Officer of Converium Capital Management, a multi-strategy opportunistic investment manager headquartered in Montreal. Converium aims to deliver positive and uncorrelated returns regardless of macroeconomic conditions by investing in distressed and event-driven opportunities globally and across the capital structure. He earned his bachelor's degree in Commerce, with a Major in Accounting from McGill University.

About Sharon Stern:

Sharon Stern is a Canadian entrepreneur and real estate investor. She is the President of Metro Investments, an organization focused on the acquisition, development and management of multi-residential and commercial properties in the downtown core of Montreal, and is President of Eastmore Management, an investment management company. She earned a Bachelor's Degree from McGill University in Economics and World Religions and a Master's Degree from Brown University in Economic Policy and lives in Montreal with her husband and two sons.

Our Team

Executive Team

Morty Yalovsky | President

Professor Morty Yalovsky is the President of Desautels Capital Management. He joined the faculty in 1974, and in addition to his academic responsibilities, he has assumed several senior administrative roles, including Vice-Principal (Administration and Finance) at the University level. Professor Yalovsky's research interests include Statistical Methodology, Forecasting Methods, and Modeling. He has also consulted in the areas of Applied Statistics and Information Technology for several leading Canadian corporations.

Vadim di Pietro | Co-Chief Investment Officer

Professor di Pietro is Co-Chief Investment Officer, Chief Compliance Officer, and registered Advising Representative for Desautels Capital Management. He joined the Faculty of Management in 2009. Prior to Desautels, Vadim was an investment strategist at J.P. Morgan in London from 2007 to 2009. He holds a B.Eng. From McGill University, a Master's in Mathematical Finance from the University of Toronto, and a PhD in Finance from the Kellogg School of Management. Vadim is also a CFA charterholder.

Jiro Kondo | Co-Chief Investment Officer

Professor Kondo joined the Finance group at the Desautels Faculty of Management in 2012 after having served on the faculty at Northwestern University's Kellogg School of Management. Prior to becoming an academic, he was a proprietary trader at Goldman Sachs. He holds an undergraduate degree in Economics from Princeton University and a PhD in Financial Economics from MIT's Sloan School of Management.

Anisha Ghosh | HIM Academic Director

Professor Ghosh joined the Desautels Faculty of Management in 2017, having formerly been a faculty member in the finance area at Carnegie Mellon University's Tepper School of Business. Professor Ghosh's research lies at the interface of macroeconomics and finance and has been published in, among other journals, the Journal of Finance and the Review of Financial Studies. She holds a PhD in Economics from the London School of Economics.

Board of Directors

Eamonn McConnell | Chief Investment Officer
Kensington Capital Partners

Mr. McConnell is a member of the Kensington Investment Committee and is the Kensington advising representative. Mr. McConnell is also an equity partner of Gryphus Capital, a Private Equity firm he co-founded in 2002 based in Singapore and was the Deputy Chairman of the Alternative Investment Management Association (AIMA) Canada from 2008 to 2013.

Richard Pan | VP and Head of Corporate Finance
Power Corporation

Mr. Pan is currently Vice-President and Head of Corporate Finance and is responsible for strategic and corporate planning at Power Corporation and at Power Financial. Before joining Power Corporation in 2008, Mr. Pan was an Executive Director in Investment Banking with Goldman Sachs International based in London, England.

Who Makes Up HIM?

Students	**37**
Women	**32%**
Spoken Languages	**11**
Average GPA	**3.9**
Club Leadership Roles	**30**
Awards & Scholarships	**30**

Job Placements

Class of 2022 & 2023 Employment Status

70%	5%	5%	15%
Investment Banking	Consulting	Sales & Trading	Other

Class of 2022 & 2023 Employers

TD

NATIONAL BANK

RBC

BMO

citi

Morgan Stanley

BARCLAYS

UBS

EVERCORE

BANK OF AMERICA

CREDIT SUISSE

BAIN & COMPANY

HIM Executives

Frank Shen | Global Equity Strategist

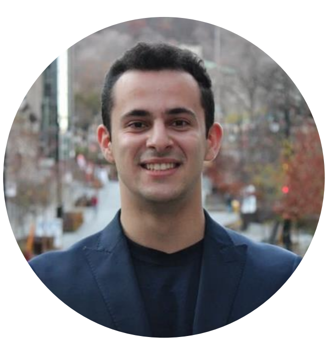
- Investment Banking Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Summer 2021)
- Private Equity Summer Analyst
  Heeney Capital, New York (Summer 2020)

Grace Danner | Fixed Income Strategist

- Global Markets Program Analyst
  RBC Capital Markets, Toronto (Incoming 2022)
- Global Markets Program Analyst
  RBC Capital Markets, Toronto (Summer 2021)
- Client Contact Centre
  Business Development Bank of Canada, Toronto (Summer 2018)

Ben Takacs | Chief Operating Officer

- M&A Analyst
  Constellation Software, Ottawa (Summer 2021)
- Park Attendant
  Niagara Peninsula Conservation Authority, Niagara (2018-2020)



Brian Spivak | Chief Sustainability Officer

- Investment Banking Analyst
  TD Securities, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  TD Securities, Toronto (Summer 2021)
- Online Financing Summer Analyst
  BDC, Montreal (Summer 2020)

Consumers

Annina DeLuca | Senior Analyst

- Investment Banking Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Summer 2021)
- Wealth Management Foundations Associate
  Scotiabank, Toronto (Summer 2019)

Anthony Ladal | Senior Analyst

- Investment Banking Analyst
  Credit Suisse, New York (Summer 2021)
- Summer Analyst
  Aon, Montreal (Summer 2020)
- Corporate Accounts Summer Intern
  Aon, Montreal (Summer 2019)

Joshua Levy | Senior Analyst

- Investment Banking Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Summer 2021)
- Sourcing Analyst
  Prosight Partners, Vancouver (Summer 2019)

Consumers

Julia Jin | Junior Analyst

- Investment Banking Summer Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Finance Intern
  TC Energy, Calgary (Summer 2021)

Marc-Antoine Millaire | Junior Analyst

- Investment Banking Summer Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Public Transactions Summer Analyst
  PSP Investments, Montreal (Summer 2021)
- Business Analyst
  Scotiabank, Montreal (Winter 2021)

Energy & Utilities

Ben Takacs | Senior Analyst

- M&A Analyst
  Constellation Software, Ottawa (Summer 2021)
- Park Attendant
  Niagara Peninsula Conservation Authority, Niagara (2018-2020)

Zoe Wong | Senior Analyst

- Investment Banking Analyst
  UBS Investment Bank, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  UBS Investment Bank, Toronto (Summer 2021)
- Private Equity Summer Analyst
  CDPQ, Montreal (Summer 2020)

David Fishman | Junior Analyst

- Summer Business Analyst
  Train Fitness, Vancouver (Summer 2021)

Quynh Huynh | Junior Analyst

- Investment Banking Summer Analyst
  Barclays, Toronto (Incoming 2022)
- Active Fundamentals Equities Summer Analyst
  CPP Investments, Toronto (Summer 2021)
- Sales Summer Analyst
  Bombardier, Montreal (Summer 2020)

Financial Institutions

Ze Yi Lin | Senior Analyst

- Investment Banking Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Investment Banking Summer Analyst
  National Bank Financial, Montreal (Summer 2021)

Mohammed Souit | Senior Analyst

- Investment Banking Summer Analyst
  LionTree, New York (Summer 2021)
- Summer Investment Analyst
  Barrage Capital, Montreal (Summer 2020)
- Summer Research Analyst
  Government of Canada, Ottawa (Summer 2019)

Julien Séguin | Junior Analyst

- Corporate Banking Summer Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Corporate Development Analyst
  Walter Surface Technologies, Montreal (Summer 2021)
- Corporate Development Analyst
  Walter Surface Technologies, Montreal (Summer 2020)

Matt Pein | Junior Analyst

- Summer Analyst
  Nixon Capital, Austin (Summer 2021)
- Intern
  Value Contrarian Asset Management, Montreal (Winter 2021)
- Summer Intern
  Ascension Partners, London (Summer 2020)

Healthcare

Leo Tousignant | Senior Analyst

- Investment Banking Summer Analyst
  Morgan Stanley, Toronto (Summer 2021)
- Summer Analyst
  Ivanhoé Cambridge, Montreal (Summer 2020)

Sayeed Yousuf | Senior Analyst

- Investment Banking Analyst
  RBC Capital Markets, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  RBC Capital Markets, Toronto (Summer 2021)
- Public Audit Summer Intern
  Deloitte, Toronto (Summer 2020)

Alexa Goulas | Junior Analyst

- Investment Banking Summer Analyst
  Lion Tree, New York City (Incoming 2022)
- Private Equity Summer Analyst
  CPPIB, Toronto (Summer 2021)
- Investment Banking Summer Intern Summer Intern
  Coady Diemar Partners, New York City (Summer 2020)

Bingcheng Peng | Junior Analyst

- Investment Banking Summer Analyst
  RBC Capital Markets, Montreal (Incoming 2022)
- Summer Intern
  CDPQ, Montreal (Summer 2021)

Industrials

Jeremy Chalifoux | Senior Analyst

- Corporate Finance Summer Analyst
  KPMG, Montreal (Summer 2020)
- Investment Analyst Intern
  SSQ Insurance, Quebec City (Summer 2019)

Beatrix Mogos | Junior Analyst

- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Corporate Banking Summer Analyst
  Citi, Montreal (Summer 2021)

Param Sahajpal | Junior Analyst

- Investment Banking Summer Analyst
  RBC Capital Markets, Toronto (Incoming 2022)
- Fundamental Equity Strategies Analyst
  PSP Investments, Montreal (Winter 2021)

Materials

Frank Shen | Senior Analyst

- Investment Banking Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Summer 2021)
- Private Equity Summer Analyst
  Heeney Capital, New York (Summer 2020)

Benjamin Soucy | Senior Analyst

- Investment Banking Analyst
  BMO Capital Markets, Montreal (Incoming 2022)
- Investment Banking Summer Analyst
  BMO Capital Markets, Montreal (Summer 2021)
- Risk Management Summer Analyst
  CMHC, Ottawa (Summer 2020)

Benjamin Williamson | Junior Analyst

- Investment Banking Summer Analyst
  Evercore (Incoming 2022)
- Summer Analyst
  Impact Venture Capital Fund (Summer 2020)
- Lead Videographer
  Alpine Ontario Alpin (Summer 2019)

Sophie Song | Junior Analyst

- Investment Banking Summer Analyst
  Credit Suisse, New York (Incoming 2022)

Technology, Media, & Telecom

Morgan Gill | Senior Analyst

- Associate Consultant
  Bain & Company, Toronto (Incoming 2022)
- Associate Consultant Intern
  Bain & Company, Toronto (Summer 2021)
- Business Analyst
  Capital One, Toronto (Summer 2020)

Brian Spivak | Senior Analyst

- Investment Banking Analyst
  TD Securities, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  TD Securities, Toronto (Summer 2021)
- Online Financing Summer Analyst
  BDC, Montreal (Summer 2020)

Declan Kingston Fry | Junior Analyst

- Investment Banking Summer Analyst
  Bank of America Securities, Montreal (Incoming 2022)
- Summer Analyst
  CI Global Asset Management, Toronto (Summer 2021)

Michael Long | Junior Analyst

- Private Equity Summer Analyst
  Ulysses Management, New York (Incoming 2022)
- Card Game Coach and Mentor
  Personal Start-Up, Guelph (2017-2020)
- Sales Representative
  Vector Marketing, Toronto (Summer 2020)

Risk, Strategy, & Economics

Dillon Graveline | Senior Analyst

- Sales & Trading Analyst
  Citibank, Toronto (Incoming 2022)
- Sales & Trading Summer Analyst
  Citibank, Toronto (Incoming 2021)
- Summer Analyst
  Chapados Couture Capital, Montreal (Summer 2020)

Kyrie Tong | Senior Analyst

- Investment Banking Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Investment Banking Summer Analyst
  National Bank Financial, Montreal (Summer 2021)
- Corporate Strategy Summer Analyst
  Geely Holdings, Hangzhou (Summer 2019)

Jasmine Liu | Junior Analyst

- Investment & Corporate Banking Summer Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Corporate Financing Summer Analyst
  Business Development Bank of Canada (Summer 2021)
- Legal Administrative Assistant
  DS Avocats (Summer 2020)

Fixed Income

Grace Danner | Senior Analyst

- Global Markets Program Analyst
  RBC Capital Markets, Toronto (Incoming 2022)
- Global Markets Program Analyst
  RBC Capital markets, Toronto (Summer 2021)
- Client Contact Centre
  Business Development Bank of Canada, Toronto (Summer 2018)

Mirella Deng | Senior Analyst

- Investment Banking Analyst
  TD Securities, Toronto (Incoming 2022)
- Investment Banking Summer Analyst
  TD Securities, Toronto (Summer 2021)
- Management Consulting Intern
  Solv Advisors, Ottawa (Summer 2020)

Fixed Income

Collin Wang | Junior Analyst

- Investment Banking Summer Analyst
  National Bank Financial, Montreal (Incoming 2022)
- Professional & Financial Risks Intern
  Markel, Toronto (Summer 2021)
- Legal Administrative Assistant
  Fasken, Toronto (Summer 2019)

Larry Ge | Junior Analyst

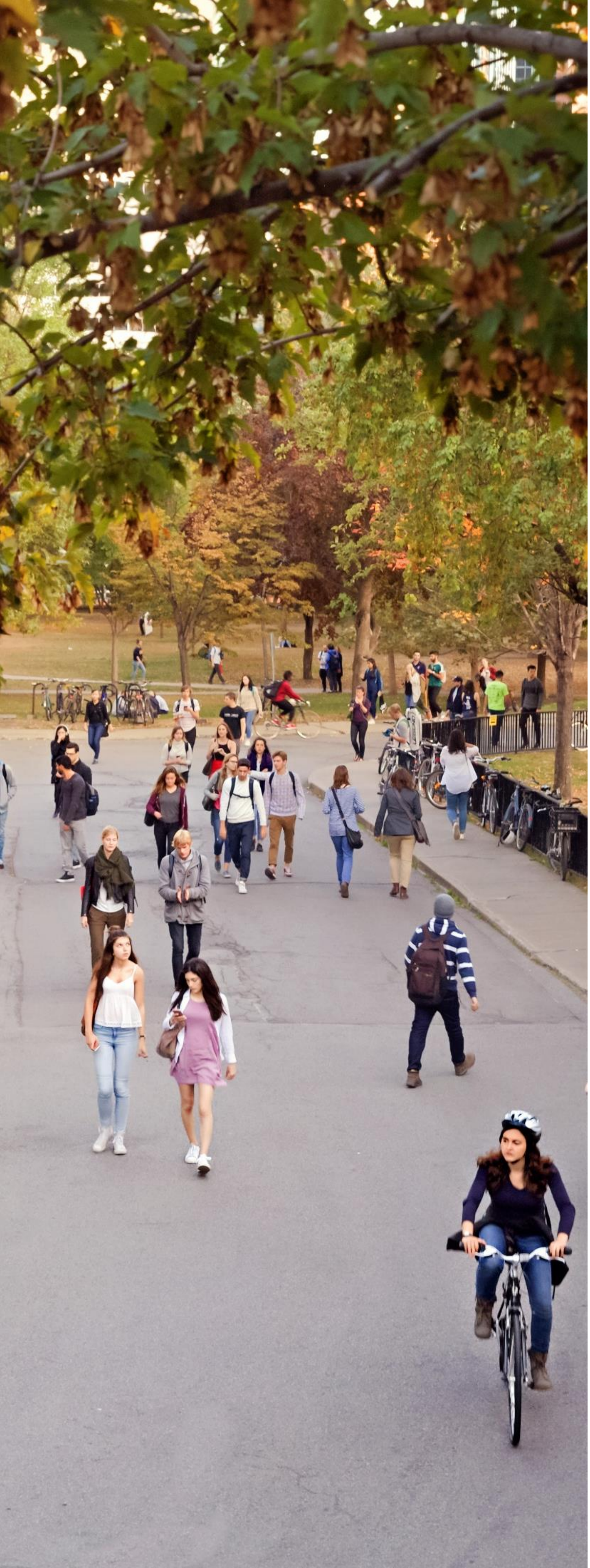
- Summer Analyst
  Desautels Capital Management, Montreal (Summer 2021)

Rachel Tang | Junior Analyst

- Investment Banking Summer Analyst
  BMO Capital Markets, Toronto (Incoming 2022)
- Capital Markets Rotational Summer Analyst
  BMO Capital Markets, Montreal (Summer 2021)
- Operations Officer
  TD Canada Trust, Montreal (Summer 2020)

Wenhan Hu | Junior Analyst

- Investment Banking Summer Analyst
  RBC Capital Markets, Toronto (Incoming 2022)
- Fundamental Equity Analyst
  Clear Skies Investment Management, Montreal (Summer and Fall 2021)



Global Equity Fund

Global Equity Fund

Fund Performance and Outlook

Frank Shen, *Global Equity Strategist*

Dear Investors,

The Global Equity Fund returned 18.5% gross of fees in 2021, compared to 25.7% for our benchmark (60% S&P TSX, 40% S&P 500). Since inception of the fund in January 2010, the fund has returned 11.2% annually, compared to 12.7% for our benchmark.

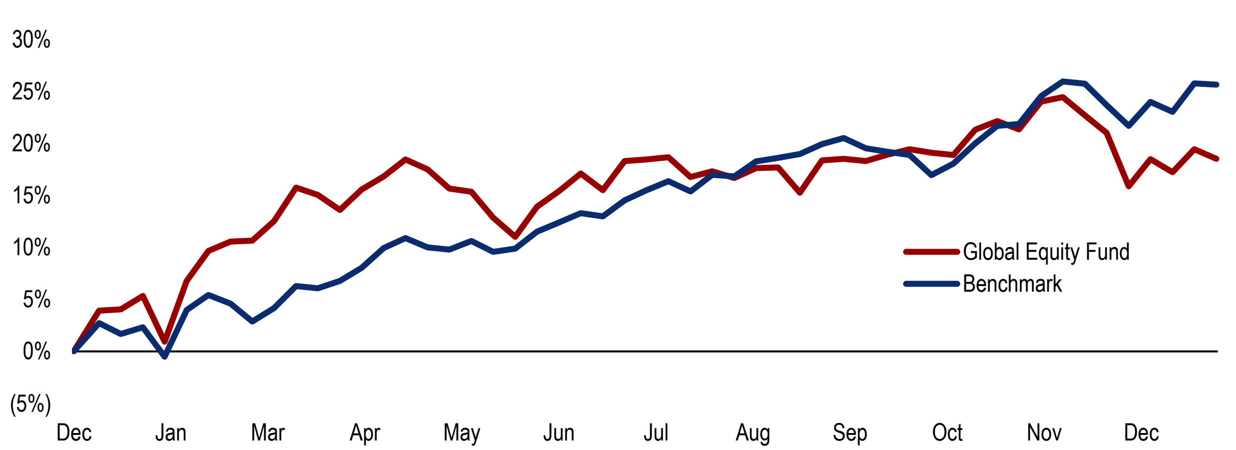
Coming into 2021, there was excitement that strong vaccine efficacy would bring an end to the pandemic. As a result, we were bullish on equity markets with a view that, although multiples were at all-time highs, strong earnings growth over the next year would come to justify current valuations. To benefit from the gradual economic reopening, we positioned ourselves as overweight Financials, Energy, and Consumer Discretionary, while being underweight Consumer Staples, Healthcare, and Real Estate.

The fund saw a strong performance through mid-March, outperforming our benchmark by 7.0%, with returns being led by our cyclical sectors (Financials, Energy, Industrials). Within our Industrials portfolio, Volkswagen saw its share double at one point, after the market realized the strength of its electric vehicle platform. As we progressed through the year, our beta increased while our returns stagnated, due to near-term turbulence with Orchard Therapeutics, James River, and LendingTree, to name a few. While the short-term underperformance was painful, we have used these holdings as an opportunity to revisit the way we approach downside protection, as mentioned in our opening letter.

Despite underperforming our benchmark, our bottom-up investment approach allowed us to identify numerous winners. One of our largest holdings throughout the year, SVB Financial Group, returned 74% in 2021. The stellar performance was complemented with the likes of Tourmaline Oil (+138%), Simon Property Group (+94%), Teck Resources (+58%), Suncor (+48%), and Bank of America (+46%). Further details on our fund performance, holdings, and investment theses are provided in the sections that follow.

It has been 22 months since the coronavirus was first declared a pandemic, yet we continue to witness disruptions and ripple effects throughout the economy. Consumer habits are forever changed, global supply chains are in dismay, and we are already talking about raising interest rates because inflation is running hotter than expected. We continue to remain constructive on the markets, albeit less positive than in 2021, as there are many risk factors on the horizon.

Figure 1: Global Equity Fund Performance YTD



Sources: Bloomberg, CIBC Mellon

Figure 2: Global Equity Fund Returns

Performance Metrics Since Inception	As of Dec 31, 2021	
	Equity Fund	Benchmark
Annualized Return	9.3%	10.5%
Annualized Standard Deviation	13.9%	12.7%
Annualized Sharpe Ratio	0.54	0.69
Beta	0.95	
Annualized Gross Alpha	(0.8%)	
Annualized Tracking Error	7.0%	

Performance metrics are calculated gross of fees.

Performance Metrics 2021	As of Dec 31, 2021	
	Equity Fund	Benchmark
Annualized Return	18.5%	25.7%
Annualized Standard Deviation	13.3%	9.4%
Annualized Sharpe Ratio	1.26	2.54
Beta	1.17	
Annualized Gross Alpha	(11.3%)	
Annualized Tracking Error	7.7%	

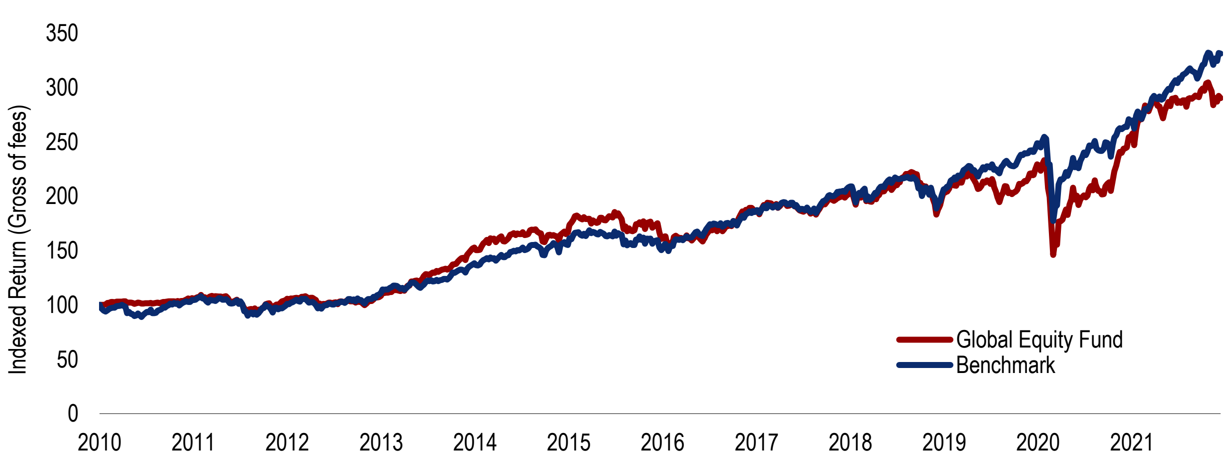
Performance metrics are calculated gross of fees.

Figure 3: Global Equity Fund Monthly Returns

Monthly Returns 2021				As of Dec 31, 2021
Time Period	Gross Return	Net Return	Benchmark	(+/-)
YTD Return	18.5%	16.9%	25.7%	(7.2%)
December	(2.1%)	(2.1%)	1.6%	(3.7%)
November	(0.3%)	(0.4%)	1.5%	(1.8%)
October	1.6%	1.5%	2.5%	(0.9%)
September	0.9%	0.8%	(0.9%)	1.8%
August	1.4%	1.3%	2.6%	(1.2%)
July	(1.4%)	(1.5%)	2.0%	(3.4%)
June	3.9%	3.7%	2.7%	1.2%
May	(1.5%)	(1.6%)	1.6%	(3.1%)
April	1.8%	1.7%	2.8%	(1.0%)
March	2.7%	2.5%	3.8%	(1.1%)
February	9.6%	9.5%	3.4%	6.2%
January	0.9%	0.8%	(0.5%)	1.4%
Since Inception*	9.3%	7.8%	10.5%	(1.2%)

**Returns are annualized.*

Figure 4: Global Equity Fund Performance Since Inception



**Note: Performance is calculated gross of fees. Benchmark is a blended 60% S&P TSX, and 40% S&P 500 (measured in CAD). From inception until February 28, 2013, benchmark was the MSCI World Index. Inception date was January 20, 2010.*

Sources: Bloomberg, CIBC Mellon

Figure 5: Current Sector Allocation

Sector	DCM	Benchmark	(+/-)
Energy	10.0%	8.5%	1.5%
Financials	24.5%	23.1%	1.4%
Consumer Discretionary	7.2%	7.1%	0.1%
Industrials	10.3%	10.4%	(0.1%)
Real Estate	2.1%	2.9%	(0.8%)
Information Technology	15.9%	18.0%	(2.2%)
Communication Services	7.7%	7.4%	0.3%
Materials	6.5%	8.2%	(1.7%)
Consumer Staples	4.3%	4.6%	(0.4%)
Utilities	1.4%	3.9%	(2.4%)
Healthcare	7.9%	6.0%	1.9%
CAD	-0.2%	0.0%	(0.2%)
USD	2.4%	0.0%	2.4%
Total	**100.0%**	**100.0%**	**0.0%**

Figure 6: DCM Sector Excess Return vs Benchmark

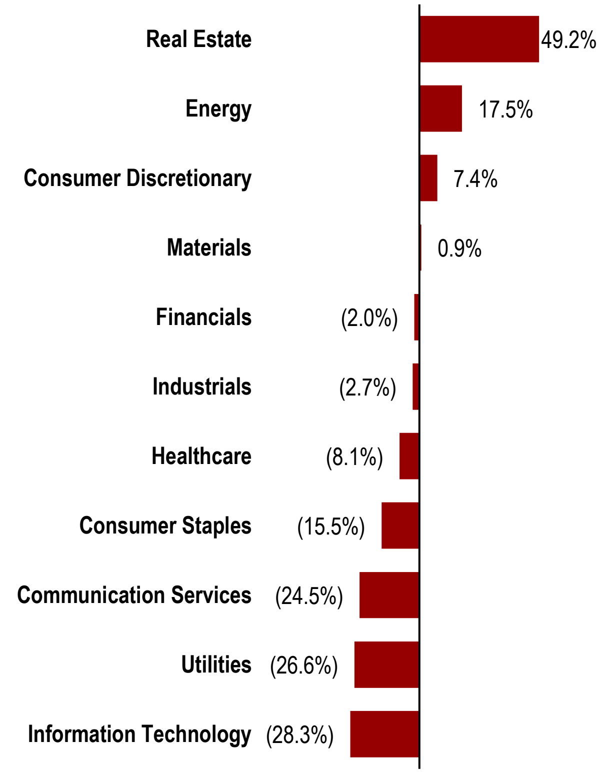


Figure 7: Current Size Exposure

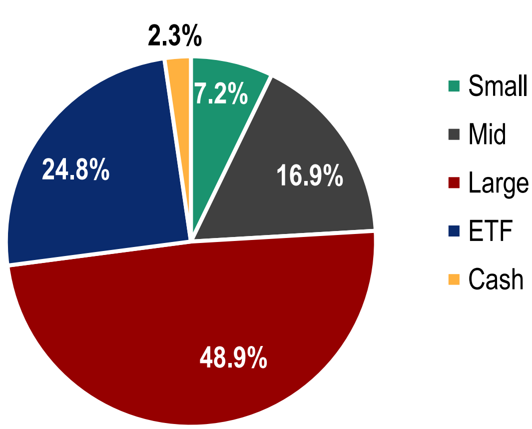
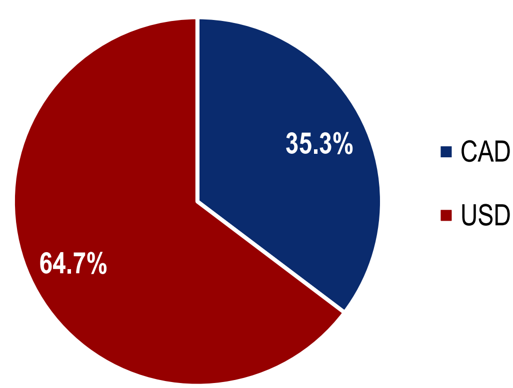


Figure 8: Current Currency Exposure



Sources: Bloomberg, CIBC Mellon

Figure 9: Current Holdings As of December 31, 2021

Security Name	Sector	Currency	Units	Local Cost	Price	CAD Value	Weight
iShares S&P Global Cons Dis Index ETF	Consumer Discretionary	CAD	1,504	$42.44	$54.70	$82,269	7.2%
Bank of America Corp	Financials	USD	1,336	$18.19	$44.49	$75,107	6.6%
iShares Tech-Software Sector ETF	Information Technology	USD	147	$235.70	$397.65	$73,863	6.5%
SVB Financial Group	Financials	USD	75	$224.95	$678.24	$64,277	5.6%
Adobe Inc	Information Technology	USD	84	$295.39	$567.06	$60,189	5.3%
Aveanna Healthcare Holdings	Healthcare	USD	6,300	$7.29	$7.40	$58,909	5.2%
SS&C Technologies	Financials	USD	500	$79.34	$81.98	$51,795	4.6%
T-Mobile US Inc	Communication Services	USD	350	$121.42	$115.98	$51,293	4.5%
iShares S&P/TSX Capped Materials Index ETF	Materials	CAD	2,800	$17.45	$18.18	$50,904	4.5%
iShares S&P/TSX Capped Financials Index ETF	Financials	CAD	1,000	$43.23	$50.61	$50,610	4.4%
Ocado Group	Consumer Staples	USD	850	$48.62	$45.41	$48,773	4.3%
LendingTree Inc	Information Technology	USD	300	$155.47	$122.60	$46,475	4.1%
Canadian Pacific Railway Ltd	Industrials	CAD	415	$67.50	$90.98	$37,757	3.3%
Fiserv Inc	Financials	USD	280	$109.35	$103.79	$36,722	3.2%
New York Times	Communication Services	USD	600	$45.72	$48.30	$36,619	3.2%
Suncor Energy Inc	Energy	CAD	1,075	$42.50	$31.65	$34,024	3.0%
Volkswagen Preferred Shares ADR	Industrials	USD	1,200	$26.55	$20.08	$30,448	2.7%
Methanex Corp	Energy	CAD	600	$51.47	$50.04	$30,024	2.6%
Tourmaline Oil Corp	Energy	CAD	700	$17.93	$40.84	$28,588	2.5%
Brunswick Corp	Industrials	USD	224	$73.41	$100.73	$28,511	2.5%
iShares Global Healthcare ETF	Healthcare	CAD	350	$63.94	$69.93	$24,476	2.2%
Simon Property Group Inc	Real Estate	USD	118	$139.46	$159.77	$23,822	2.1%
Vale SA	Materials	USD	1,275	$18.08	$14.02	$22,587	2.0%
Parex Resources Inc	Energy	CAD	1,000	$20.23	$21.61	$21,610	1.9%
Continental AG	Industrials	USD	1,500	$12.09	$10.54	$19,978	1.8%
Azure Power Global Ltd	Utilities	USD	700	$26.25	$18.15	$16,054	1.4%
Orchard Therapeutics Plc	Healthcare	USD	4,100	$11.98	$1.32	$6,839	0.6%
US Dollar	USD	USD	21,900			$27,673	2.4%
Canadian Dollar	CAD	CAD	(1,942)			-$1,942	-0.2%
				Net Asset Value		$1,138,253	100.0%

Sources: Bloomberg, CIBC Mellon

Global Equity Fund

Fund Performance

Best and Worst Performers

This year, our bottom-up stock selection process yielded a number of great wins, but an equal number of losses. Figure 10 shows our best and worst holding period returns (HPR) for 2021.

Figure 10: Best and Worst Performing Holdings, 2021

Sector	Company	2021 HPR
Energy	Tourmaline Oil Corp.	138%
Real Estate	Simon	94%
Financials	svb Silicon Valley Bank	74%
Healthcare	Orchard therapeutics	-70%
Financials	James River Group	-53%
TMT	lendingtree	-46%

After being the worst performing sector in 2020, the Energy sector saw a big rebound this year. Gains were led by Tourmaline Oil (TOU), one Canada's largest and lowest cost natural gas producers. The stock returned 138% and contributed 2.8% of the total fund's return in 2021. On a similar note, the economic re-opening benefitted Simon Property Group (SPG). We remain bullish on their best-in-class shopping mall footprint, in an industry that is rapidly consolidating. SPG contributed 1.1% to the fund's return. Finally, for a second year in a row, SVB Financial Group (SIVB) was one of our top 3 holdings. The company benefitted from strong technology and start-up based lending throughout the year, and continues to expand its capital markets division. SIVB continues to be a core holding of the Global Equity Fund even after returning 74% this year, and accounting for 4.5% of our total performance.

On the flip side, Orchard Therapeutics (ORTX) was once again our worst performer. Despite its small weighting in the fund, ORTX was a 2.1% drag on our performance during the year. James River (JRVR) and LendingTree (TREE) did poorly as well, due to several quarterly earnings misses in a row. JRVR and TREE contributed -1.5% and -1.1% respectively.

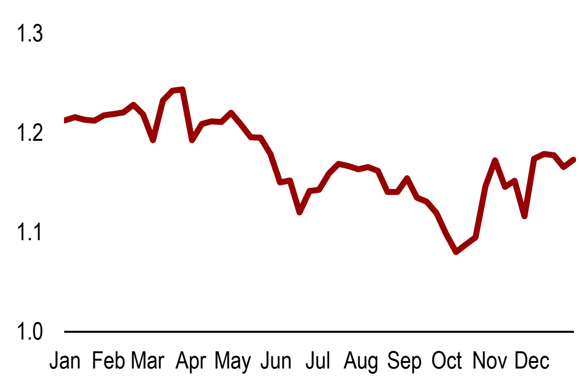
Throughout the academic year, we have implemented several measures to limit our downside risk and improve our risk management practices. Although a number of our holdings had a disappointing year, we believe that there are a number of lessons to be learned and apply to future stock pitches.

Rolling Beta

Beta is an important measure of risk in the fund. As shown in Figure 11, our rolling beta for 2021 generally averaged above 1.15. Over the last several years, the fund has had an above average exposure to market risk, but we intend to de-risk our holdings by selectively purchasing high quality, steady cash flow generating companies over the next few months. We believe that "quality" stocks will outperform going into 2022, due to inflationary concerns, and their ability to passthrough rising costs.

Our beta started off 2021 on the higher range of the spectrum, primarily due to our outsized exposure to cyclical names, like Tourmaline Oil, Suncor Energy,

Figure 11: 1 Year Rolling Beta vs. Benchmark



Sources: Bloomberg, CIBC Mellon

Global Equity Fund

Fund Performance

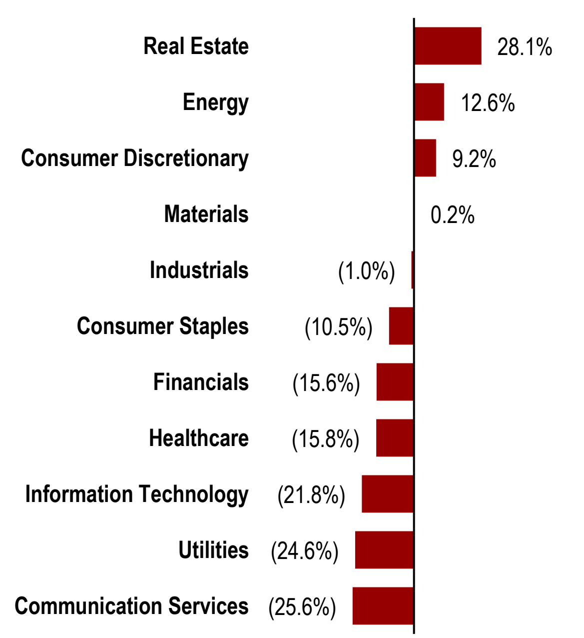
SVB Financial Group, and Bank of America. Our cyclical tilt in large part helped us outperform our benchmark in the first quarter of the year. Throughout the second and third quarters, our beta moderated as we trimmed back small cap holdings, and redeployed capital towards high conviction mid and large cap ideas. Going into the final months of the year, the volatility of our performance picked up once again, as turbulence returned back to the markets, especially within the tech-heavy Nasdaq.

Alpha per Sector

By breaking down the Global Equity Fund's performance by sector, we can see that we took excess risk compared to our benchmark in all sectors except Consumer Staples and Communication Services, who had betas of 0.25 and 0.71 respectively.

Figure 12 shows the fund's alpha on a sector-level. Our risk-adjusted returns were strong in certain sectors, but underperformed in many others. Real Estate delivered the highest alpha in the fund in 2021, at 28.1% due to a strong rebound from Simon Property Group. Energy and Consumer Discretionary also yielded respectable alphas due to a great year for Tourmaline Oil / Suncor Energy and Ulta Beauty respectively.

Figure 12: Sector Alpha, 2021

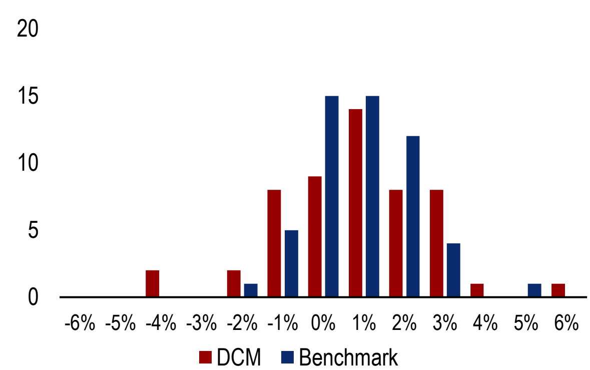


Sources: Bloomberg, CIBC Mellon

Return Distribution Profile

Looking at our full year performance, the Global Equity Fund's negative returns were more extreme than that of the benchmark, which can be partially explained by our higher beta of 1.15. Suboptimal stock selection throughout the year contributed to volatility and above average losses.

Figure 13: Best and Worst Performing Holdings, 2021



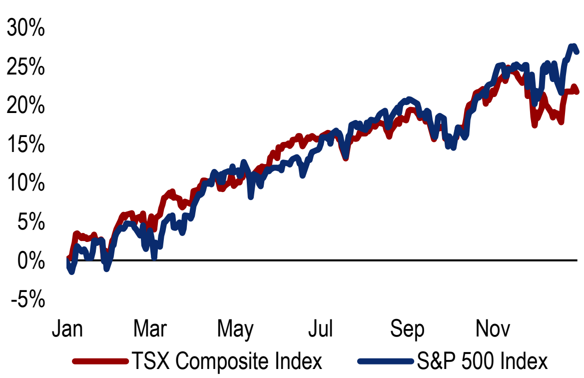
	Equity Fund	Benchmark
Positive Weeks	31	32
Negative Weeks	21	20

Equity Markets: 2021 Market Recap

Another Remarkable Year of Gains

It was a wild year in many respects, but the stock market rallied to a new record in 2021. The market was ripe with speculation and euphoria through the first half of the year, with meme stocks, SPACs (or special purpose acquisition companies), and cryptocurrencies making headlines. As the year progressed, labour shortages, supply chains, stubbornly persistent inflation, and tapering steadily caught investors' attention. Concerns about how these factors might derail economic growth was and continues to be a major point of contention amongst market participants. In the end, the TSX Composite and the S&P 500 notched their third straight year of gains as investors looked past uncertainty and cheered the economic recovery. Except for a few brief sell-offs, the TSX and the S&P 500 returned 21.7% and 26.9% respectively.

Figure 14: S&P 500 and TSX 2021 Performance



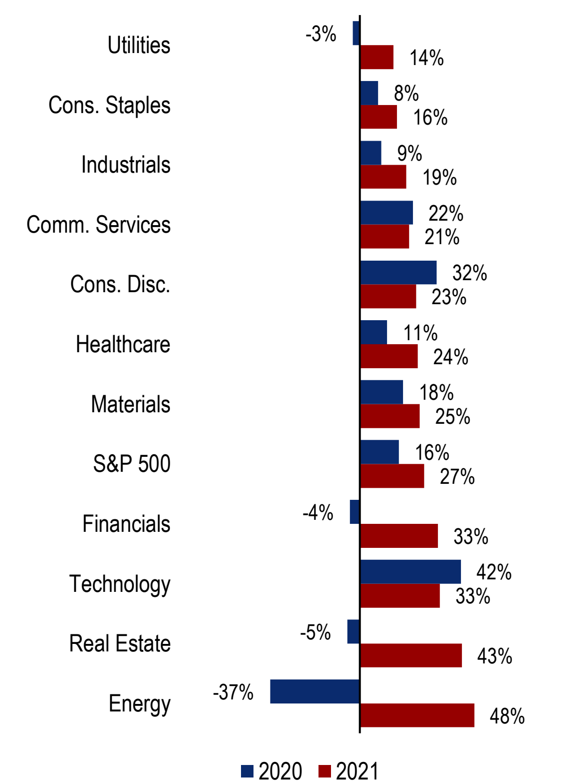
The celebratory end to 2021 on Wall Street is a stark contrast to the difficulty the world is facing with the highly contagious Omicron variant. If there is one lesson worth taking away from 2021, it is the fact that markets look through transitory factors that dominate our news headlines. While surging COVID-19 case counts in March 2020 fueled a major stock market correction, the global rollout of vaccines and our knowledge of the coronavirus, has taught us to look beyond the waves of the pandemic.

Asset Class and Sector Returns

Unlike 2020, every individual S&P 500 sector rounded out 2021 in the green. The same phenomenon was observed in 2019, a year in which the S&P 500 returned 28.9%. Unsurprisingly, the best performing sectors for the year were those that saw negative results in 2020. The Energy, Real Estate, and Financials sectors, all of which are cyclical, benefitted from the market's risk-on sentiment.

Within the Energy sector, crude prices increased in 2021 as vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply. The spot price of WTI started off the year at $48/bbl and increased to a high of $85/bbl, before ending off the year at $75/bbl. Throughout the year, WTI

Figure 15: S&P 500 Returns by Sector, 2020 & 2021



Sources: Bloomberg

Equity Markets: 2021 Market Recap

Another Remarkable Year of Gains

averaged $68/bbl, the highest in the past three years. Tightness in the global energy markets were mainly driven by two factors: (1) Slow production increases from OPEC+ to support higher crude prices and (2) a reduction in drilling projects (new oil wells) to allocate more capital to clean energy ventures. The growing pressure on oil majors to decarbonize was best illustrated by activist hedge fund, Engine No. 1, winning 3 seats on ExxonMobil's board of directors.

On the commercial real estate front, loosening restrictions and decreasing vacancy rates led to a strong year for the sector, especially amongst shopping mall and office REITs. The same upwards trend was observed in the residential market, with markets observing double-digit price increases, on both sides of the border, due to a combination of low interest rates and high disposable income.

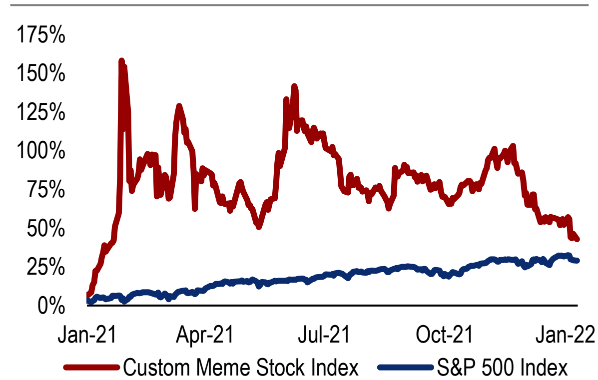
The last year proved to be another dominant but controversial year of returns for big tech. From billionaires blasting off into space to social media moguls testifying in front of congress about election interference, there were no shortages of headlines for the world's largest publicly traded corporations. Amongst the FAANG (Meta (formerly Facebook), Amazon, Apple, Netflix, and Alphabet), only Amazon posted single digit gains (+2.4%) in 2021. However, with interest rates expected to rise in 2022, it remains to be seen whether these giants will be able to continue their market leading performances.

Looking at the rest of the individual sectors, financials had a strong year on the back lower provisions for credit losses, strong capital markets earnings, and robust excess capital. As banks put the pandemic behind them, we expect them to reward shareholders through dividends and buybacks, and the higher rate environment moving forward should serve as an additional tailwind. Materials continued to perform well due to strong prices across the commodities complex and investors continue to reward healthcare companies that offer resiliency, growth, and COVID-19 upside. Small and mid-cap healthcare companies saw weakness in 2021 as investors rotated out of growth, in favor of value. On the consumers front, rising wages, strong employment, pent up savings, and rising household asset values resulted in strong spending all year long. During the first two months of 2021, the "reopening" trade benefited many discretionary names (think cruise lines, high-end fashion, etc), but from March on, consumer staples outperformed, becoming the top performing TSX sub-sector on the year.

A Year of Memes, SPACs, and Crypto

The meme stock saga started just days into the year when retail traders teamed up on online forums to bid up GameStop's shares, a heavily shorted stock amongst hedge funds. The retail buying triggered massive short covering, fueling the rally even further. This phenomenon was observed across many heavily shorted stocks, as the retail community systematically squeezed hedge funds out of their positions. The chart below illustrates the performance of 37 of the Russell 3000's most shorted stocks.

Figure 16: Custom Meme Stock Index vs. S&P 500



The wave of meme stocks was enabled by remote work, lockdowns, stimulus checks, high disposable income, and more importantly, social media. The combination of the aforementioned factors created a wild year in the markets, where everyone seemed to

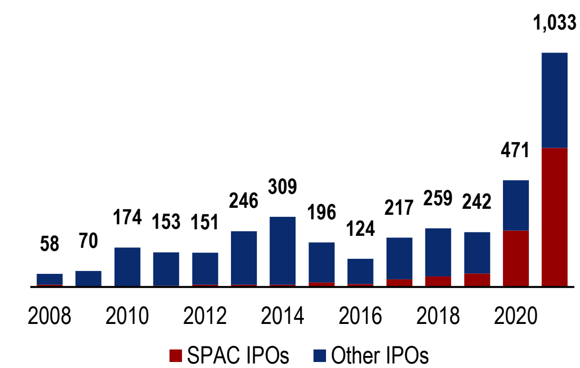
Sources: JPMorgan

Equity Markets: 2021 Market Recap

Another Remarkable Year of Gains

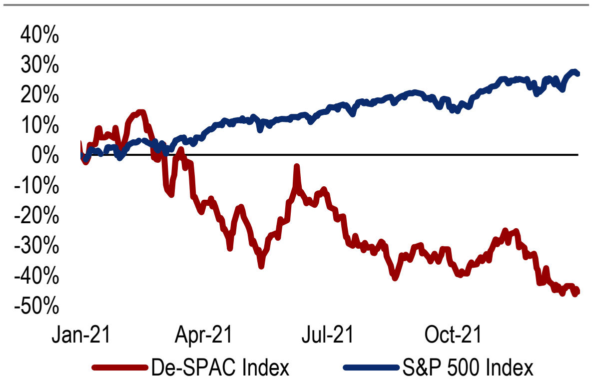
become a trader. From high school students, to working class individuals, seemingly everyone wanted in. Greed and fear were certainly contributing factors, as those that missed out on the dot-com riches were determined not to let another bubble pass them by without claiming a piece of it.

Figure 17: Number of SPAC IPOs vs. Other IPOs



It was also the year of SPACs. In 2021, US special purpose acquisition vehicles raised a total of $162 billion, almost doubling the $83 billion raised in 2020 (and up 12x vs. 2019 levels). Throughout the year, it seemed like everyone was sponsoring or setting up a SPAC, from basketball star Shaquille O'Neal to TV personality Martha Stewart. Looking back, however, the SPAC mania turned out to be a stark and expensive lesson. While celebrities can easily attract attention for a blank cheque company, superior

Figure 18: De-SPAC Index vs. S&P 500



Sources: Bloomberg, Securities and Exchange Commission

returns are far from guaranteed. Figure 18 compares the performance of a basket of 25 companies that went public as the result of a business combination with a SPAC with the S&P 500. In 2021, the de-SPAC index was down more than 45%, compared to the S&P 500's gain of 27%. Shareholders cannot say they were not warned. In March, the Securities and Exchange Commission was so alarmed about celebrity SPACs that it issued a warning bulletin to investors: "It is never a good idea to invest in a SPAC just because someone famous sponsors or invests in it or says it is a good investment", said the SEC. It remains to be seen what in the store for blank cheque companies in 2022. Will they regain popularity, or will regulators tighten the rules?

Finally, a recap of the 2021 markets would not be complete without touching on the crypto markets. The past twelve have been eventful for Bitcoin from a technological and adoption standpoint. In June, El Salvador was the first country to announce that Bitcoin would become legal tender. Despite positive advancements, there remains no shortage of skeptics when it comes to cryptocurrencies. Critics argue that the barriers to creating a new coin are practically nonexistent and that the value of these assets are solely derived from the strength and influence of the communities surrounding them.

Boom or bust, the influence that online communities have had on markets will forever be forgotten. This past year has been unique in many respects, but the meme stock / SPAC / cryptocurrency mania was definitely in a category of its own.

COVID-19 Continues to Shape Our Lives

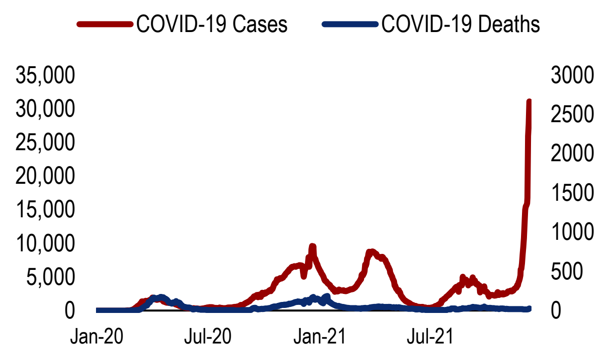
After a difficult 2020, the year 2021 showed signs of normalcy with access to vaccines and border re-openings. Despite increasing vaccination rates, the pandemic has had an outsized impact on employment, inflation, and supply chains throughout the year. Figure 19 shows a 7 day moving average of

Equity Markets: 2021 Market Recap

Another Remarkable Year of Gains

Canada's COVID-19 cases and deaths. Although the country has been through several waves, the number of COVID-19 related deaths has not attained levels seen since March 2020.

Figure 19: Canada Confirmed COVID-19 Cases and Deaths, 7 Day Rolling Average (as of Dec 31, 2021)



The higher survival rate can largely be attributed to a better understanding of the coronavirus, but also to higher vaccination rates amongst populations.

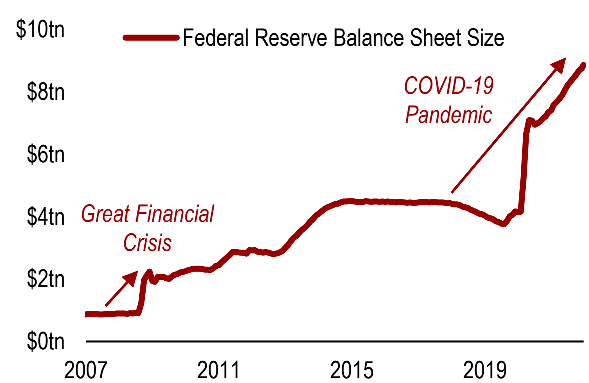
Another Year of Strong Fiscal and Monetary Stimulus

The Federal Reserve and the new Biden administration both came into 2021 with accommodative policies. While the Fed was purchasing $120 billion in Treasuries and MBS per month, the White House shared plans to offer immediate support to struggling Americans, while pledging to grow the economy through investments in infrastructure and families.

The $1.9 trillion American Rescue Plan (ARP) and the $715 billion Infrastructure Investment and Jobs Act (IIJA) were signed into law in March and November respectively. Specifically, the ARP was designed to help kick-start the American economic recovery, as it contained provisions geared towards helping low-income individuals and families struggling from the pandemic. However, the multiple rounds of stimulus cheques and supplemental unemployment benefits were accompanied by no shortage of skepticism.

A number of individuals argued that the stagnating economic recovery was not being caused by a shortage of aggregate demand. Rather, the rebound was being held up by supply side factors, such as the availability of labour, natural resources, and inventory; factors that neither the Federal Reserve, nor the White House could easily fix. Economists argued that pumping money into the pockets of consumers would have little impact on improving productivity and fixing supply chain disruptions. In hindsight, the critics

Figure 20: The Fed's Balance Sheet Grew Much Faster During the Pandemic Than During the GFC



appeared to have been right. As the Risk, Strategy & Economics team will touch upon later in the Annual Report, inflation has picked up meaningfully throughout the year and it appears to be much more persistent, rather than transitory.

A Year of Strong Revenue and EPS Growth

Despite higher input costs and supply chain disruptions, Wall Street notched another very profitable year. The S&P 500's revenue and EPS were up 16% and 45% respectively, while the TSX's trailing 12 month EPS was up 71%, as Industrials, Energy, and Materials earnings rebounded.

As of January 1st, the S&P 500 traded at 21.7x its projected next twelve months earnings, a premium to its five-year average of 19.5x. While earnings are

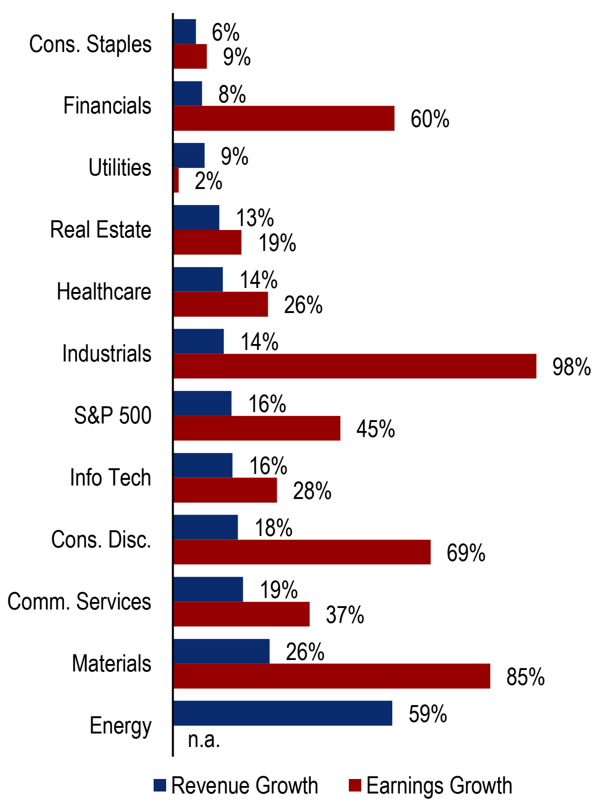
Sources: Bloomberg, FactSet

Equity Markets: 2021 Market Recap

Another Remarkable Year of Gains

predicted to grow once again next year, they are expected to do so at a slower pace than in 2021. According to FactSet, S&P 500 earnings will rise 9% in 2022. Figure 21 illustrates the S&P 500's revenue and earnings growth by sector in 2021.

Figure 21: S&P 500 Revenue and Earnings Growth, 2021



Note: the year-over-year growth rate is not being calculated for the Energy sector due to a loss reported by the sector in 2020.

Although returns will likely moderate following great performances over the past 3 years, we remain fully invested in the markets, while favoring value and quality stocks. Our outlook for 2022 and our sector allocations for the upcoming year will be discussed over the next few pages by the Risk, Strategy, and Economics team.

DCM Note

The new academic year marked an anticipated return to campus, with a majority of our classes and extracurricular activities taking place in-person. With DCM celebrating its 11th anniversary this year, we continue to find ways to improve the program and our students' learning experience, so that we can continue to generate superior returns. As we approach the end of this school year, I would like to take this chance to congratulate Julien Séguin's for his selection as the next Strategist for the Global Equity Fund. I am confident in Julien's ability to successfully manage the fund to deliver outsized return for our investors, while also continuing to reshape the program for the better.

As always, the program would not be possible without the unwavering support our investors place in us, so thank you for your trust.

All the best,

Frank Shen, *Global Equity Strategist*

Sources: Bloomberg, FactSet

RISK, STRATEGY, & ECONOMICS

2022 OUTLOOK & MACROECONOMIC UPDATE

Dillon Graveline
Senior Analyst

Kyrie Tong
Senior Analyst

Jasmine Liu
Junior Analyst

Risk & Strategy

Navigating the Equity Market

Dillon Graveline, Senior Analyst
Kyrie Tong, Senior Analyst

Investment Style in the Current Market

Corporate earnings, interest rates, inflation, and other factors, which change as economies expand and contract, can affect the performance of investments. The Risk & Strategy team believes long-term historical average returns provide reasonable guidance to determine capital allocation for each sector. Given the current economic updates, namely growth deceleration, weakening business confidence, and rising inflation, we believe the economy is entering its mid-cycle stage in which defensive sectors tend to pick up the pace and outperform cyclical stocks in the near term.

Figure 1: Cyclicals vs Defensive Forward P/E Spread

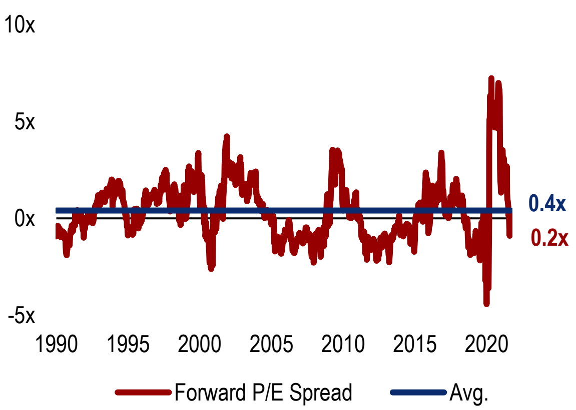
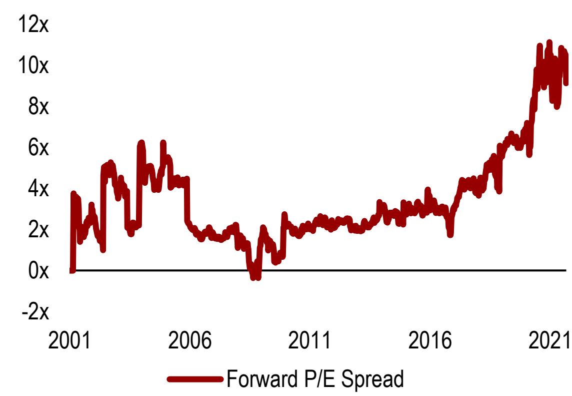


Figure 1 depicts the expanding spread between the last three business cycles demonstrating how cyclical stocks often outperform defensive stocks during the early stages of the economies. In the mid-cycle, the spread tends to contract and even converge to its historical mean. This is what we are observing in the current market environment as well. The cyclical stocks started to experience re-rating to a larger degree than defensive stocks, which may imply that the market is expecting a mid-cycle economic transition. However, as the spread is converging to its three-decade mean, the risk & strategy team sees a weaker case in overweighting defensives over cyclicals from a valuation standpoint.

Figure 2: Growth vs. Value Forward P/E Spread



As for the growth and value pair, growth stocks have enjoyed a premium over value stocks for the last two decades, and this premium is expanding to a historical high of 9.1x, which makes value stocks look more attractive on the contrast. In addition, growth stocks tend to have longer duration profiles than value stocks, which makes them more susceptible to rate hikes. Therefore, regardless if rates hikes take place in the near horizon, value presents a better bet for its valuation.

In summary, the Risk & Strategy team recommends tilting investments towards defensive and value stocks due to the former tending to perform well during economic slow downs and the latter trading cheaper than its historical average. However, through a study of sectors' equity performance in the last five decades, we find that there is almost no consistent sector leadership in the mid-cycle phase. This calls for a more nuanced sector allocation built by taking valuation, specific industry trends, and investment style into account.

Sources: Bloomberg

Risk & Strategy

2022 Outlook

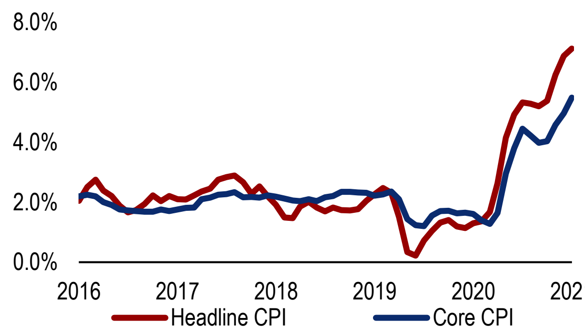
COVID is still a Concern

The start of 2022 was marked with a normal holiday season as major cities decided to proceed with their Christmas and New Year's celebratory activities. It is without a doubt that COVID will remain a major topic of discussion in the foreseeable future as its impact will continue to linger around the world. At the time of writing, the Omicron COVID variant has became the dominant strain in North America, specifically accounting for over 90% of new cases in the US. While there are no credible ways to predict when and how COVID will further evolve into the future, the risk team believes that Omicron will not be the final variant. This will hold important implications for countries and regions that are less tolerant towards the virus such as China, which recently saw sporadic Omicron outbreaks around the country and week-long regional lockdowns. The port congestion situation in China has also been exacerbated by the outbreaks, leaving many ports and freight companies understaffed and functioning at limited capacity. Given China's significant role in global trade, any buildup in backlogs will only contribute to the global supply chain problem, and our more detailed analysis on this issue will follow in the later sub-section. On the flip side, momentum seems to continue to gather in COVID-inspired sectors such as telemedicine and remote work. At the Global Equity Fund, we will continue our success with extracting investment theses from these trends. Looking into 2022, the gradual improvement in public's perception of vaccination programs and vaccination rate give us the confidence that the light at the end of the tunnel is getting closer.

All Eyes on the Fed

One of the most frequently mentioned topics among equity research is inflation. Looking at the latest data, US headline inflation rate rose to 7.1% in November, to its highest point since 1982. This time last year, economists were expecting inflation to average 2.0% for all of 2021, but the reality is that inflation was 4.7% for all of 2021.

Figure 3: US CPI - L5Y



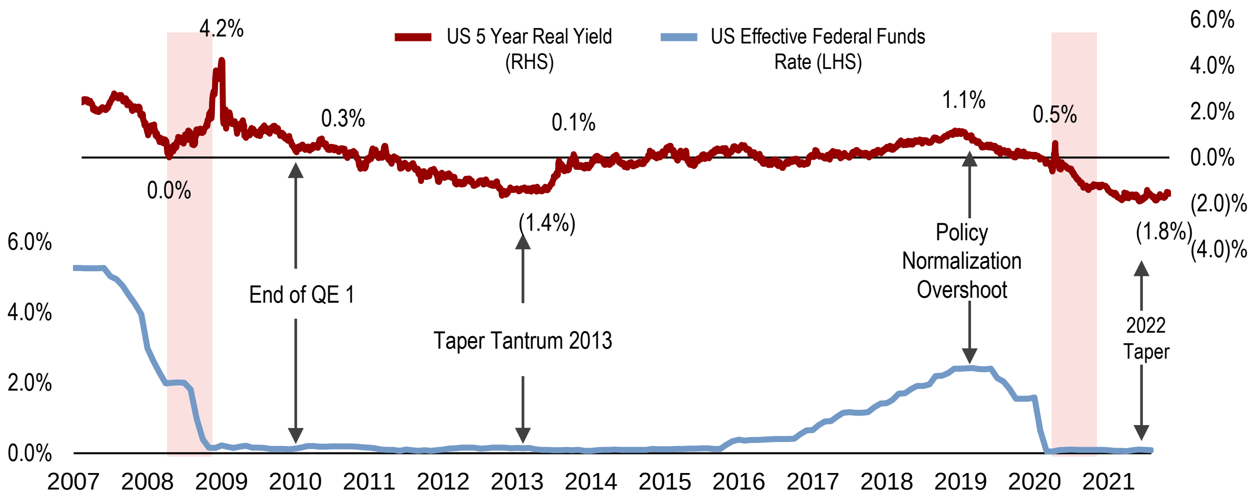
The estimate discrepancy can be attributed to a combination of factors including the extensive use of both fiscal and monetary policies which resulted in significant increases in demand for goods despite continued supply side constraints. As the year of 2022 progresses, we believe the ease of the COVID situation, supply chain backlog improvement, and consumers' savings run down will create a clear pathway for inflation to taper off. Even with supply side disruptions being more transitory, the Fed still turned hawkish and signaled potential rate hikes in 2022 considering the strength in wages. It is also the consensus on the street that four rate hikes to take place in 2022, represent a more aggressive path than what the Fed implied in December 2021 – three times. In regard to equity markets, we believe that such expectations are incorporated into the prices already. However, as markets are coming off a long period of low real interest rates (see figure 2 on the next page) that allowed for equity valuation to continue to expand, the shift to a multiple rate hike environment will undoubtedly create volatility and shift sector leadership as rate hikes will be unlikely to cast a positive effect on the port congestion

Sources: Bloomberg, FRED

Risk & Strategy

2022 Outlook

Figure 4: US Real Rates Has Been Low



situation that is causing the global supply chain problem. Higher interest rates imposed by the Fed will also appreciate the dollar, making imports cheaper but at the risk of depressing the domestic goods and damaging domestic companies. Going forward, we expect some degree of decreasing margins among companies as they are forced to build or replenish inventories at higher prices. In a worse case scenario, where key production inputs become impossible to source from overseas, companies' revenue and earnings power could take a further hit, and this is evident in the chip shortage crisis. At the Global Equity Fund, we will continue to evaluate this risk factor across our holdings and exploit any mispricing that may stem from it.

Quantitative Tightening

Quantitative easing (QE) was a commonplace topic since the pandemic, and as we step into 2022, the opposite of QE – quantitative tightening (QT) – arrives on the horizon. In the latest FOMC minutes, the Fed signaled the possibility of bringing quantitative tightening into the policy mix. QT effectively aims to reduce the supply of reserves. As the money supply decreases in the financial system, borrowing costs are set to increase. As for the timing, the street is looking at Q3 to Q4 2022 for the onset of QT operations.

The last time QT came into play was in 2017. Janet Yellen, the then-Chair of the Fed, said that QT would not cause market volatility and instead would be like "watching paint dry". By November 2018, some market participants argued that the Fed had shrunk reserves too drastically, creating unnecessary pressure on the lenders. The effective Federal funds rate jumped by almost one percent on a year-over-year basis by December 2018. At the same time, the S&P 500 Index dropped by almost 16% over the first three weeks in December 2018. In January 2019, the Fed abandoned rate hikes and started to phase out QT in March of the same year.

Certainly, QT presents a substantial policy risk in our view. Whether the Fed could create a soft-landing scenario unlike the last time remains unknown. Still, we will continue to monitor the development with regards to QT, the pace at which the Fed implements rate hikes, and their potential impact on valuation and our portfolio. Moving forward, we will remain a tilt towards value stocks but also maintain enough flexibility to capture sound growth stories.

Sources: Bloomberg, FRED

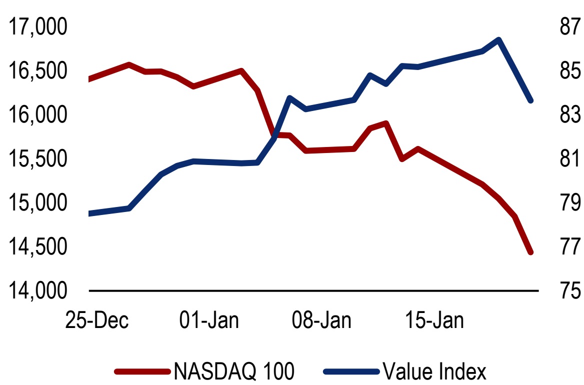
Risk & Strategy

2022 Outlook

Rotation to Value

As the holiday season comes to a close, value investors received a holiday gift of their own. The NASDAQ 100 fell by more than 10% this month with a rotation into value companies.

Figure 5: Value vs. Growth Indices



We have seen this trend earlier in the pandemic when inflation fears first surfaced. This time, the primary driver of this rotation is a combination of increasing interest rates and inflation fears. Last year, the rotation to value did not last. Investors rotated back to growth as bond yields went back down and the pandemic was revived. The major difference now is that the Fed is determined to squash inflation and support yields, which will ensure that the rotation into value will persist.

This rotation will favor more cyclical value players and sectors like Energy and Financials. Focusing on companies with strong fundamentals is key as the valuation house of cards, built up by overly optimistic theses, crumbles. Furthermore, this rotation to value serves as a catalyst for cheap companies whose fundamentals were overlooked by the market.

The sector allocation outlined below positions us to benefit from this rotation, however, it will be important to remain vigilant. If an emerging trend causes the Fed to put their inflation squashing plans to rest, like a new variant or unexpected economic outcome, then growth stocks may take the upper hand once more.

Supply Chain Issues

The Omicron variant is causing problems for supply chain managers as its highly transmissible nature and vaccine resistance causes labor shortages from truck drivers to factory workers. The end result of this is good shortages from construction products, to food at the grocery store.

The current supply chain issue is a combination of bad trends. Over the course of the pandemic, employees have been quitting in numbers due to suboptimal working conditions. Especially in the food industry, workers across the supply chain are amongst the lowest paid. This, combined with Omicron, poses a big problem.

This is not just a domestic issue. Exports out of China are being delayed as China's zero-COVID strategy is taking effect in reaction to Omicron.

However, supply chain issues caused by excess demand volatility can work both ways. Some industries may find themselves with too much supply as consumption dries up now that the holiday season has ended, and we are entering a higher rate environment.

It will be important to pay special attention to supply chain risks, issues, and costs when modeling out future cash flows, since companies will likely be investing more money to make their supply chain more robust.

Sources: Yahoo Finance, FRED

Risk & Strategy

Sector Allocation

Figure 6: Key Themes & Recommendations

Energy & Utilities: Overweight Energy & Overweight Utilities

Key Outlook

- OPEC+ opts against providing relief for the oil shortage, causing the price of oil to spike (7 year high)
- Energy would be useful in the event of stagflation. The inelastic nature of oil demand means energy companies can pass increased costs to consumers efficiently
- High oil prices are likely to persist in NA for the long term due to structural changes in the oil production landscape. The market is under-appreciating the prevalence of more supply shocks as the clean energy transition manifests (Energy IO)

Financials: Overweight

Key Outlook

- Higher yield curve benefits financials
- Loan loss provisions, a main concern for investors, was overestimated, however, valuations are unmoved
- Defensive in nature and will outperform in low growth, high inflation, and high-rate environments

Healthcare: Overweight

Key Outlook

- Attractive valuations, but cautious due to growth slowdown
- Fits defensive / value recommendation
- Persistent digitization nudge not priced in

Industrials: Marketweight

Key Outlook

- Certain value / defensive industrial companies that can pass through inflation well would be favorable
- However, due to the broad nature of the sector, there are also many companies that don't fit our value / defensive recommendation

Materials: Marketweight

Key Outlook

- Uncertain outlook
- Does not fit our value/defensive recommendation
- No particular themes justify underweight/overweight

Consumers: Underweight Discretionary & Marketweight Staples

Key Outlook

- Plummeting earnings due to COVID caused multiples to skyrocket
- Early rebound historically favors consumer discretionary
- Price increased marginally as earnings recovered causing discretionary P/E to stabilize at ~35x
- Valuation and spread analysis suggests this rebound is already largely priced in

Jasmine Liu, *Economics Analyst*

Economics

Deep-Dive Into The US and Canadian Economies

Canadian Economic Recovery? Not Yet

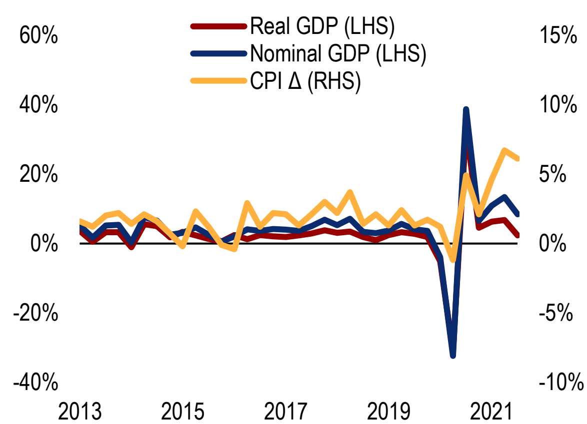
The Canadian economy grew at an annualized rate of 5.4% in Q3 2021, driven by the lifting of public health restrictions, which stimulated household spending and an increase in exports led by crude oil. Employment gains and pent-up demand are expected to be the main drivers of growth heading into 2022. In light of the strong economic recovery, as reflected by November output reaching just shy of its pre-pandemic levels and inflation held at 4.7% year-over-year, the Bank of Canada is poised to tighten monetary policy by raising interest rates with a target overnight rate of 1.25% in Q2 2022.

However, the economic recovery and optimistic outlook are not short of risks. Floods in British Columbia combined with new restrictions due to record case counts of the Omicron variant have already dampened production, especially in high-contact sectors such as retail, accommodation and food services, and manufacturing. In fact, manufacturers across Canada are reporting 10% to 20% of their workers absent and restaurant visits declined by 50% versus the 2019 average. Given the fresh restrictions on activity, the strictest since Q2 2021 when the economy contracted 3.2%, intensifying labour shortages, and price pressures, economists predict that Canada's Q1 2022 growth is unlikely to reach the current consensus estimate of 4.0%. In the worst-case scenario, the Omicron variant could renew stagflation fears, a mix of slower growth and rising inflation, which could undermine policy makers' plans to focus on inflation rather than dwindling demand. Alternatively, the scenario to which most economists adhere is that, as COVID-19-linked deaths are expected to peak in February 2022 in Canada and the US, weakness caused by Omicron will be short-lived and should not prevent the Bank of Canada from raising rates as of March or April 2022.

Market Might Be Hot, But Inflation Is Hotter

The US real GDP grew by 6.5% in Q2 2021 but slowed to a 2.1% annual rate in Q3 2021. This slowdown is ascribed to a subdued increase in consumer spending in part caused by the summer's rise in COVID-19 infections as well as increasing inflationary pressures. As shown in Figure 1, the contribution of inflation to real GDP exceeded that of nominal GDP as of Q2 2021: a reflection of persistent supply chain bottlenecks, labor shortages, and elevated consumer goods demand. At the end of 2021, inflation reached a 7% annual rate, its highest level since June 1982.

Figure 1: US Real, Nominal GDP, and CPI Growth



During its September 2021 FOMC meeting, the Federal Reserve hinted that it would shift away from the accommodative policy it maintained for the first two years of the pandemic. They confirmed this hawkish pivot in their December meeting, during which policymakers penciled in three rate hikes in 2022. However, we will closely monitor the extent to which the Fed can increase the federal funds rate, given the sizable amount of liquidity the central bank has injected into the system to support the pandemic-stricken economy. This has, in turn, increased the money supply and put downward pressure on interest rates.

Sources: Bloomberg, Schroders, Forbes, FRED

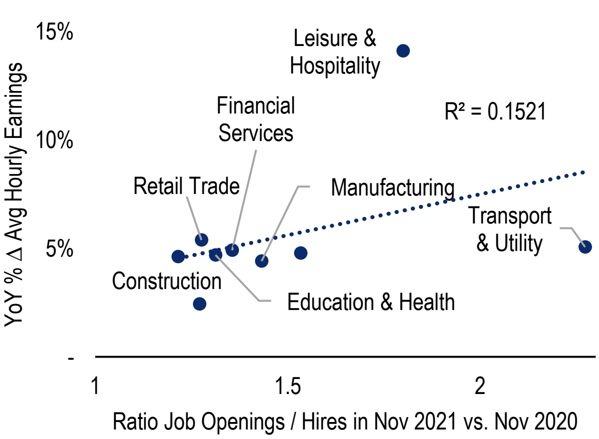
Economics

Supply Snags Colliding With Labour Shortages

2021: The Year of The Great Resignation

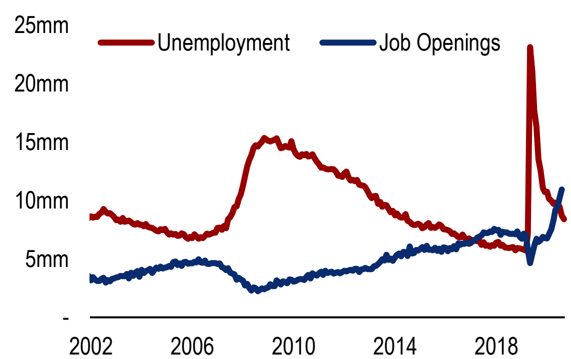
2021 was a mixed year for the US labour market. On the one hand, the unemployment rate has fallen from 6.7% to 3.9% from December 2020 to December 2021; on the other hand, the labor force participation rate has remained stagnant, increasing only by 0.05%, which is still shy of the pre-pandemic rate of 63.4%. During its December FOMC meeting, the Fed viewed the decreasing unemployment rate as a bullish signal for an economy being "near or at" full employment, justifying its decision to tighten monetary policy via three interest rate hikes in 2022. However, we contend that the outlook for the labor market may not be as rosy as it seems, at least in the near term. Indeed, the current unemployment rate still lags the pre-pandemic rate of 3.5%, with most lingering labor shortages occurring in sectors that depend heavily on the evolution of the pandemic, such as leisure and hospitality, transport, and utility, as shown in Figure 2. Moreover, the sluggish labor participation rate reflects structural gaps in the labor force led by two main groups: those who have left the job market indefinitely, such as older workers and retirees, and those facing structural unemployment caused by a skills mismatch.

Figure 2: Sectors With More Acute Labor Shortages Experienced Fastest Increase in Wages



The decline in labor supply has persisted despite record-high labor demand, as shown in Figure *3*. In fact, since April 2020, the economy has added close to 20mm non-farm job openings, yet employment is still down by 3.6mm jobs. According to the St. Louis Fed, this gap between hiring demand and supply may only close about half by June 2022.

Figure 3: US Unemployment Level vs. Job Openings



Heads-Up: Late Cycle Ahead

A foreseeable risk is the Fed's decision to hike interest rates as of March 2022, which coincides with slower economic growth led by a downsized workforce. Slowing economic growth, rising inflation, and a tight labor market are characteristics of the late cycle of economic activity, which comes after the mid-cycle, which the economy is currently in. From a fixed-income perspective, weaker growth and diminishing inflationary pressures resulting from a decrease in money supply could put downward pressure on long-term Treasury yields. From an equities perspective, we should continue to beware of labour-intensive sectors such as consumer discretionary, where labour shortages and wage increases have had implications across the sector all while favoring sectors that tend to perform well historically in an inflationary environment. Examples include companies in the energy and equity REITs sectors, which have outperformed inflation 71% and 67% of the time, respectively.

Sources: FRED, NY Federal Reserve, JPMorgan, Bureau of Labor Statistics

Economics

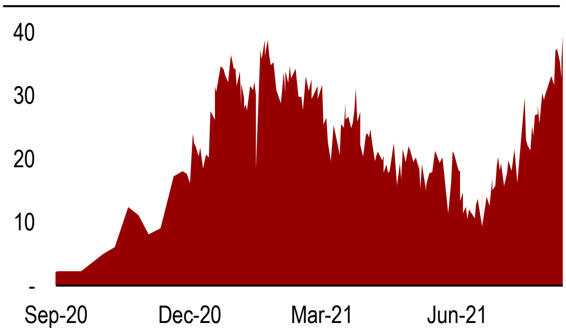
Supply Snags Colliding With Labor Shortages

Patience for the "Transitory" Narrative Is Running Out

Throughout most of 2021, the Fed perceived inflation as "transitory". One of its chief arguments was that a potential source of inflation: supply chain bottlenecks, marked by increases in shipping costs and longer delivery times, due to strong demand for consumer goods, would prove to be temporary. However, we believe that bottlenecks would be difficult to resolve in the near term due to two main structural trends that exacerbated global supply chain issues that pre-dated the COVID-19 pandemic.

Firstly, investment shortfalls at key ports and truck drivers shortages – a problem that followed truck deregulation in the 1970's, are not a new threat. In fact, transportation bottlenecks at major ports on the West Coast, such as the Port of Long Beach, a major gateway for US-ASEAN trade, have persisted since October 2020, as shown in Figure 4. Moreover, port congestion has contributed to rising shipping prices, which in turn translates into higher input costs for businesses with global supply chains.

Figure 4: Number of Anchored Container Ships At Long Beach, L.A.

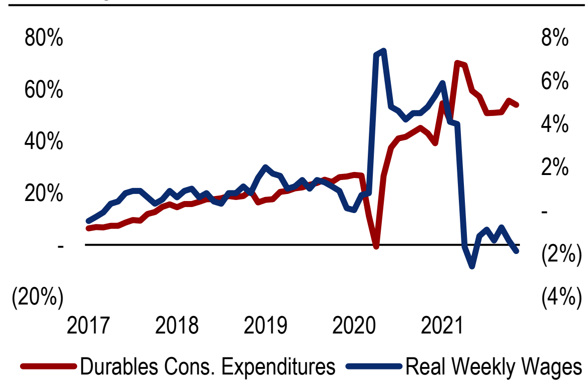


Secondly, protectionist tendencies in international trade, which have also prevailed before COVID-19, have contributed to the shortage economy. For example, in the UK, Brexit and the resulting exodus of European Union workers have worsened the shortage of truck drivers, which in turn, has delayed food and fuel deliveries.

Disrupted Supply Chains: Persistent Pain?

In our view, whether supply chain problems will subside in 2022 rests on the strength of consumer goods demand. In fact, supply-chain "fixes" will be difficult to implement due to the aforementioned structural inefficiencies affecting global trade. In November, before the Omicron surge in the US, the balance had already begun to shift back towards services, with goods spending rising 0.1% while services spending climbed 0.9%. That said, we view consumers shifting their spending from durable goods towards services as conditional on two key factors: whether (a) the pandemic's impact on economic activity is easing, and (b) the growth rate of inflation exceeds that of nominal wages. Should nominal wages continue to fail to keep up with inflation, personal spending, especially on durable goods whose high prices drove much of the inflationary surge, should decrease. We have already seen this trend materialize, as shown in Figure 5, with real wages decreasing and inflation-adjusted personal consumption declining before stalling in the second half of 2021. All in all, we will continue to monitor closely the pandemic's impact on economic activity, real wages, and personal spending. Should they point to improving supply chains, we would expect companies in downstream sectors to recover gradually as they have been most disrupted by supply and demand mismatches and bottlenecks.

Figure 5: Changes in Goods Consumption vs. Real Wages



Sources: Bloomberg, FRED, Current Population Survey

CONSUMERS

2021 REVIEW & 2022 OUTLOOK

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Senior Analyst

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Senior Analyst

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Consumers

Consumers Performance Overview

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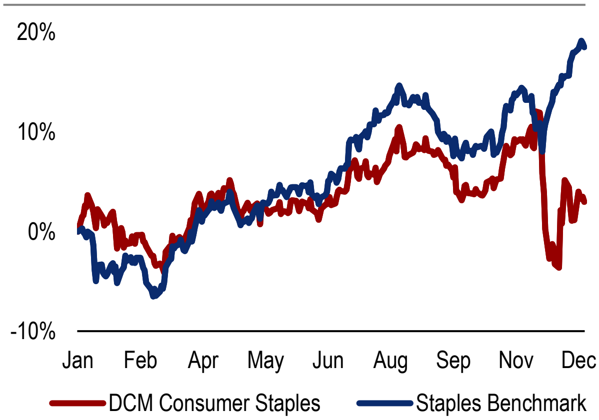
Overview

At the end of 2020, the outlook was uncertain for consumer sectors given supply chain delays and inflation fears. 2021 marked a shift in consumer preferences as they looked to serve their needs through continued lockdowns.

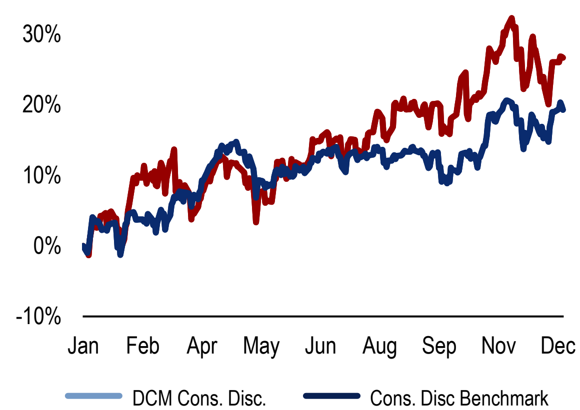
Throughout 2021 brand loyalty was expected to diminish within the Staples sector, leading to reduced margins but overall increased demand. Additionally, a low-interest rate environment increased staples stocks' attractiveness, as they provide consistent returns without increasing portfolio volatility. DCM's Consumer Staples sector outperformed the benchmark at the beginning of the year, but lost momentum following a sell-off of some holdings. The end-of-year underperformance can be largely attributed to the newest holding, Ocado Group (OCDDY) (see Holdings Review). DCM's Staples sector underperformed the benchmark in 2021 by 15.5%, with a sector return of 3.0%, compared to a benchmark return of 18.5%.

Figure 1: DCM Cons. Staples Performance, 2021



While the outlook for the Consumer Discretionary sector in 2021 remained uncertain, DCM expected to see continued shifts in consumer behaviour, driven by the experience economy and rapid growth in digital delivery platforms. Outperformance was largely driven by Ulta Beauty (ULTA) prior to its sale in December 2021. DCM's Discretionary sector outperformed the benchmark by 7.4% in 2021, with a sector return of 26.7%, compared to a benchmark return of 19.3%.

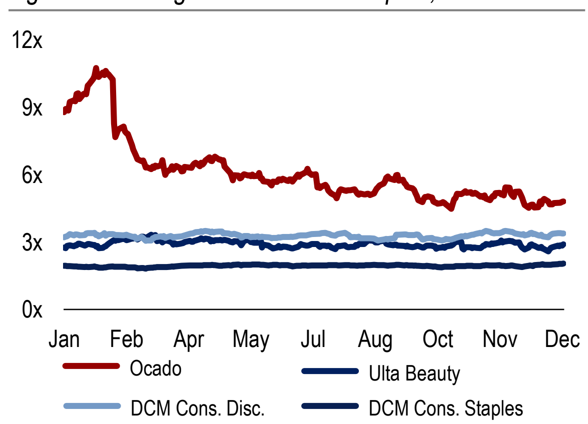
Figure 2: DCM Cons. Discretionary Performance, 2021



2021 In Review

At the macro level, consumer sectors were impacted by the booming labour market, surging inflation, consumers' shift to value preferences, and investors' expectations for omnichannel developments. Amid turbulent GDP growth figures, our holdings in both sectors, Ocado and Ulta, stayed within 2% of earnings estimates for FY21. Ocado faced a multiple compression compared to the broader subsector as it got subdued market traction in early 2021 ahead of easing COVID measures, compared to Ulta that traded steadily around 3.5x revenue.

Figure 3: Trailing EV/Revenue Multiples, 2021



Sources: Bloomberg

Consumers

Consumer Discretionary Outlook

Macroeconomic Outlook

2021 was a year of recovery for the Consumer Discretionary sector, characterized by low interest rates, government stimulus, and easing of restrictions. These factors played a role in increasing discretionary spending which was hit hard by the pandemic.

Unsurprisingly, the Discretionary sector is more sensitive to the state of the economy compared to Staples. Thus, the Omicron variant adds another layer of uncertainty to this sector's outlook for 2022, impacting key economic indicators like employment, supply chain efficiency, and inflation rates.

In Canada and the US, employment rates over the last 12 months point to a maximum employment situation. However, COVID variants are expected to contribute to job losses in sectors where it is difficult to social distance, such as health, leisure and hospitality. The extent of job losses will also be dependent on the policies implemented. The US is expected to experience a lesser impact on its labour market due to fewer restrictions compared to other regions.

In addition, supply chain issues continue to put upward pressure on prices. According to the Federal Reserve, "participants widely cited business contacts feeling confident that they would be able to pass on higher costs of labor and material to customers." In many regions, inflation levels are reaching record highs, pointing to less discretionary spending.

Some trends that we expect to persist into 2022:

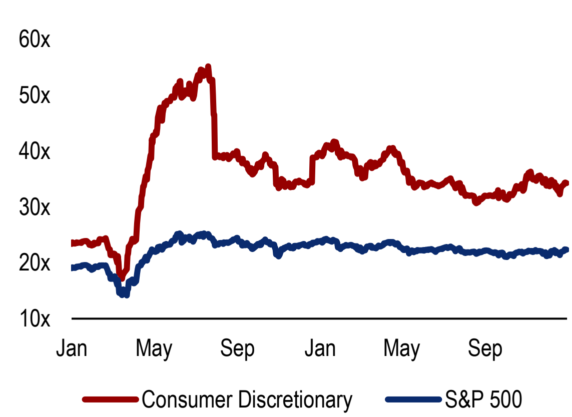
- Retailers with superior supplier relationships and omnichannel distribution will continue to differentiate themselves
- An increased level of health-conscious consumers
- Recovery in travel and experiential spending, dependent on COVID variants and governmental regulations

Valuations

Due to the pandemic, consumer discretionary earnings and stock prices declined drastically in March and April of 2020. Valuations peaked in July, as speculations surrounding market recovery and growth forecasts led to an overvaluation of the sector. However, the sector experienced a correction towards the second half of the year, and valuations have moved mostly in-line with the S&P 500 index. Because Amazon and Tesla make up a notable percentage of the overall sector, their higher earnings growth potentials play a role in lifting the overall multiples of the sector.

Moving forward, we believe recovery is priced into current valuations and that any multiple expansion will be due to improvements in the fundamentals of companies. We will continue to monitor economic indicators such as inflation levels, employment rates, as well as COVID restrictions and their implications on consumer confidence. We believe that there still exists pent-up demand for travel and experience, especially from consumers living in regions with more restrictive lockdown measures. As well, luxury stocks have the potential to benefit from higher levels of employment and these companies are also not experiencing the same level of supply chain issues.

Figure 4: Consumer Discretionary P/E Multiple



Sources: CapIQ, NBC, RBC

Consumers

Consumer Staples Outlook

Macroeconomic Outlook

As inflation continues to grow and supply chain bottlenecks fuel the rise of input costs, Consumer Staples remains well-positioned to respond to these macro factors relative to other sectors. Regarding inflation, consumers are price inelastic because the goods are considered necessities. Inflation can be passed through the prices easily and will not have a dramatic impact on top line, despite the Fed's most recent inflation forecast, projecting continued inflation through 2022 and ending at 2.6% near year-end.

With regards to rising input costs and shortages, purchasing power will play a critical role in determining the degree of impact for each company. Larger companies are better positioned to cope with supply chain problems, while smaller firms might experience more difficulty ordering goods at lower prices up until normalization of the situation, expected in mid-2022.

Although the labor market in both the US and Canada is now at its strongest point over the last 12 months, food retail remains in a precarious position. Although the subsector experienced a 4.9% growth in employment in 2021, high levels of COVID exposure and employee isolation offset those gains. New variants and continuing cases will sustain pressure in the subsector in 2022, which are already forcing employers to cut on opening hours to mitigate the situation. Moreover, growth in the online distribution channel, for which the fulfilment process is even more human capital intensive, will continue to intensify the already unsustainable situation. We expect more traditional grocers to turn towards automation to alleviate the lack of employees in 2022.

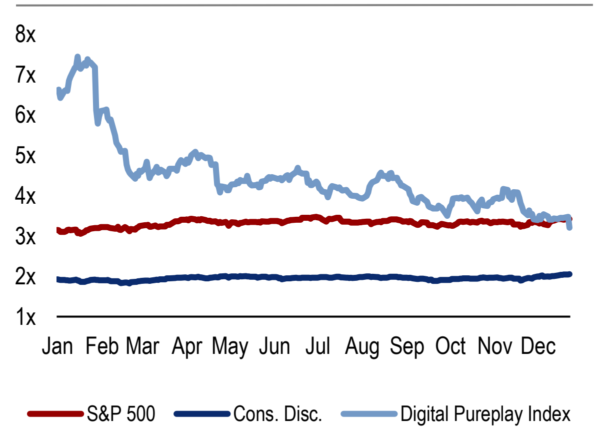
Some trends that we expect to persist into 2022:

- Large traditional food retailers already invested in automation to continue benefiting from their first-mover advantage
- Continued yet slowing growth within online food retail due to dragging restriction measures reinforcing online shopping habit stickiness

Valuations

Valuation analysis of the food retail subsector was performed early this fall as we looked to invest in Ocado Group. With the pandemic changing consumer purchasing behaviours, the rise of e-grocers within the space was reinforced by continuing lockdown measures across the globe. As consumers' online orders reached an all-time high since the beginning of the pandemic, valuation for online food retailers soared in 2021 at ~7.3x EV/Revenue multiple before experiencing a correction towards ~3.0x at year-end. EV/Revenue multiple was used as a multiple due to the pre-profit profile of many online food retailers. As we enter 2022, valuation for the subsectors seems to be on par with S&P 500, but still higher than traditional retailers. The attractive TAM of food retailing, the largest globally, combined with lower consolidation at the early stage can justify a higher valuation currently and we expect no further correction at this point. We will continue to monitor which companies can find a path towards profitability and which ones can continue to improve on operational efficiencies.

Figure 5: Consumer Staples EV/Revenue Multiple



Sources: Bloomberg, CapIQ, Financial Times , IBIS, WSJ

Consumers

Holdings Review – Ocado Group

Company Overview

- Ocado was founded in April 2000 and went public on the LSE in July 2021
- Ocado Group is one of the world's largest online grocers with specializations in both retail and logistics automation
- Retail: Formed in February of 2019 as a joint venture with Marks & Spencer plc, operating mostly in the U.K.
- Logistics Automation: Ocado Solutions and Ocado Smart Platform. Includes physical infrastructure solutions and end-to-end proprietary software solutions

Catalysts

- Dragging COVID restriction measures, reinforcing e-grocery trend adoption, and post-pandemic habit stickiness
- New partnership agreements, especially in emerging markets
- Opening of new Customer Fulfillment Centers

Risks

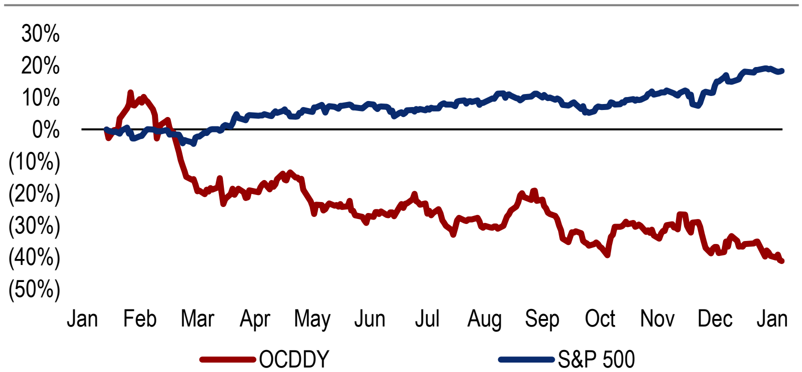
- Failure to find new partnership agreements
- Low adoption of e-grocery trend past COVID
- Wage pressures and labour shortages

Investment Theses

1. **Market is Overestimating Competition from Micro-Fulfillment Providers**
   - The Micro-Fulfillment Centre model remains the most favourable option to face the rise in demand for e-grocery and the logistical complexity of its associated fulfilment process
   - Since purchasing the stock, albeit only recently, no new major contracts with Ocado have been announced. This lack of activity signals that potential clients are still awaiting results from early adopters and that the market has yet to fully appreciate Ocado's superior solution
2. **Market is Overestimating Immediacy Impact**
   - The emphasis on immediate grocery delivery is operationally unoptimizable for large-scale e-grocery trend adoption and the associated price premium is too expensive for the majority, signaling an overestimated TAM
   - The lack of public competitors combined with no new earnings call makes it difficult to establish the market view on this thesis. The recent stock price dip would suggest it is yet to be priced in.

Target price remains at $57.60, and we will closely monitor e-grocery trend adoption stickiness in 2022

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$48.62
# of Shares	850
Value Invested	$49,667
Portfolio Weight	4.4%
2021 HPR	-6.2%
2021 Benchmark Return	18.5%
Excess Return	-24.7%

Sources: Company Filings

ENERGY & UTILITIES

2021 REVIEW & 2022 OUTLOOK

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Energy & Utilities

Rebounding Beyond Expectations

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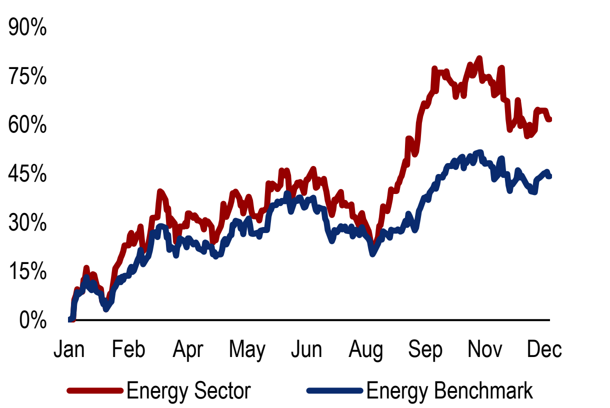
Overview

With oil prices near their multi-year highs, the Energy sector has rebounded significantly from 2020 record lows, buoyed by recovering demand amid lingering uncertainty surrounding the COVID-19 pandemic. Since the beginning of the year, the DCM Energy sector returned an impressive 62% vs. the sector benchmark of 44% and fund benchmark of 26%. We achieved a significant outperformance largely driven by successful stock selection throughout the COVID-19 pandemic, led by a stellar performer, Tourmaline Oil Corp, up 127% since we purchased it.

Figure 1: DCM Energy Sector Performance, 2021



2021 Review

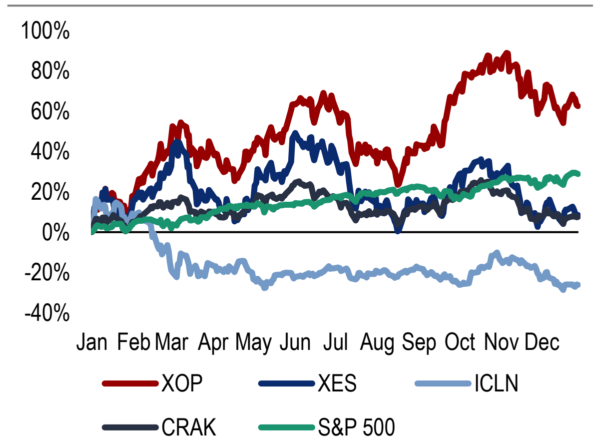
While oil prices were at record lows in 2020 due to the OPEC+ price war between Saudi Arabia and Russia as well as the demand drop caused by the pandemic, Energy was the best performing S&P sector in 2021, generating a total return of 53% compared to the S&P 500's returns of 27%. Such returns are remarkable, especially for a sector that has underperformed relative to the market for most of the past decade.

The Oil & Gas subsector rebounded beyond market expectations in 2021. While accelerating vaccination rollouts and government stimulus boosted economic recovery, OPEC+ continued to tighten supply, and the Ida Hurricane limited US oil supply. Energy demand bounced back amid supply lags and rapid inventory drawdowns – now below the pre-pandemic 5-year average – resulted in an energy crunch, notably in Europe and Asia.

While oil prices rallied, the Renewables subsector was on a downward trend during the first half of 2021 before stagnating during the second half. Following the 2020 bull run, a readjustment in market sentiment vis-à-vis renewables was not surprising. Nevertheless, the Paris Agreement's carbon emissions reduction goals remain at the heart of discussions, producers continue to drive wind and solar costs down, and governments increasingly introduce favorable policies – all important tailwinds for the subsector.

2021 also marked a renewed interest in hydrogen. While green hydrogen is surnamed "the holy grail of renewable energy," DCM is rather bullish on grey / blue hydrogen. In addition to its cost advantage over green hydrogen, it is the ideal *transition* fuel: blue hydrogen represents a means of utilizing the full potential of existing infrastructure with many years of useful life left, while prompting the development of hydrogen-compatible infrastructure. Green hydrogen stocks rallied in 2021, with prices roaring more than 500%. Investments in natural gas companies (i.e., our holding Tourmaline) can increase DCM's exposure to grey / blue hydrogen, though their stock prices have also been skyrocketing due to the oil squeeze explained above.

Figure 2: Energy Subsectors Performance, 2021



Sources: BMO Capital Markets, FactSet, NASDAQ

Energy & Utilities

2022 Outlook

Identity Crisis in Traditional Fuels

As the world continues to shift to a renewable future, there is enormous pressure from providers of capital and stakeholders for businesses to evolve to the new energy economy. Moving into 2022, we can expect that traditional Exploration and Production companies will favour flatter production with excess cash flows to be primarily used to reduce debt levels. This has already started to take effect as we saw cash flow reinvestment rates between 50% and 70% nearing the end of 2021.

Despite the urgency of the energy transition, we are still expecting oil prices to remain high. Currently, the median cost to produce a barrel is US$35-40. Therefore, with the current price range above US$60, we are seeing meaningful margins and improvements to balance sheets. As with the last few weeks, price volatility is still to be expected in the coming year as new variants of the COVID-19 virus take hold, and governments are spurred to action. Furthermore, there is strong stakeholder pressure on traditional oil and gas companies to show regular returns and not reinvest in growing their supply amid the energy transition. This is capital discipline that the Energy sector has not seen in a very long time.

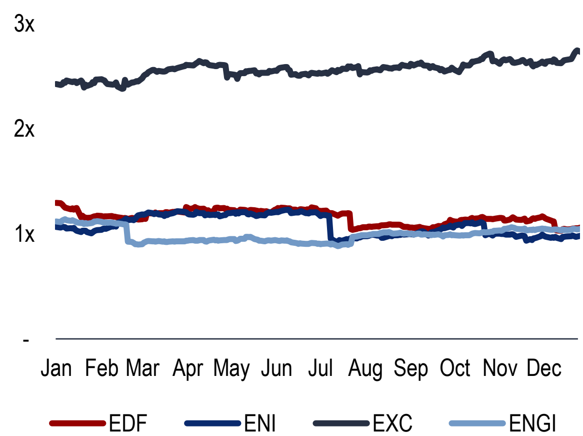
Nuclear Power on the Rise

As investors have turned towards key Renewables sectors such as Hydro and Solar, causing inflated valuations in these renewable segments, we are exploring the potential for alternative energy companies, particularly those involved with nuclear power in the European Union and China.

This past year, North American nuclear power generation was on the brink of closure, with legislative support barely keeping it afloat. However, in other parts of the world, nuclear power saw great strides for the future. Recently, Brussels proposed a green label for nuclear power generation, paving the way for investments despite concerns over toxic waste.

This classification of "Taxonomy for sustainable finance" will help financial markets decide what counts as a sustainable investment for the next two decades. As it currently stands, the draft taxonomy text claims that nuclear power will be considered a sustainable economic activity, so long as "EU countries that host power stations can safely dispose of toxic waste and meet a criteria to cause no significant harm to the environment." This taxonomy text is pending approval from a majority of EU members but is likely to earn widespread support from governments despite being criticized by certain environmental groups.

Figure 3: Major Nuclear Company EV/Sales



From an equity perspective, the stagnation in the Nuclear sector is apparent through its trading multiples, showing minimal change over the period. However, with the world showing unprecedented levels of ESG capital, we are bullish on nuclear energy moving forward, especially in European markets. Thus, we view alternative energy positively, especially with a focus on nuclear power generation, and will monitor companies such as ENGIE and EDF, which are both based in France, and CGN Power, which is based in China.

Sources: Capital IQ, Financial Times, IEA, Yahoo Finance

Energy & Utilities

Holdings Review – Tourmaline Oil

TOURMALINE

Company Overview

- Tourmaline is the largest natural gas-focused upstream producer in Canada, with 1,587 wells drilled in two Canadian basins: Alberta Deep Basin and Montney Formation
- The company is the 5th largest natural gas producer in North America
- Tourmaline produces liquids-rich natural gas from the NEBC Montney and AB Peace River High production sites, while producing tight natural gas sand at their Alberta Deep Basin Site

Catalysts

- Increased global demand for natural gas, primarily in Europe and China, strengthening natural gas prices and cementing Tourmaline's position as a dominant Canadian E&P
- Future share buybacks and special dividend increases as witnessed in Q4 2021

Risks

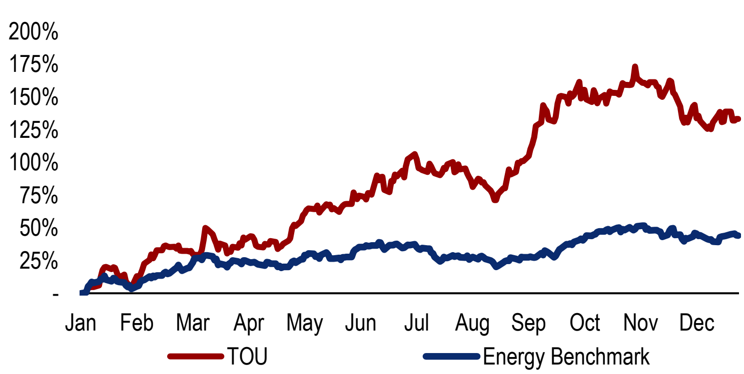
- Below-expectations variable drilling program results can hamper growth profile
- Tourmaline is only partially hedged in 2022 and is therefore fairly exposed to fluctuations in commodity prices

Investment Theses

1. **Strong Balance Sheet for Accretive Asset Acquisition**
   - Tourmaline's acquisitions have increased the free cash flows for the company on their 5-year plan to grow production and to consolidate Canadian natural gas assets. Despite this, these acquisitions elicited minimal reactions from the market.
   - In Q3 2021, Tourmaline acquired Black Swan Energy. Considering Tourmaline's continued strong balance sheet and aggressive stance on acquisitions into the future, we believe this thesis will hold.
2. **Market Not Rewarding Tourmaline for Better Cost Structure**
   - In comparison to key competitors in the market, Tourmaline continues to have above average operating netback, a metric for measuring profitability for E&P companies.
   - From the end of 2021, we saw that Tourmaline's operating costs, a significant component of operating netback, are low compared to smaller peers.

We will HOLD Tourmaline based on the belief that our investment theses will continue to hold into the foreseeable future; despite the company's significant outperformance of our benchmark, we believe that it will continue to benefit from the global energy transition.

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$17.93
# of Shares	700
Value Invested	$28,588
Portfolio Weight	2.5%
2021 HPR	147.1%
2021 Benchmark Return	44.2%
Excess Return	102.9%

Sources: Capital IQ, Company Filings, Yahoo Finance

Energy & Utilities

Holdings Review – Suncor Energy

Company Overview

- Suncor is a vertically integrated oil & gas player based in Calgary, operating primarily in Athabasca
- It is exposed to Syncrude, an upgraded grade of oil from bitumen, and WCS, a heavy crude produced by blending bitumen with Syncrude and condensate
- The company is engaged in exploration & production, downstream refining, marketing through Petro-Canada, and upgrading its own production. It also maintains offshore operations off the Canadian East Coast and in the North Sea
- Upstream production is expected to average 750mboed in 2022

Catalysts

- Further dividend increases, continuing the trend established in 2021 when dividends hiked by 100%
- Spurred oil demand following rollback of Omicron-related pandemic restrictions

Risks

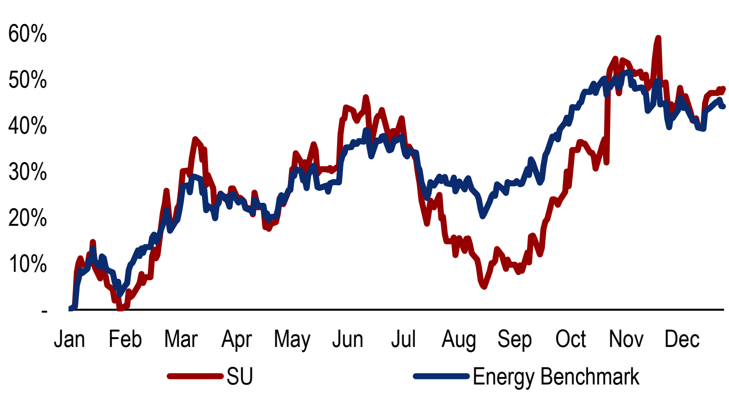
- Syncrude, which represents a sizeable portion of Suncor's portfolio, has been historically affected by operational and reliability challenges
- Extreme Albertan weather has resulted in substantial operational risks, via power outages and wildfires

Investment Theses

1. **Suncor is more efficiently integrated than peers**
   - Suncor refinery utilization averaged 95% in 2021, compared to the US 5-year average of 89%. Suncor can leverage its integrated asset base, focus on value over volume, and react to changing market conditions.
2. **Downstream more robust than competition in downturn scenario**
   - As a fully integrated company, Suncor fares better than purely upstream peers, as lower crude costs can be partially mitigated by its downstream operations. As such, Suncor has been able to be profitable with WTI prices of only $35/bbl, which has allowed the company to perform strongly as WTI prices soared in 2021.
3. **Unjustified market pessimism**
   - Although Suncor faces financial risk when crude prices fall, its disciplined capital management has allowed it to maintain reasonable debt levels. In 2021, Suncor repaid $3.1bn in debt, maintaining a healthy balance sheet.

We initiated the position in Q1 2019 and have decided to HOLD Suncor, despite its 45% runup in 2021, as we continue to believe that our investment theses have yet to materialize and be priced-in by the market.

Stock Price and Sector Benchmark Performance



Sources: Bloomberg, Capital IQ, Company Filings

Position Snapshot

Average Cost	$42.50
# of Shares	1,075
Value Invested	$34,023
Portfolio Weight	3.0%
2021 HPR	53.9%
2021 Benchmark Return	44.2%
Excess Return	9.7%

FINANCIAL INSTITUTIONS

2021 REVIEW & 2022 OUTLOOK

Mohammed Souit
Senior Analyst

Ze Yi Lin
Senior Analyst

Julien Séguin
Junior Analyst

Matt Pein
Junior Analyst

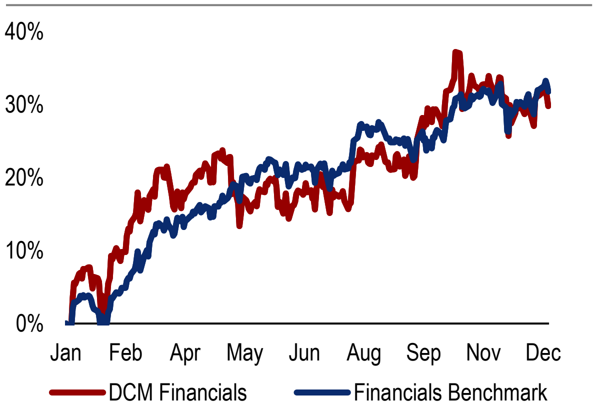
Financial Institutions
2021 Overview

Zeyi Lin, *Senior Analyst*
Mohammed Souit, *Senior Analyst*
Matt Pein, *Junior Analyst*
Julien Séguin, *Junior Analyst*

Performance Overview

The DCM financials portfolio slightly underperformed the sector benchmark by ~2% (29.8% and 31.8% in 2021). During the year, US 10-yr yields rose from 0.92% to a high of 1.79%. The recent run up in financial stock valuations is influenced by a wider acceptance of longer lasting inflationary pressures reflected by a recent rise in US 10-yr yields to 1.79%. Performance suggests that some of our holdings are more sensitive to rising rates than the benchmark. The FIG team within DCM has decided to shift to selecting specific securities that take advantage of interesting tailwinds of larger themes and apply it along the value chain. Notable examples are our investments in SC&C Technologies and Fiserv. Overall, we feel the financial sector is fairly valued in comparison to the market with some pockets of opportunities inside of value chains. Financial companies are fairly valued as they trade at ~16.1x earnings, have sticky relationships, and steady cashflows.

Figure 1: DCM Financials Sector Performance



2021 in Review

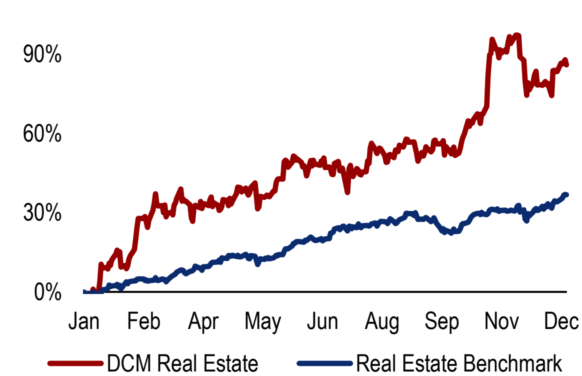
The banking sector has slowly returned to normalcy during the year. Our holdings have performed well despite pressure on their core business being offset by strong fee income. Concerns have also eased with the 10-yr yield increasing. With the Fed's loosening regulatory requirements, ~60% of US banks' loan loss provisions have been released by Q3, artificially bolstering earnings. However, operating expenses and technology-related spending continued to outpace revenue, contributing to sluggish profitability.

The slight underperformance is attributable to James River Group, a specialty P&C insurer and reinsurer, which incurred large losses on mispriced commercial auto liability with Uber, which has subsequently been reinsured. This mishap came as a surprise since industry-wide premium growth and reduced losses led to improving operational metrics.

Real Estate Sector Highlight

DCM real estate sector significantly outperformed its benchmark in 2021 (85.9% vs 36.7%, respectively). Driven solely by Simon Property Group, it reflected the sector's uneven recovery from COVID-19. With the emergence of new variants, self-storage and industrial REITs fared best among other sectors. Despite persisting secular headwinds, top-tier malls have benefited from increased occupancy rate and rent collection relative to 2020, leading to NOI and FFO growth. Likewise, foot traffic and retail spending have closely recovered to pre-pandemic levels, mitigating some concerns over inflation and supply chain issues.

Figure 2: DCM Real Estate Sector Performance



Sources: FRED, Nareit, Reuters

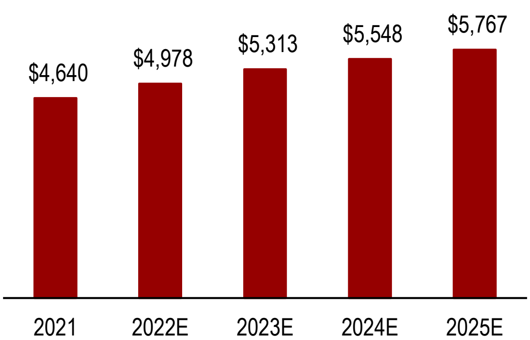
Financial Institutions

2022 Outlook

Continued Optimism on Private Equity

Private Equity (PE) businesses have a high-quality business model, collecting a 2% annual fee on locked-in AUM. Since lock up periods of outside capital often span periods greater than 5 years, the fee income is very sticky, with performance profits rewarding investor acumen. Large PE firms also benefit from economies of scale as bigger players often get first access to new potential deals. On top of this, PE firms are launching new products to spur growth in new areas such as secondaries, hybrids, and convertible funds. Finally, the current high volatility environment should benefit the PE sector which historically allocated funds opportunistically. However, the market seems to recognise their quality as they trade at lofty multiples. Despite the turbulent times caused by the pandemic, the PE sector has never looked healthier. Publicly listed firms gained cumulatively over US$200bn in market value this year. The market's bullish stance on private market investors is evidenced by the increasing desire for buyout groups to access public markets and benefit from higher valuations. Fortunately for this segment, investors seem to have a higher appetite for risk than they had during the last recession, when many investors pulled back from this particular asset class. Assets under management for PE is expected to rise at a 5.6% CAGR until 2025.

Figure 3: Private equity AUM, in US$ millions



Sources: Deloitte, Financial Post, McKinsey, TIIA Institute

Wealth Management Transformation

Wealth managers are facing large secular tailwinds. Firstly, Baby Boomers are expected to transfer $68tn to younger generations over next 25 years. By 2030 millennials will hold five times more wealth than today. Interestingly, a 2018 study showed 28% of Millennials display a "very low" level of financial literacy and 80% or more of heirs will look for a financial advisor after inheriting their parents' wealth, creating a large market for wealth management services. Secondly, emerging markets will grow at 3x the rate of the developed world. The increase in economic development will produce large, new pools of wealth and thus demand for wealth management services will rise. Another trend is fee compression. Money managers' fees are being competed away due to increased supply of investment products, rise of passive funds, and active fund underperformance. However, we see opportunities for firms providing streamlining & cost cutting solutions through digitalization. Over the past decade, there has been a rise in outsourcing front-to-back-office jobs to SaaS businesses. SaaS for financial services firms is a great business. They are asset-light businesses, with high switching costs, sticky relationships, and subscription-based earnings. As a result, we are monitoring many investment opportunities in undervalued SaaS companies serving wealth management businesses. Wealth management companies must continue to optimize their operations as their performance and fee income are being threatened. Increasing outsourcing of low-value add services that are easily replicated with software programs is an easy choice to make given the costs savings it generates. Transformative technologies will help firms save significant amounts of time and reduce personnel cost. As a result, we see the digitalization of this sector to be an important trend in the upcoming years.

Financial Institutions

Holdings Review – Simon Property Group

Company Overview

- Simon Property Group is a real estate investment trust (REIT) that owns, develops and manages premier shopping, dining, entertainment, and mixed-use destinations, consist primarily of malls, Premium Outlets, and The Mills.
- The company owns or holds an interest in 201 properties in the US, which consisting of 95 malls, 69 premium outlets, 14 Mills, six lifestyle centres, and 17 other retail properties in 37 states and Puerto Rico.
- The REIT owns an 80% noncontrolling interest in the Taubman Realty Group (TRG), 32 *Premium Outlets* across Asia, Europe and Canada.

Catalysts

- Launching large redevelopment or development projects that were halted due to the pandemic.
- Going on the offensive in terms of acquisitions.
- The lift of travel ban would increase the presence of foreigners, increasing properties' foot traffic.

Risks

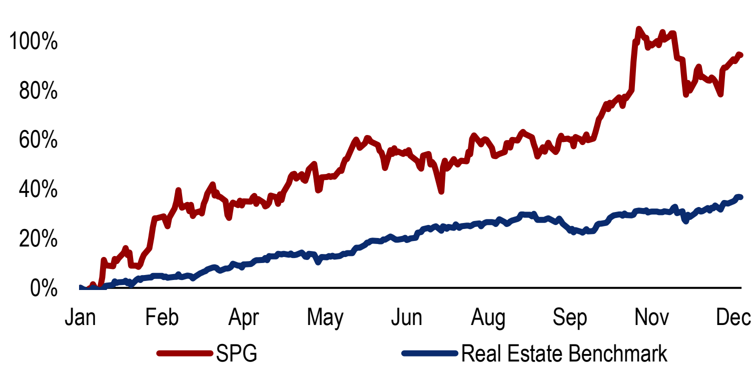
- The extent of the urban exodus due to COVID might negatively impact the metropolitan areas retail landscape where SPG operates.
- Acceleration of online retail sales would be a headwind to grow occupancy rates.
- Rising interest rates could negatively impact financing costs.

Investment Theses

1. **Malls that can adapt to the changing retail environment will thrive in the long-run**
   - SPG has now substantially more financial flexibility with the company's liquidity standing at $8.0bn
   - Despite management discussion, we are waiting for a greater pivot towards entertainment and residential units
   - SPG is well positioned to adapt and will emerge stronger from this transitive phase compared to its peers
2. **SPG was overly punished due to the industry in which it operates, but the market now realized its merit**
   - The penalty the market puts on SPG is shrinking with economy reopening and larger spending in B&M stores
   - The firm has the will to diversify its portfolio by redeveloping many assets and varying its geographic exposure
3. **Acting as a smart player in buying out bankrupt tenants will allow SPG to generate robust returns**
   - The firm and its partner have been audacious and skillful bidders of distressed retailers. The acquisition of Forever 21, Brooks Brothers, Eddie Bauer, and Reebok added over 350 retail locations to SPG portfolio

After a very strong rally in 2021, we believe SPG has still some room to grow, with several potential catalysts

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$139.46
# of Shares	118
Value Invested	$24,158
Portfolio Weight	2.1%
2021 HPR	94.2%
2021 Benchmark Return	36.7%
Excess Return	57.5%

Sources: Bloomberg, CapIQ, Company's Fillings

Financial Institutions

Holdings Review – SS&C Technologies

Company Overview

- SS&C Technologies Holdings (NASDAQ: SSNC) is the world's largest hedge fund and private equity administrator.
- The SaaS business operates technologies across securities accounting, front-to-back-office operations, performance and risk analytics, regulatory reporting as well as healthcare information processing.
- Bill Stone, the CEO and founder, has scaled revenue and operating income more than 25% annually to ~$5bn and $1.2bn over the past 10 years, integrating 58 companies since inception.

Catalysts

- Continuation of M&A activity, driving growth and earnings expansion.
- Surpassing management's initial guidance on cost synergy estimations - a common theme.
- Organic growth picking up which would be well received by Wall Street.

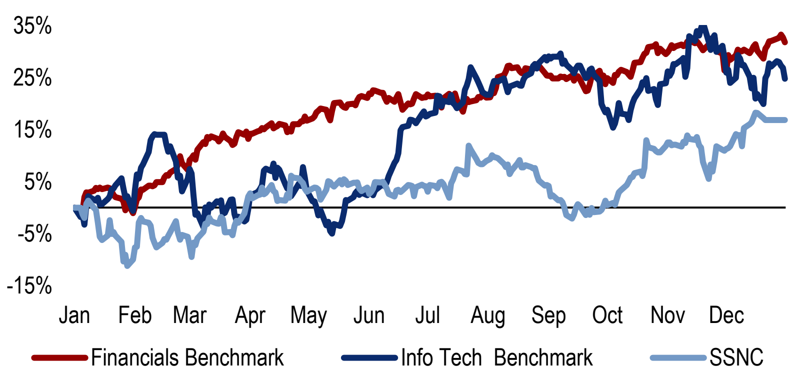
Risks

- Difficulty in successfully integrating past and future acquisitions.
- Lagging performance of clients leading to company outflows.
- Lack of reasonable valued acquisition targets stunting M&A activity and thus growth.

Investment Theses

1. **The Market is overly pessimistic about M&A prospects and future capital allocation**
   - Since inception, Bill Stone has made 58 acquisitions with a cumulative value of ~$13bn. In the process he has consistently bought companies at low multiples (8-13x EBIT), optimise margins (low-20s to high-30s) and scale revenues.
   - Bill Stone, the CEO and Founder, is highly incentivised to drive value creations as he owns ~10% of the company with over $2bn (80%) of this total net worth invested in the company.
   - Sector wide multiple expansion in software technology companies, in the past 2 years have stifled M&A opportunities. We see high valuations as temporary and expect M&A driven value creation to resume .
2. **Market is overlooking SS&C's ability to grow its business organically**
   - The highly integrated portfolio of SS&C will allow the company to up/cross-sells different offerings to existing customers and drive organic revenue growth as they take a greater wallet share per customer.
   - SS&C products and services are highly sticky which form the base for price increases.

Stock Price and Sector Benchmark Performance



Sources: Company's Fillings

Position Snapshot

Average Cost	$79.34
# of Shares	500
Value Invested	$52,812
Portfolio Weight	4.7%
2021 HPR	3.4%
2021 Benchmark Return	31.8%
Excess Return	-28.4%

HEALTHCARE

2021 REVIEW & 2022 OUTLOOK

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Senior Analyst

Sayeed Yousuf
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Alexa Goulas
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Bingcheng Peng
Junior Analyst

Healthcare

COVID-19 Pandemic Blazes On

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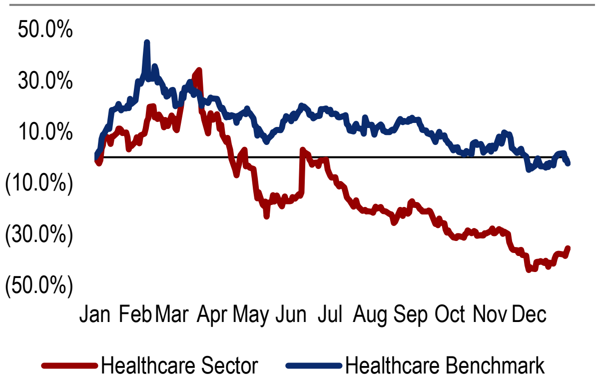
Sayeed Yousuf Ahmed, *Senior Analyst*
Alexa Goulas, *Junior Analyst*
Bingcheng Peng, *Junior Analyst*

Overview

COVID-19 has fueled significant investment across the healthcare industry, however, after peaking in early February, the sector witnessed significant pullback in the remainder of 2021 – returning (2.4%) for the year. Relative to the benchmark, DCM Healthcare returned (35.6%), underperforming in the latter half of the year. In the first half of the year, DCM Healthcare exited its positions in Catalent (NYSE: CTLT), HLS Therapeutics (TSE: HLTRF), and Trxade Health (NASDAQ: MEDS), generating holding period returns of 17%, 30%, and 34%, respectively. These exits left the sector overweight in the biotechnology subsector for a large part of the year and heavily reliant on the performance of Orchard Therapeutics (NASDAQ: ORTX), which fell (69.9%) over the period. DCM Healthcare refilled its portfolio in Q4, taking a new position in Aveanna Healthcare Holdings (NASDAQ: AVAH) exposing the sector to the home-healthcare subsector. The position remained flat over the holding period with an average purchase price of $7.40 per share.

Figure 1: DCM Healthcare Sector Performance, 2021



2021 In Review

Aveanna Healthcare (NASDAQ: AVAH)

Aveanna Healthcare's ("AVAH") poor performance since its IPO in April 2021 is in line with its home health nursing peers, which suggests that the headwinds facing the company are systemic rather than idiosyncratic. The main factor driving the sector's lagging results over the last year was the US nationwide labour shortage in nurses (Figure 2). In fact, the decline in health care employment during the pandemic was unprecedented: it was the first time since 1990 that the overall health care industry's monthly employment decreased. The desertion was caused by the pandemic and its aftereffects, including employee burnouts, vaccine hesitancy, and change in (un)employment benefits. As of June 2021, home health care and nursing homes were the subsectors hardest hit by the nursing labor squeeze; preventing companies like AVAH and its peers from fully capturing the roaring demand for at-home care.

DCM was not surprised by the labour shortage's impact on AVAH's short-term performance since we identified it as the most important investment risk in our initial pitch. Moreover, our thesis stating that AVAH's superior human capital management would help it navigate the crisis better than its peers was reinforced by the company reporting industry-leading nurse win and retention rates during 2021.

Figure 2: Nursing Shortage Effect on US Home Health

Home Health's EV / EBITDA decreased from ~30x in January 2021 to ~20x in December 2021 (Figure 3).

Sources: Federal Bureau of Labor Statistics, S&P Capital IQ

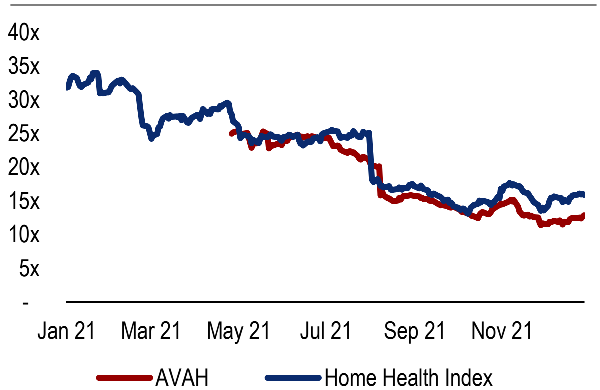
Healthcare

2021 Overview – Continued

The drop in valuation multiples reflected (1) industry-wide earnings misses, and (2) dampened growth guidance caused by the ongoing nurse labour shortage and other various exogenous factors – such as the COVID-19 Omicron variant.

AVAH's valuation multiple spread expanded versus peers in the Fall of 2021 as the company took on material leverage to perform multiple roll-up acquisitions in the Home, Health, and Hospice space ("HHH") (Figure 3). This was in line with our second investment thesis stating that inorganic growth in HHH should be the principal growth strategy employed by the company given the attractive economics of the segment and the management team's M&A expertise. While we agree that the increased debt-level heightened the company risk (and thus justified the lower re-rating), we believe that the current spread is too large and will contract as the company successfully integrates its HHH acquisition and deleverages its balance sheet.

Figure 3: AVAH vs. Peers EV / EBITDA (LTM)



Orchard Therapeutics (NASDAQ: ORTX)

Orchard Therapeutics' ("ORTX") shares experienced their worst 1-year drop since its IPO, losing 80% of its value. Given the biotechnology sector also lagged the broader market in 2021, ORTX's downfall was primarily driven by a combination of industry-based and idiosyncratic factors, with the latter accounting for most of the impact.

A few headwinds were responsible for the sectors' lackluster performance (Figure 4). Firstly, the US Federal Trade Commission increased antitrust scrutiny of pharma deals in March 2021. Secondly, the Biden administration unveiled their plan to lower prescription drug prices in November that included several aggressive proposals but largely tread over ideas that Democrats have pushed for years. Lastly, COVID-19 driven delays in clinical trials caused market skepticism, especially towards smaller biotech companies such as ORTX due to liquidity concerns.

Figure 4: Biotech Sector EV / Revenue (LTM)

The broader political and legal factors were anticipated given the history of democrats to scrutinize pharma and biotech companies and attempt to lower drug prices. However, we underestimated the extent of the impact of COVID-19 driven delays on ORTX's stock. Commercial risks to the launch of their key drug Libmeldy™ in the EU, combined with other delays and consequent liquidity risks caused their multiple to decrease. However, we view these delays as transitory rather than permanent, and remain bullish on ORTX's long-term potential.

Sources: Federal Bureau of Labor Statistics, S&P Capital IQ

Healthcare

2022 Outlook – Pandemic Becomes Endemic

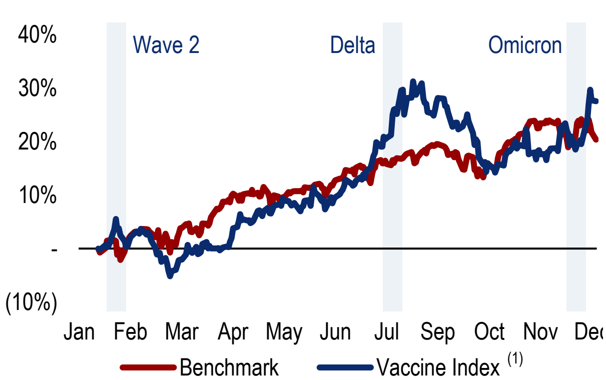
Pandemic Trudges On

As the world enters 2022, marking two full years of the pandemic, COVID-19 continues to have enormous impacts on the global healthcare sector. In retrospect, numerous foundational shifts have been exacerbated as a result of the pandemic; healthcare digitalization, biotechnological innovation, governmental regulations, and care support systems have all been forced to adapt faster than ever. With new variants of the virus constantly emerging, DCM Healthcare sees COVID-19 continuing to be a recurring force, bringing systematic changes to the broader healthcare sector. The uncertainty of the pandemic will continue to accelerate intra-industry cycles, catalyzing disruptive innovation and amplifying sector index volatility.

Capitalizing the Recurring Nature of Vaccinations

As of January 2022, the global first-dose vaccination rate is below 50%, with cross-border gaps between emerging markets and developed countries remaining a large hurdle for distribution. Estimates indicate that the first-dose vaccination rate of many emerging countries is still below 5%, creating an ideal environment for new variants to emerge. Based on the recurring nature of new variants, the vaccine maker index tends to outperform its benchmark during virus transmission peak periods. The high volatility pattern within the vaccine index is the key indication of market uncertainty towards COVID outlooks (Figure 5). In 2021, significant amounts of capital were allocated towards medical innovation of antibody enhancements, injection alternatives, and sustainable solutions for future virus variants. DCM Healthcare expects vaccine developers to outperform with higher volatility, however, vaccine candidate outcome is a key factor towards successful capitalization of the global pandemic. Heading into 2022, we continue to monitor the R&D allocation among large-cap equities and respective regulatory fillings to find alpha-positive opportunities within the vaccine index.

Figure 5: 2021 DCM Vaccine Index Performance



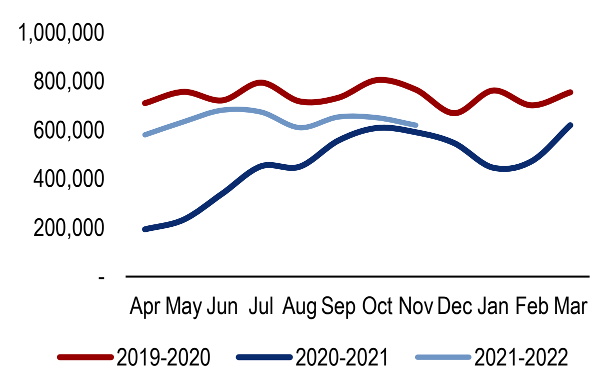
(1)Note: the DCM Vaccine Index includes companies with prospective booster shots, notably PFE, JNJ, MRNA, AZN & NVAX

Sources: Capital IQ, DCM estimates, NHS Statistics, Yale Medicine Journal

Non-COVID Wait Times Grow in Patient Backlog

Throughout the pandemic, COVID-19 hospitalizations have decreased access to non-COVID-19 related medical care services and deterred many from seeking traditional care. Globally, current processed elective treatments are still below the pre-pandemic level, resulting in significant patient backlogs (Figure 6). The long-term effects of late diagnoses, subpar chronic disease management, and postponed treatment will compound into a systematic impact on the healthcare service sector and create bottlenecks within the value chain. DCM sees an attractive value proposition in companies with disruptive innovation as a solution for hospitals dealing with patient backlogs and faster ways to manage and treat patients.

Figure 6: UK Elective Procedures YoY Discrepancy



Healthcare

Holdings Review – Orchard Therapeutics

Company Overview

- Orchard Therapeutics is a commercial-stage, fully integrated biopharmaceutical company. The Company is focused on its autologous ex-vivo gene therapy approach on therapeutic rare disease areas including neurometabolic disorders, primary immune deficiencies and blood disorders.

ORTX current pipeline	Stage
OTL-200 (MLD)	EU Commercialization
OTL-300 (TDT)	Proof of Concept
OTL-102 (X-CGD)	Proof of Concept
OTL-103 (WAS)	Potency Assay
Strimvelis (ADA-SCID)	EU Commercialization

Catalysts

- Expansion of ex-vivo HSC approach and proof of concept studies for other physiological systems
- Accelerated regulatory process & increased disclosure transparency on value-creating events
- Big pharma may potentially acquire ORTX to gain exposure to ex-vivo HSC gene therapy approach

Risks

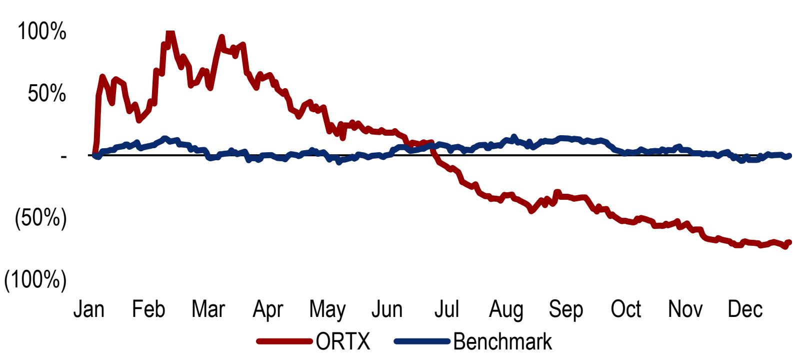
- Significant development delays or failures in primary targets will invalidate our thesis
- Unexpected competition in the neurometabolic disease market would lower Orchard's peak sales
- Unexpected pricing pressure from public players

Investment Theses

1. **Market is underestimating the total addressable market of the late-stage drug (OTL 103)**
   - The continuous delay in late-stage drugs (OTL-103, 200 & Strimvelis) is systematic rather than idiosyncratic
2. **Market is overlooking early-phase drugs (OTL 102, 104, 201, 202, and 203)**
   - Expertise from late-stage assets such as OTL-203, 201 and 202 is being overlooked by the market
   - The market is pricing in a ~23% success rate vs DCM's view of a 30% success rate
   - Early phase drugs should be de-risked from expertise acquired from GSK assets

ORTX's unique ex-vivo lentiviral gene therapy (LVV) is the appropriate approach for ultra-rare genetic diseases with highly unmet needs. Despite the current market negative sentiment on continuous pipeline approval delay and liquidity concerns, we share positive long-term views for ORTX stock performance, and we believe that the market is not fully capitalizing on the risk-adjusted platform given the company's high-probability, unique-approach pipeline portfolio. Looking forward, we expect further clinical updates on OLT-103's registration trial with potency assay and interactions with the FDA for ORTX's commercialized pipeline.

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$11.98
# of Shares	4,100
Value Invested	$7,907
Portfolio Weight	0.7%
2021 HPR	-69.4%
2021 Benchmark Return	-2.4%
Excess Return	-67.0%

Sources: Capital IQ, Company fillings, DCM estimates, Thomson One

Healthcare

Holdings Review – Aveanna Healthcare

Company Overview

- Aveanna Healthcare Holdings is a diversified home care platform company providing private duty nursing (PDN), adult home health and hospice (HHH), home-based pediatric therapy, and enteral nutrition services in the United States.
- Founded in 2017, the Company aims to palliate the structural cost problem of the US healthcare system caring for higher-cost members of the population.
- Headquartered in Atlanta, Georgia, USA, the company operates 245 locations across 31 states with a network of 42,000 caregivers and 1,800 payers. The company went public on April 29th, 2021.

Catalysts

- Overcrowded hospitals due to COVID-19 are pushing insurers to move patients out of hospitals more quickly and are offering premiums to home healthcare agencies to do so
- Current US administration increasing spend on Medicare and Medicaid infrastructure

Risks

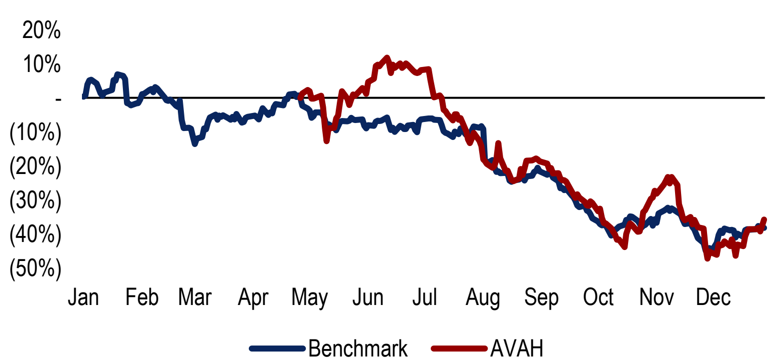
- Healthcare labor shortages, specifically in nursing, are facing heightened pressure as a result of the COVID-19 pandemic
- Previous sponsors dumping their shares is a risk, however, remains unlikely due to compelling growth opportunity

Investment Theses

1. **Market is underestimating long-term customer preferences towards home nursing**
   - Despite overall nursing shortages, nursing homes have seen a more drastic decrease in employment retention compared to home health agencies, signaling this shift towards home health is not only driven by patients' preferences but homecare aids too.
2. **Market is underappreciating business model shift from pediatric to geriatric**
   - AVAH is growing their TAM and expanding their margins by capitalizing on higher and increasing CMS reimbursement rates through their geriatric patients
   - The Company announced additional acquisitions in the geriatric space at the end of 2021 which DCM expects to increase top-line and margin performance through early 2022.

Demand for home-healthcare remains strong; however, nursing shortages have limited the Company's ability to benefit from this demand entirely. DCM holds their price target and continues to monitor the Company's ability to retain talent, acquire agencies, and service their debt as they enter the second year of the pandemic.

Stock Price and Sector Benchmark(1) Performance



Position Snapshot

Average Cost	$7.40
# of Shares	6,300
Value Invested	$60,025
Portfolio Weight	5.3%
2021 HPR	0.0%
2021 Benchmark Return	-2.4%
Excess Return	-9.3%

(1) Benchmark includes subsector leaders: LHG, AVAH, AMED, INNV, ADUS, and EHC
Sources: Boston Globe, Home Health Care News, S&P Capital IQ

INDUSTRIALS

2021 REVIEW & 2022 OUTLOOK

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Industrials

2021 Review

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Beatrix Mogos, *Junior Analyst*
Param Sahajpal, *Junior Analyst*

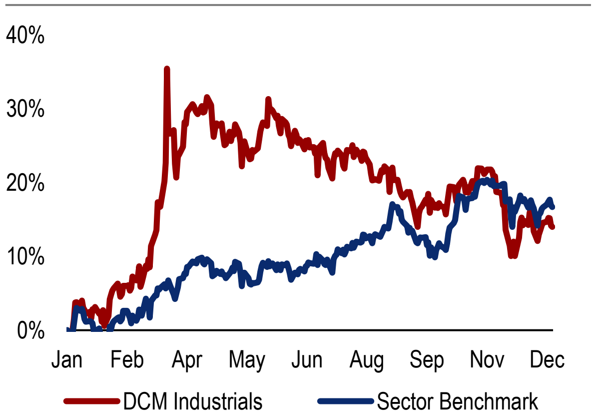
Overview

The DCM industrials sector returned 14.0% in 2021, underperforming the sector benchmark which returned 16.7% (Figure 1). The industrials sector underperformed the S&P 500 which returned 26.9%.

Despite an underperformance overall, the sector outperformed the benchmark throughout most of the year. This overperformance was caused by strong investor enthusiasm around electric vehicles, which has since died down resulting in a subsequent decline in sector returns, reflected in Volkswagen's returns (19.5%). The overperformance can also be explained by strong boat demand throughout 2021, resulting in high returns (31.6%) for Brunswick.

In addition to the decline in Volkswagen's returns, our overall underperformance can be attributed to significant headwinds facing the transportation and aerospace & defense industries, resulting in low returns for Canadian Pacific Railway (3.2%) and TransDigm Group (8.3%). However, TransDigm Group was sold in November to purchase Continental AG, and headwinds facing the transportation industry (high fuel costs and supply chain disruptions) are expected to subside over 2022 implying a positive outlook for Canadian Pacific, and a strong overall position for the future.

Figure 1: DCM Industrials Performance, 2021



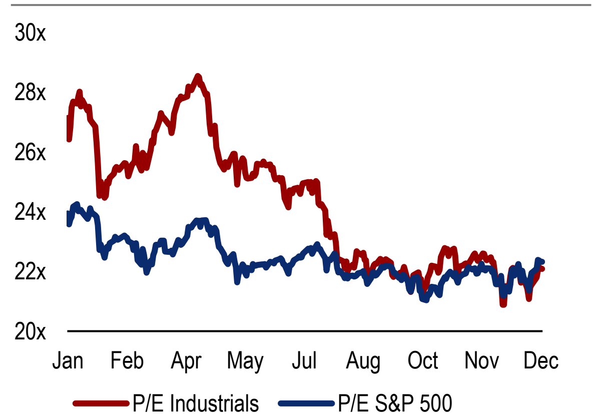
Sources: Forbes, Wall Street Journal

2021 In Review

Inflation and auto subsector trends are both driving factors for sector performance this year. Rising inflation drove investors to value stocks such as Brunswick and Volkswagen. Along with recovered demand, this resulted in strong returns in Q2 and Q3, followed by a downturn in both stocks due to supply chain issues later in the year. Furthermore, the auto subsector overall suffered due to supply chain issues and chip shortages. This significantly affected our sector's returns given DCM's strong position in the auto industry. As a result of these factors, Brunswick traded roughly in line with expectations, while Volkswagen surprised on the downside. TransDigm Group also surprised on the downside due to industry headwinds, and Canadian Pacific traded in line with expectations given recovered demand offset by fuel costs and supply chain disruptions.

Valuation multiples fluctuated widely in the first half of 2021, then traded in line with the market for the rest of the year (Figure 2). We expected a stronger valuation for the sector due to high expectations of economic recovery this year, underestimating the effects of supply chain shortages. We expect the sector to continue trading in line with the market through the following year, with a possibility of overperformance if supply chain issues ease.

Figure 2: Industrials Sector Performance, 2021



Industrials

2022 Outlook

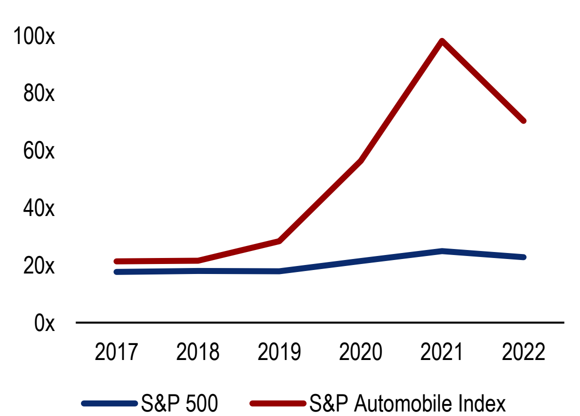
Performance Drivers

Many of the themes that shaped our investment strategy in 2021, namely inflation and supply chain disruptions, will continue to guide how we build and maintain our portfolio in 2022. Although we believe inflation has peaked, it is expected to remain above central bank targets this year. As a result, central banks around the world have undertaken a hawkish tone. We believe it'll be important to monitor their aggressiveness in targeting inflation since an overly aggressive approach may create a "taper tantrum"-esque selloff. This change in monetary policy should dampen valuations. The elevated inflation will be a result of strong consumer demand and continuing supply chain disruptions. Low unemployment rates coupled with firms looking to increase production levels creates an environment ripe for wage inflation. This should continue to prop up consumer demand. We saw a similar story play out in Q3 2021. By this time, government stimulus had been used up and yet, consumer demand remained elevated as wage hikes helped offset. We expect this situation to reoccur throughout 2022, especially since consumers' appetite for goods wasn't fulfilled due to production backlogs. In addition, we expect the supply chain disruptions seen last year to continue through 2022, contributing to higher inflation. The emergence of the omicron variant has added to current supply chain issues. China has continued to employ a zero-COVID policy, shutting down many production plants and 2 of the 5 busiest shipping ports in the world. A similar situation has occurred around the world. With inventories at all-time lows and demand remaining high, supply chains won't have the opportunity to adequately recover from this setback. We also expect this to result in high freight costs and low deliveries by upstream firms. The risk this poses to our Volkswagen holding should largely be offset by the firm's strong pricing power and by our downstream holding of Continental. In addition to these repeat factors, we also expect European economic growth to outpace the US over the next 2 years. Since the eurozone has seen lower inflation than other developed countries, it's expected to maintain expansionary economic policies. With our portfolio's high exposure to the European market through Volkswagen and Continental, we expect this to contribute to excess returns.

Automotive Subsector Valuation

The automotive subsector is currently trading at a ~25% premium to historical multiples on an EV/EBIT basis. These multiples have expanded considerably over the last 2 years due to heightened consumer demand for autos, fiscal stimulus, "free" capital and the high growth potential proposed by next generation offerings in electric and autonomous vehicles and e-mobility. However, we now believe the subsector is slightly overvalued. The industry has historically traded at a ~20% premium to the S&P 500 on an EV/EBIT basis but is now trading at a ~147% premium (Figure 3). We believe a premium is justified due to new growth opportunities, however, since their realization will come with high capex and R&D spend and is dependent on consumers adopting new technologies, the risk suggests the premium be lower.

Figure 3: Autos vs Market EV / EBIT Valuation



Sources: Financial Times, FRED, CNBC, WSJ, CIPS, Goldman Sachs, Forbes, CapitalIQ

Industrials

Holdings Review – Canadian Pacific Railway

Company Overview

- Leading operator of class 1 railway in Canada and the US, directly linking major ports on the west and east coasts
- Broad exposure to the Canadian economy, transporting both merchandise freight, such as automotive and energy products, and commodities such as grain, potash, and fertilizers
- Recently announced its acquisition of Kansas City Southern (KSU), which will allow CP to expand its railway network to the southern US and Mexico

Catalysts

- Continued economic recovery from vaccination rates higher than expected
- Increased volumes in grain and autos due to faster-than-expected recovery of grain crops and chip shortages

Risks

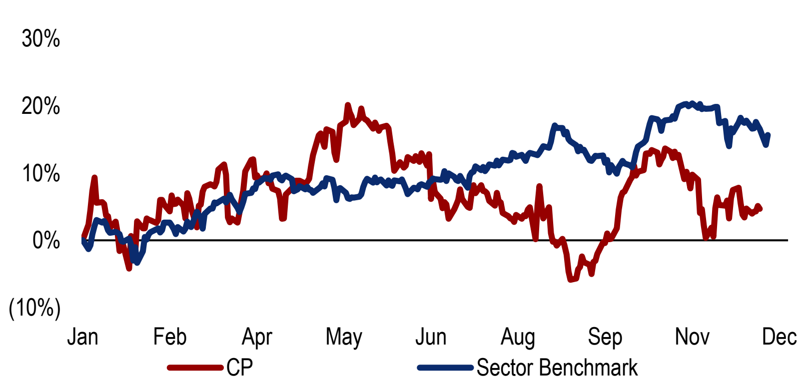
- Further economic slowdown from halting vaccination rates or new variants of COVID-19
- Continuing depressed volume from further poor grain crops, and chip shortages

Investment Theses

1. **Historical view is outdated given increasing efficiency for railway companies**
   - Precision Scheduled Railroading (PSR) methodology allows railway companies to run fewer and heavier trains faster and on schedule, move more volume, and use less fleets, increasing productivity and efficiency
   - This thesis has materialized, as we've seen drastic operating margin improvements for CP and other railway companies, and we believe the market is pricing these changes in
2. **Defensive stock with long-term growth opportunities**
   - CP has broad exposure to the Canadian economy, meaning this stock is defensive regarding macroeconomic fluctuations, proven by a relatively stable stock price and rapid recovery through the pandemic.
   - The company is committed to investing in future growth opportunities, including its prospective acquisition of KSU, which will benefit CP through further market and geographic diversification, presenting a long-term growth opportunity through exposure to new markets

Our target stock price of $73.80 has been exceeded, 8 months past the May 2021 horizon. We will continue tracking updates on the CP-KSU merger, and rail volume trends.

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$67.50
# of Shares	415
Value Invested	$37,756
Portfolio Weight	3.4%
2021 HPR	3.9%
2021 Benchmark Return	16.7%
Excess Return	-12.8%

Sources: Thomson One, Bloomberg, Company Filings

Industrials

Holdings Review – Volkswagen AG

VOLKSWAGEN GROUP

Company Overview

- Founded in 1937, Volkswagen is the parent company of industry leading passenger car and commercial car brands
- It manufactures and sells automobiles in Europe, North America, South America and Asia-Pacific with over 70% of its revenue stemming from Europe and China
- The firm also operates power engineering and financial services divisions where it manufactures and sells automotive propulsion and parts while also providing customers with financing options for the purchase of its products

Catalysts

- Product launches and start of Audi Q4 e-tron, ID.6 and Skoda Enyaq deliveries
- Completion of the Tennessee factory expansion and subsequent start of production

Risks

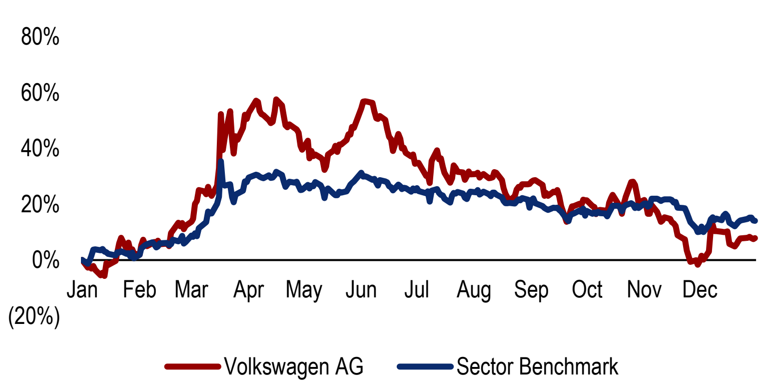
- Sustained supply chain disruptions causing delays and resulting in diminished production levels
- Chinese zero-COVID policy slowing down its auto market

Investment Theses

1. **EV leadership among legacy OEMs is not priced in**
   - VW has outpaced legacy OEMs in terms of R&D spend and capex as it relates to its EV capabilities. This has allowed it to leverage its engineering prowess to build its industry-leading MEB platform. Resultantly, it has established new revenue streams and taken EV market share across all regions.
   - The firm has continued to roll out new EV models which has allowed it to take market share across all regions, igniting a North American comeback as it has become the second largest EV maker in the region.
2. **Ideally positioned to disproportionately benefit from changing consumer demands**
   - Volkswagen has the highest market shares in Europe and China. Since consumers in these regions are most willing to switch to EVs and pay a premium for them, the firm's exposure will help it disproportionately win.
   - After a sluggish EV performance in China, the firm adapted its retail strategy and offerings to meet Chinese demand resulting in a strong rebound which has come with exceptional growth in the European EV space.

Our price target of €178.17 has been exceeded, however, we retain a long-term investment horizon as the firm executes on its transformation strategy. We will continue to monitor production levels and model rollouts.

Stock Price and Sector Benchmark Performance



Sources: Bloomberg, CapitalIQ, Company Filings

Position Snapshot

Average Cost	$26.55
# of Shares	1,200
Value Invested	$31,411
Portfolio Weight	2.8%
2021 HPR	-23.3%
2021 Benchmark Return	16.7%
Excess Return	-40.0%

MATERIALS

2021 REVIEW & 2022 OUTLOOK

Frank Shen
Senior Analyst

Benjamin Soucy
Senior Analyst

Benjamin Williamson
Junior Analyst

Sophie Song
Junior Analyst

Materials

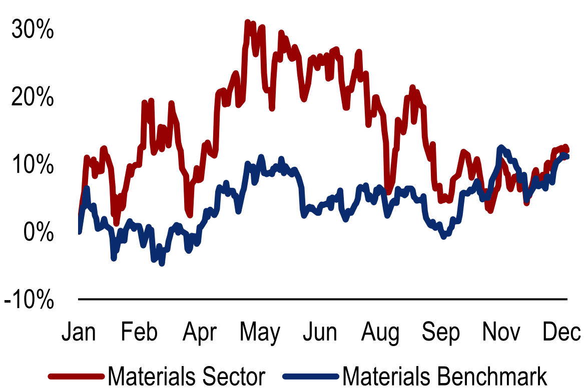
2021 Review

Frank Shen, Global Equity Fund Strategist
Benjamin Soucy, Senior Analyst
Benjamin Williamson, Junior Analyst
Sophie Song, Junior Analyst

Overview

The DCM Materials sector ended 2021 returning 12.0% versus 11.1% for the Materials benchmark. The overall Materials space underperformed the S&P500 by 6.6%. Outperformance was seen in aluminum and copper (further commentary below) as well as construction materials and lumber from record-high housing demand due to near-zero interest rates. Underperformers included commodity chemicals from increased input prices; gold as the market moved into cryptocurrencies as their negative beta asset of choice; and iron as Chinese real estate slows and construction companies see reduced steel orders.

Figure 1: DCM Materials Sector Performance, 2021



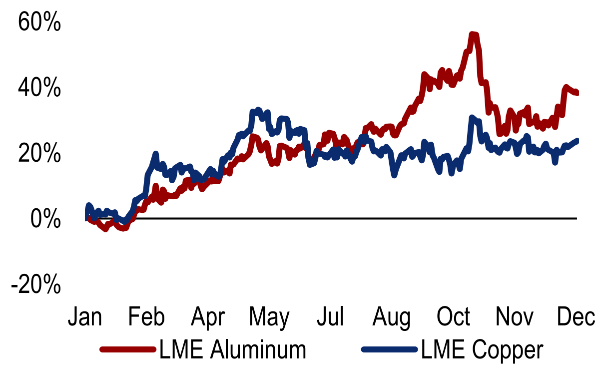
DCM's holding in Nornickel (OTC:NILSY) was sold to distance ourselves from its ESG risk, whereas Teck Resources (TSX:TECK.B) saw thesis materialization. The addition of FMC Corp (NYSE:FMC) in April was in time to benefit from agricultural input's outperformance in May hence pulling up DCM's performance. However, FMC's 2Q earnings showed failed thesis materialization, hence the selloff.

DCM currently has one holding in Vale SA (NYSE:VALE), an iron ore producer. Given iron prices ending the year at negative 28%, Vale suffered a price hit. Our reason to HOLD is detailed further below.

The Year of the Aluminum (and Copper)

Both copper and aluminum experienced a spectacular year. Copper ended up 23% to rival 2020's gain of 26%. Aluminum's run peaked at +56% in October and finished the year at +38% (Fig.2).

Figure 2: Aluminum and Copper Performance, 2021



The pandemic shut global aluminum plants except China's, whose COVID Zero policy allowed some plants to operate. As global orders flowed in, electricity became scarce. The energy-intensive aluminum plants burn coal as the most energy-dense source of fuel.

In March, China passed Article 134, which allowed jailing of management at mining-related accident sites, causing hesitancy to produce. At the same time, China's green movement aggressively closed coal plants. Then in June, the China-Australia coal war began to further reduce China's coal stock.

Thus, as quickly as the law came, it left—China faced a coal shortage and the government retracted the law to encourage coal producers. Coal prices plummeted and aluminum prices pulled back from their highs.

Nevertheless, given rising alumina raw material costs, as well as a not completely resolved power shortage, moving forward, we believe aluminum producers can continue outperforming the market in 2022. However, copper's favourable demand in renewable energy can be countered should supply from investments made prior to 2017 come online to flood inventories.

Sources: DCM, Bloomberg

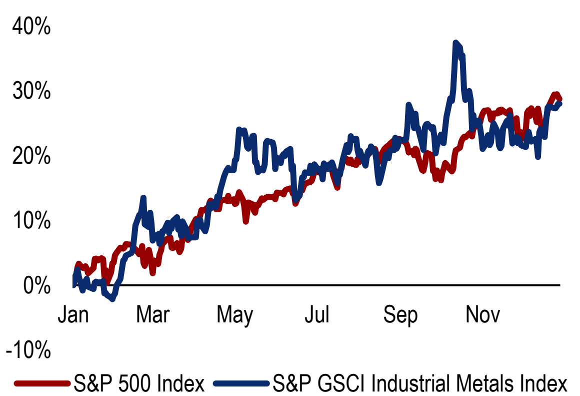
Materials
2022 Outlook

Frank Shen, Global Equity Fund Strategist
Benjamin Soucy, Senior Analyst
Benjamin Williamson, Junior Analyst
Sophie Song, Junior Analyst

Overview

Commodity prices showed one of their strongest annual performances; by some measures even outperformed or matched equity performance. See Figure 3 below of Industrial Metal Commodity Price performance relative to the S&P 500 index and the impressive performance of non-productive assets almost matching that of productive assets.

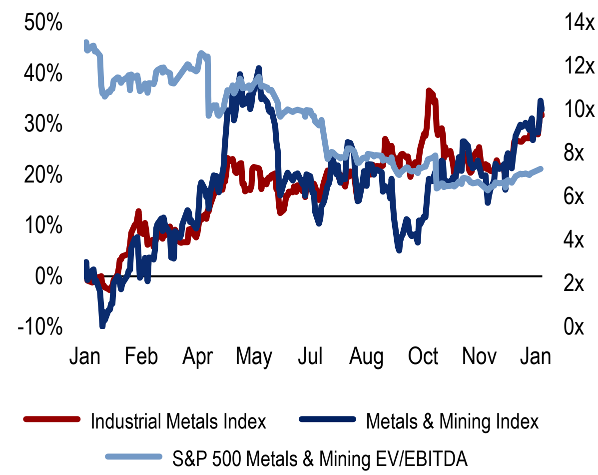
Figure 3: S&P 500 Index vs Industrial Metals, YTD



Digging into Metals and Mining

As displayed in Figure 1, 2021 was a great year for metal prices in aggregate, our focus will now be shifting to the cashflows the producers of these metals can generate and the resulting yield an equity investment is able to realize. There have been price tailwinds throughout the year, and this has resulted in growing profitably across the industry. A notable trend is that the multiple this stream of cashflows has been selling for in the market on an EV/EBITDA basis has almost halved in 2021. The growth in EBITDA was more than enough to offset this trend and allow the metals and mining index to post large returns in 2021. The trends described above are depicted in Figure 4, where it can be observed that the metals and mining index along with the metals price index steadily climb whereas the EV/EBITDA multiple significantly contracts. The current EV/EBITDA multiple of the industry is near 10-year lows and indicates the market strongly believes that current metals prices are unlikely to persist, and futures curves are unlikely to be realized; the industry will be returning to an average price environment in the long term.

Figure 4: Metals and Mining Index vs Metals Index



Metals and Mining in 2022

From the current environment, some key factors will drive performance in 2022. To begin, producers that can ramp up production in the near term to capitalize on this likely fleeting high price environment will trade at a premium on a price to reserves basis and create shareholder value through the shifting of production to higher realized prices. Low-cost players that were able to keep production costs low through surges in energy prices and supply chain disruptions will be lower-risk players going forward as prices begin to fall and margins tighten again. Conversely, players that allowed their costs to float up with their realized metal prices will be incredibly vulnerable if metal prices decline as they will likely be unable to keep pace in cutting costs in a sustainable manner. Additionally, producers that were able to presale or hedge their future realized prices at favorable rates relative to what is priced into their equity will outperform their peers if metal prices return to an average price environment.

Sources: CapitalIQ

Materials

Holdings Review – Vale SA

Company Overview

- Brazilian mining company Vale is the world's top producer of metals such as iron ore, iron ore pellets, and nickel, the key raw materials for steelmaking and stainless steel
- Vale reports four segments based on its products and operations – ferrous minerals (80% of sales), base metals (15%), coal (5%), and logistics infrastructure (>1%)
- Vale is based in Brazil and has operations in approximately 30 countries and sells its products around the world, with China the leading market (~50% sales) and followed by Europe (~10%)

Catalysts

- Investors noticing Vale's ESG efforts
- Continued commodity bull market
- Brazilian politics swing in Vale's favour
- Swift licensing approvals

Risks

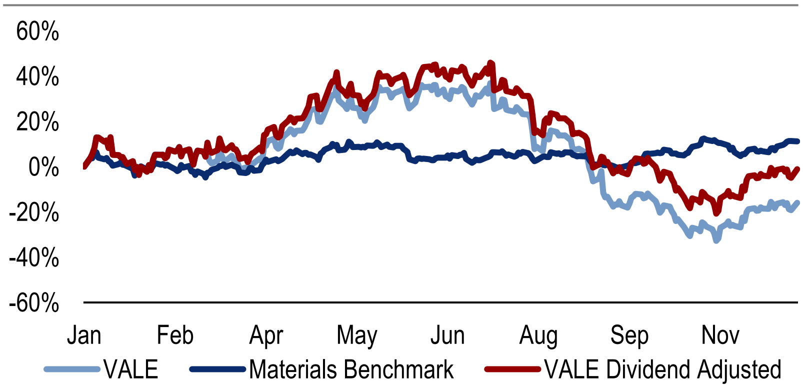
- Another dam collapse
- Difficulty divesting coal
- Further unforeseen fines resulting from the
- Brumadinho dam disaster
- Continued politics/worker conflicts

Investment Theses

1. **Vale is capable of strong cash flow generation throughout cycles**
   - High quality iron ore and base metals portfolio is able to generate superior cash flows throughout market cycles, allowing Vale to generate and return capital to shareholders
   - Despite a recent pull back in iron ore prices, we still believe that Vale's low-cost producer profile will enable it to continuously return capital to shareholders, through dividends and share buybacks into the foreseeable future
   - Vale has demonstrated its intent to return excess cash to shareholders by its massive dividends throughout 2021, we believe this objective will continue into the future and maximize shareholder value
2. **Closing ESG gap vs. peers will drive a powerful multiple re-rating**
   - Vale's discount to peers is unjustified given the company's operational and ESG improvements, remediations and reinvention since the Brumadinho accident in January 2019
   - Vale is striving to collaborate with steel partners that are equally committed to a carbon-neutral footprint and attract investors with similar priorities while divesting assets that do not align with this goal

We recommend a HOLD on VALE, we believe that Vale is well positioned to continue generating excess yields going into the future and has a path towards being an ESG leader

Stock Price and Sector Benchmark Performance



Position Snapshot

Average Cost	$18.08
# of Shares	1,275
Value Invested	$22,488
Portfolio Weight	2.0%
2021 HPR	-9.1%
2021 Benchmark Return	11.1$
Excess Return	-20.2%

Sources: Capital IQ

TECHNOLOGY, MEDIA, & TELECOM

2021 REVIEW & 2022 OUTLOOK

Morgan Gill
Senior Analyst

Brian Spivak
Senior Analyst

Declan Kingston Fry
Junior Analyst

Michael Long
Junior Analyst

Technology, Media, & Telecom

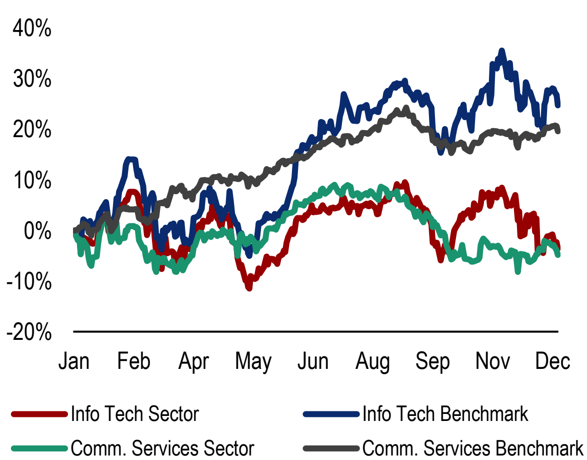
2021 Review – A Mixed Bag for TMT

Brian Spivak, *Senior Analyst*
Morgan Gill, *Senior Analyst*
Declan Kingston, *Junior Analyst*
Michael Long, *Junior Analyst*

2021 TMT Review

The TMT sector had an up-and-down year in 2021. While the information technology and communication services benchmarks performed well, gaining ~25% and ~20%, respectively, the former saw significantly lower returns than in 2020, when the COVID-19 pandemic provided a huge boost for technology stocks. Overall, these gains placed TMT in the middle of the pack in terms of market performance, behind Energy, which rallied from a low 2020 base, and Financials. Furthermore, 2021 brought increased regulatory scrutiny of tech companies as well as significant volatility in the latter portion of the year as central banks discussed raising interest rates to quell high inflation. Young technology firms are particularly sensitive to interest rate changes given they often have long roads to maturity even after going public. In our portfolio, this particularly impacted LendingTree, a small-cap tech stock DCM purchased in April 2021.

Figure 1: DCM TMT Sector Performance, 2021



Major Trends in 2021

While the COVID situation improved in many regions in 2021, tech companies still benefitted from work-from-home trends, which increasingly appear to have longevity. Indeed, many companies have given up on setting a firm date for returning to in-person work and some industries have realized that this may be a positive change. A recent study from global management consulting firm McKinsey & Company illustrates the potential for many businesses to adopt remote work long-term without productivity loss *(Figure 2)*. This will be a continued boon for many TMT stocks, including DCM's holding Adobe, which has many products focused on small- and medium-sized businesses, and T-Mobile, whose networks power remote work.

Figure 2: Potential for Remote Work by Sector

Despite strong earnings reports from many companies in the sector (including DCM holdings, all of which beat on EPS estimates in every quarter), tech's rally lost some steam in the latter part of 2021. Ongoing discussions globally around raising interest rates have been the main culprit. However, multiples have not yet had significant compression. The NASDAQ's P/E ratio increased from ~23.5x to ~28.0x year-over-year, with P/S following a relatively similar trend (~3.9x to 5.4x). It will be important for tech firms to demonstrate continued strong performance in upcoming earnings releases to justify their lofty valuations.

Sources: Capital IQ, Company Filings, McKinsey & Company ,Oxford, Reuters

Technology, Media, & Telecom

2022 Outlook – Thematic ETFs, Cybersecurity, and the Metaverse

Thematic ETFs: A Trailblazing Alternative

Our team is excited to explore the potential of investing in thematic exchange-traded funds this year, which would offer diversification across an entire sub-sector and mitigate the risks associated with choosing an individual winner, particularly in emerging and rapidly-growing industries. There may be opportunities to invest in promising industry trends which contain multiple major winners but where variance is high, allowing us to bet on the success of an entire racetrack rather than that of a specific horse.

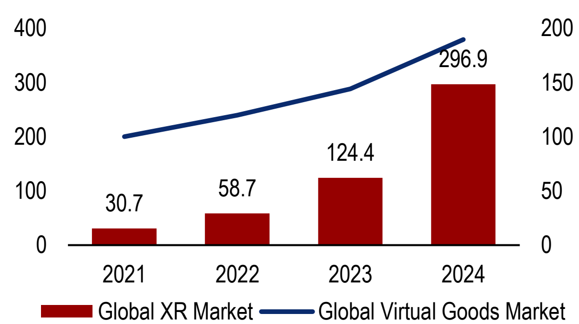
Data Privacy Will Be The Dominant Regulatory Theme in 2022

The pandemic accelerated the digital transformation of many industries, but also skyrocketed the frequency and intensity of cybercrime, where the global average total cost of a data breach reached 4.24mm USD in 2021, a 10% increase year-over-year. The global cybersecurity market is projected to reach 372bn USD by 2028, reflecting a CAGR of ~11% from 2021. The development of quantum cryptographic algorithms and the increased presence of Advanced Persistent Threats in 2022 will push governments across the world to reform their malware detection, protection, and mitigation strategies, creating new growth opportunities in the cybersecurity space. The mean LTM EV/Revenue and EV/EBITDA in the subsector were 13.2x and 34.7x as of Jan 10th, 2022, respectively. While EV/Revenue remained stable year-over-year, EV/EBITDA almost halved as many medium-growth and low-growth cybersecurity firms became profitable last year. With businesses shifting towards remote working models, cyberattacks becoming more sophisticated, and cybersecurity solidifying its position as an integral part of ESG frameworks, there are strong trends in the cybersecurity space that may be mispriced, despite it trading at a premium relative to other subsectors.

Extended Reality and The Next Internet

The notion of extended reality (XR) encompasses virtual reality (VR), augmented reality (AR), and mixed reality (MR). While XR leverages largely existing technology, there are two overarching trends that will perpetuate and extend its usability: more extensive business applications and technological advances.

Figure 3: Relative Metaverse Market Sizing (bn USD)



Across product and service development, healthcare, retail and beyond, XR has the potential to deliver 1.5tn USD to the global economy by 2030 through streamlined solutions; one example is line workers using AR for assembly instructions. Regarded as the next iteration of the internet, the metaverse offers investable opportunities underscored by the next evolution of social technologies. The convergence of physical and digital realms in this next evolution has allured development of diverse metaverse applications by numerous large-cap technology companies. Moreover, the global metaverse market size, including software, hardware, and decentralized finance applications, is expected to reach 800bn USD by 2024 compared to approximately 500bn USD in 2020, representing a ~15% CAGR. This development is further evidenced by Figure 3 through the complementary relationship between the growing XR and Virtual Goods markets – more specifically, as the XR market grows, so does the quantity of individualized transactions within virtual marketplaces.

Sources: BCG, Capital IQ, Deloitte, Grand View Research, IBM, PWC, Statista

Technology, Media, & Telecom

Holdings Review – Adobe

Company Overview

- Adobe Inc. operates in the software subsector; its core business segments are Digital Media and Digital Marketing
- Adobe's Digital Media segment consists mainly of their Creative Cloud product, which utilizes a subscription model and seeks to assist web developers, digital media workers, marketers, and content creators in print and electronic content design and creation
- Adobe's Digital Marketing segment sells an integrated platform for advertising and marketing through digital media that allows users to maximize the effectiveness of their marketing strategies

Catalysts

- Digital Experience revenue growth rebounds further as recent investment and better integration begin to materialize
- Mainstream adoption of long-term work-from-home policies boost demand for Adobe's digital products

Risks

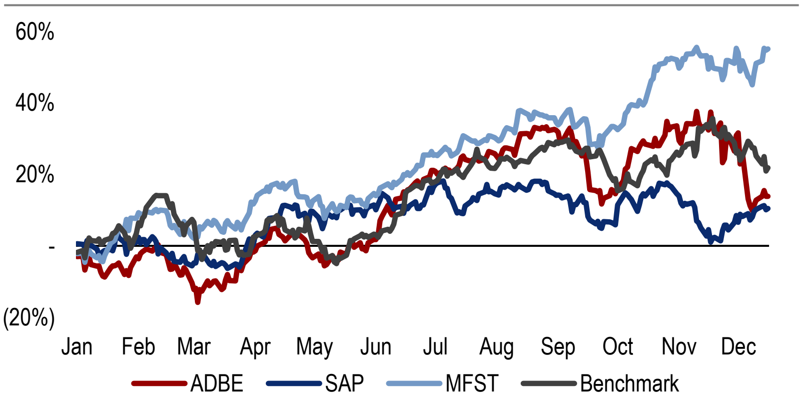
- Adobe's Digital Experience subscriber adoption rate could stagnate as it struggles to integrate multiple acquisitions
- Enterprise and SMB customers could take longer than expected to recover from the COVID-induced economic downturn

Investment Theses

1. **Adobe is poised to take advantage of the business shift to MarTech**
   - Adobe is well-positioned to capitalize on the continued rise in B2B marketing spending and, due to its considerable scale and variety of offering, will continue to benefit from marketing technology tailwinds
   - Despite some headwinds from COVID-19, particularly regarding enterprise and SMB clients, the resumption of normal activities has prompted a recovery in demand, with digital experience revenue up 23% year-over-year
2. **Adobe is a recession-proof tech player due to its quasi-monopoly in many operating segments**
   - Adobe is the principal player in document and cloud sharing, valued at 17.0x LTM EV/Revenue and 40.1x LTM EV/EBITDA, both slightly lower than last year after record-high multiples during the peak of the pandemic
   - Creative Cloud and Document Cloud revenue increased 19% and 29% year-over-year, respectively, benefiting from the continued remote working surge as a response to the virus, with no signs of slowing adoption

We maintain a HOLD recommendation as Adobe continues to leverage superior strategy in 2022 driven by Digital Experience recovery, and we will continue to monitor synergies as acquisitions are further integrated

Stock Price and Sector Benchmark Performance



Sources: Capital IQ, Company Filings, Nasdaq, Statista

Position Snapshot

Average Cost	$295.39
# of Shares	84
Value Invested	$60,548
Portfolio Weight	5.4%
2021 HPR	13.4%
2021 Benchmark Return	24.8%
Excess Return	-11.4%

Technology, Media, & Telecom

Holdings Review – T-Mobile US

Company Overview

- Based in Bellevue, Washington, T-Mobile is one of the 3 major American telecommunications firms, primarily focusing on wireless network services
- T-Mobile delivers advanced 4G LTE and is a pioneer in 5G technology, being the first to launch a nationwide 5G network in America that covers more than 200mm people and 5,000 cities
- By offering superior network quality and excellent customer service, it has maintained a low churn rate and demonstrated continued growth
- The firm provides its services through subsidiaries as well as flagship brands T-Mobile, Metro by T-Mobile, and Sprint

Catalysts

- Accelerated synergy realization improves customer relationships and 5G leadership
- Overleveraged competitors give T-Mobile a relative advantage when pursuing growth opportunities
- Expansion across large national retailers increases consumer reach and quickens 5G adoption

Risks

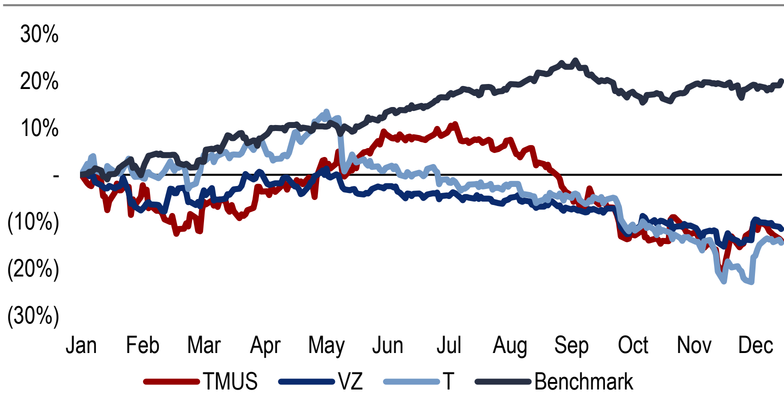
- New entrants threaten to consume T-Mobile's market share, particularly in the 5G space
- Integration issues could reduce synergies and cause merger clients to switch to competitors
- Large data breaches raise customer concerns and may delay widespread adoption for 5G

Investment Theses

1. **T-Mobile's First-Mover Advantage is Undervalued**
   - Analysts have underestimated the firm's initiatives to gain a head start in the race for 5G supremacy, as its merger deal with Sprint became a major advantage against competitors who overlooked its coverage abilities
   - LTM EV/Revenue and EV/EBITDA contracted ~30% year-over-year to 3.1x and 7.8x, respectively, possibly indicating a lessened first-mover advantage but likely driven by the firm's data breach and sector stagnation
2. **T-Mobile's Financial Position is Underestimated as New 5G Rollout Risks are Overlooked**
   - Major competitors spent significantly more than T-Mobile for the overpriced C-Band spectrum, and historical data shows that the biggest spenders in anticipated technology will likely face long-term financial damage
   - AT&T faces financial pressure following its Warner Media acquisition, which failed to achieve synergies, while Verizon's deal with Apollo to sell its media business for 5bn USD is likely linked to overspending on 5G

We raise our price target from $146 to $150 as we are bullish on T-Mobile's short- and medium-term top-line growth, and will monitor the firm's EBITDA and customer growth as well as the financial health of competitors

Stock Price and Sector Benchmark Performance



Sources: Capital IQ, Company Filings, Nasdaq, Statista

Position Snapshot

Average Cost	$121.42
# of Shares	350
Value Invested	$51,152
Portfolio Weight	4.7%
2021 HPR	-5.3%
2021 Benchmark Return	19.6%
Excess Return	-24.9%

Fixed Income Fund

Grace Danner, *Strategist*
Mirella Deng, *Senior Analyst*
Collin Wang, *Junior Analyst*
Rachel Tang, *Junior Analyst*
Larry Ge, *Junior Analyst*
Wenhan Hu, *Junior Analyst*

Fixed Income Fund

Performance Summary

Overview

The Fixed Income Fund continued its strong outperformance in 2021, generating a (1.9%) return vs. (4.3%) for the benchmark. Our outperformance was due to 3 main factors: bottom-up corporate bond selection, duration positioning, and exposure to BBB's.

Coming in to 2021 we felt that a recovering economy would lead to higher yields, and thus took a short duration position relative to our benchmark (5.7 years vs 7.7 years). Indeed, improving economic sentiment from vaccine approvals, coupled with inflation fears and a more hawkish Fed saw the US 10-year yield rise by close to 70bps, and our shorter duration position contributed 1.5% to our outperformance.

Our overexposure to BBB's in 2021 also helped the fund as the BBB sector saw the most compression (7bps) out of all Investment Grade ratings in 2021, vs. a slight spread expansion for the A rated segments.

The Fixed Income Fund purchased 6 new corporate holdings in 2021: Toronto Hydro Corp 2.430% 2029, The Toronto Dominion Bank 1.943% 2025, Goldman Sachs Group Inc. 2.013% 2029, Inter-American Development Bank 0.875% 2027, Bell Canada 2.500% 2030 and Alimentation Couche-Tard 3.600% 2025. This allowed the fund to reduce its holdings in ETF's and lower the fund's cash exposure. The detailed rational for each purchase can be found in the 'Holdings Review' Section.

Moving forward, we are continuing to look for strong corporate bond selection based on rigorous bottom-up fundamental analysis while following our duration, credit exposure and currency positioning as discussed in the following sections.

Figure 1: Performance Metrics Since Inception

FIXED INCOME METRICS SINCE INCEPTION	Fixed Income Fund	Benchmark
Annualized Return	3.1%	1.6%
Annualized Std Dev	4.8%	5.5%
Annualized Sharpe Ratio	0.28	(0.03)
Beta	0.57	
Annualized Alpha	1.4%	
Tracking Error	0.6%	

Performance metrics are calculated gross of fees.

Figure 2: Performance Metrics in 2021

FIXED INCOME PERFORMANCE METRICS 2021	Fixed Income Fund	Benchmark
Return	(1.8%)	(4.3%)
Standard Deviation	4.6%	5.0%
Sharpe Ratio	(0.77)	(1.21)
Beta	0.89	
Alpha	1.8%	
Tracking Error	0.2%	

Performance metrics are calculated gross of fees.

Sources: Bloomberg.

Fixed Income Fund

Performance Summary

Duration Strategy

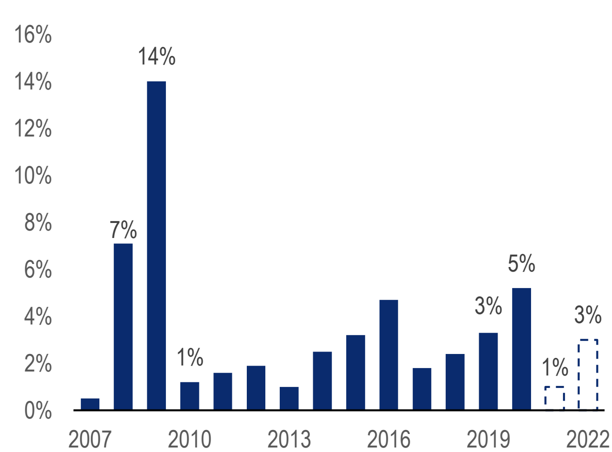
When evaluating the duration lever, the Fixed Income team forms a view on three macroeconomic factors: the economy, inflation, and central bank policy. In October, the conclusion we had drawn was to take a shorter duration stance relative to our benchmark as we expected yields to surprise on the upside. We saw the slowdown in the recent data of job openings and labor market supply at the time as temporary – we believed the effects of the delta variant would subside and we were bullish on the US economy's growth trajectory. Along with the rise in lagging rent prices robust economy would keep inflation stickier than the market and the Fed anticipated. Furthermore, while the market may have believed the Fed's transitory story, we believed that the looming fear of policy mistakes from the past was what was forcing the Fed to fit their narrative. Surveys and consumer sentiment indices like the University of Michigan's Consumer Sentiment index were also starting to show that consumers were disagreeing with the Fed's stance, which was dangerous as actual inflation is dependent on inflation expectations as seen in the 1970-80s. Finally, we saw upwards pressures forcing an accelerated tapering and an earlier-than-expected rate hike; the latest FOMC meeting supported our view for a potential December tapering and a 2022 rate hike.

Credit Exposure Strategy

To evaluate the Fund's credit exposure, the team evaluated the trade-off between credit risk and yield attractiveness in both the high yield (HY) and IG space. When we broke down the OAS spread for the top credit ratings in the HY and IG buckets, we concluded that the AAAs and BBs offered relatively more spread compression potential and noted that the BBs' spread have not fully recovered back to pre-COVID levels.

As a result of an accommodative monetary policy that has supported access to capital, the credit fundamentals for HY bonds show a positive sign with HY bond default rates on track to hit 10-year record lows as seen in *Figure 3*. Despite this, there were potential risk factors we could face in the HY market, such as investors stretching for yield in their investments, which could lead to upwards price pressure in HY issues as well as, a potential stimulus pullback (in which the PPPFL would stop extending credit) which could lead to higher-than-expected default rates beyond 2021. Additionally, there could be the possibility that potential upside surprises in rates may lead investors to pull out of high yield investments. Ultimately our view at DCM was that, while we would continue to value securities that possess both long term solvency and revenue generation capabilities, we wanted to spend some time valuing securities in the BBs bucket (but we would not be blindly stretching for yield), particularly fallen angels which were originally issued investment grade bonds yet were over-punished during their downgrade to junk bond status. These new entrants tend to have higher credit quality and higher potential to upgrade back to investment grade, thus creating a favorable point of entry for DCM.

Figure 3: HY Bond Default Rates Show 10-Year Lows



Sources: Bloomberg, Federal Reserve.

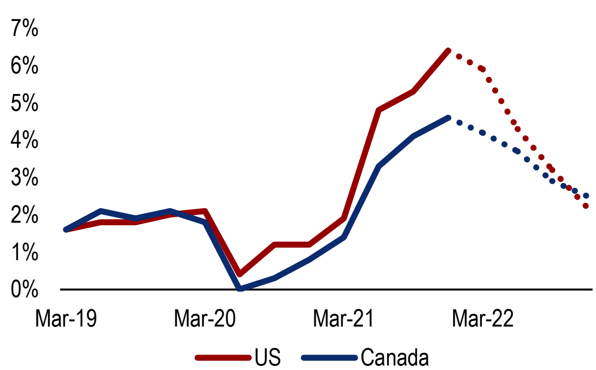
Fixed Income Fund

Performance Summary

Currency Strategy

We predicted CAD strength vs USD based on relative central bank policies and the commodities market. For the former, we believed that Canada's hawkish outlook on earlier tapering (the Bank of Canada started tapering in June of 2021) and sooner rate hikes would strengthen the loonie. As for the latter, the commodity market is an important driver of the CAD, thus the team has dived into the correlation between price fluctuations of different commodities and the level of CAD. Through our regression analysis, we found that, besides oil, base metals such as copper and aluminum have been doing much of the heavy lifting for CAD's rally. Despite pessimism surrounding the imminent decline of oil prices, the market is bullish on copper and aluminum in the long run, as evidenced by less backwardation in their futures prices. We concluded that the market was punishing the loonie for its strong correlation to oil and was overlooking base metals as an important driver. Therefore, we recommended overweighing CAD.

Figure 4: Analyst Inflation Rate Estimates for 2022



2022 Sector Outlook

Finally, after months of stressing that inflation was transitory, the Fed has made a hawkish pivot in hopes to tame rising prices. "The risk of higher inflation becoming entrenched has increased. I don't think it's high at this moment, but I think it's increased," Powell said. On the Central Bank side, they said it will reduce its bond-buying program at double the pace originally announced in early November. The complete halt of the quantitative easing program would likely be in March 2022, before it plans to begin hiking interest rates to cool down the economy. Most Fed officials foresee at least three rate increases in 2022 which shows just how worried the Fed has become about inflation within just the last three months. Back at the September FOMC meeting, half of the Fed officials believed there would be no rate hike until 2023. Given producer prices gained at their fastest pace on record and consumer prices (not only volatile goods like food and energy but rent as well) rose at their fastest pace in 39 years in November, inflation will be the Fed's top concern going into 2022. Though inflation rate projections are expected to decline over the new year, they are forecasted to remain above pre-pandemic levels as seen in *Figure 4*; the Fed's projected PCE inflation numbers show a similar story at the December FOMC meeting. With this change, DCM will need to reevaluate our duration strategy moving forward. Though we still maintain our view that inflation will be more enduring than expected, we will continue to closely monitor such macroeconomic variables.

Apart from inflation and rate hikes, other trends DCM will be on the lookout for include credit quality in investment grade corporates, which have been declining with the rising share of BBB-rated bonds. Conversely, credit quality in junk bond corporates have been improving as the share of BB-rated bonds is climbing. Thus, this change will demand DCM's flexibility, especially with so much uncertainty. We will continue to reevaluate the best areas to invest in as markets and information evolve. Lastly, a quick note on ESG: as it becomes one of the defining investment criteria of the decade, DCM will certainly continue to highlight its importance in pitches.

Sources: Bloomberg, Federal Reserve

Fixed Income Fund

Figure 3: Fixed Income Fund continues to outperform the benchmark since inception

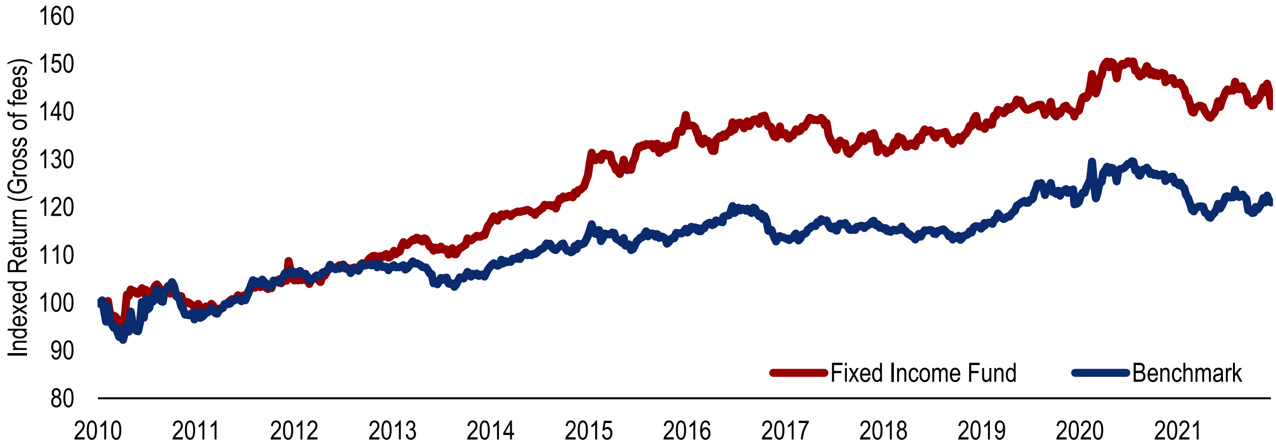


Figure 4: Fixed Income Fund Year to Date Performance

FIXED INCOME FUND RETURNS			As of Dec 31, 2021
Time Period	**Gross Return**	**Net Return**	**Benchmark**
YTD Return	(1.8%)	(2.3%)	(4.3%)
Dec-21	0.2%	0.2%	0.2%
Nov-21	1.9%	1.9%	1.6%
Oct-21	(2.0%)	(2.1%)	(2.7%)
Sep-21	(0.4%)	(0.5%)	(0.3%)
Aug-21	0.4%	0.4%	0.3%
Jul-21	2.3%	2.3%	2.0%
Jun-21	1.2%	1.2%	1.0%
May-21	(0.4%)	(0.5%)	(0.3%)
Apr-21	(0.7%)	(0.7%)	(0.8%)
Mar-21	(1.5%)	(1.5%)	(1.7%)
Feb-21	(2.1%)	(2.2%)	(2.5%)
Jan-21	(0.6%)	(0.7%)	(1.0%)
Since Inception*	3.1%	2.6%	1.6%

**Returns are annualized.*

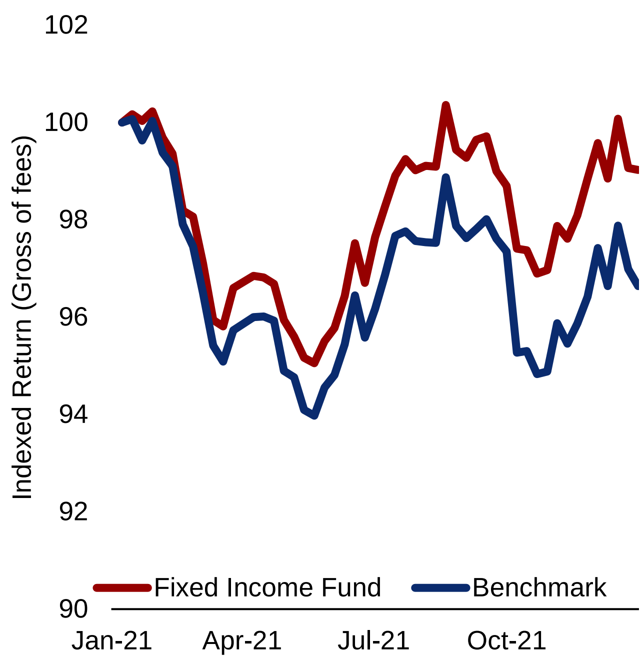
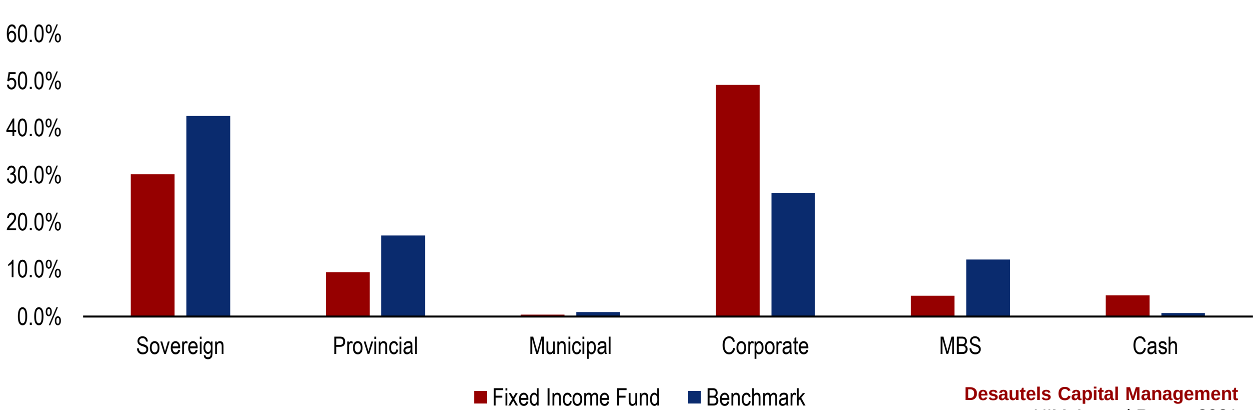


Figure 5: Fixed Income Fund vs Benchmark Aggregate Composition



Fixed Income Fund

Figure 7: OAS of Fixed Income Funds Holding's 2021

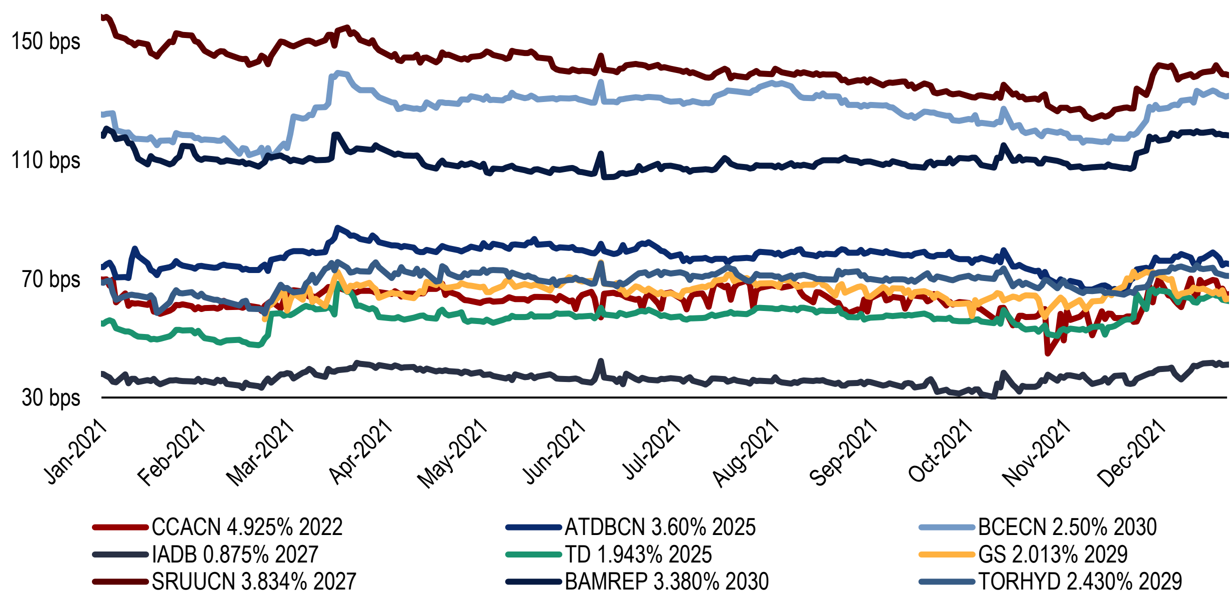


Figure 8: Duration of the Fund vs. Benchmark

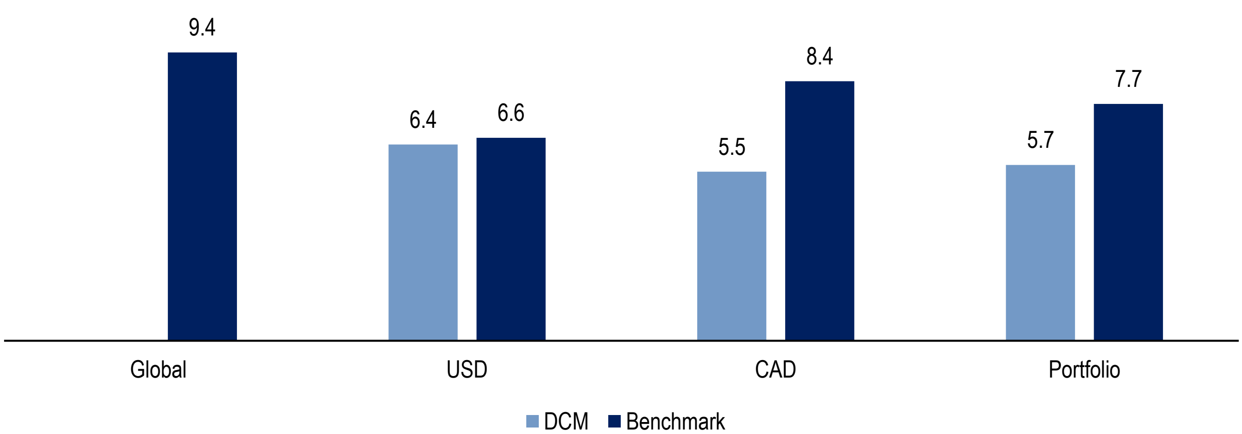
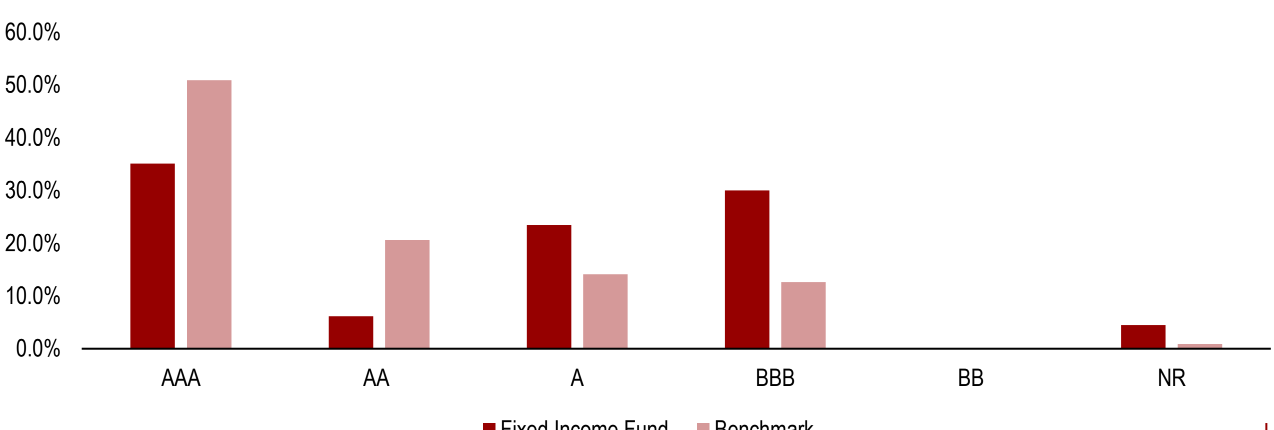


Figure 10: Fixed Income Fund's Credit Exposure



Fixed Income Fund

Holdings Review

Grace Danner
Senior Analyst

Mirella Deng
Senior Analyst

Collin Wang
Senior Analyst

Larry Ge
Junior Analyst

Rachel Tang
Junior Analyst

Wenhan Hu
Junior Analyst

Sector

Holdings Update

Brookfield Renewable Partners

BAMREP 3.380% 2030

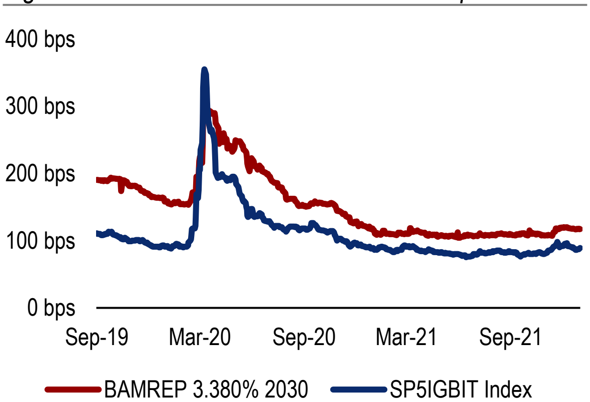
Added to our portfolio in January 2021, Brookfield Renewable Energy Partners (BAMREP) is one of the world's largest renewable power platforms. BAMREP has been a key player in the surging decarbonization movement over this past year by virtue of its global portfolio of premium assets. To further capitalize on the tailwinds generated by net-zero emission targeting, management has increased its annual equity investment target to $1.0 - 1.2bn for the end of the fiscal year. We will continue to monitor how this shift affects the company's debt metrics.

A continuation on our second initial investment thesis came through the abundance of PPAs with established counterparties which have further deepened BAMREP's existing creditworthy customer base in 2021 and will improve visibility through long-term, contracted cash flows. Notable developments include contracts with JP Morgan and Amazon to decarbonize their electricity usage.

Last, active capital recycling has left the company sitting on a healthy, investment-grade balance sheet with ~$3.3bn in liquidity. This enables BAMREP to adopt a risk-averse financing strategy (avoiding equity issuances and raising non-recourse debt on a project-by-project basis), which is advantageous to creditors.

We expect the Q4 earnings call on February 4th to update BAMREP's progress in key energy transition initiatives. In the meantime, we retain our HOLD recommendation for BAMREP 3.380% 2030.

Figure 11: BAMREP 3.380% 2030 Credit Spread



SmartCentres

SRU.UN 3.834% 2027

SmartCentres (SRU) was purchased due to its investment grade characteristics and three key risks that was initially believed to be overpriced by the market. COVID-19 was the perfect testing ground to assess the resilience of those theses; 3Q21 results showed that our first thesis has continued to hold strong.

Net operating income, at $388.4 mm for the nine months ended September 2021, was up 1.6% from the same period the previous year. As anticipated in our 3Q21 holdings update, NOI continues to normalize as the worst effects of the lockdowns begin to leave SRU's balance sheet. Even throughout the pandemic, SRU was able to slightly increase its number of properties and gross leasable area to 168 and 34.2 mm sq ft respectively. Its occupancy rate also remained industry-leading — 97.0% at the end of 2020, and 97.6% at the end of 3Q21.

Our second thesis on mitigating lease renewal risk also continues to remain robust. At 82.5%, SRU's lease renewal print for the nine months ended Sept 2021 increased 8.4% from 1Q19 when we initially pitched the bond. As forecasted by the Fixed Income team, Walmart continues to anchor SRU's shopping centers by renewing their leases; compared to 1Q19, both Walmart's number of stores and total leased area have remained essentially flat providing a steady stream of cash flows for SRU.

Our third thesis on mitigating liquidity concerns has seen some interesting developments. As of December 31st, 2020, SRU had built up a significant cash balance (in large excess of our forecasts); this cash balance was then reduced significantly during 1H21 to pay down secured and unsecured debt. As of 3Q21, at $68.9 mm, SRU is once again well on its way to towards recovering its 1Q19 level of cash reserves.

We thus maintain our HOLD recommendation for SRU.UN 3.834% 2027.

Sources: Bloomberg, Company filings, S&P 500, National Bank Financial.

Sector

Holdings Update

Cogeco Communications

CCA 4.925% 2022

Following the acquisition of WideOpenWest's Ohio Broadband systems, the additional debt raises Atlantic Broadband's pro-forma leverage to 5.0x while CCA's net leverage hovers around 3.1x, notably preserving its secured debt's investment grade rating. As the bond approaches maturity, we remain comfortable with CCA's credit metrics post-acquisition.

The company has also recently secured spectrum licenses for $295mm in the Greater Toronto Area, a region representing 33% of the company's broadband footprint. To fund the auction spend and refinance existing debt, CCA issued $500mm of senior secured notes maturing in 2031.

Overall, our theses regarding CCA's geographic positioning in smaller markets and stable US cable segment have held. We continue to monitor the company's multi-year upgrade Capex plans and deleveraging cycle following ABB's acquisition. We maintain our decision to HOLD CCA 4.925% until its maturity in February 2022.

Dollarama

DOL 2.337% 2021

Our holding in DOL matured on July 22nd, 2021. Since initiating the position in 2017, our theses have materialized. We had identified DOL's moat against digital-native competitors and the protection it offers in recessionary environments. These attributes have notably helped the retailer successfully navigate through the COVID-19 pandemic. Similarly, as we had initially outlined, DOL's growth dynamics throughout the life of the bond were not adverse to creditors. After holding DOL 2.337% to maturity, we circle back to the importance of identifying value-generating companies with resilient business models and solid downside protection.

Greater Toronto Airports Authority

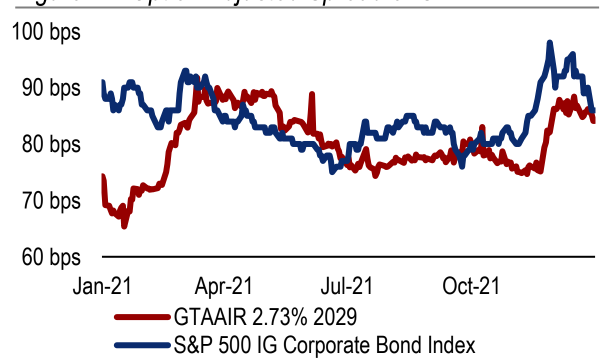
GTAAIR 2.730% 2029

In January 2020, we initiated a position in the GTAA bond whose issuer is the operator of the Toronto Pearson International Airport. We believed in the economic moat of the company and anticipated favorable demographic trends that will increase its cash inflows, enhance its credit profile, and ultimately lead to spread compression. As predicted, 12 months upon initiation, the bond OAS spread compressed by 8.23bps.

In the wake of the COVID-19 pandemic, we witnessed dramatic changes in the bond's spread due to the impacts of travel restrictions, border closures, and economic contraction. In the first three quarters of 2021, the company has recovered from the historically low volume of domestic and international passengers, marked by its growing EBITDA margin and free cash flow. However, the rapid spread of the Omicron variant since November has cast uncertainty over the aviation industry and could further weaken the GTAA's liquidity position (e.g. Net Debt / Enplaned Passengers). As shown in *Figure 12*, the bond's OAS has taken a toll and expanded at a faster rate than the S&P 500 Corporate Bond Index.

While we maintained our view on the strong economic moat of the GTAA, as evidenced by its largely undrawn credit facility and short-term exemption from covenant tests, we no longer anticipate our thesis on spread compression to materialize in the face of headwinds in the aviation industry. As such, we have exited our position in GTAAIR 2.730% 2029 on 12/22/2021, at an OAS of 86.85bps.

Figure 12: Option Adjusted Spread of GTAAIR



Sources: Bloomberg, Company filings, DBRS Morningstar Rating Report.

Sector
Holdings Update

Alimentation Couche-Tard
ATDBCN 3.600% 2025

In Q4 2021, the Fixed Income Fund initiated a position in Couche-Tard's 3.600% 2025 bond. We believe that a combination of adequate industry headwind mitigation, high-quality organic growth initiatives, and a sound inorganic growth strategy are reasons enough to recommend a BUY.

Our first thesis focuses on risk mitigation of electrification trends in the automotive industry in response to ATD's fuel exposure, which accounted for 46% of 2021 profits. The company has a considerable presence in Norway— the most electrified country by EV stock. Furthermore, we project that, even in the most aggressive case, the rate of US electrification will remain negligible before this bond's maturity. When factoring another mitigant in ATD's heavy geographic skew towards NA, we see minimal risk as holders of their 2025 bond. Moving forward, the company will shift away from acquisition-based growth, which contributed to 60% of the topline growth in FY21. Specifically, they hope to expand hot food capabilities to 45% of NA stores by 2022, unify Circle K branding across the globe, and expand margins through data-driven cost optimization, and analytics. We believe that the focus on leveraging existing competencies to increase SSS growth instead of aggressive inorganic moves will lead to more stable cash flows.

Our final thesis focuses on management's discipline as evidenced by their track record of realizing projected synergies and by the instances where ATD walked away from unattractive acquisition multiples. The deals that did go through, such as their foray into the Asia with Circle K HK, have added to their geographic diversification, which mitigates risks such as fluctuating commodity prices, without materially hurting debt metrics. After modelling pro-forma outcomes, we concluded that the potential acquisition of EG group would be unlikely to trigger a downgrade.

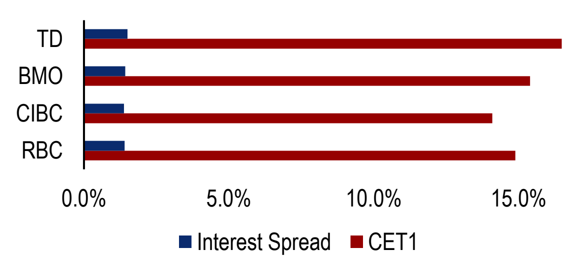
In terms of relative valuation, we split Couche-Tard's comparable companies into two categories—merchandising and fuel retailing. Across both categories, we noticed that Couche-Tard is trading on a higher credit spread despite having better credit metrics, a larger market cap, and lower stock volatility. Regressions using pro-forma metrics suggest a reasonable spread even after factoring in an additional $15bn in debt from a potential EG group acquisition.

ATD's Q3 results will be presented on March 16th, 2022. Additionally, we will continue monitoring developments in acquisition-related news which will invariably impact our holding strategy.

The Toronto Dominion Bank
TD 1.943% 2025

We initiated a position in TD 1.943% 2025 in Q4 2021, after screening for a high quality and shorter duration holding among the largest Canadian banks. We noted that the bond's higher OAS vs. peers with similar duration and rating is unwarranted, as we believe TD currently has the strongest funding and reserve profile among all Canadian banks. TD has consistently posted among the highest CET1 ratio, NIM, spread, and liquidity coverage among both our Canadian and American comps. Credit agencies have recently raised the concern of the adverse impact which a housing downturn may have on consumer-related loans. We believe TD is the best positioned among peers to navigate such an environment. Notably, the bank has among the lowest proportion of real estate loans, of which 26% are fully insured. On its uninsured mortgage portfolio, TD's average loan-to-value ratio is 52%, which we believe provides a substantial buffer in the event of a housing downturn. Overall, the bond's shorter duration vs. benchmark as well as its spread compression potential makes it a good fit within our outlined fund strategy.

Figure 13: CET1 and Interest Rate Spread Comps



Sources: Company filings, DBRS Morningstar Rating Report, Capital IQ.

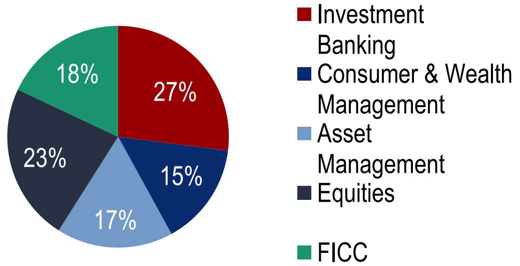
Sector
Holdings Update

Inter-American Development Bank
IADB 0.875% 2027

Established in 1959, the Inter-American Development Bank (IDB) is a multilateral development institution owned by 48 country governments, supporting the regional development financing for Latin America and the Caribbean.

Rated Aaa / AAA by Moody's and S&P respectively, the IDB priced a $2 billion, 5-year sustainable development bond right at the peak of the pandemic in late March 2020. A sustainable development bond essentially supports the financing of a combination of green and social projects. As the pandemic has highlighted the importance of ESG and impact investing, the team determined that this particular investment would provide stable coupon payments and allow the fund to tap into the relevant investment strategy in a safe manner. While the IDB has experienced a record level of lending volume during COVID, totalling $14.9B to support sovereigns mitigating public health pressures which are well above the five year pre-pandemic average of $10.3B, the slight rise in leverage (debt-to-equity) from 2.9x in the end of 2019 to 3.3x in September 2021 is still considered top tier among its peers and according to rating agencies. Furthermore, though the IDB has credit exposure to several weaker performing Latin American sovereign borrowers with negative outlooks such as Columbia and Peru, its business profile is diversified which allows the organization to sustain a high credit quality. As the world navigates through the rest of the pandemic, we will continue to monitor the corporation's liquidity and solvency risks.

Figure 14: Goldman Sachs 3Q21 Net Revenue Breakdown



The Goldman Sachs Group, Inc.
GS 2.013% 2029

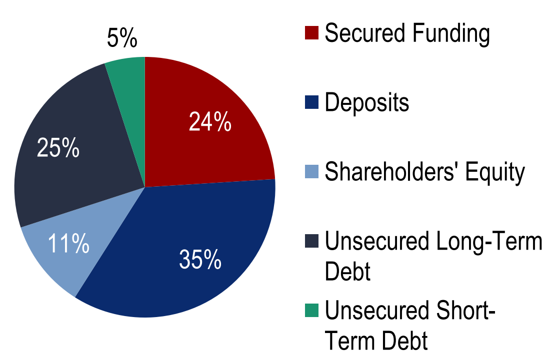
The Goldman Sachs Group is a global financial services firm with leading positions in institutions securities and asset management. Upon observing a balanced business portfolio and strong liquidity risk management frameworks, we initiated a position in GS 2.013% 2029 in Q4 2021.

Goldman Sachs has an ideal business mix to ensure stable earnings – high volatility from its Global Markets segment is well offset by its growing Asset Management and Consumer and Wealth Management segments (*Figure 14*). The company has a strong focus on the Americas while maintaining a balanced geographic exposure. It also has diverse funding sources with a well-managed term structure *(Figure 15*). As such, we expect the company to yield stable and even increasing cash flows in a rising-rates environment.

The company has a strong risk profile underpinned by a best-in-class liquidity risk management framework, which is critical to the maintenance of a strong liquidity position during stressed periods. It currently maintains $353mm of excess liquidity and has a liability profile with sufficient terms and diversification.

We perceive headlines risks as a crucial issue that drives investor confidence, yet we believe that GS' strong internal controls will allow it to fare better through these headwinds compared to its peers.

Figure 15: Goldman Sachs 3Q21 Fundings Sources



Sources: Company filings and presentations, DBRS Morningstar Rating Report.

Sector

Holdings Update

Toronto Hydro Corporation

TORHYD 2.430% 2029

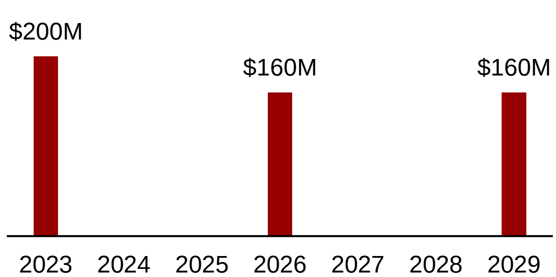
Toronto Hydro Corporation (THC) owns and operates an electricity distribution system that serves approximately 785,000 industrial, commercial, and retail customers in the city of Toronto, which is the sole shareholder of THC. We initiated a position in the TORHYD 2.430% 2029 for two main reasons: strong positioning in its value chain and a solid financial profile.

While Hydro One exclusively supplies electricity to one customer, THC is an end-market player whose performance is directly exposed to the demographics of its franchise area. While THC's latest commercial revenues are below the pre-pandemic level due to weakened demand, we believe that the city of Toronto represents a strong customer base with potential for population growth that will drive the company's top-line recovery.

THC also has a strong financial profile that ensures high certainty of cash flows. The company operates under a five-year Custom Incentive Rate framework that pre-approves capex funding and annual increases in unit rates charged to end markets. Such a framework grants reasonable clarity on the THC's future financial position. Despite having issued several senior unsecured debt in 2021, the company still maintains one of the best-in-class leverage and coverage ratios in the Canadian utility space. Moreover, issuances were mainly for later maturity dates past the 2029 bond, as seen in *Figure 15*.

As such, we will maintain holding this bond till maturity while monitoring the issuer's recovery from the pandemic.

Figure 15: TORHYD Debt Maturity Schedule



Sources: Company filings, DBRS Morningstar Rating Report.

Bell Canada Enterprises

BCE 2.500% 2030

We initiated a position in BCE 2.500% 2030 in Q4 2021. Our initial pitch was anchored on two theses which we believed the market was underappreciating: Bell's creditor-friendly growth prospects and its position of strength throughout the July 2021 5G auction. We first took a deep dive into the Canadian telecom universe to better understand BCE's moat vs peers. During our screening process, we uncovered several material risks among BCE's competitors, including Telus' heavy investments into its risky telehealth service, Rogers' weakening wireless segment, and Shaw's negative wireline growth. Especially given the announcement on the $26bn Roger and Shaw merger, we believe BCE's growth is relatively more creditor-friendly as the market overestimates its volatility in revenue, operations, and free cash flows compared to peers.

Our second thesis revolves around the market's overstated fears surrounding BCE's accelerated Capex program around 5G and fibre infrastructure over 2 years. We believed that this investment was necessary to drive long-term subscriber growth and cost efficiencies and something that all peers will likely have to experience in order to stay competitive in the Canadian telecom landscape. Notably, during the auction for 3,500 MHz spectrum last July, BCE acquired 271 licenses for approximately $2.1bn. The auction spend was funded with an incremental CAD $1.573 bn in debt and cash on hand. As we had projected, the bond witnessed only a modest OAS expansion and had since stabilized at around 80 bps. We believe that BCE's strong liquidity position combined with the future tax and cost savings from its FTTH and high band investments outweigh the modest increase in leverage.

Program Alumni

Program Alumni

Maxime Barbeau, 2021

Zhao Kang Chen, 2021

Amine Kabbadj, 2021

Lauren Kirigin, 2021

Serge Krikorian, 2021

Darius Kuddo, 2021

Frederic Lam, 2021

Marc Latif, 2021

Jesse Li, 2021

Jinghong Lin, 2021

Paul Mangoni, 2021

Duncan McHattie, 2021

Sean McNally, 2021

Hashaam, Nadeem, 2021

Seth Obadia, 2021

Shelly Qian, 2021

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