Calgary Portfolio Management Trust

2020 Annual Report

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Dear Stakeholders,

The Calgary Portfolio Management Trust (CPMT) Class of 2020 would like to extend our gratitude to the Board of Trustees for its continued commitment and engagement with the program. We would also like to sincerely thank the CFA Society of Calgary and the CPMT alumni for their commitment and support. Finally, we would like to thank all of our supporters in the Calgary business community for their vested interest in the program.

A vital component of the CPMT experience is the mentorship program, which provides students with invaluable support from technical expertise to career guidance. The CPMT is grateful for all of the professionals who have made themselves available to students during the past year. We have learned a vast amount from our mentors and look forward to continuing another year of collaborative mentorship.

Another important part of the CPMT is the speaker series program, where industry professionals take valuable time out of their day to speak with the Fund. The CPMT team is grateful to all of the professionals that have made the time to speak with us. The knowledge and relationships built through these engagements have greatly contributed to the ongoing improvement and success of the Fund.

This past year was a busy one for the CPMT, as the Fund fully transitioned into a targeted 50/50 Canadian and U.S. equity mix for the portfolio. The CPMT now aims to optimize its current holdings, ensuring allocation to high-quality names that fit our investment mandate of: (1) high caliber management team, (2) sustainable competitive advantage, (3) strong balance sheet, and (4) growing free cash flow. Additionally, we continue to evaluate investment decisions in the context of sector weightings, portfolio strategy, and our macroeconomic outlook.

The CPMT is also excited to announce the addition of several new members to the program. We would like to welcome six new Investment Analysts: Sina Hadjiahmadi-Ardakani, Jack Morgan, Stephen Nguyen, Kian Sadeghi, Abhishek Sewak, and Katie Tu.

Involvement in the CPMT program offers invaluable exposure to a challenging and scholastic environment, creating an unrivaled student experience. We hope that the ongoing effort put forth by students, along with external support, will continue to develop knowledgeable and skilled graduates from the program. We are eager to continue to innovate and improve the program and will strive to maintain our commitment to excellence. We have no doubt that the incoming class of Portfolio Managers will raise the program to new heights!

Sincerely,

Ben Dimnik, Portfolio Manager

Brian Timmerman, Portfolio Manager

Colton Borle, Portfolio Manager

Faiz Dossa, Portfolio Manager

Lucas Peters, Portfolio Manager

Mahdis Sadeghi, Portfolio Manager

Nicole Livingston, Portfolio Manager

Scott McNichol, Portfolio Manager

Class of 2020

Biographies

CPMT CLASS OF 2020

BEN DIMNIK
Portfolio Manager
5th Year, Finance
Ben joined the CPMT in March 2018 as an Investment Analyst. Ben is looking forward to improving his portfolio management, financial modeling, and valuation skills. Over his Bachelor of Commerce, Ben has worked for Pivotal Capital as a Market Research Assistant and for RS Energy Group as a Research Associate Intern. This summer, Ben completed an internship at CIBC World Markets as a Corporate Banking Summer Analyst and returned full-time in winter. Upon graduation, he looks to obtain his CFA designation. In his spare time, Ben enjoys playing hockey, golf, and hiking in the mountains.

BRIAN TIMMERMAN
Portfolio Manager
4th Year, Finance
Brian joined the CPMT in March 2018. He would like to thank the Board of Trustees, speakers, and alumni for their continued support of the program. Brian hopes to continue gaining hands-on experience in intrinsic valuation, portfolio management, and equity research through the CPMT program. This upcoming summer, he will be joining Bank of America Merrill Lynch as an Investment Banking Summer Analyst. Previously, Brian worked as a Junior Investment Analyst at ARC Financial and as a Research Associate Intern at RS Energy Group. Outside of the CPMT, Brian is a member of the University of Calgary's Rotman International Trading Competition team. Upon graduation, he intends to pursue a career in capital markets, as well as obtain his CFA designation. In his spare time, Brian enjoys playing chess, hiking, skiing, and reading.

COLTON BORLE
Portfolio Manager
5th Year, Finance
Over his two years with the CPMT, Colton has enjoyed learning about capital markets, valuation, and portfolio management from the extensive community of alumni, peers, and industry professionals that surround the Fund. In fall 2019, he completed an internship at CIBC World Markets in the Global Infrastructure and Power Investment Banking division as an Investment Banking Co-op Analyst, which he will be returning to full-time after graduation. Colton has enjoyed taking on a mentorship role with the Investment Analyst class this year and hopes to continue to improve the program as much as he can for future years. Colton enjoys soccer, podcasts, and hiking in his spare time.

FAIZAAN DOSSA
Portfolio Manager
5th Year, Finance
Faizaan is enjoying his role as a Portfolio Manager in the Industrials and Real Estate Sector. He wrote his CFA Level 1 in December of 2019 and is excited to continue his pursuit of the designation. In July, Faizaan will join Marsh & McLennan Companies in the New Graduate program. He is thankful for the opportunity that the CPMT provides and appreciates the continued support that the Board of Trustees, speakers, and alumni offer. In his spare time, Faizaan enjoys bodybuilding, time outdoors, and reading.

LUCAS PETERS
Portfolio Manager
5th Year, Finance
Lucas joined the CPMT in March 2018 as an Investment Analyst. He would like to thank the CPMT's current and past members, mentors, as well as Thomas Holloway and other active supporters for their contribution in making the program such a memorable experience. Upon graduation, Lucas will be returning to J.P. Morgan full-time as an Investment Banking Analyst after completing a summer internship there last summer. In his previous summer internships, Lucas worked at Macritchie as a Private Equity Summer Analyst and Mackenzie Investments as an Inside Sales Assistant. In his spare time, Lucas enjoys golfing and playing hockey.

MAHDIS SADEGHI
Portfolio Manager
5th Year, Finance
Mahdis joined the CPMT program in September 2017 as an Investment Analyst and would like to extend her thanks to the Board of Trustees, speakers, alumni, and mentors for their continued support. Mahdis completed an internship with Citi as a Corporate Banking Summer Analyst in summer 2019. Her other previous experiences include internships with RS Energy and the British Columbia Investment Management Corporation's Corporate Bond Fund. Upon graduation, she intends to pursue a career in capital markets and obtain her CFA designation. In addition to her interest in finance, Mahdis enjoys hiking and snowboarding.

NICOLE LIVINGSTON
Portfolio Manager
5th Year, Finance
Nicole joined the CPMT in March 2018 as an Investment Analyst. She would like to thank the Board of Trustees, speakers, and mentors for giving her the opportunity to develop professionally alongside talented peers. Nicole recently completed a summer internship in Securities Research with Kempen & Co. in Amsterdam and is currently engaged in a Co-op as Senior Intern Analyst with CPPIB's Total Portfolio Management group. Upon graduation, she seeks to pursue a Master of Quantitative Finance degree. Nicole loves to travel, learn languages, study neuroscience, and challenge herself through competitive boxing and Brazilian jiu-jitsu.

SCOTT MCNICHOL
Portfolio Manager
5th Year, Finance/Chemical Engineering
Scott joined the CPMT in March 2018 as an Investment Analyst. He would like to thank the Board of Trustees, faculty, speakers, and alumni, for their guidance and program support. During his time in the program, he has thoroughly enjoyed the opportunity to expand his research, valuation, and portfolio management knowledge. Scott is in his final year working on a dual degree in Finance and Chemical Engineering and will be working as an Investment Banking Analyst at Credit Suisse upon graduation. This summer, Scott worked at Credit Suisse as an Investment Banking Summer Analyst, and prior to that, he worked as an Engineering Summer Student at Husky Energy and Sproule. Outside of work and school, Scott is an avid golfer and played competitively for several years.

CPMT CLASS OF 2021

AKASH SEKAR
Investment Analyst
4th Year, Finance/Economics

Akash joined the CPMT in March 2019 as an Investment Analyst. He is excited to broaden and strengthen his knowledge of valuation, financial markets, and portfolio management during his time in the program. He is currently working towards a combined degree in Finance and Economics and is looking to attain a career in the capital markets upon graduation. Akash is looking forward to joining Credit Suisse next summer as an Investment Banking Summer Analyst. He has completed previous summer internships at Whitecap Resources as an Accounting Summer Student and Crescent Point Energy in its Corporate Planning group. In addition to his passion for finance, he enjoys playing and watching hockey, basketball, and golf.

BREANNA SCHOLLAARDT
Investment Analyst
3rd Year, Finance

Breanna joined the CPMT in March 2019. She is extremely grateful for the opportunity to learn from her peers, mentors and alumni and is hoping to develop and improve her financial modeling, equity research, and portfolio management skills. Breanna is excited to join Hugessen Consulting in Summer 2020. She is a finance major and completed a summer internship at AECOM in the project controls department during Summer 2019. Upon graduation, she would like to explore a career in consulting or equity research. In her spare time, Breanna enjoys yoga, dancing, reading, and overall health and wellness.

DHRUV JINDAL
Investment Analyst
3rd Year, Finance/Data Science (Minor)

Dhruv joined the CPMT as an Investment Analyst in March 2019. He is grateful for gaining hands-on experience in valuation, financial modeling, and equity research through the CPMT program. Dhruv is excited to join Shell as an Operations Business Analyst Intern in the Trading & Supply department. He has completed past internships at Parex Resources as a Capital Markets and Corporate Planning Summer Student and at Suncor Energy as an Oil Sands Finance & Planning Student. Upon graduation, he intends to obtain his CFA designation and pursue a career in capital markets or trading. In his spare time, Dhruv enjoys listening to music and podcasts.

ERIK SKORONSKI
Investment Analyst
4th Year, Finance/Software Engineering

Erik joined the CPMT in March 2019 as an Investment Analyst. He is excited to expand his knowledge of capital markets, financial analysis, and portfolio management throughout his time in the program. Erik is working on a dual degree in Finance and Software Engineering and intends to pursue a career in capital markets upon graduation. He recently finished an internship at Ayrshire Group in their Real Estate and Venture Capital teams as a Private Equity Summer Analyst. Erik is currently working at BMO Capital Markets on a Co-op in its Real Estate Investment Banking group. Outside of work and academia, he enjoys contributing to fintech projects, listening to podcasts, playing guitar, and cycling.

HAYLEY HICKS
Investment Analyst
4th Year, Finance

Hayley joined the CPMT in March 2019 as an Investment Analyst. She is excited to continue strengthening her knowledge in fundamental equity valuation and analysis across multiple market sectors and financial markets, and gain vital portfolio management experience during her time in the program. She also wishes to use her experiences and learnings to inspire others and give back to the program for future students. She is currently working towards her degree in Finance, and is currently completing her academic requirements abroad at the Emlyon Business School based in the Saint-Etienne, France campus. She wishes to obtain her CFA post-graduation while pursuing a career in the capital markets. Hayley completed a summer internship with Mackenzie Investments as an Inside Sales Assistant after previous finance internships at Suncor Energy and Leith Wheeler Investment Counsel. In addition to her passion for Finance, she is also a member of Women in Capital Markets, volunteering whenever possible, and volunteers with Metis Family Calgary Services. She enjoys playing volleyball, maintaining an active and healthy lifestyle, and learning the French culture and language as she works towards her bilingual certificate.

HELENA CHERNIAK-KENNEDY
Investment Analyst
3rd Year, Finance/Mathematics

Helena joined the CPMT in March 2019 as an Investment Analyst. She would like to thank the Board of Trustees, faculty, speakers, and alumni for their generosity in supporting the program and furthering students' finance educations. Helena is excited to expand her knowledge about portfolio management, valuation, and equity research. With a passion for financial and mathematical analysis, she is pursuing a dual degree in Finance and Math. In addition to the CPMT, Helena has competed in the Inter-Collegiate Business Competition on the Business Policy and Human Resources teams and is VP External of the student club, Women in Science and Engineering. Helena completed two summer internships at Plains Midstream Canada as a Futures and Derivatives Trading Intern and Acquisitions and Strategic Planning Intern. She will be working at Plains Midstream again this summer as an intern in the Financial Products group. Upon graduation, Helena intends to pursue a career in capital markets and obtain her CFA designation. In her spare time, Helena enjoys playing piano, as well as golfing, playing tennis, and hiking.

JOSE MENJIVAR
Investment Analyst
4th Year, Finance/Computer Science

Jose joined the CPMT in March of 2019 as an Investment Analyst. He is looking forward to the continuous experiential learning opportunities in the program and is excited to further expand his knowledge in valuation, fundamental analysis, and portfolio management, specifically focusing on the energy sector. He is currently working towards completing his dual major degree focusing in Finance and Computer Science and plans to obtain his CFA designation after graduation. Jose intends to pursue a career in capital markets, somewhere he can leverage his technical knowledge in both finance and computer science. Jose looks forward to joining Bluesky Equities this summer as a Summer Analyst. Last summer, he completed an internship at the Creative Destruction Lab as a Venture Analyst. In his free time, Jose enjoys hiking, reading, playing guitar, and programming.

WILLIE LI
Investment Analyst
4th Year, Finance/Software Engineering

Willie joined the CPMT in March 2019 as an Investment Analyst and would like to extend his thanks to the Board of Trustees, speakers, alumni, and other mentors for their continued support of the program. He is eager to apply his knowledge of capital markets while gaining hands-on experience in financial modeling, portfolio management, and equity research. Willie is currently working towards a dual degree in Finance and Software Engineering and will be starting an internship at Shareworks by Morgan Stanley as a software developer this summer. Upon graduation, he intends to pursue a career in quantitative analysis and obtain a master's in financial mathematics. Outside of work and academics, Willie enjoys reading, basketball, and derivative trading.

Speaker Series and Mentorship Program

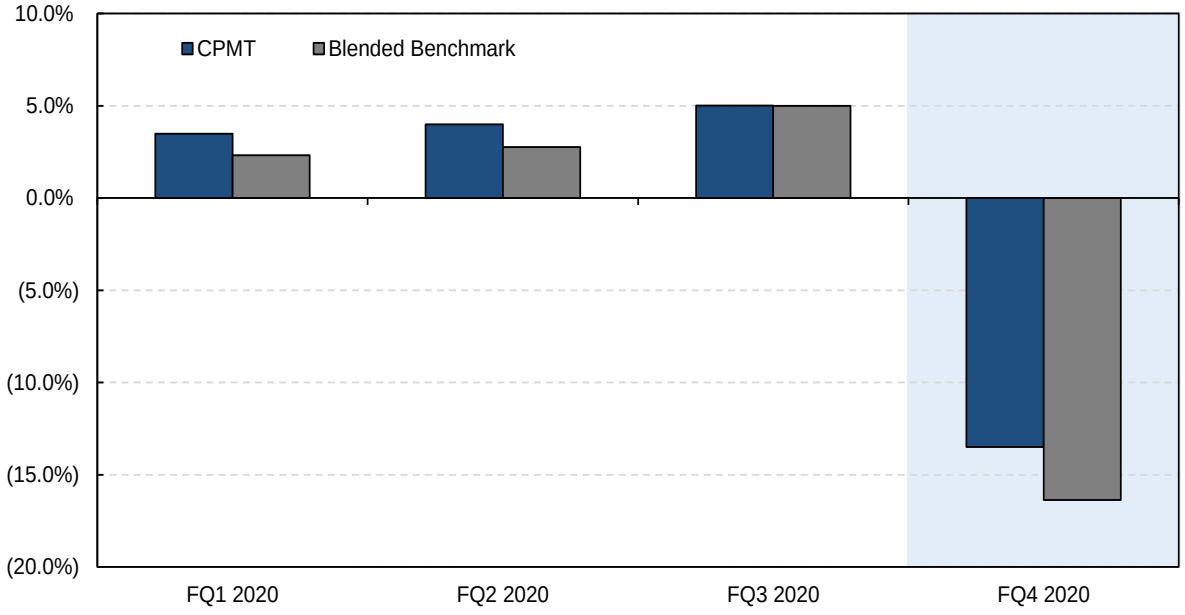
The CPMT program continues to benefit from our Speaker Series events. Whether downtown, on campus or out of town visits, we thoroughly enjoyed the unique experience gained from speaking with the industry veterans. This has provided an invaluable opportunity for students to gain insight regarding potential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

2019-2020 CPMT Speaker Series	
Firm	**Organizer(s)**
Accelerate Fintech	Julian Klymochko
ARC Financial	Kieran Courtright
Barclays	Jason Field
CPPIB	Matias Garcia / Bryton Hewitt
Credit Suisse	Tony Phan
Enbridge	Max Chan
Fiera Capital	Frederick Chenel
HarbourVest	Kate-Lynn Gordey
J.P. Morgan	Daniel Cassino
Northleaf Capital	Rebecca Wang
NYCEEC	Curtis Probst
PSP Investments	Michelle Creighton
Raymond James	Chris Cox / George Huang
RBC Capital Markets	Brad Wolfe / Daniel Pham
SAF Group	Wylie Johnston
Scotiabank	Will MacRae
TD Securities	Allie Moran
The Marquee Group	Jamie Wilkie
Triwest	Brett Butler

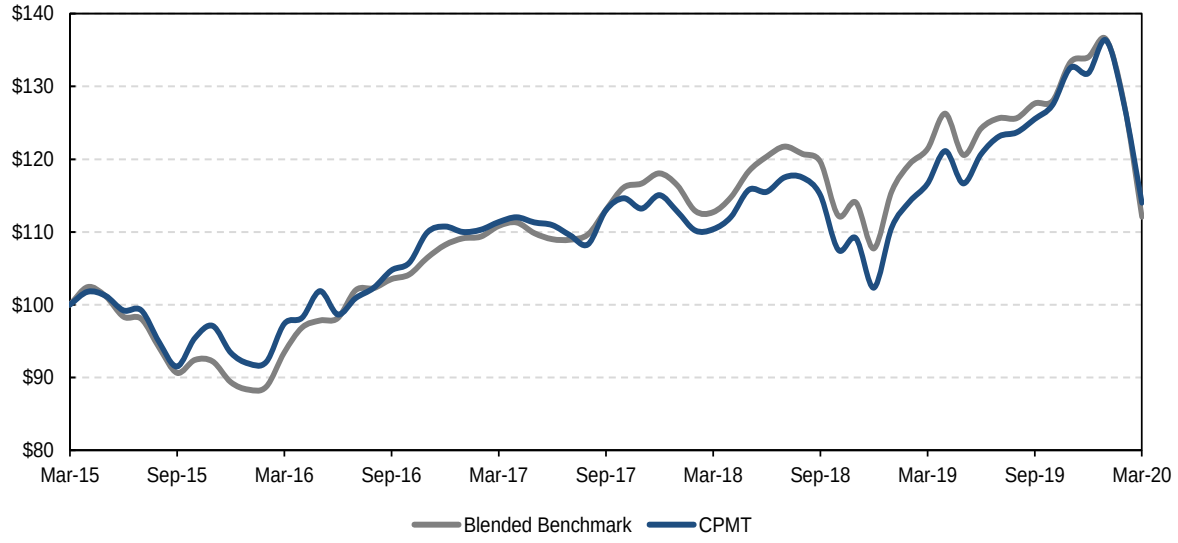
CPMT Student Mentorship		
Firm	**Mentor**	**Mentee**
BCI	Syed Ahmad	Brian Timmerman
BMO Capital Markets	David Clarke	Faizaan Dossa
BMO Capital Markets	Caleb Kostynuik	Jose Menjivar
Centerbridge Partners	Andrew C. Kim	Scott McNichol
CIBC Capital Markets	Chris Chow	Akash Sekar
CIBC Capital Markets	Emma Loewen	Mahdis Sadeghi
Cumberland Private Wealth	Derek VanGenderen	Erik Skoronski
Enbridge	Max Chan	Ben Dimnik
Franklin Templeton	Gary Aitken	Mahdis Sadeghi
Jarislowsky Fraser	Chad Van Norman	Colton Borle
Matco	Trevor Galon	Lucas Peters
Mawer Investment Management	Vijay Viswanathan	Dhruv Jindal
National Bank	Dan Payne	Nicole Livingston
Palisade Capital Management	James Anderson	Willie Li
Peters & Co.	Callum Moore	Ben Dimnik
PSP Investments	Michelle Creighton	Hayley Hicks
QV Investors Inc.	Ian Cooke	Helena Cherniak-Kennedy
Scotiabank	Jessica Hulsman	Breanna Schollaardt
Seven Generations Energy	Christian Erana	Akash Sekar
Thoma Bravo	Carl Chan	Lucas Peters
University of Calgary	Shiv Desai	Dhruv Jindal

Quarterly Snapshot - FQ4 2020

CPMT and Benchmark Total Return (TTM)



Value of $100 (since March 31, 2015)

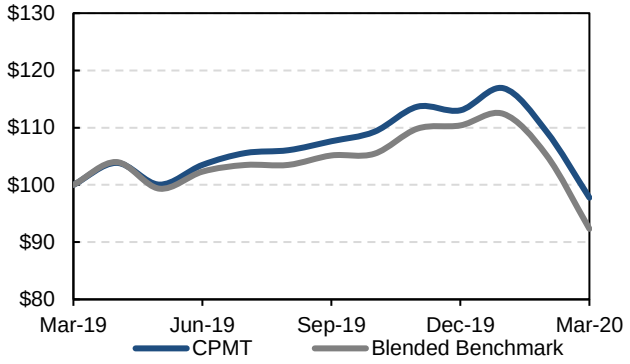


Fund Universe

	FQ4	1 Year	3 Year	5 Year	10 Year
CPMT	(13.50%)	(2.23%)	0.79%	2.66%	3.56%
Blended Benchmark	(16.37%)	(7.68%)	0.38%	2.31%	4.83%
Blended Benchmark Difference	2.87%	5.45%	0.41%	0.35%	(1.27%)

Annual in Review

ANNUAL RETURN



NOTE TO STAKEHOLDERS

The CPMT Class of 2020 would like to extend our gratitude to the Board of Trustees, the CFA Society of Calgary, and CPMT alumni for their continued involvement and support of the program. We would like to thank all of our supporters in the Calgary business community for their vested interest in the program and those professionals who have volunteered their time to be a part of the mentorship program. This mentorship provides students with invaluable support, ranging from technical expertise to career guidance and more.

Involvement in the CPMT program offers unique exposure to a challenging, rewarding, and scholastic environment, creating an unrivaled student experience. The goal of the Fund is to succeed long into the future and support student opportunities. This goal is driven by our commitment to research within the Fund as well as donating 4% of the 3-year trailing AUM annually in support of collaborative financial research.

OVER THE QUARTER

The Fund returned (13.50%) over the quarter, 287 bps above the blended benchmark (16.37%). Our outperformance was derived primarily from strength in our Energy, Health Care, and holdings and was mostly offset by underperformance in Materials and Financials. The Fund has now achieved its target 50/50 Canada/U.S. equity exposure following several months of carrying out due diligence on several companies that we believe fit the CPMT mandate. Over the course of Q4 and the early stages of Q1, the Fund made significant changes to the portfolio: we added J.P. Morgan (NYSE: JPM), Ross Stores (NASDAQ: ROST), Intuitive Surgical (NASDAQ: ISRG), Aritzia (TSX: ATZ), Procter and Gamble (NYSE: PG), and NextEra Energy (NYSE: NEE); to fund the trades, the Fund elected to divest positions in Manulife Financial (TSX: MFC), Marathon Petroleum (NYSE: MPC), Scotiabank (TSX: BNS), and Algonquin Power & Utilities (TSX: AQN).

This quarter, the CPMT faced one of the greatest challenges this program has seen since the financial crisis over a decade ago, as the coronavirus pandemic has forced stock markets around the world into turmoil in late February. Over the last few quarters, the Fund has gradually built a more defensive portfolio that positioned us well for the outbreak with the Fund returning 443 bps above our blended benchmark. The names we added during Q4 reflected the defensive stance that we were taking, looking for companies with strong balance sheets to absorb sustained losses, business models that perform well in a recession, and experienced management teams that we trust in more dismal times. An example of that is our purchase of ROST; the Company was one of the few retailers with positive comps growth throughout the financial crisis, as well as a strong liquidity profile that can withstand a downturn. With our recent Q1 additions, the Fund shifted its focus slightly to adding more undervalued names that we believe already have the downside priced in and will help us outperform the market on a rebound.

As the outgoing PM class prepares to leave the program and we shift our focus onto the Class of 2021, we wanted to take a few sentences to reflect on another year of further development and successes of the program. Prior to the outbreak of COVID-19, the Fund had endeavored in many positive milestones. Our members were involved in multiple international case competitions including the Intercollegiate Business Competition (ICBC), the Rotman International Trading Competition (RITC), and the National Investment Banking Competition (NIBC). The Fund also ventured on its second annual trip to Toronto to meet with firms and gain exposure to the financial industry out east. In addition, the Fund introduced new marketing materials including a new presentation template and an updated color scheme for our team pitches. Lastly, we proudly welcomed Abhishek Sewak, Jack Morgan, Katie Tu, Kian Sadeghi, Sina Hadjiahmadi-Ardakani, and Stephen Nguyen to the Class of 2022 and are very excited for the skillset each new Investment Analyst will bring to the program.

TRANSACTION LOG

COMPANY	OLD	NEW
Scotiabank	6.0%	0.0%
mastercard	7.0%	6.0%
J.P.Morgan	0.0%	4.0%
Apple	4.0%	6.0%
ROSS DRESS FOR LESS	0.0%	4.0%
Knight	2.0%	4.0%
Manulife	4.0%	0.0%
INTUITIVE SURGICAL	0.0%	4.0%
DOLLARAMA	3.0%	4.0%
MARATHON	4.0%	0.0%

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

NEW RECOMMENDATIONS

	COMPANY	IMPLIED RETURN
OUTPERFORM	Aritzia	95.0%
OUTPERFORM	Ulta Beauty	38.0%
OUTPERFORM	Diageo	32.0 %
OUTPERFORM	NextEra Energy	20.0 %
OUTPERFORM	Ecolab	19.0 %
OUTPERFORM	Accenture	17.0 %
OUTPERFORM	Crown Castle	16.0 %
OUTPERFORM	Procter & Gamble	10.0 %
PERFORM	Chevron	25.0 %
PERFORM	S&P Global	12.0 %

*Note: Reflects implied upside as of March 31, 2020

Accenture

Information Technology
NYSE: ACN
Market Outperform | Buy

Calgary Portfolio Management Trust

accenture

March 31, 2020

Hayley Hicks, Investment Analyst

Return on Investment

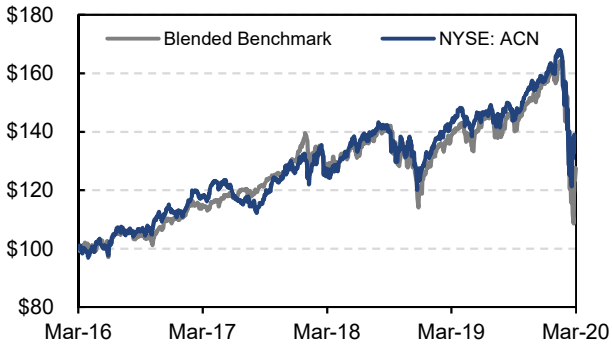
Current Share Price	$163.26
Target Price	$189.00
Dividend Yield	1.80%
Holding Period Return	18%
Company Quality (CQ) Score	3.6
Conviction Rating	2

Market Profile

52-Week Range	$143.69 - $215.92
Market Capitalization (US$mm)	$104,001
Net Debt (US$mm)	($2,030)
Enterprise Value (US$mm)	$102,417
Beta (5-Year Monthly)	1.03

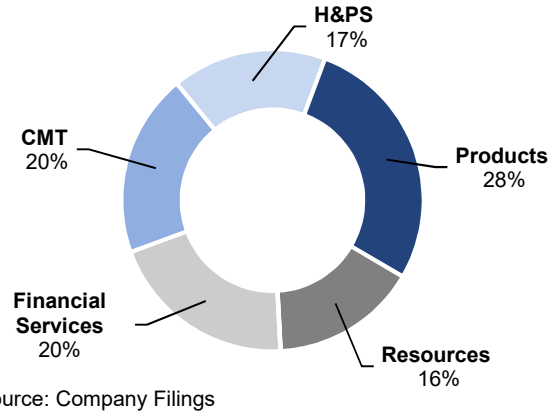
Metrics	2019A	2020E	2021E
Revenue (US$mm)	$43,215	$44,357	$46,588
EBITDA (US$mm)	$6,305	$7,896	$8,057
EPS	$7.36	$7.61	$8.11
EV/EBITDA	16.2x	12.2x	11.7x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: FY2019 Revenue Breakdown



Source: Company Filings

Business Description

Accenture Plc (NYSE: ACN) is a global management and technology consulting company that specializes in devising transformative systems, business ideas, and strategies for its clients through state-of-the-art consulting, digital innovations, and technological. ACN supports clients through integrated, multi-disciplinary teams with deep industry expertise and a broad range of highly specialized skills. The Company's core operating segments of consulting and outsourcing services span across five industry segments: (1) Communications, Media and Technology (CMT), (2) Financial Services, (3) Health and Public Service (HPS), (4) Products, and (5) Resources. ACN was founded in Dublin, Ireland in 1989, and has since expanded its services globally to more than 200 cities and 51 countries, consolidated into three predominant markets: Americas, Europe, and Growth Markets. The Company has long standing alliance relationships with Amazon (NASDAQ: AMZN), Google (NASDAQ: GOOGL), Microsoft (NASDAQ: MFST), Oracle (NYSE: ORCL), Pegasystems (NASDAQ: PEGA), Salesforce (NYSE: CRM), and SAP (NYSE: SAP), and has received continual recognition and awards of excellence, such as Fortune's World's Most Admired Companies, CDP's Climate Change "A" List and Fortune's Global 500.

Revenue Segment Breakdown

(1) CMT: ACN assists business growth through the shift to data-driven, platform-based models to optimize cost structures while scaling and differentiating digital experiences. It services providers of wireline, wireless, entertainment, enterprise and consumer tech, cable, satellite, aerospace, defense, and medical equipment.

(2) Financial Services: ACN develops growth, consolidation, and digital solutions for the diversified financial enterprises in banking, capital markets, and insurance industries.

(3) HPS: ACN has a direct impact in the social, economic, and health outcomes directed by non-profit organizations, government agencies and departments, educational institutions, and public health systems.

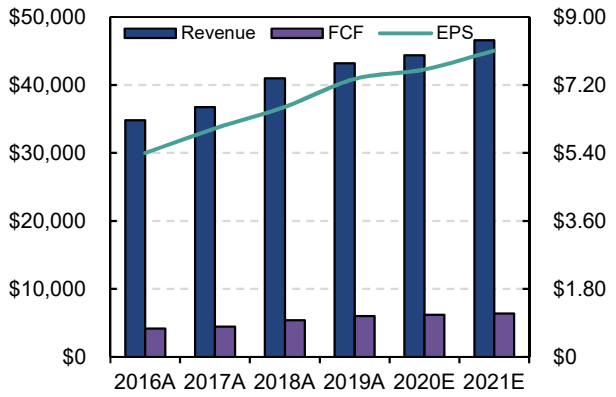
(4) Products: ACN provides solutions for all consumer-related industries, such as travel, fashion/apparel, supermarkets, and mass-merchandise discounters to increase their relevance in the digital world, while integrating solutions that enhance the supply chain, marketing, and research and development functional activities.

(5) Resources: ACN services the chemicals and natural resources, metals & mining, petrochemicals, and utilities industries to execute strategies, develop change initatives, and implement digital technologies.

Industry Overview & Competitive Landscape

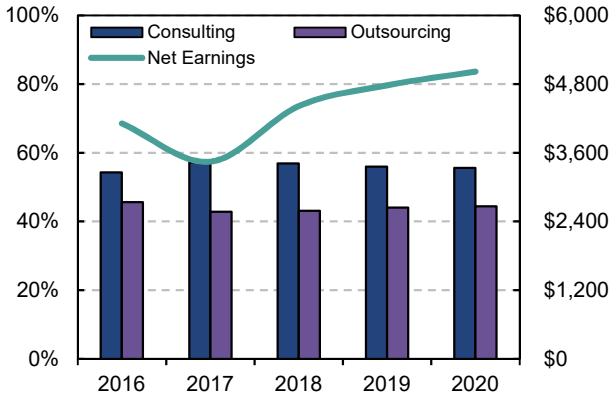
Management consulting is categorized into Strategy-Focused, Information Technology (IT), Human Resources, and Niche. Within global IT consulting, ACN accounts for ~17% of global market share across the Americas, Europe, and Growth Markets. ACN has the following competitive advantages: (1) it is the most diversified in the IT consulting space; (2) its specialization in customer relationships and domain expertise; (3) its consistent free cash flow profile, with a FCF yield of ~6% (14% 5-year FCF CAGR) that offers an attractive opportunity; (4) it has a decentralized global workforce to uniquely service international market operations; and (5) ACN is capable of supporting a wider range of clientele, as it does not sell its own hardware, mitigating conflicts of interest next to pure-play competitors, such as IBM (NYSE: IBM) or HP Enterprise (NYSE: HPE), with consulting arms of large tech companies that sell their own technologies.

Figure 2: FY Financials (LHS US$mm)



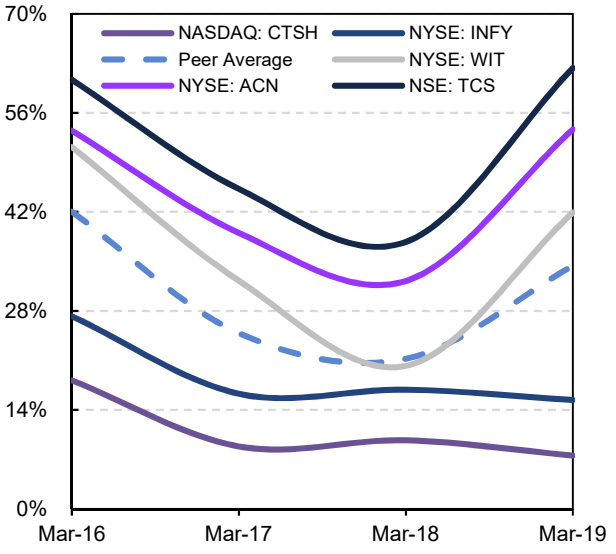
Source: Company Filings, CPMT Estimates

Figure 3: Net Earnings Proportion (RHS US$mm)



Source: Company Filings, CPMT Estimates

Figure 4: YoY Peer Revenue Growth



Source: S&P Capital IQ, Company Filings

Growth & Catalysts

ACN's market dominance is driven by inorganic growth opportunities which it utilizes to strengthen its pipeline of service offerings, and to continually develop its suite of integrated consulting and outsourcing capabilities. ACN remains focused on adding scale in new digital areas through acquisitions, having completed 40 engagements over the last year, with assets acquired in the areas such as Industry X.0 and cybersecurity. Through its acquisitions, ACN has also expanded its global human capital by ~6,200 employees. Analysts estimate a 2.3% contribution to growth from acquired revenue in FY2020, slightly above the guided 2.0%, with incremental deals estimated to generate slight upside to target. ACN's revenue growth is significantly influenced by the number and scale of confirmed projects, contracts, bookings, and signings. On an absolute basis, new bookings were $10.34B or a book-to-bill of 0.91x for Q2 2019.

Risks & Defensiveness

Over the recent quarter, COVID-19 has triggered a higher need for clients' safe and secure continuation of operations, presenting ACN with the opportunity to implement a virtual workforce and navigate the health crisis. ACN itself utilizes Microsoft Teams virtual collaboration software, with its global management teams operating virtually without a headquarters for three decades now, partially mitigating operational risks from the COVID-19 pandemic. Companies' overall transition to large-scale virtual workforces also poses the need for increased cyber security, another strong pipeline for ACN. ACN proactively activated its business process outsourcing plans to maintain delivery capabilities in overseas centres, and has already moved 60% of its India/Philippines and 85-90% of its Italy/Spain headcount to work-from-home arrangements, in addition to operating with skeletal staff in delivery locations. Although the Company has the capacity to provide virtual agents to clients to continue project deliverables and assist the transition in working remotely, in the presence of COVID-19, the Company risks delayed starts to new projects, decline in overall IT spending and investments by clients, and an overall impact within its oil & gas, financial services, manufacturing, travel, and retail segments.

Valuation & Investment Thesis

ACN is well-positioned to provide next-generation services driven by the "New" - its digital, cloud, and security applications segment as businesses become more technologically automated and streamlined through digitalization. This segment drives over 65% of ACN's revenue. Additionally, acquisitions concentrated in digital technologies will improve and expand ACN's digital offerings. IT services pose the opportunity to become increasingly bifurcated with consulting companies, like ACN, to redesign the workforce through forms such as specialized augmentation, to streamline processes and increase operational efficiencies to free up resources for innovation and expansion. It also enables companies to access large-scales of human capital capabilities to gain market share above competitors who lack the talents.

The CPMT valued ACN at $189.00 through a Gordon Growth valuation. FCFs were forecasted out five-years, with a terminal growth rate of 2% applied, and a calculated WACC of 10.25%. This is adjusted to management's conservative revenue growth of 3-6% for FY2020. ACN's core EPS CAGR over the forecasted period follows management's mid-range forecast at 4% (guidance of 2-6%). ACN has maintained a strong EBITDA margin of 16% since 2016, which was kept consistent in the model. The CPMT believes its 13.5% premium on NTM P/E is warranted given ACN's track record of value generation, proven by its FY2019 ROE of 38%, and high overall YoY revenue growth compared to peers. Given ACN's superior FCF growth, diversified business model, and competitive positioning in the overall market, the CPMT deems ACN's valuation to be sufficiently attractive.

March 31, 2020

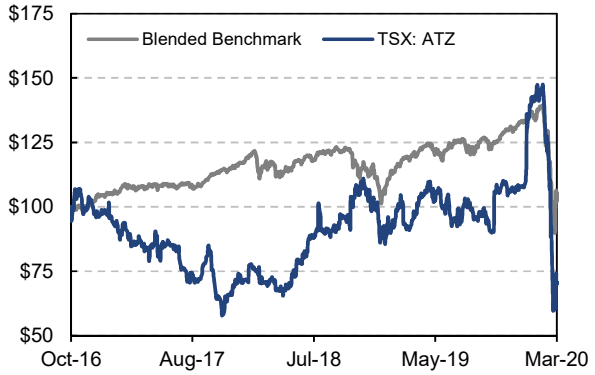
Helena Cherniak-Kennedy, Investment Analyst

Return on Investment	
Current Share Price	$12.31
Target Price	$24.00
Dividend Yield	0.00%
Holding Period Return	95%
Company Quality (CQ) Score	3.7
Conviction Rating	2

Market Profile	
52-Week Range	$10.59 - $26.37
Market Capitalization ($mm)	$950
Net Debt ($mm)	$477
Enterprise Value ($mm)	$1,427
Beta (5-Year Monthly)	0.74

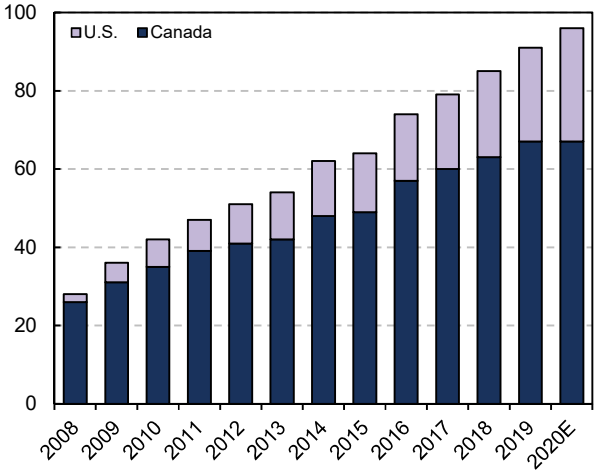
Metrics	FY2020E	FY2021E	FY2022E
Revenue ($mm)	$981	$947	$1,134
EBITDA ($mm)	$246	$184	$249
Net Debt / EBITDA	1.92x	2.33x	1.41x
EV/EBITDA	5.8x	7.8x	5.7x

Post-IPO Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Boutique Growth



Source: Company Filings, CPMT Estimates

Business Description

Aritzia Inc. (TSX: ATZ) is a vertically integrated fashion house headquartered in Vancouver, Canada that designs and retails luxury apparel and accessories. ATZ focuses on innovative, aspirational women's fashion, with a target demographic aged 15-45. Founded in 1984 by Brian Hill, who remains the current CEO and Chairman, ATZ currently has 96 boutiques across Canada and the U.S. Prior to its IPO on October 3, 2016, the Company had been majority-owned and controlled by private equity firm Berkshire Partners since 2005.

Omni-Channel Retail Strategy

ATZ is a leading luxury omnichannel fashion retailer, with traditional brick-and-mortar boutiques, alongside a growing e-commerce presence. ATZ has three primary omnichannel growth strategies: (1) new stores, (2) store expansions and remodellings, and (3) e-commerce.

Brick and Mortar: A core element of ATZ's image and strategy is its brick-and-mortar boutiques. With an average size of 6,000 square feet, ATZ's boutiques are designed by in-house architects to have an aesthetic that matches the overall brand. Since 1984, ATZ has never closed a boutique due to poor performance. Instead, it has witnessed an 11.3% CAGR in store growth since 2008. Moving forward, ATZ targets opening 5-6 new boutiques per year. The economics of new boutiques remain attractive, with a payback period of 18-24 months. ATZ opened its first boutiques in the U.S. in 2007 and has since increased that number to 29 stores in the U.S., with 5 opened during FY2020. The U.S. remains an underpenetrated market for ATZ, offering an attractive growth runway. As of the end of FY2020, ATZ had 96 boutiques, with 67 in Canada and 29 in the U.S.

ATZ exclusively opens boutiques in prime real estate locations, specifically high-performing retail malls and high streets. Management has identified 100 locations that meet its rigorous real estate standards, indicating a robust growth pipeline. ATZ also diligently expands and remodels existing boutiques to keep its store base fresh and experiential for customers. Expansions increase revenue through expanded square footage (3,500 square feet, on average), while acting as a form of marketing. Expanding stores has a lower capital cost than opening new stores ($2mm versus $2.5mm), with a high return on investment.

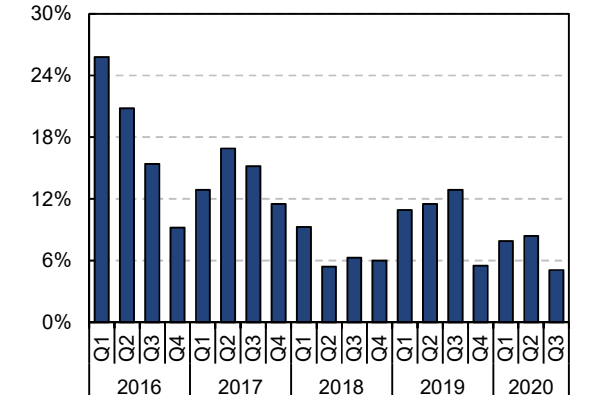
E-Commerce: E-commerce has risen to an estimated 25% of revenue from ~17% in FY2018 in line with rising brand awareness. This brings ATZ's e-commerce penetration more in line with peers while fulfilling its five-year target to increase e-commerce penetration from 12% to 25% over FY2016-FY2021. Concurrently, ATZ has increased the breadth of products available online and expanded international shipping. Notably, new store openings increase e-commerce traffic for ATZ, rather than cannibalizing sales, creating a "halo effect" that is unique to ATZ.

Growth Profile

ATZ is exceptional at generating self-funded organic growth through a combination of store growth and expansion, e-commerce growth, and its strong fashion pipeline. One of ATZ's key strategies is innovating around best-selling products. In 2019, ATZ expanded its product scope from purely women's apparel into menswear, through the release of the Mr. Super Puff, as well as pet clothing through its Ruff Puff. Moving forward, ATZ is expected to accelerate the growth of its menswear line, thereby significantly broadening its total addressable market. Similarly, the Company has expressed intent to expand into other apparel segments, including more inclusive plus-sizing.

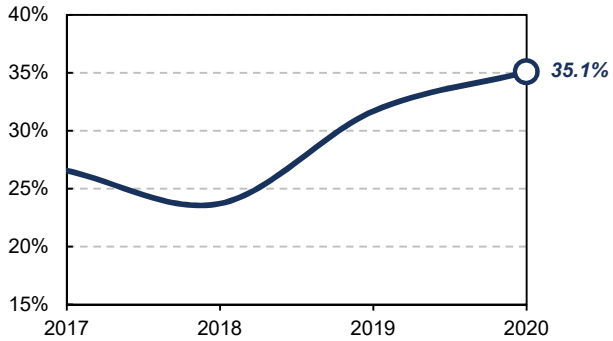
ATZ has had 21 consecutive quarters of positive comparable sales growth, a testament to its ability to attract new customers to stores, while also (cont.)

Figure 2: Comparable Sales Growth



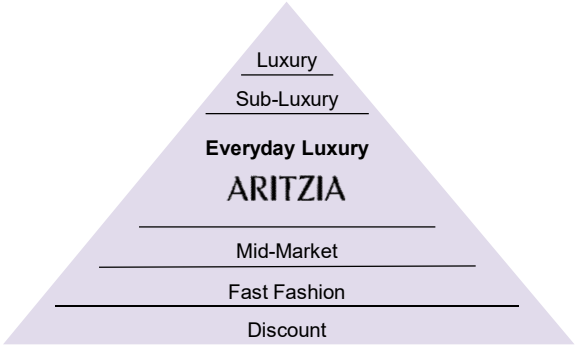
Source: Company Filings

Figure 3: Return on Invested Capital



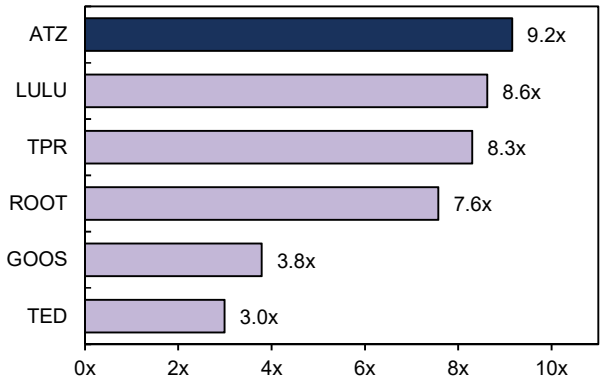
Source: Company Filings, CPMT Estimates

Figure 4: Niche Market Positioning



Source: Company Filings

Figure 5: ATZ Inventory Turnover versus Peers



Source: S&P Capital IQ, Company Filings

retaining loyal recurring customers. Consistent earnings growth relative to modest capital expenditures results in a strong ability to generate cash. FCF conversion (relative to revenue) is expected to be ~15% for FY2020. Revenue has grown at a 17.2% CAGR from 2016-2019, driven by a combination of comparable sales growth and unit expansion, with adjusted EBITDA growing at a 29.7% CAGR over the same period, bolstered by strengthening EBITDA margins.

Financial Positioning

ATZ has a high level of balance sheet flexibility with $95.7mm in cash, $74.7mm of long-term debt due 2022, and an undrawn revolver. Including the impact of IFRS 16 accounting standards, ATZ's FY2020E Net Debt / LTM EBITDA remains low at 1.92x (-0.10x pre-IFRS 16) versus its peer average of 2.4x, with management diligently reducing leverage since its 2016 IPO. ATZ's strong liquidity places it in a resilient position in the face of macroeconomic uncertainty surrounding the COVID-19 pandemic.

ATZ has an impressive ROIC, which is expected to exceed 30% in FY2020, implying a ROIC/WACC of ~4.5x. Although ATZ does not pay a dividend, it has engaged in two normal course issuer bids to repurchase 10% of its float over FY2019 and 5% over FY2020. With $108mm worth of shares repurchased over the first three quarters of FY2020, this illustrates management confidence and effective capital allocation.

Competitive Advantage

ATZ's competitive advantage results from its strong brand equity. The Company's 12 proprietary brands each have a unique aesthetic and are treated as independent labels, with their own individual design teams. With 90% of ATZ's net revenue coming from these brands, it is differentiated from mono-brand retailers, able to offer a diverse selection of aesthetics, without outsourcing to other brands or designers.

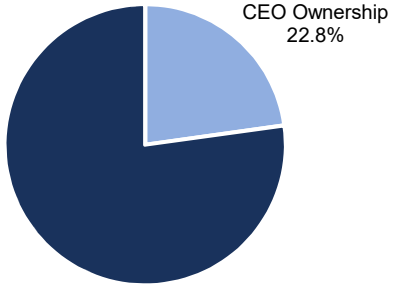
ATZ distinguishes itself from competitors by occupying a niche area of the fashion apparel market; everyday luxury. Uniquely positioned in the North American retail apparel space, ATZ offers the experience and quality of a boutique shop, with the integration and geographic footprint of a retail chain. It is further differentiated by its designs, quality of fabrics, and constructions, available at an attainable price point. ATZ boasts a combination of brand recognition and awareness, together with a high level of brand loyalty. This allows ATZ to effectively acquire new customers and subsequently retain and convert them into recurring clients. ATZ is also working on building a robust social media presence, which is becoming increasingly important to attract a younger generation of customers. The Company has garnered a celebrity following, introducing the Aritzia VIP Program, which allows ATZ to engage in "influencer marketing." Celebrities who have showcased Aritzia products include Meghan Markle, Kendall Jenner, Ariana Grande, and Hailey Bieber, all of whom have a large following with the potential to greatly increase ATZ brand recognition.

ATZ has significant discipline in its inventory management, employing a demand-driven merchandise planning strategy which allows it to maintain modest inventory levels. Through this, ATZ keeps higher inventories for items with predictable, high demand—proven sellers—and lower inventories for new, seasonal items as customer interest is gauged. 50% of SKUs are proven sellers, comprising 80% of revenue. This allows a large portion of ATZ's revenue to be relatively stable and predictable. Through this strategy, ATZ maximizes full-price sales and mitigates fashion risk, while achieving best-in-class inventory turnover of 9.2x.

Management

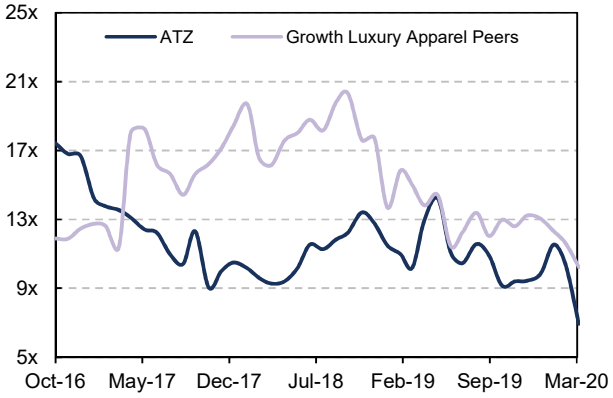
ATZ's CEO, Founder, and Chairman, Brian Hill, is a third-generation retailer and has led the Company since 1984. Under his leadership, ATZ has achieved an impressive track record of consistent growth and execution. Brian Hill owns 22.8% of shares outstanding and with 24.5mm multiple voting shares, he has 74.8% of total voting rights. CEO compensation indicates an extremely high level of shareholder alignment, as Brian Hill only takes a $1 salary and $1 annual bonus, meaning his compensation level is entirely tied to the long-term value of ATZ shares. (cont.)

Figure 6: CEO Share Ownership



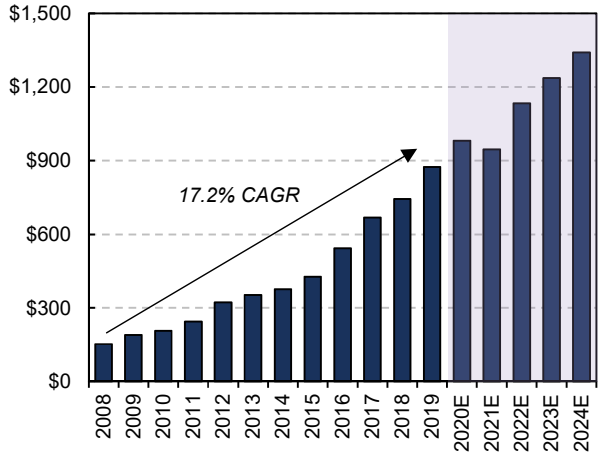
Source: S&P Capital IQ

Figure 7: ATZ EV/NTM EBITDA versus Peers



Source: Bloomberg, S&P Capital IQ

Figure 8: Revenue Growth ($mm)



Source: Company Filings, CPMT Estimates

ATZ is a leading workplace for diversity, with 85% of employees being women, including 54% of the Aritzia Leadership Team and 40% of Named Executive Officers. Furthermore, ATZ has donated over $16mm in product donations, financial support, and volunteer hours to organizations helping women and girls succeed.

COVID-19 Response

In response to the COVID-19 pandemic, ATZ closed all boutiques on March 16, 2020, with precautionary measures being taken for concierge and distribution center employees. E-commerce remains an open channel for product sales; however, all profits during COVID-19 are being donated to the Aritzia Community Relief Fund to support employees and partners affected by COVID-19. No employees have been laid off or furloughed. ATZ has strong liquidity to weather the downturn, with $96mm in cash and an $100mm undrawn revolver.

Valuation

ATZ has historically traded at a discount to its high-growth luxury apparel peers (LSE: TED, TSX: GOOS, ROOT, NASDAQ: LULU, NYSE: TPR). We believe this discount is unwarranted given ATZ's strong fundamentals and distinct competitive advantage, but can partially be attributed to investor sentiment surrounding the PE firm, Berkshire Partners' stake in the Company. After Berkshire Partners' full exit in February 2019, ATZ's multiple improved. Moving forward, we expect ATZ to trade at multiples more in line with peers, offering additional upside to the name through multiple expansion.

ATZ was valued using a 5-year Discounted Cash Flow analysis at a WACC of 7.32%. The target price of $24.00 was derived based on a 50/50 blend of (1) the Gordon growth method, assuming a terminal growth rate of 2.00% and (2) applying an EV/EBITDA exit multiple of 11x. Key assumptions made concerned boutique growth and comparable sales growth, both of which were adjusted to reflect the impact of COVID-19, which was forecast to primarily affect Q1 and Q2 of FY2021.

Updated Investment Thesis

The CPMT previously held a position in ATZ that it fully divested in January 2018. The Fund's decision to sell the name was based on concerns surrounding the viability of ATZ's growth given e-commerce disruption from online behemoths, such as Amazon, as well as a trend towards declining mall traffic. However, ATZ has since demonstrated its ability to execute on its growth targets, reaching 25% e-commerce penetration ahead of targets. Furthermore, while ATZ's stringent real estate standards were cited as a concern due to the resulting high lease costs, we now believe these investments are justified, as they allow ATZ to maintain its luxury brand image, while ensuring that stores are only opened in high-performing locations expected to see long-term customer traffic. Another key concern underpinning the decision to divest ATZ was its macroeconomic exposure. However, the CPMT believes that consumer discretionary names are well poised to capture significant upside as the economy recovers.

We view ATZ as an extremely attractive Canadian name, given its strong fundamentals, balance sheet health and flexibility, niche positioning in the fashion apparel market, and loyal customer base. While ATZ has an impressive track record of growth, it remains underpenetrated in both the U.S. and Canada and we view the U.S. and e-commerce as the two primary growth platforms for the Company moving forward. We have a high level of confidence in management's leadership and execution, as it is on track or ahead of all 5-year targets that were set following ATZ's 2016 IPO. Given the market compression resulting from the COVID-19 pandemic, ATZ is trading at an extremely attractive valuation at levels well below intrinsic value. We believe this is an opportune time to enter a position in a quality name that meets all of the CPMT's mandate pillars and offers sustainable growth moving forward.

Chevron

Energy
NYSE: CVX
Market Perform | No Action

March 31, 2020

Brian Timmerman, Portfolio Manager
Jose Menjivar, Investment Analyst
Helena Cherniak-Kennedy, Investment Analyst

Return on Investment

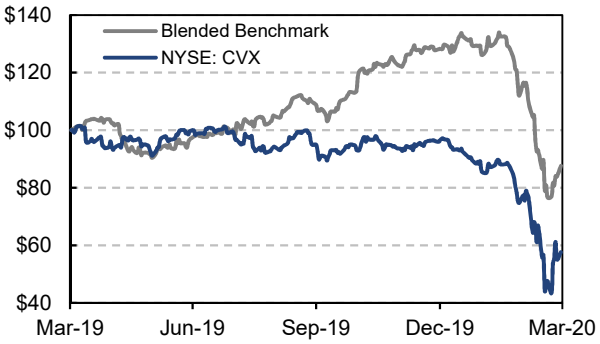
Current Share Price	$72.46
Target Price	$86.00
Dividend Yield	6.55%
Holding Period Return	25%
Company Quality (CQ) Score	3.4
Conviction Rating	N/A

Market Profile

52-Week Range	$51.60 - $127.00
Market Capitalization (US$B)	$136.2
Net Debt (US$B)	$25.1
Enterprise Value (US$B)	$161.3
Beta (5-Year Monthly)	1.18

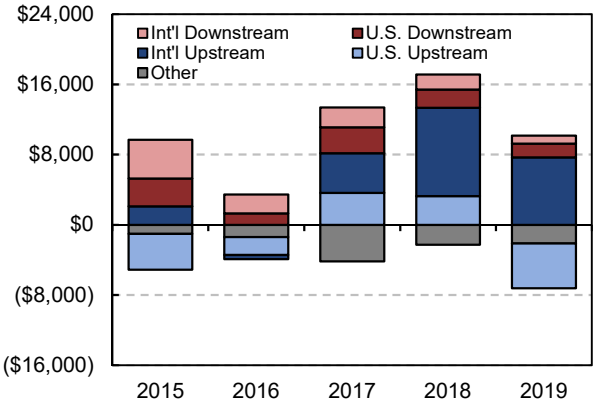
Metrics	2019A	2020E	2021E
Production (Mboe/d)	3,058	3,050	3,044
Revenue (US$B)	$146.5	$129.1	$130.5
EBITDAX (US$B)	$36.7	$20.8	$23.9
EV/EBITDAX	4.4x	7.7x	6.8x

Historical Trading Performance (Indexed to $100)



Source: Bloomberg

Figure 1: Earnings By Segment (US$mm)



Source: Company Filings

Company and Operations Overview

Chevron (NYSE: CVX) is a multinational integrated energy supermajor with operations in more than 180 countries. The Company is engaged in the production, upgrading, transportation, and marketing of crude oil and natural gas across the world. Additionally, CVX is involved in the refining of oil and the marketing of oil products and petrochemicals. The Company operates in two main segments:

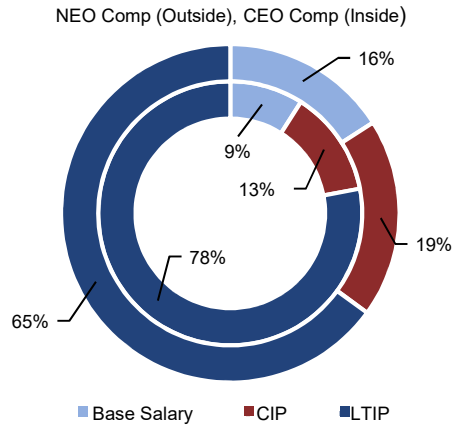
Upstream: At the end of year 2019, CVX's proved reserves stood at 11.4B boe, 28% of these being in the U.S., 23% in Australia, and 23% in Kazakhstan. In 2019, the Company produced a record 3,058 mboe/d. The U.S. leads production (36%), followed by Asia (23%) and Australia (18%). The Permian basin is CVX's primary growth engine due to its advantaged royalty position leading to low breakevens of $30-$35/bbl. The majority of CVX's acreage sits in the core of the play and its well results continue to improve. Before the recent coronavirus demand-and-supply shock, the Company expected production growth of 3% per year. However, it is now expecting flat production YoY before asset sales due to large capital expenditure cuts. Historically, the International Upstream segment has accounted for ~71% of earnings, while U.S. upstream has been ~19%.

Downstream: CVX's downstream segment has four subsegments. (*1) Refining:* The Company operates nine refineries, with five in the U.S. for a total refining capacity of 1,748 kbbl/d (60% of capacity in the U.S.). (*2) Marketing:* CVX markets petroleum products under the brands of "Chevron", "Texaco", and "Caltex". In 2019, refined product sales were 2,577 mbbl/d, with gasoline (37%) historically accounting for a majority of these sales, followed by diesel (25%) and jet fuel (19%). (*3) Chemicals:* Develops and manufactures performance additives for lubricating oils and fuels. *(4) Transportation:* CVX operates a network of crude oil and natural gas pipelines and other infrastructure in the U.S. The Company's marine fleet consists of conventional crude tankers, product carriers, and LNG carriers. Historically, U.S. downstream has accounted for ~13% of earnings, while International Downstream has contributed less than 10%.

Competitive Advantage

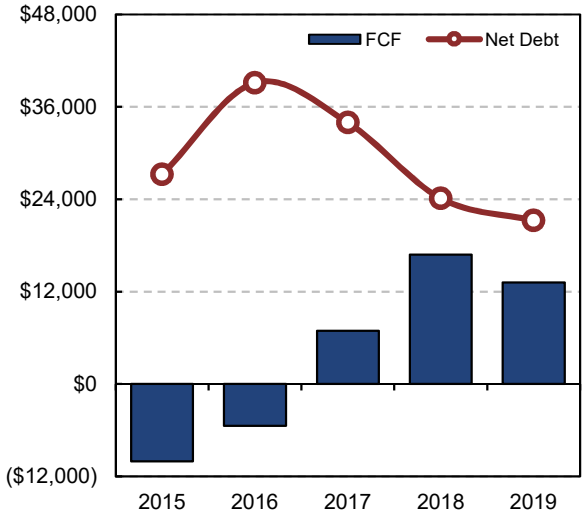
While oil & gas producers struggle to maintain any sort of meaningful competitive advantage due to the underlying reliance on commodities, the supermajor space tends to display advantages over intermediate and junior producers. Supermajors leverage their integrated nature to reduce oil price exposure and can use its scale to achieve lower cost operations. Due to these advantages, the CPMT performed a screening analysis on five integrated supermajors (ExxonMobil (NYSE: XOM), BP (NYSE: BP), Shell (NYSE: RDS.A), CVX, and Total (NYSE: TOT)) to determine which company best fits our mandate and could sustain its payout during the current market downturn. This resulted in the Fund deciding on CVX as the most promising name on which to perform deeper analysis, due to its conservative leverage, consistently increasing dividends, and capital discipline. CVX maintains targets for cash returns on capital which results in increased accountability to delivering value and better shareholder outcomes. It has outperformed its supermajor peers on a one, five, and ten-year time frame on a total shareholder return basis given its low cash flow breakeven. CVX offers peer-leading cash flow generation which is supported by low-risk investments, clearly a differentiator in volatile market conditions. We expect CVX to be able to maintain its dividend for the foreseeable future, as it has flagged it as a clear financial priority. In addition to CVX's sustainability, its Permian acreage provides an attractive growth runway should commodity prices improve.

Figure 2: Executive Compensation



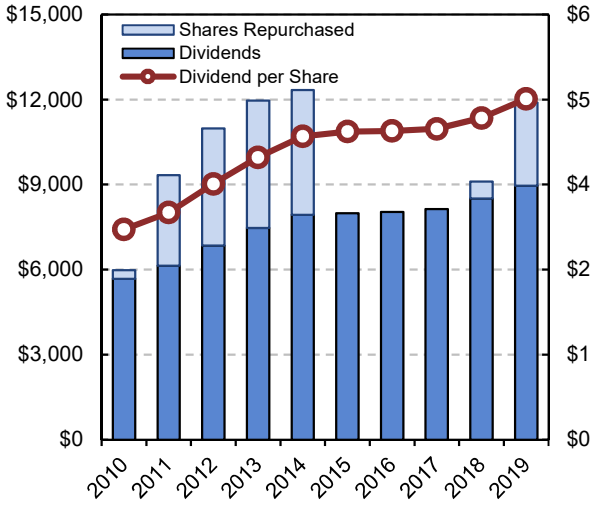
Source: Company Filings

Figure 3: Free Cash Flow vs. Net Debt (US$mm)



Source: Company Filings, Thomson Eikon

Figure 4: Capital Returned to Shareholders (US$mm)



Source: Company Filings, Thomson Eikon

Management and Corporate Governance

CVX operates in a highly competitive and complex industry, and thus management's effectiveness and alignment with shareholder value creation are of utmost importance. We examined CVX's compensation program to determine its effectiveness and shareholder alignment in a historically underperforming industry. The Annual Incentive Plan (CIP) is awarded based on performance achievements in four broad categories: financials, capital management, operating performance, and health, environmental and safety standards. CVX's compensation committee determines set award targets with reference to target opportunities found across its oil industry peer group.

The LTIP is awarded as a combination of Performance Shares (PSs) (50%), stock options (25%) and Restricted Stock Units (25%). PS payout is dependent on CVX's total shareholder return over three years versus XOM, BP, RDS.A, TOT, and the S&P500 Total Return Index. We view the inclusion of the S&P500 in performance benchmarking as a positive step in an industry that has been plagued by value destruction in recent years.

Michael K. Wirth, CVX's CEO and Chairman, was elected to these positions by the Board of Directors in September 2017. Mr. Wirth has held several executive, managerial, and engineering positions within CVX since 1982, mostly focused on its Downstream segments. Only 9% of Mr. Wirth's compensation is fixed with the rest consisting of 13% CIP and 78% LTIP.

Conservative Balance Sheet and Free Cash Flow Generation

Although CVX is widely considered to be the supermajor with the most capital discipline supported by its healthy balance sheet (0.7x Net Debt/ LTM EBITDA), the nature of the commodity business causes volatile FCF generation. The cyclicality of commodity prices has the same effect on all of the supermajors' FCF levels. Because of this, efficient capex management can be a key differentiator. Over time CVX has adjusted to a lower commodity price environment, becoming FCF positive in 2017. More recently, the current energy crisis that has driven oil prices to historical lows has led CVX to cut FY 2020 capex by 20% to $16B as well as to suspend its $5B annual buyback program. Half of this reduction will come from unconventional production in the Permian Basin, due to the high capital intensity and cash flow breakevens of its shale production. The CPMT believes that CVX's healthy balance sheet and track record of capital discipline will allow it to navigate this crisis more smoothly than its supermajor peers.

Investment Thesis and Risks

CVX is viewed as an attractive potential addition to the CPMT energy portfolio due to its low cash flow breakeven relative to peers, 32 consecutive years of dividend payout increases, and conservative leverage. We view it as the supermajor with the lowest risk of cutting its dividend, and a company that epitomizes capital discipline among producers in an uncertain commodity price environment. However, the CPMT currently holds Suncor (TSX: SU), and at current commodity prices also views SU to be attractive exposure to any uplift in commodity prices.

CVX currently trades at a premium (5.2x LTM EV/EBITDA) versus peers (NYSE: XOM, BP, RDS.A, TOT) at 4.5x; however, we view the premium as justified given its competitive advantages. Our target price was calculated by applying a 9.0x multiple to 2020E EBITDAX; due to the ongoing volatility of commodity prices, intrinsic value is highly uncertain. The CPMT aims to remain underweight relative to the benchmark in energy due to the lack of FCF generation at current commodity prices and therefore the Fund has decided to stay on the sidelines for now regarding CVX. Should the CPMT decide in the future to divest SU, CVX remains the most attractive mandate fit among its supermajor peers.

Crown Castle

Real Estate
NYSE: CCI
Market Outperform | Buy

Calgary Portfolio Management Trust

CROWN CASTLE

March 31, 2020

Willie Li, Investment Analyst

Return on Investment

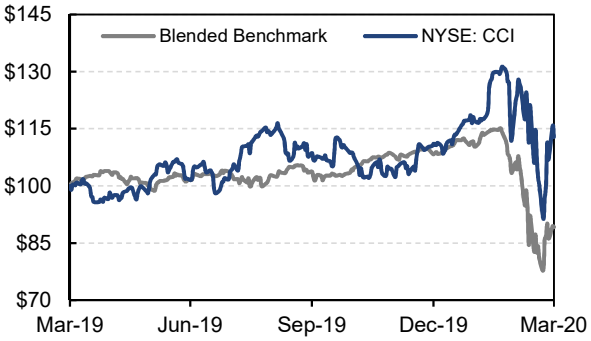
Current Share Price	$144.40
Target Price	$163.00
Dividend Yield	3.32%
Holding Period Return	16%
Conviction Rating	2

Market Profile

52-Week Range	$116.98 - $168.06
Market Capitalization (US$mm)	$68,405
Net Debt (US$mm)	$17,898
Enterprise Value (US$mm)	$86,303
Beta (5-Year Monthly)	0.29

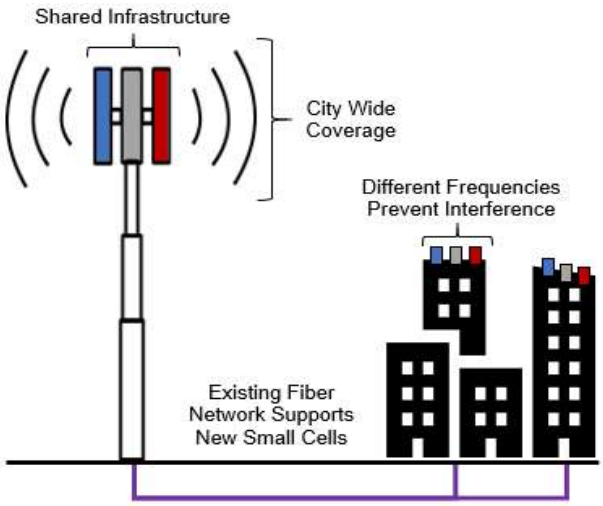
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$6,053	$6,749	$7,531
EBITDA (US$mm)	$3,587	$4,062	$4,604
EPS	$2.75	$3.88	$5.51
EV/EBITDA	24.1x	21.2x	18.7x

Historical Trading Performance (Indexed to $100)



Source: Bloomberg

Figure 1: Tenant Leasing and Asset Structure



Source: Company Filings

Business Description

Crown Castle (NYSE: CCI), headquartered in Houston, Texas, is a telecommunications real estate investment trust (REIT) and America's largest provider of shared communication infrastructure. The Company has realised aggressive growth since 1994 and was officially declared a REIT in 2014, having grown the portfolio of 133 cell towers into 40,000. The Company's portfolio is tailored towards both coverage and bandwidth, consisting of towers, fiber, and small cell nodes.

Industry Overview

Telecommunication REITs are a type of infrastructure REIT, managing any combination of fiber cables, telecommunication towers, wireless infrastructure, and energy pipelines. Companies in this space generate income by renting infrastructure to telecommunication companies such as AT&T (NYSE: T) and Verizon (NYSE: VZ). This relationship is mutually beneficial, as tower assets are valued over billions of dollars and owning towers ties up a significant amount of capital. The maintenance of these assets is yet another cost that telecommunication REITs have to foot. Rather than owning towers, telecommunication companies prefer to rent infrastructure to reduce its capital intensity, compromising instead on service exclusivity. Telecommunication REITs often lease one tower to multiple customers, resulting in lower Capex, relative to each company having its own tower, and increased margins.

5G - Towers, Small Cells, and Fiber Optic Cable

The transtion to 5G will be an important growth driver for CCI. Each of the three different types of infrastructure that the Company leases out serves a different function in the telecommunication industry and will be necessary for the effective delivery of 5G.

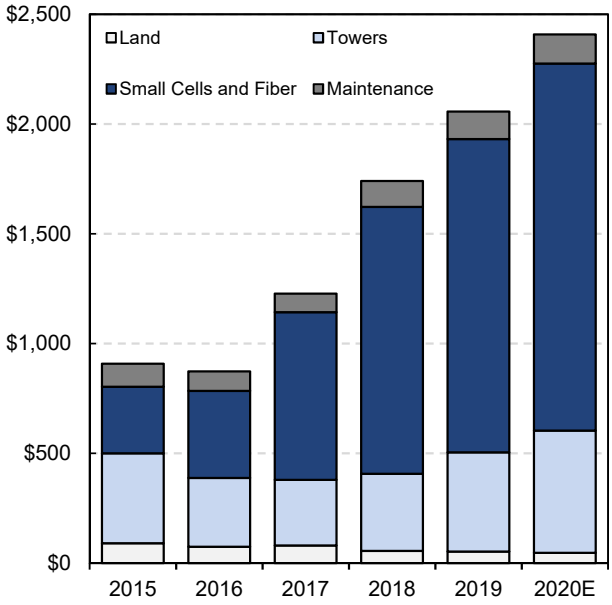
Towers are often 50 to 200 feet in height and can be fixed to buildings. The average effective radius of a cell tower can range anywhere between 22-45 miles. The signal is projected in all directions, and signal strength decreases quadratically relative to an increase in distance. Often, a tower can run into capacity issues with respect to calls, as each tower has a set number of frequencies within the spectrum that are distributed to any phones that connect. Adding a tower improves the connection reliability of cell phones within the tower's radius.

Small cells come in many different sizes, although the most common ones are small enough to be found on streetlights. The effective radius of a small cell ranges anywhere between 10 to 1,000 meters, depending on the type, and are essential for wireless transmissions. They support almost all frequencies across the spectrum but must be placed in high density to function optimally. Higher frequencies have higher energy but cannot travel as far; this increased power significantly increases the bandwidth of a connection.

Fiber optic cable is the industry standard for cabled telecom transmissions. They are usually required with every small cell installation, providing both a stable and high capacity channel, allowing the small cell network to provide high levels of bandwidth. Additionally, these cables can sustain the signal strength over extended distances while also protecting the signal from interference. This allows multiple cables to be strung in proximity without affecting signal output.

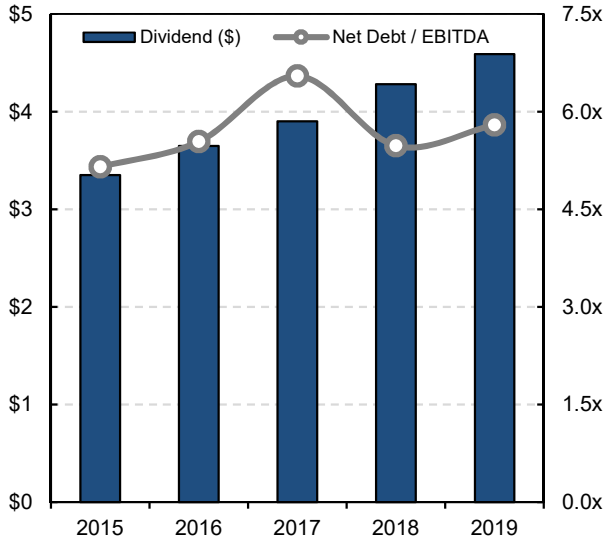
Extra towers will not increase the speed of a network similar to how small cells are an inefficient method for increasing coverage. Phone calls and texts benefit from an increased number of towers while data bandwidth is improved by increasing small cell density.

Figure 2: Historical Capex Breakdown (US$mm)



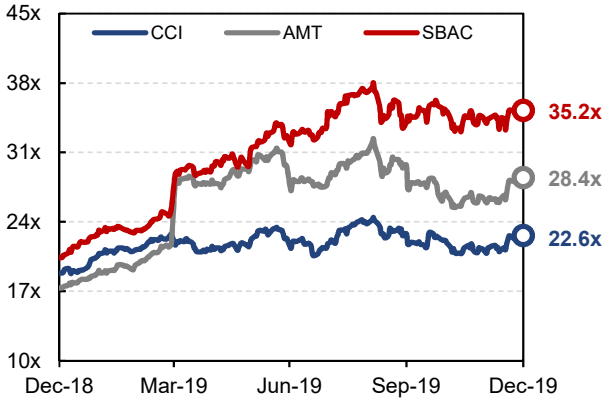
Source: Company Fillings, CPMT Estimates

Figure 3: Dividend and Net Debt / EBITDA



Source: S&P Capital IQ, Company Filings

Figure 4: Historical P/FFO Ratios



Source: S&P Capital IQ, Company Filings

Growth and Catalysts

The CPMT believes that CCI is positioned to benefit from the transition from 4G to 5G, the latest in wireless communication for cellular data networks. Compared to 4G, 5G is superior in both speed and connectivity due to an enhanced form of orthogonal frequency division multiplexing (OFDM) which allows for a much higher degree of scalability. This version of OFDM uses higher frequencies than 4G, thus carrying higher energy, giving 5G the potential of connecting the massive Internet of Things.

Since the release of 4G in December 2009, 71% of international cellular subscriptions have been converted to 4G as of 2019, with ~20% penetration in Africa and ~90% penetration in North America and China. The rest of the world is closer to 50%. Additionally, North America has seen over 30% growth in the number of cellular subscriptions per person from 2010. As 4G and 5G both utilize OFDM, existing 4G infrastructure will aid in the transition toward 5G. Since the release of 5G in April 2019, less than 1% of cellular subscriptions in any region have converted to 5G. Within the next five years, it is expected that over 70% of North American cellular plans will be on the new 5G network.

To effectively deliver 5G to consumers, telecommunication companies will need to lease out more infrastructure compared to what was required for 4G. As of December 2019, 42% of CCI's towers had less than two tenants. Additionally, CCI's site revenues are evenly split across Sprint, Verizon, T-Mobile, and AT&T at ~20% for each tenant. Increased cellular traffic will increase the average number of tenants per tower while also utilizing CCI's small cell network.

Competitive Landscape

Two of CCI's biggest competitors in the industry are American Tower (NYSE: AMT) and SBA Communications (NASDAQ: SBAC). CCI also faces competition in its small cell and fiber segment from multiple smaller names, which vary based on location.

AMT is an international provider of telecommunication infrastructure, with a focus on towers. The Company has 41,000 tower sites in the U.S. alone and 139,000 sites worldwide. AMT has positioned its infrastructure portfolio to capture the international transition to 5G. In the last quarter of 2019, the Company acquired an additional 8,200 communication sites, with the majority of those sites being outside of North America. AMT also entered agreements to acquire an additional 2,000 sites in France over a maximum period of 5 years.

SBAC operates 41,000 tower sites in the Americas, with a majority of these sites in South America. In 2019, the Company's main strategy focused on growing its tower portfolio by 5-10% annually and boasted an average of 1.8 tenants per tower. Outside of site leasing, SBAC also manages rooftop communication infrastructure ranging from distributed antenna systems to small cells, although the former does not provide Wi-Fi.

Investment Thesis and Risks

The CPMT believes that CCI is best positioned among peers to capture the industry growth as a result of the transition from 4G to 5G due to heavy investment in the small cell and fiber segment since 2017. FFO has been steadily increasing since 2015, as management has targeted a significant portion of investments towards strengthening the Company's competitive advantage in U.S. markets. Additionally, CCI has been trading at a discount relative to peers, suggesting that the Company is undervalued within the industry. However, with the adverse effects of COVID-19, the real estate sector has significantly outperformed the general market, introducing the possibility of negative allocation risk. Regardless, the CPMT believes that the current valuation poses an attractive entry point for CCI and will look to enter a position following internal due diligence provided the Fund becomes more familiar with the name.

Diageo

Consumer Staples
NYSE: DEO
Market Outperform | Buy

DIAGEO

March 31, 2020

Dhruv Jindal, Investment Analyst

Return on Investment

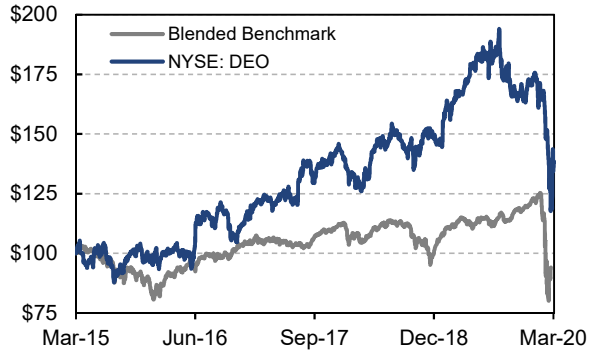
Current Share Price	$127.12
Target Price	$165.00
Dividend Yield	2.70%
Holding Period Return	32%
Conviction Rating	2

Market Profile

52-Week Range	$102.59 - $175.98
Market Capitalization (US$mm)	$80,111
Net Debt (US$mm)	$16,956
Minority Interest (US$mm)	$2,225
Enterprise Value (US$mm)	$97,067
Beta (5-Year Monthly)	0.26

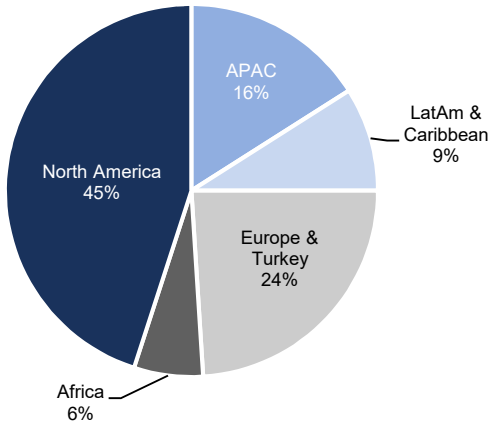
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$24,174	$24,657	$25,643
Operating Profit (US$mm)	$5,064	$5,166	$5,372
EBITDA (US$mm)	$5,732	$5,823	$6,038
EV/EBITDA	16.9x	16.7x	16.1x

Holding Period Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: 2019 EBIT Breakdown by Regions



Source: Company Filings

Business Description

Diageo (NYSE: DEO) is a global leader is alcoholic beverages with a portfolio of iconic spirits and beer brands that was formed through the merger of Grand Metropolitan and Guinness in 1997. DEO carries 200 brands spanning 180 countries with 150+ production sites and 28,400 employees. DEO's brands include Johnnie Walker, Crown Royal, JεB, Buchanan's, Windsor whiskeys, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray, and Guinness. DEO further owns a 34% stake in Moët Hennessy; LVMH's wine and spirits business. Moët Hennessy is focused on the Cognac and Champagne categories and provides DEO with the ability to distribute premium brands in the Asia-Pacific and France through their joint venture

Industry Overview

The beverage alcohol industry is attractive due to its natural runway for growth (3.1% forecasted CAGR during 2020-2023) and is expected to be a $1.6T market by 2022. 550mm new legal purchase age consumers are expected to enter the market by 2030 and 750mm consumers are expected to be able to afford international style spirits over the next decade. Long-term trends are positive for the industry with sustained premiumization (53% of the global alcohol market by volume is spirits), a growing preference for spirits, and population growth. Alcohol is further becoming more consumer-centric, and brands that better serve consumer needs and capture momentum from market trends are the strongest and most valued. The beverage alcohol industry faces possible disruption, ranging from changes in consumer trends and regulation to economic volatility and tariff changes.

Business Strategy

The global spirits category has shown resilient, long-term growth. DEO's strategy is to support premiumization and further develop its position in emerging markets. DEO's broad portfolio allows for access to different consumer tastes across various price points. In developed markets, DEO supports premiumization through its premium core and reserve brands. In emerging markets, the Company aims to grow participation in international premium spirits. To support this, DEO selectively participates in attractive mainstream spirits segments. This means consumers can access company brands at affordable price points and DEO can shape responsible drinking trends by introducing consumers to branded products.

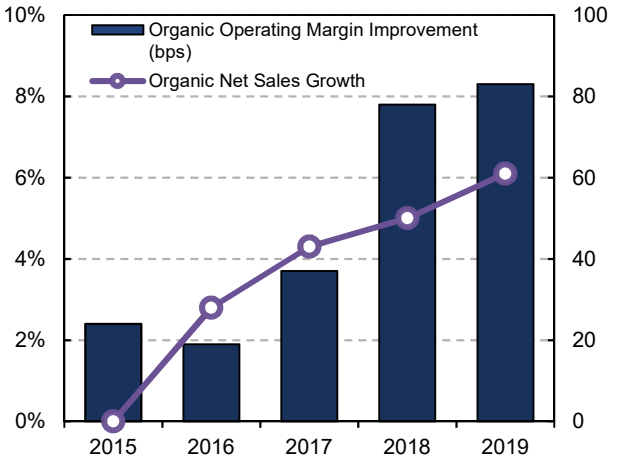
DEO uses a variety of routes to the consumer, depending on the most efficient model for each market. For instance, in Africa, the Company has a large beer business with a broad portfolio that reaches across price points. DEO's focus on consumers, the balance of creative flair and data-led insight in marketing, and a track record of innovation, combined with financial discipline and everyday efficiency, all support the Company's goal to be a reliable compounder of growth. DEO aims to combine these to deliver a virtuous circle of consistent top-line performance, margin expansion, and increased investment in its brands and business.

Management and Governance

Chairman: Javier Ferràn: Ferràn brings extensive board-level experience from the drinks and consumer products industry, including at the chief executive level (Bacardi), and has a wealth of experience in consumer goods through his venture capital activities.

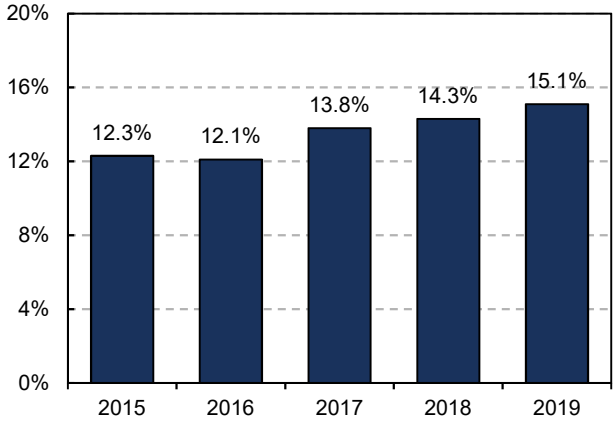
CEO: Ivan Menezes: Menezes has been with DEO for 20+ years at operational and leadership levels and in the consumer products industry, bringing valuable insight to lead the Company and implement its business strategy.

Figure 2: Margin Improvement (bps) vs. Net Sales Growth (%)



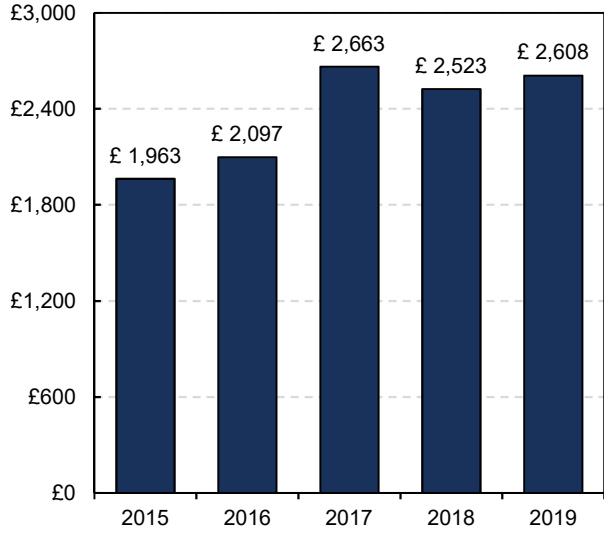
Source: Company Filings

Figure 3: Historical Return on Invested Capital (ROIC)



Source: Company Filings

Figure 4: Historical Free Cash Flow (£mm)



Source: Company Filings

DEO's renumeration policy focuses on delivering business strategy, creating sustainable long-term performance, winning best talent, and consideration of shareholder's interest. DEO's strong financial performance (Figure 4) can be attributed to management's focus on creating sustainable share price growth. Company executives are encouraged to think and act like owners as DEO's long-term incentive awards require a two year vesting period.

Balance Sheet

DEO manages its capital structure to achieve capital efficiency, provide flexibility to invest through the economic cycle, and give efficient access to debt markets at attractive cost levels. This is maintained by targeting an adjusted net borrowings to adjusted EBITDA leverage of 2.5-3.0x, this range currently being consistent with the Company's A bond credit rating (S&P). DEO would consider operating outside of this range in order to effect strategic initiatives within its stated goals, which could have an impact on its rating. If DEO's leverage was to be negatively impacted by the financing of an acquisition, it would seek to return to the range of 2.5-3.0x over time. The Company regularly assesses its debt and equity capital levels to ensure alignment with its stated policy for capital structure.

Valuation

DEO's EV/EBITDA and P/E multiples have historically traded at a premium with a recent pullback during the latter half of 2019. Currently, DEO trades in line with peers on an EV/EBITDA basis at 15.7x versus a peer average at 15.4x (peer group composed of NYSE: KO, BF.B, BUD, NASDAQ: PEP, EURONEXTAMS: HEIA, EURONEXTPAR: RI, CSE: CARL_A). DEO's forward EV/EBITDA multiple trades at a premium at 16.9x versus a peer average at 15.5x. A Target Price of US$165 was reached by blending a 5-year Discounted Cash Flow (2% perpetuity Gordon Growth) and EV/EBITDA exit multiple of 16x. As DEO is an American Depository Receipt, the target price was converted from GBP to US$ using a 1.2405 FX spot rate and a 4:1 ratio. A weighted average cost of capital (WACC) of 5.7% was utilized to discount the cash flows.

Investment Thesis and Risks

The CPMT finds DEO's goal of being a reliable compounder of growth attractive. The Company's aim to deliver a virtuous circle of consistent top-line performance through margin expansion and increased investment in its brands and business makes it well positioned to take advantage of long-term consumer trends. Margin expansion is primarily led by DEO's ability to realize value growth in addition to volume growth through its 29% market share in the premium spirits space. DEO's broad and diverse global portfolio further provides a natural hedge to most product-based volatility making the Company attractive over its peers. The CPMT views DEO's ability to historically execute its business strategy and achieve financial discipline and performance favorably. Lastly, the CPMT believes DEO's ESG initiatives support its business model for long-term sustainable growth. DEO achieved an AA rating from CDP, the leading global disclosure system for environmental reporting. Only 19 other companies out of 7,000 globally, were rated AA for climate and water performance, and DEO was the only alcohol company to achieve this rating for two consecutive years.

DEO recently withdrew its guidance on organic net sales growth and organic operating profit growth for fiscal year 2020 given the uncertainty around the severity and duration of COVID-19 and its impact across multiple markets. Previously, DEO estimated the negative impact of COVID-19 on organic net sales and organic operating profit, to be in a range of £225-325mm and £140-200mm respectively. DEO is further exposed to currency risk with a 10% appreciation in Sterling versus the US$ depressing EBIT by £100-150mm.

Ecolab

Materials
NYSE: ECL
Market Outperform | Buy

March 31, 2020

Akash Sekar, Investment Analyst

Return on Investment

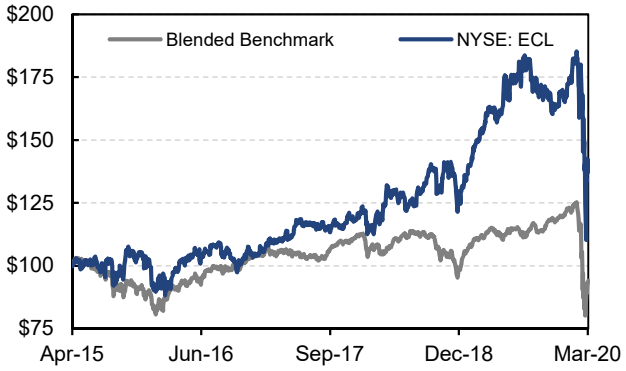
Current Share Price	$155.83
Target Price	$183.00
Dividend Yield	1.25%
Holding Period Return	19%
Conviction Rating	2

Market Profile

52-Week Range	$125.22 - $210.31
Market Capitalization (US$mm)	$45,580
Net Debt (US$mm)	$6,168
Minority Interest (US$mm)	$41
Enterprise Value (US$mm)	$51,789
Beta (5-Year Monthly)	0.85

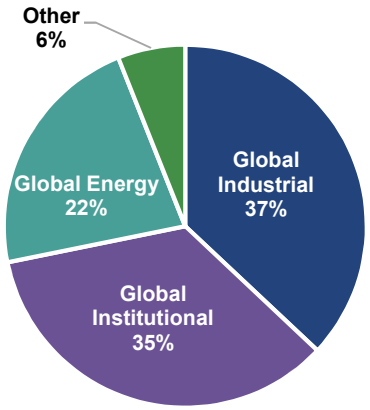
Metrics	2019A	2020E	2021E
Revenue (US$mm)	$14,906	$14,315	$14,989
EBITDA (US$mm)	$3,063	$2,873	$2,990
EPS	$5.82	$5.93	$6.20
EV/EBITDA	16.9x	18.0x	17.3x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Segmented Revenue Breakdown



Source: Company Filings

Business Description

Ecolab Inc (NYSE: ECL) was founded in 1923 and is a leading global supplier of water, hygiene, and energy technologies and services that help protect people and vital resources. The Company operates through its Global Industrial, Global Institutional, Global Energy, and Other segments, providing programs, products, and services that promote food safety, clean environments, and aid customers in optimizing their operational and sustainability goals. Through the use of its 50,000 sales and service employees, ECL distributes its products and services in over 170 countries supporting customers in the food and beverage, healthcare, energy, hospitality, retail, and industrial markets. Its best-in-class technology, coupled with data-driven insights, allow for its customers to continuously optimize their performance at the lowest possible cost.

Industry Overview

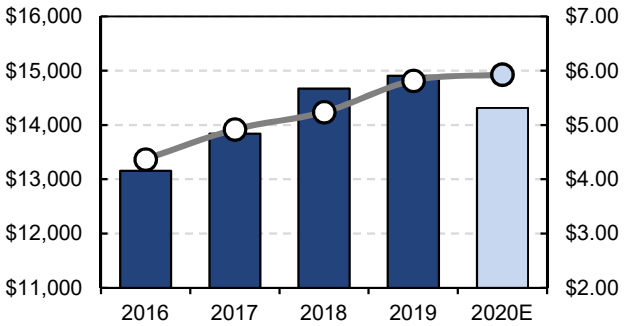
Within the specialty chemicals industry, products are primarily sold based on their performance or function, and fall into two buckets; functional and market-oriented. Functional products are used across a variety of industries and are grouped by purpose, such as adhesives, cleaning materials, and biocides. Market-oriented products are usually used in the same industry but have a variety of functions, such as corrosion inhibitors used in oil field services. Historically, companies have sold products based on the value they can bring to end-users. However, a key trend moving forward is competition for cost and service, allowing businesses to offer continuous support to customers after the initial sale of products.

Segment Breakdown

Global Industrial: Consists of 5 sub-segments: Water, Food & Beverage, Paper, Life Sciences, and Textile Care. (1) Water primarily deals with customers in industrial and institutional markets, providing water treatment products and programs used in cooling water, wastewater, boiler water, and process water applications, resulting in technologies that minimize the use of freshwater and allow customers to maximize their operational performance. (2) Food & Beverage offers products and solutions that clean, lubricate and sanitize equipment and surfaces for customers in the food and beverage processing markets, such as dairy plants, breweries, and soft-drink bottling plants to protect consumers and promote food safety worldwide. (3) Paper provides machine cleaning and conditioning programs through the use of its water treatment assets, providing customers in the pulp and paper industry with improved machine efficiencies and higher paper quality. (4) Life Sciences offers a variety of cleaners, sanitizers, disinfectants, and other solutions used to clean and maintain hygienic practices in the pharmaceutical and personal care industry. (5) Textile care provides products and services that optimize the wash processes of large commercial laundry operations, serving customers in the textile rental, industrial, hospitality and healthcare markets. Through the use of its augmented wash processes and detergent solutions, ECL aims to extend the useful life of customers' linen, while providing exceptional cleaning and minimizing healthcare risks. Across Global Industrial, ECL attempts to create value for its customers through its solutions and services by providing higher operating efficiencies, water, and energy savings, while sustaining a position as the leading global supplier across the markets it operates in.

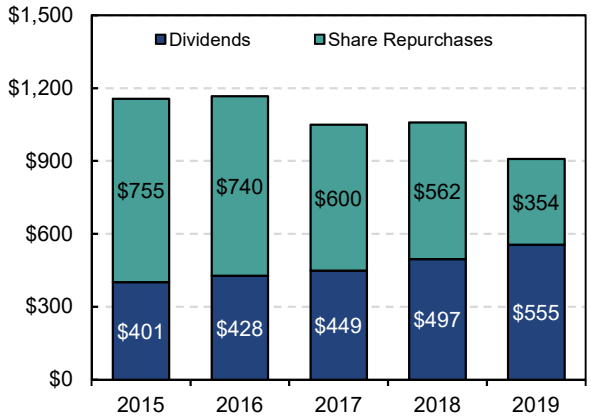
Global Institutional: Contains 3 sub-segments: Institutional, Specialty, and Healthcare. Institutional provides specialized cleaners and sanitizers used for warewashing, kitchen hygiene, floor care, and housekeeping services for customers in the hospitality industry, government (cont'd)

Figure 2: Revenue (US$mm) & EPS



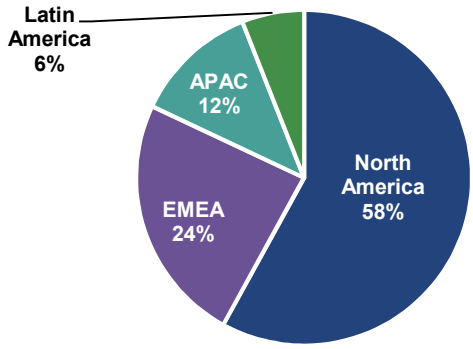
Source: Company Filings, CPMT Estimates

Figure 3: Capital Returned to Shareholders (US$mm)



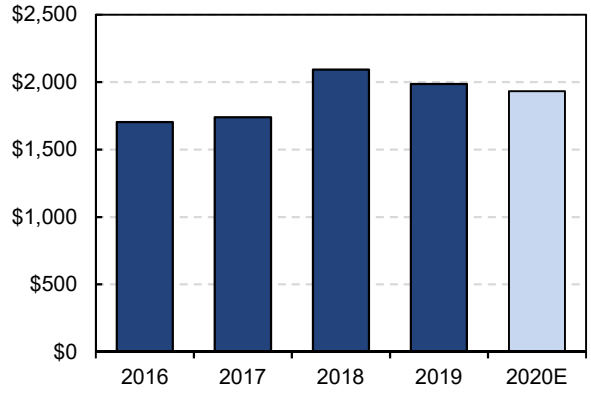
Source: Company Filings

Figure 4: Geographic Revenue Breakdown



Source: Company Filings

Figure 5: Free Cash Flow (US$mm)



Source: Company Filings, CPMT Estimates

facilities, commercial buildings, and long-term care facilities. The specialty segment supplies cleaning and sanitizing products and services to quick-service restaurants and food retail markets, such as supermarkets and grocery stores, under the Ecolab and Kay brands. Programs are designed to reduce labour costs, improve sanitation and cleaning levels, and improve employee and guest safety overall. Healthcare provides infection prevention and surgical solutions to acute care hospitals, surgery centers, and medical device manufacturers under the Ecolab, Microtek, and Anios brands. Healthcare aims to help reduce the risk of healthcare-associated infections by providing programs that improve the cleaning and disinfection of instruments and equipment. Global Industrial aims to create value for its customers by offering water, energy, and operational savings through its products, solutions, and programs. ECL also sustains a position as the leading global supplier of cleaning and sanitizing solutions across the hospitality, healthcare, and food retail industries.

Global Energy: Provides on-site chemical solutions for customers in the global petroleum, petrochemical, and natural gas industries. It offers process and recovery enhancements to upstream companies, while delivering a range of water treatment products to refineries and petrochemical plants, helping to increase efficiencies, product quality, and the useful life of assets. On December 18, 2019, ECL entered into an agreement with ChampionX to spin off its upstream operations, combining them with Apergy (NYSE: APY) through a Reverse Morris Trust. The combined company will operate separately from ECL's operations, allowing ECL to focus on its operations in hygiene, food safety, and water treatment. ECL is one of the leading global providers of specialty chemicals to downstream customers.

Other: Comprised of Pest elimination and Colloidal Technologies Group (CTG). Pest elimination provides services that control and remove pests for a variety of institutional customers in the hospitality, food and beverage, and healthcare industries. Its largest operation is in the U.S., but the Company also has operations across APAC, Western Europe, Latin America, South Africa, France, and China. CTG produces and sells colloidal silica for the use of binding and polishing applications to various customers in the semiconductor, catalyst, chemical, and aerospace component manufacturing industries. Similar to its other segments, ECL is the leading global supplier of pest elimination programs and colloidal silica in the markets it serves.

Circle the Globe Strategy

Since 1992, ECL has developed its resources and capabilities to align with its growth strategy: "Circle the Customer - Circle the Globe." This strategy allows the Company to provide an array of products, services, and programs that are specifically designed for the various operational challenges businesses face. ECL has a portfolio of comprehensive and sustainable solutions that can be offered to customers repeatedly, allowing for a significant portion of revenue to be recurring (~90%). It also can use solutions and programs curated for previous customers and apply it to new markets and businesses through the use of its 27,000 seasoned field associates. With the aid of its innovation pipeline of over 9,400 patents, ECL is continuously striving to expand its service capabilities to penetrate new markets across the globe while providing a range of useful products and services to customers.

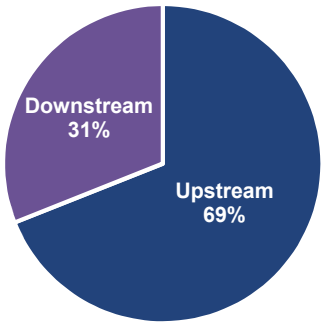
COVID-19 Impact and Response

As COVID-19 has plagued most of the world, ECL believes it is well-positioned to weather the storm. On March 18th, the Company stated that it was unable to forecast the impact COVID-19 would have on FY2020 results, but had re-affirmed its Q1/20 guidance. ECL believes it is well positioned financially and strategically to deliver aid and value to its customers. The Company has been able to grow FCF resiliently over the last few years and is confident in its ability to continue this trend while returning capital to shareholders. While many of its end markets (cont'd)

Figure 6: Valuation Football Field

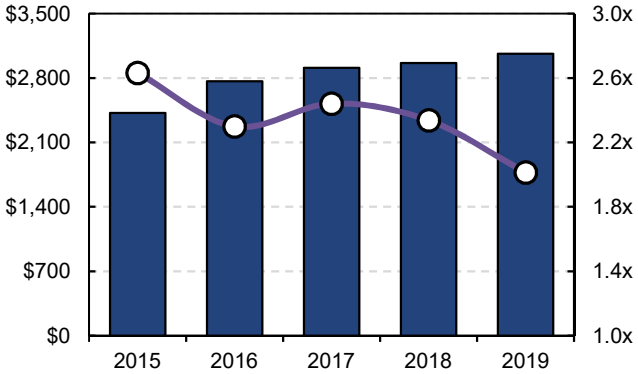
Source: S&P Capital IQ, CPMT Estimates

Figure 7: Global Energy Sales Breakdown



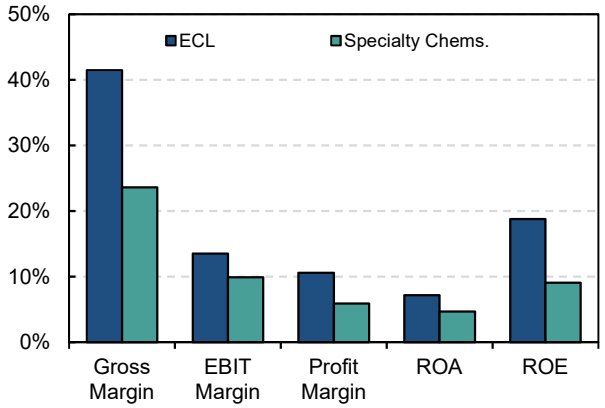
Source: Company Filings

Figure 8: EBITDA (US$mm) & Net Debt/EBITDA



Source: Company Filings

Figure 9: ECL Margins vs. Specialty Chems.



Source: S&P Capital IQ, Company Filings

are experiencing disruptions, ECL expects ~56% of its markets to have increased or sustained demand through 2020. As a developer of sanitizing solutions, ECL will be able to capitalize on increased demand across hand sanitizers, hand care, and hard surface sanitizers, which are expected to see demand growth of 3-15x during the pandemic. Headwinds are expected across most major segments, with the most significant downfalls occurring in Q2/Q3. The Company is optimistic that demand will inflect in Q4 and going into 2021, the business will be strongly positioned to capitalize on recovered demand.

Mandate Fit

Strong Balance Sheet: ECL has been able to compress its Net Debt/EBITDA ratio over the last five years from 2.6x to 2.0x as the Company has sustained its focus on financial stability. It offers a strong ROE of 18.8% and has maintained ample liquidity through a 1.3x current ratio. ECL has also been able to maintain a significant cash balance, which is used to fund dividends, share repurchases, and M&A transactions.

Competitive Advantage: ECL has positioned itself as a market leader in the segments it serves. Through the ability to combine its products with on-site service and training, it has been able to showcase the success of a circular business model. Its significant innovation pipeline positions ECL in a favorable place, allowing it to create valuable solutions for customers in a consistently evolving environment. Through its growth strategy, ECL can develop tailored design programs, deliver them around the world with the use of its field associates, and penetrate new markets with the aid of its innovation pipeline.

Quality Management: ECL has consistently created value for shareholders via cash dividends and share repurchases. Since 2009, the Company has returned $9.1B to shareholders and has been able to increase its annual dividend for 28 consecutive years.

Growing Free Cash Flow: ECL has been able to grow its FCF consistently at a 6.3% CAGR over the last five years. During this time, it has been able to maintain a steady EBIT margin of ~13%, while growing EBIT at a CAGR of 6%. Moving forward, ECL may experience a slight decline in EBIT and FCF as it spins off its Upstream business (~15% of revenue) and realizes the impact of COVID-19.

Attractive Valuation: ECL is trading at a 16.9x EV/LTM EBITDA multiple, which is ~3.5x higher than its peer group average (13.5x). The Company boasts an attractive 2.3x ROIC/WACC compared to the peer group average of 2.0x and outpaces the specialty chemicals sector on virtually all profitability metrics (Figure 9). Due to its defensive products and services, coupled with its market leadership across its segments, the CPMT believes that ECL deserves to trade at a premium valuation.

Investment Thesis

ECL has continued to execute on its growth strategy, allowing it to position itself as a leading supplier in the segments it operates in. As a diversified player in the specialty chemicals industry, ECL has been able to attain significantly higher margins than its peers and consistently grow revenue and FCF, warranting a premium valuation. The spin-off of ChampionX will lower its exposure to energy markets, and allow the business to focus on its core hygiene, food safety, and water treatment operations. The CPMT expects COVID-19 to impact the bottom line in the near-term due to decreased demand in major end-markets, but is optimistic the Company will be able to offset the decline in demand through its healthcare, cleaning, and sanitizing solutions. ECL has successfully returned capital to shareholders for many decades and is well-positioned to continue this trend. The CPMT believes that through its robust innovation pipeline, growth strategy and delivery model, the Company can continue its successful pattern, and thus the CPMT recommends a buy on ECL.

NextEra Energy

Utilities
NYSE: NEE
Market Outperform | Buy

March 31, 2020

Colton Borle, Portfolio Manager
Lucas Peters, Portfolio Manager

Return on Investment

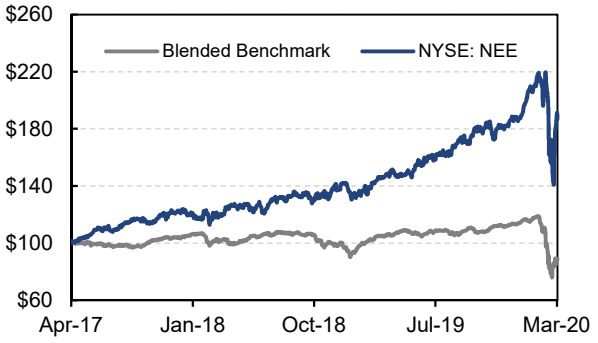
Current Share Price	$240.62
Target Price	$282.00
Dividend Yield	2.40%
Holding Period Return	20%
Company Quality (CQ) Score	3.9
Conviction Rating	2

Market Profile

52-Week Range	$235.38 - $283.87
Market Capitalization (US$B)	$117.8
Net Debt (US$B)	$46.9
Enterprise Value (US$B)	$164.6
Beta (5-Year Monthly)	0.31

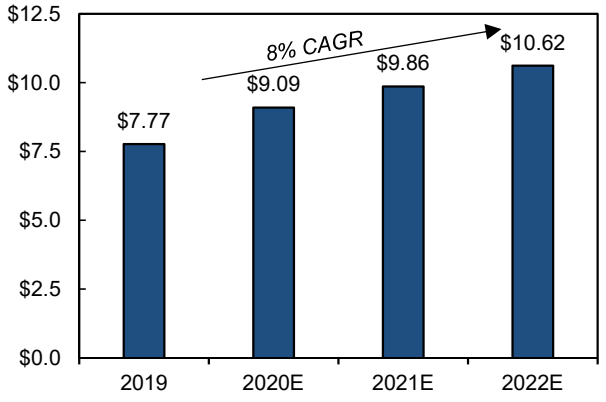
Metrics	2020E	2021E	2022E
Revenue (US$B)	$19.56	$20.27	$21.74
EPS	$9.09	$9.86	$10.62
P/E	29.0x	26.7x	24.8x
EV/EBITDA	17.7x	16.7x	15.7x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: NEE EPS Growth



Source: Broker Research, CPMT Estimates

Company Overview

NextEra Energy (NYSE: NEE) is one of the largest electric power and energy infrastructure companies in North America as well as a market leader in the renewable energy space. NEE has two principal business segments, Florida Power & Light (FPL) and NextEra Energy Resources (NEER). FPL is a rate-regulated electric utility engaged primarily in the generation, transmission, distribution, and sale of energy in the state of Florida. It is the largest electric utility in the state with 27,400 MW of net generating capacity and 75,400 circuit miles of T&D lines. NEER is a diversified clean energy business that develops, constructs, and operates long-term contracted assets with an emphasis on renewable projects. NEER, with approximately 24,700 MW of total generating capacity, is one of the largest wholesale generators of electric power in the U.S., and is the world's largest generator of wind and solar power. In January 2019, NEE acquired Gulf Power (GP) from Southern Co. (NYSE: SO) for ~$6.5B. GP is an integrated rate-regulated electric utility that operates in NW Florida that is expected to file as a single entity with FPL in its 2021 rate case. NEE's complete corporate structure can be found in Figure 4.

Industry Update

Despite growing concerns over the COVID-19 pandemic, utility companies are broadly well-positioned in terms of liquidity and access to capital markets. In March, U.S. utilities raised $13.5B with several rotating from commercial paper markets to term loans/revolvers. With all considered, utilities dividends should be safe moving forward and capex plans look to remain intact through 2020. Among the most financially stable companies is NEE with industry-best FFO/Debt (20% vs median 15%), Net Debt/LTM EBITDA (4.5x vs median 5.6x), and a well-positioned DPO for the time being (62% vs median 67%). Even though the market sell-off is not sparing any sectors, we believe that concerns over liquidity and EPS growth in the space are overdone.

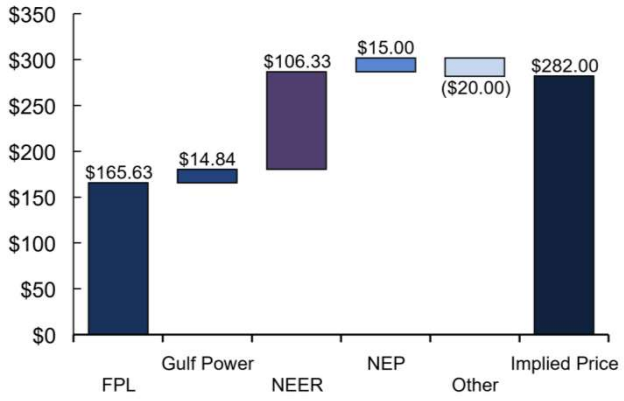
Valuation

The CPMT arrived at a target price of $282 through a sum-of-the-parts valuation of NEE's regulated businesses, energy resources, investment in NEP, and other operations. For FPL and Gulf Power, the CPMT applied a 25.0x exit multiple to the 2022E EPS implied by each segment's rate base growth, approved equity ratio, and ROE guidance to arrive at implied share prices of ~$166 and ~$15, respectively. NEER was valued at ~$106 per share using various EBITDA exit multiples for its constituted segments. The value of NEP and drag from NEE's Corporate and Other segment were valued at $15 and ($20) using consensus estimates. The CPMT believes NEE is currently valued attractively and is poised to outperform the utilities sector over the forecasted period.

Mandate Fit

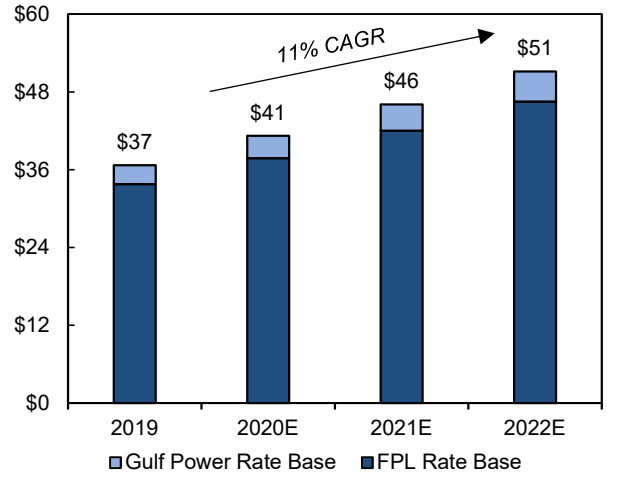
Management: NEE's management prides themselves on shareholder alignment and the TSR profile it offers investors. NEE has grown its DPS at a 9.4% CAGR over the last 15 years which has led to TSR of 43%, 119%, 162%, and 530% over a one, three, five, and ten-year period, respectively. Its management is also one of the most proficient amongst companies in the industry with respect to capital allocation; its combined rate base CAGR through 2022 is expected to be 11%, driven by its ~$25bn capex program in clean energy, T&D, and grid hardening. This capital allocation regime has brought customer bills down ~6% over the last ten years which may lead to higher future allowed ROE given the substantial benefit to customers NEE provides.

Figure 2: Valuation Waterfall



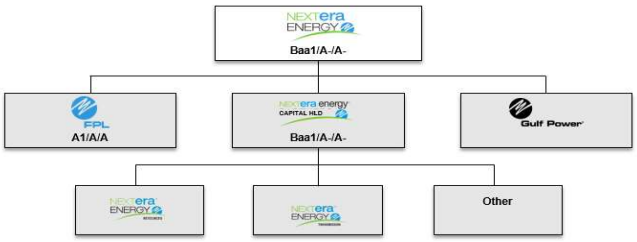
Source: Broker Research, CPMT Estimates

Figure 3: Regulated Operations Rate Base Growth (US$B)



Source: Company Fillings, CPMT Estimates

Figure 4: NEE Organizational Structure



Source: Company Filings

Competitive Advantage: NEE built its competitive advantage on being first to the game with renewables generation years ago, and is now doing a similar action with respect to battery storage. More than 50% of the solar megawatts that were added to NEE's backlog in 2019 included a battery storage component, making storage an increasingly important stand-alone business in its own right. NEE's competitive advantages and scale position it well to capitalize on the enormous disruption that is occurring to the nation's generation fleet. Going into the middle of the decade, near-firm wind is expected to be $20-30/MWh and near-firm solar will be $30-40/MWh which means new near-firm renewables will be cheaper than the operating costs of most existing coal, nuclear and less fuel efficient oil and gas-fired generation units.

Strong Balance Sheet: NEE (Baa1, Moody's) achieves a strong balance sheet due to its large scale, prominent competitive positioning, focus on reducing all merchant exposure, and FPL's strong credit quality. FPL (A1 stable, Moody's) underpins NEE's balance sheet strength through being one of the strongest utilities financially in the U.S. and accounts for ~65% of NEE's EBITDA. Although NEER has higher risk than FPL and Gulf Power, it has mitigated its credit exposures by heavily focusing on obtaining long-term contracts with investment grade counterparties. NEE's main credit risk is its proclivity for larger-scale M&A, shown by its recently completed ~$6.5B acquisition of Gulf Power and ~$9.5B proposed acquisition of Santee Cooper. Although important for growth, we will continue to monitor the balance sheet impacts of NEE's M&A activities to ensure it maintains its strong balance sheet positioning.

Growing Free Cash Flow: Although not valued on an FCF basis, NEE boasts a strong ~28% EBIT margin and is guided to grow adjusted EPS by 6-8% through 2022. Future EPS and FCF growth will be driven from high regulatory capital deployment at FPL and Gulf Power as well as by the 12 GW of renewables in NEER's backlog. The CPMT is moderately concerned about the risk posed by new rate cases for FPL and Gulf Power 2021; however, this is mitigated by the segments likely filing together and the fact that FPL provides rates well below the Florida and national average.

Investment Thesis

The CPMT is recommending a buy for NEE based on the Company's strong satisfaction of our mandate points paired with its leading positioning in the renewable energy and regulated utility industries. NEE's regulated operations offer a financially strong foundational base from which it can pursue aggressive energy resources and renewables growth. FPL alone is highly attractive given its strong credit profile, above industry average ROEs, and history of lowering customer bills. The Company's regulated operations will be further strengthened by a likely combined 2021 rate case and from further transformational M&A, such as the ongoing Santee Cooper acquisition. In addition to the Company's strong regulated business, NEER offers valuable exposure to the enormous and growing U.S. renewables market. The U.S. market is expected at grow at 15% annually through 2030 driven by electrification efforts and a societal shift to clean energy. NEE is positioned to capture the future growth through its 12GW renewables backlog and positioning as the world's largest producer of energy from the wind and sun. To complement the pure growth in renewables and energy, NEER principally pursues assets underpinned by long-term contracts in both the renewable and energy infrastructure industries. Overall, NEE achieves our mandate points and is comprised of highly attractive businesses that offer both growth and financial stability, which is why we are highly convicted on the Company.

The Procter & Gamble Company

Consumer Staples
NYSE: PG
Market Outperform | Buy

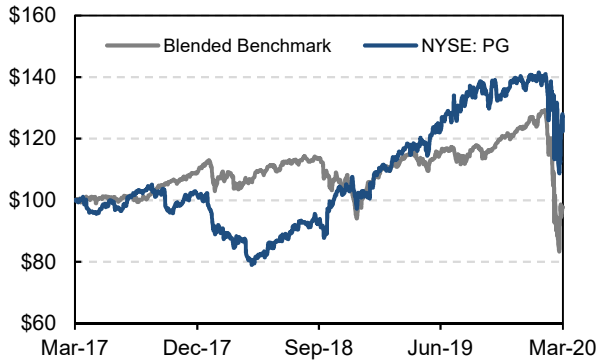
March 31, 2020
Scott McNichol, Portfolio Manager

Return on Investment	
Current Share Price	$122.43
Target Price	$132.00
Dividend Yield	2.44%
Holding Period Return	10%
Company Quality (CQ) Score	3.6
Conviction Rating	2

Market Profile	
52-Week Range	$108.73 - $141.57
Market Capitalization (US$B)	$302
Net Debt (US$B)	$22
Enterprise Value (US$B)	$324
Beta (5-Year Monthly)	0.39

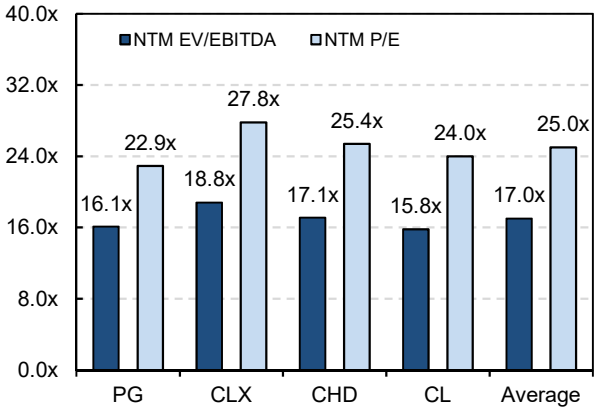
Metrics	2020E	2021E	2022E
Revenue (US$mm)	$70,490	$72,334	$74,241
Operating Income (US$mm)	$15,671	$16,792	$17,991
Adj. EBITDA (US$mm)	$19,152	$20,441	$21,882
Net Debt/EBITDA	1.14x	1.07x	1.00x
EV/EBITDA	16.9x	15.9x	14.8x

Historical Trading Performance (Indexed to $100)



Source: Bloomberg

Figure 1: Household & Personal Care Peers



Source: S&P Capital IQ

Business Description

The Procter & Gamble Company (NYSE: PG) is a leading household and personal care products company. PG sells its products in more than 180 countries around the globe, primarily through mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores, and pharmacies. The Company also sells directly to consumers. PG has five reportable segments: (1) Beauty, (2) Grooming, (3) Health Care, (4) Fabric & Home Care, and (5) Baby, Feminine & Family Care. PG's major customer is Walmart (NYSE: WMT), which represented approximately 15% of PG's net sales in both 2018 and 2019. PG has increased its dividend for 63 consecutive years.

Revenue Segments and Brands

(1) Beauty: accounted for 19% of net sales in 2019 and is comprised of two major product categories: (1) Hair Care, and (2) Skin and Personal Care. PG's major brands in Hair Care are Head & Shoulders, Herbal Essences, Pantene, and Rejoice. In the Skin and Personal Care category, its main products are Olay, Old Spice, Safeguard, and Secret. PG dominates the retail hair care market with over 20% of global market share, due to Pantene and Head & Shoulders.

(2) Grooming: represented 9% of net sales in 2019, and primarily includes shave care products with brands such as Braun, Gillette, and Venus. PG is the global leader in the blades and razors market with over 60% market share. The Company is also strongly positioned in the male electric shavers market (25% global market share) and the female epilators market (over 50% global market share).

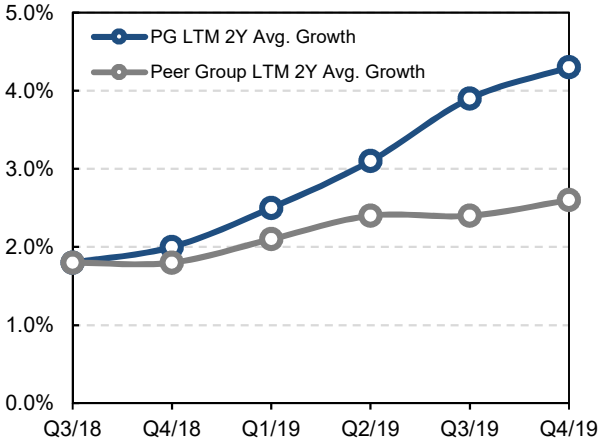
(3) Health Care: has two major product categories: (1) Oral Care (includes toothbrushes, toothpaste, and other oral care products), and (2) Personal Health Care (gastrointestinal, vitamins and supplements, pain relief, and other). This segment accounted for 12% of net sales in 2019. Its major brands in Oral Care are Crest and Oral-B, while in Personal Health Care its major brands are Metamucil, Neurobion, Pepto-Bismol, and Vicks. The market in Oral Care is highly competitive, and PG has the number two market share position (~20% global market share).

(4) Fabric & Home Care: accounted for 33% of net sales in 2019. Its major Fabric Care brands include Ariel, Downy, Gain, and Tide. Major brands in Home Care include Cascade, Dawn, Fairy, Febreze, Mr. Clean, and Swiffer. PG has over 25% global market share in Fabric Care, and over 20% global market share in Home Care across the categories in which it competes.

(5) Baby, Feminine & Family Care: represented 27% of net sales in 2019. In Baby Care, its major brands are Luvs and Pampers; PG is the global market leader in Baby Care with a market share over 25%. Pampers is PG's largest brand with annual net sales of nearly US$8B. The Company has a 25% global market share in Feminine Care, primarily due to Always. PG's Family Care business is predominantly North American, comprised largely of its Bounty (paper towel) and Charmin (toilet paper) brands. PG's U.S. market share is over 40% for Bounty, and over 25% for Charmin.

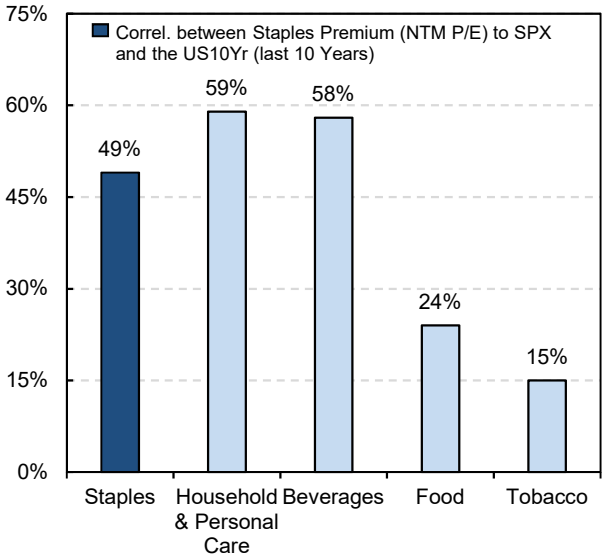
In terms of geographic exposure, 68% of PG's sales come from North America and Europe, while 19% come from Asia-Pacific, 7% from Middle East and Africa, and 6% from Latin America.

Figure 2: Underlying Organic Sales Growth vs Peers



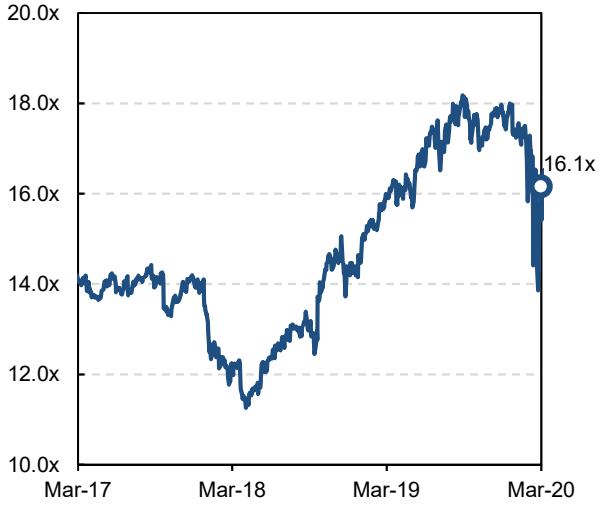
Source: Broker Research, Company Filings

Figure 3: Staples Valuation Correlation to 10Y Treasury



Source: Broker Research

Figure 4: NTM EV/EBITDA Over Time



Source: S&P Capital IQ

Investment Thesis

(1) Strong Balance Sheet: PG's Net Debt/2020E EBITDA is 1.14x, and the Company has an AA- (S&P) credit rating. PG's leverage is the lowest among its peer group (NYSE: CHD, CL, CLX).

(2) Significant Free Cash Flow Generation: PG's exceptionally strong portfolio of brands provides a sustainable runway for long term organic revenue growth in the ~3-4% range (Figure 2). The Company has streamlined its portfolio in recent years to gain leverage to more attractive markets that allow PG to drive stronger organic growth. Since the end of 2014 when PG announced its portfolio simplification strategy, the Company has moved from 170 brands to 65. Since 2007, the Company has reduced its number of brands by 70%. PG's continued portfolio optimization combined with a simplification in organizational structure has streamlined costs and positions PG to continue to generate significant amounts of FCF (6% CAGR from 2020-2025E) and widen its organic sales growth versus peers (Figure 2). PG is continuing to follow through on cost productivity and supply chain optimization, investments that it implemented over the past few years. The Company is slightly beyond the midpoint of its five-year US$10B productivity program in which it has reduced manufacturing sites by 20% and manufacturing platforms by 50%.

(3) Competitive Advantage: PG's competitive advantage is clear given its strong market share in numerous brands across all five of its reportable segments. As mentioned above, PG's decision to streamline its product portfolio over the last several years will allow it to continue to leverage its strengths in its most profitable markets and expand its market share. The CPMT believes that PG's widening of its organic sales growth versus peers (Figure 2) is evidence that the Company's strategy is sustainable and should warrant a premium multiple. PG also uses multiple price tiers by continuing to develop a broad range of products in order to optimize its market positioning, and the Company remains willing to adjust pricing within tiers: as an example, it lowered razors/blades pricing by 12% in April 2017 in order to close price gaps versus peers and more favourably reposition future market share.

Valuation

PG was valued using a five-year DCF with its terminal value based on an equal blend of Gordon Growth (6.04% WACC and 1.5% terminal growth rate) and an exit multiple of 15.5x EV/EBITDA. The CPMT's revenue growth and margin assumptions are in line with median street consensus forecasts and we expect capital expenditures to remain in line with consensus through 2022. The CPMT's target price of $132.00 reflects our belief that PG's organic growth transformation story is currently being underappreciated by the market. Moreover, PG's organic growth relative to peers (Figure 2), strong balance sheet, and market dominance across its numerous brands should yield a premium multiple to its household and personal care peers. However, it currently trades at 16.1x NTM EV/EBITDA (Figure 4), below the peer group average at 17.0x (Figure 1). Given that PG is undervalued using both intrinsic and relative valuation methodologies, the CPMT believes that this represents an attractive entry point and will consider entering a position based on further due diligence. The low interest rate environment also represents a tailwind for Consumer Staples valuations. U.S. Consumer Staples premiums (on NTM P/E) to the S&P 500 are inversely correlated with 10-year treasury rates: over the last 10 years, staples have had a 49% correlation to the 10-year treasury yield (Figure 3). This reflects our view that PG represents a bond-like proxy given its 63-year history of dividend increases. In terms of portfolio fit, the CPMT is currently underweight the Consumer Staples sector and given the COVID-19 pandemic, we believe that Consumer Staples represents a safe haven; PG's defensiveness and growth runway provide an opportunity to outperform in a higher or lower severity COVID-19 situation.

S&P Global

Financials
NYSE: SPGI
Market Perform | No Action

Calgary Portfolio Management Trust

S&P Global

March 31, 2020

Mahdis Sadeghi, Portfolio Manager

Return on Investment

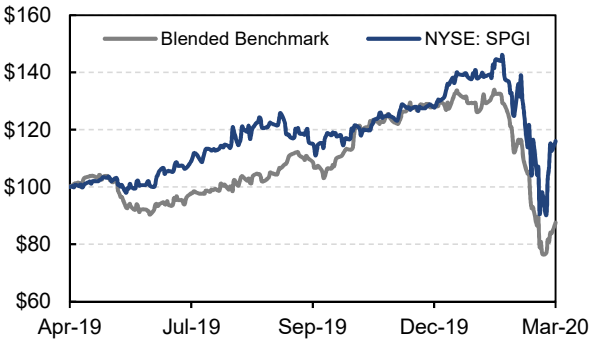
Current Share Price	$245.05
Target Price	$273.00
Dividend Yield	1.09%
Holding Period Return	12%
Company Quality (CQ) Score	3.7
Conviction Rating	N/A

Market Profile

52-Week Range	$192.05 - $311.16
Market Capitalization (US$mm)	$72,361
Net Debt (US$mm)	$1,786
Enterprise Value (US$mm)	$74,147
Beta (5-Year Monthly)	0.97

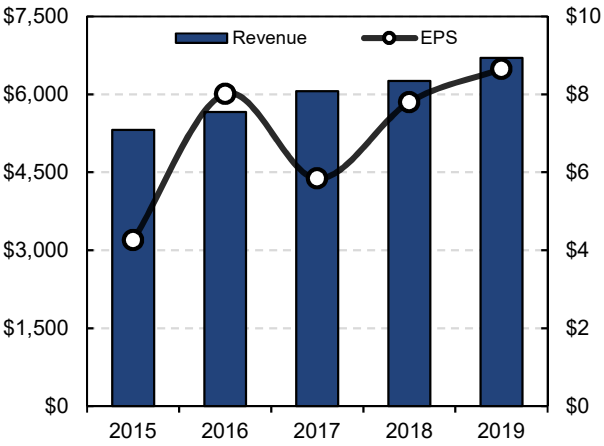
Metrics	2019A	2020E	2021E
Revenue (US$mm)	$6,699	$6,914	$7,402
EBITDA (US$mm)	$3,210	$3,494	$4,048
EPS	$8.71	$9.73	$11.52
EV/EBITDA	23.1x	21.2x	18.3x

Historical Trading Performance (Indexed to $100)



Source: Bloomberg

Figure 1: SPGI Revenue (US$mm) and EPS



Source: Company Filings

Business Description

S&P Global Inc. (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to capital and commodity markets worldwide. The Company operates through four reporting segments: S&P Global Ratings (45% of FY2019 revenue), S&P Global Market Intelligence (29%), S&P Global Platts (13%), and S&P Dow Jones Indices (13%). Ratings revenue is divided into two sub-categories: transactional and non-transactional. Transactional revenue is associated with fees collected from new debt issuances, bank loan ratings, and corporate credit estimates. Non-transactional revenue mainly consists of fees for surveillance of a credit rating. Market Intelligence is a subscription-based offering that provides investment professionals with access to S&P Capital IQ, a desktop market data and analytics program. The Company's total subscription revenues made up 43% of FY2019 total revenue, and transactions accounted for 24%. Acquisitions are a key growth driver for the Company. In January 2020, SPGI announced the completion of its acquisition of RobecoSAM's ESG Ratings Business, a move that will allow the Company to benefit more directly from the growing theme of ESG investing.

Industry Analysis

SPGI's Global Ratings business is most comparable to Moody's Investor Services and Fitch Group. The aforementioned three are regarded as the "big three" credit rating agencies and comprise a vast majority of the market. SPGI and Moody's are similar in size (reported FY2019 revenues of $3.1B and $3.0B in their Ratings business segments, respectively). S&P Market Intelligence faces competition from other financial data services providers such as FactSet and Bloomberg. Overall, the industry which SPGI competes in is fragmented with different types of businesses. Competition is high, but SPGI's strongest niche is in its ratings services which provide an economic moat.

Balance Sheet and Valuation

SPGI is less levered than its peers, Moody's Corporation (NYSE: MCO), MSCI (NYSE: MSCI), and FactSet Research Systems (NYSE: FDS). SPGI's Net Debt/EBITDA of 0.53x is significantly lower than its peer group average of 1.65x. The Company's lower leverage indicates balance sheet health as well as an increased potential to fund future acquisitions. SPGI's ROA is also attractive to peers, at 19% for FY2019 compared to a 14% peer average. Its dividend yield is on the lower end at 0.75% for FY2019 versus a 0.83% peer average. SPGI's $273 target price was attained through a five-year DCF, with a terminal value calculated as an equal blend of Gordon Growth and an EV/EBITDA exit multiple of 23.5x. This valuation suggests a modest 12% upside. In terms of relative valuation, SPGI currently trades at a slight discount to its peer median of 22.7x versus 23.9x, respectively.

Portfolio Fit and Investment Thesis

SPGI is interesting for its potential to diversify the Fund's Financials holdings. With that being said, it is evident the Company holds certain similar characteristics to traditional financial institutions. As a name that trades in line with the market, SPGI has torque to debt issuance levels and overall capital market health. This element of the business aligns with the capital markets businesses of large banks that rely on market strength for profitability. SPGI is in a position to take advantage of the growing ESG investing theme, but its valuation does not show significant room for upside. For this reason, along with the Company's capital markets risk, the CPMT recommends No Action on SPGI.

Ulta Beauty

Consumer Discretionary
NASDAQ: ULTA
Market Outperform | Buy

March 31, 2020

Breanna Schollaardt, Investment Analyst

Return on Investment

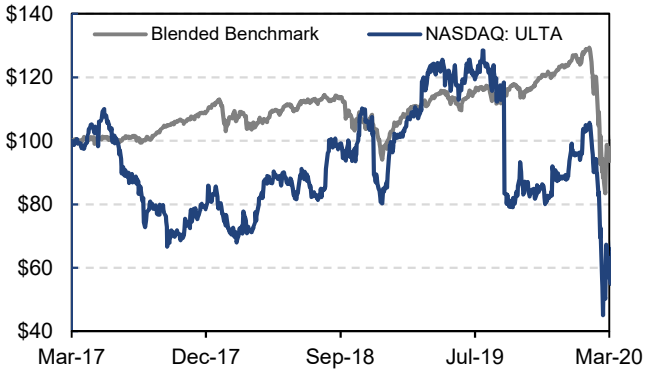
Current Share Price	$175.50
Target Price	$242.00
Dividend Yield	0.00%
Holding Period Return	38%
Company Quality (CQ) Score	3.6
Conviction Rating	2

Market Profile

52-Week Range	$124.05 - $368.83
Market Capitalization (US$mm)	$10,605
Net Debt (US$mm)	$408
Enterprise Value (US$mm)	$11,013
Beta (5-Year Monthly)	1.08

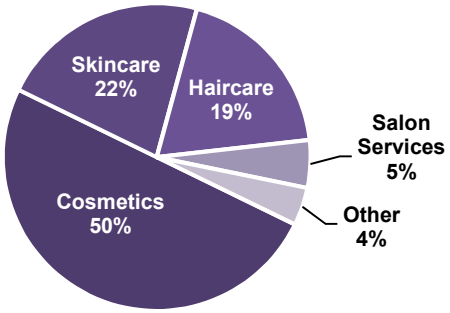
Metrics	2019A	2020E	2021E
Revenue (US$mm)	$7,398	$7,434	$7,823
EBITDA (US$mm)	$1,202	$1,338	$1,414
EPS	$12.15	$12.56	$13.29
EV/EBITDA	9.2x	8.2x	7.8x

Historical Trading Performance (Indexed to $100)



Source: S&P Capital IQ

Figure 1: Revenue Segmentation



Source: Company Filings

Business Description

ULTA Beauty (NASDAQ: ULTA) is a beauty retailer founded in 1990 with operations solely in the U.S. The Company offers multiple products and services including cosmetics, fragrance, skin, and hair care. ULTA sells ~20,000 different products from over 500 different brands, while also selling its house brand under the name ULTA Beauty Collection. The Company operates ~1,240 stores throughout the U.S. in all 50 states and does not offer franchising opportunities; e-commerce growth is also a key focus for the Company. ULTA sells all products in-store and through its e-commerce platform which includes tutorials and tips on how to use certain products.

Industry Trends

A large number of consumer discretionary companies have been impacted by the popularization of social media, with the beauty industry specifically being highly influenced. Trends and reviews on Instagram and YouTube are one of the best forms of advertising for ULTA and the brands it sells. Many influencers are known to collaborate with brands sold by ULTA, or with ULTA itself, for example, James Charles x Morphe and NikkieTutorials for Ofra Cosmetics. The Company has affiliate programs which offer ambassadors the ability to make commissions off of advertising links they can share with their follower base. ULTA recognizes the trends in the industry and has catered to a large demographic by focusing on its social media presence. While the cosmetics industry can be highly competitive, ULTA has positioned itself well, with Sephora being its only major pure play competitor. ULTA has a differentiated product offering in comparison with Sephora, as it focuses on both ends of the price spectrum and has broader salon and haircare offerings. While the industry had previously been more oriented towards makeup, there has been a recent shift towards placing greater importance on skincare. ULTA is well-positioned for this with a broad range of skincare offerings and recognition of this trend adjustment.

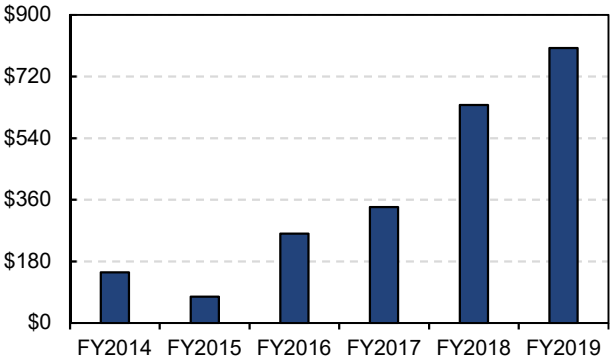
Evolving Business Model

While a key factor in ULTA's business model is its brick-and-mortar stores, which offer the customer a treasure hunt experience, the Company is continually working to grow its e-commerce platform. E-commerce is exclusively offered throughout North America; however, while the Company already offers shipping to Canada, further international markets are available for e-commerce expansion. Offering shipping to Canada allowed the Company to test for the demand of products in the Canadian market before entering Canada. While ULTA does not have fully defined plans, the Company disclosed in FY2019 its intention to enter into the international market and establish ULTA as a global brand. The first area of entry will be Canada. This expansion into international markets offers a large growth runway for the Company; however, the plans ULTA has for the U.S. market still offer large amounts of growth as well. ULTA's long-term plans for stores total ~1,500-1,700, with a focus on penetrating existing areas in addition to smaller markets. ULTA enjoys a sense of removal from manufacturing and production exposure, as the Company exclusively produces its single private house brand. ULTA retails many different brands but does not produce or manufacture these. The cosmetics industry is exposed to legal and regulatory changes such as the Federal Food, Drug, and Cosmetic Act, and the Fair Packaging and Labelling Act.

Valuation

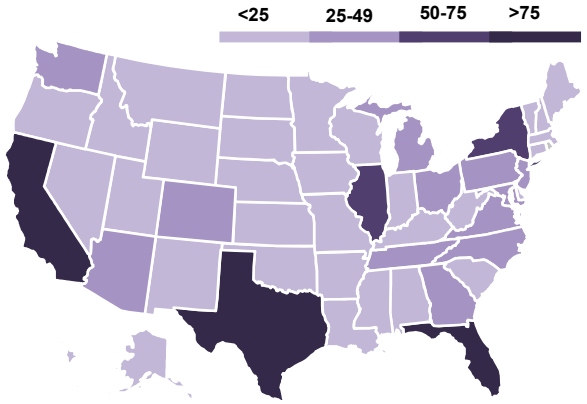
ULTA's target price of $242 is based on a 5-year DCF 50/50 (cont'd)

Figure 2: Free Cash Flow (US$mm)



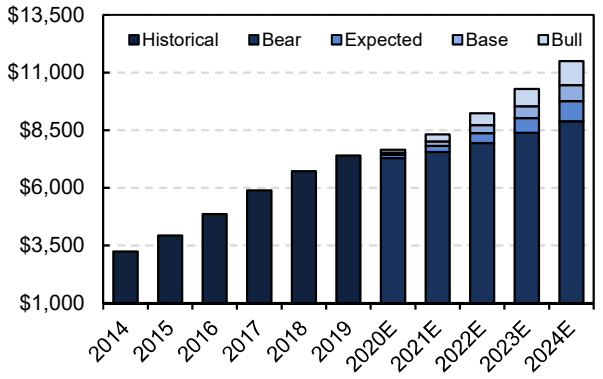
Source: Bloomberg

Figure 3: U.S. Store Coverage



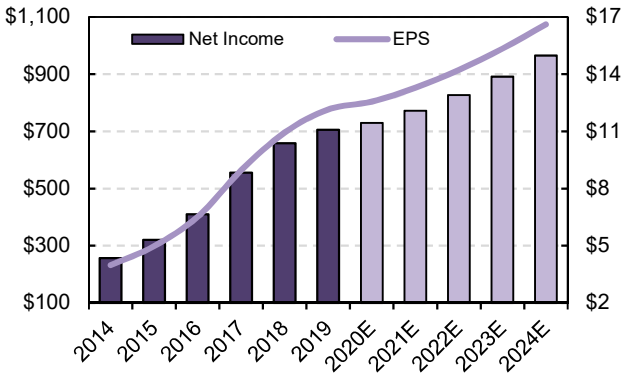
Source: Company Filings

Figure 4: Revenue Growth (US$mm)



Source: Company Filings, CPMT Estimates

Figure 5: Net Income (US$mm) and EPS



Source: Company Filings, CPMT Estimates

blended Gordon Growth (8.25% WACC and 2% terminal growth rate) and EV/EBITDA multiple (11.9x). Appropriate scenarios were considered given the impacts of slowed business operations regarding the COVID-19 pandemic. The main drivers of future revenue growth were ULTA's e-commerce platform, expansion into the Canadian market, and its skincare segment.

Past Performance

Comparable store sales have continued to showcase ULTA's ability for consistent growth. In FY2019 comparable store sales saw a lower increase than previous years (5.0% versus 8.1% FY2018). Throughout the years revenues and net income have continuously increased as ULTA becomes a largely recognized company with in-demand brands. ULTA carries some exclusive products such as IT Brushes for ULTA Beauty, and exclusive limited-time products, such as Kylie Cosmetics, ColourPop, and Morphe. In October 2018, ULTA acquired GlamST GlamST is an augmented reality company which aims to assist ULTA in its online platform, has assisted ULTA in developing GLAMlab, a virtual try-on experience.

COVID-19 Response

The global pandemic, COVID-19 has caused many brands to alter their supply chains and business operations; ULTA is no exception to this. Business operations were not impacted until recently, as ULTA's brick-and-mortar exposure is solely based in the U.S. market. In early March, the Company announced extra precautions throughout daily operations, such as suspending waxing services and a no-touch approach to shade matching. As the situation progressed, ULTA joined many retail giants in the decision to close stores. This decision was made considering the safety of both customers and employees. ULTA continues to pay employees and maintain employee benefit plans. ULTA has shifted its focus to advertising its e-commerce platform, with its recent acquisition of GLAMSt assisting the online process. GLAMlab is helpful in offering the usual in-store try-on experience, virtually.

Investment Thesis and Outlook

(1) Competitive Advantage: ULTA's business model is quite novel in comparison to peers. ULTA offers both high-end and drugstore products throughout all segments. This sets ULTA apart from its main competitor, Sephora, which focuses primarily on high-end products, at high price points, with stronger focus on skin-care and cosmetics. Each ULTA store is equipped with a full-service salon, and Benefit brow bar which is another differentiator from its main competitor and many others.

(2) Quality Management: CEO Mary Dillon has been with ULTA since 2013 and has had extensive experience in the consumer industry prior to joining the Company. She, along with the current management team, has led the Company through its first acquisitions and has focused on growing its e-commerce platform.

(3) Strong Balance Sheet: Prior to March 2020, ULTA opted for no leverage in its capital structure and was able to maintain a strong cash balance ($392mm in FY2019). Due to the uncertainty surrounding the COVID-19 pandemic, ULTA drew on its revolver at the end of March, stating this will improve financial flexibility moving forward. The Company also suspended its share repurchase program and is focusing on capex reductions for the time being, with plans focused on movement into Canada in 2021.

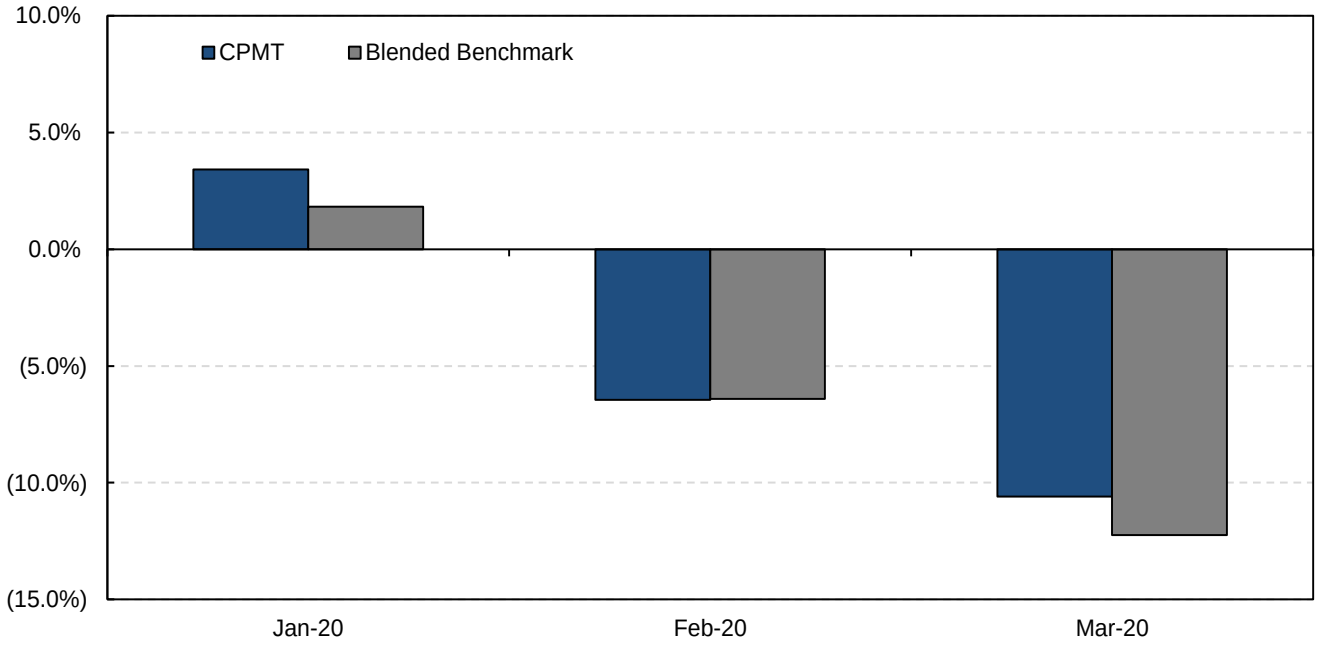
(4) Growing Free Cash Flow: ULTA has offered continual growth in its free cash flow with a 40.3% CAGR over the past five years. The Company has continued to increase share repurchases and has begun to focus on acquisitions to assist it in strengthening its e-commerce platform.

ULTA clearly fulfills the funds mandate points and currently offers an attractive valuation with strong areas for growth.

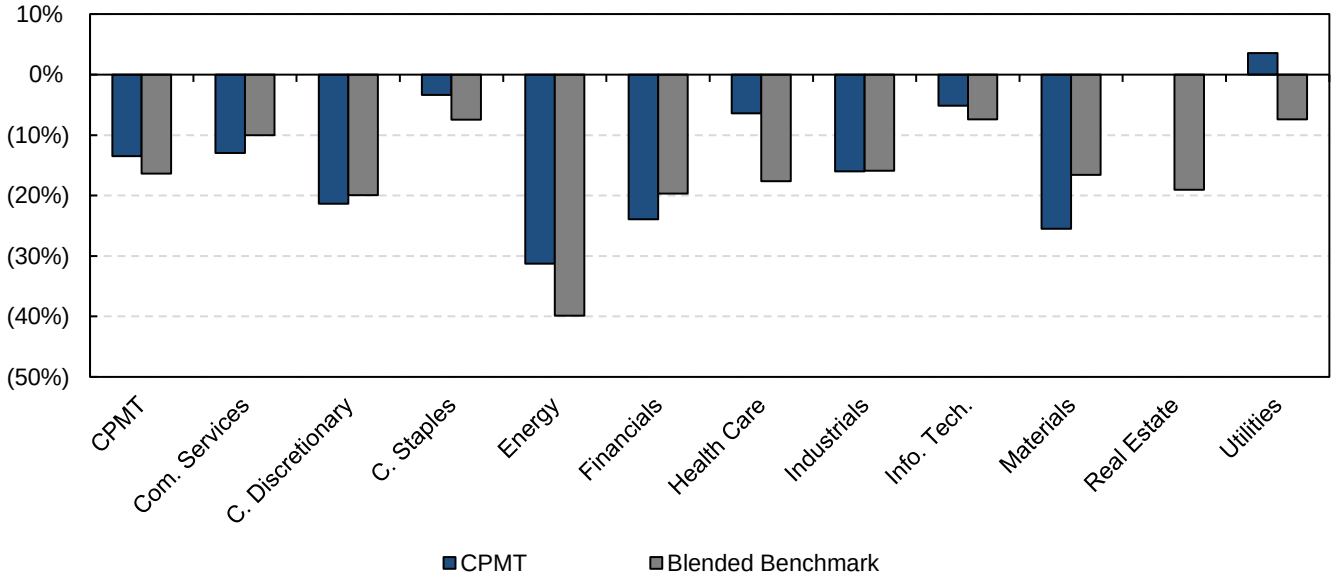
Compliance and Performance

QUARTERLY PERFORMANCE

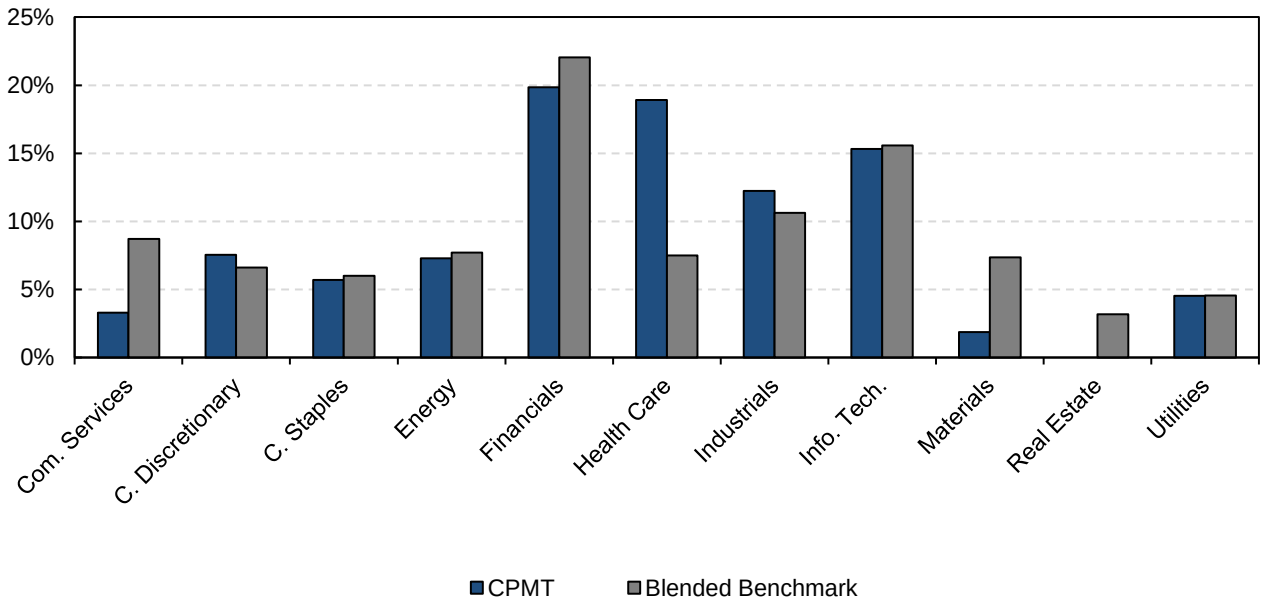
CPMT and Blended Benchmark Monthly Returns



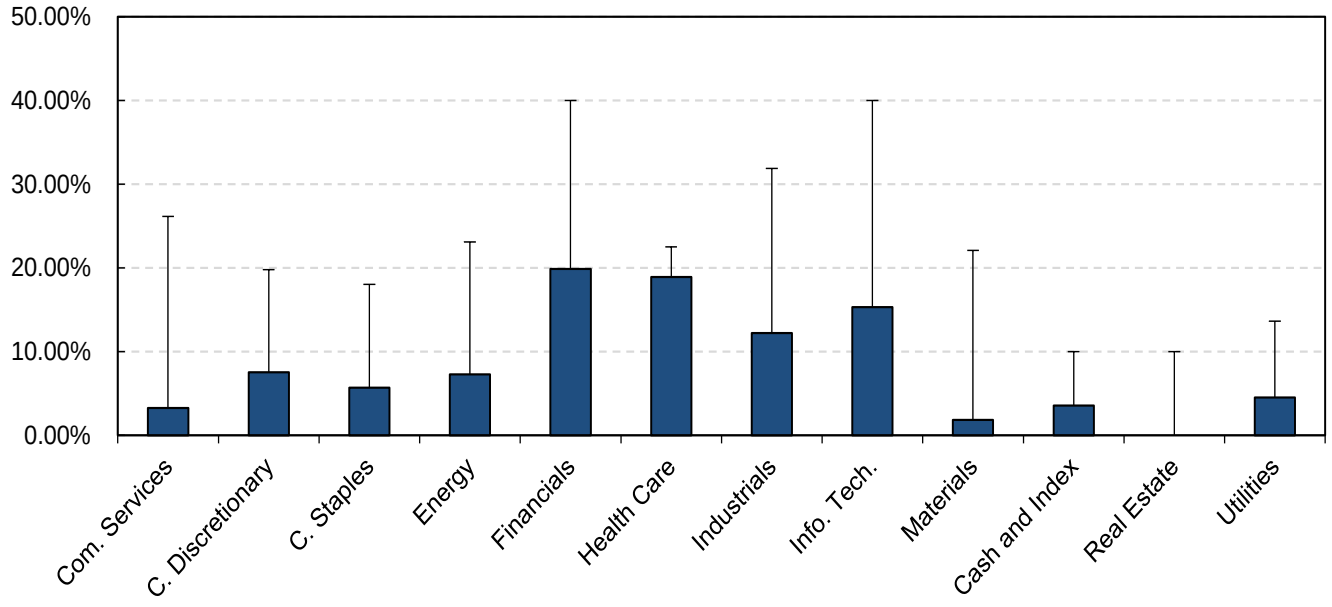
CPMT and Blended Benchmark Sector Returns



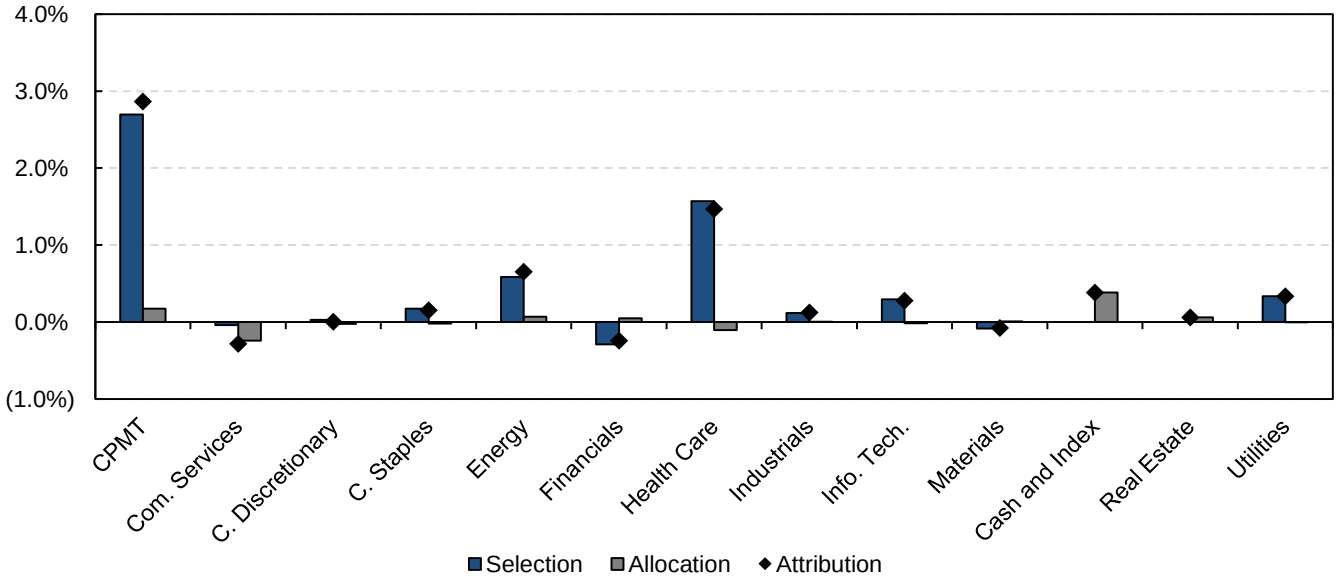
CPMT and Blended Benchmark Asset Breakdown



CPMT Sector Weights vs Maximum Weight



Attribution Analysis (Quarterly)



CPMT Attribution Analysis

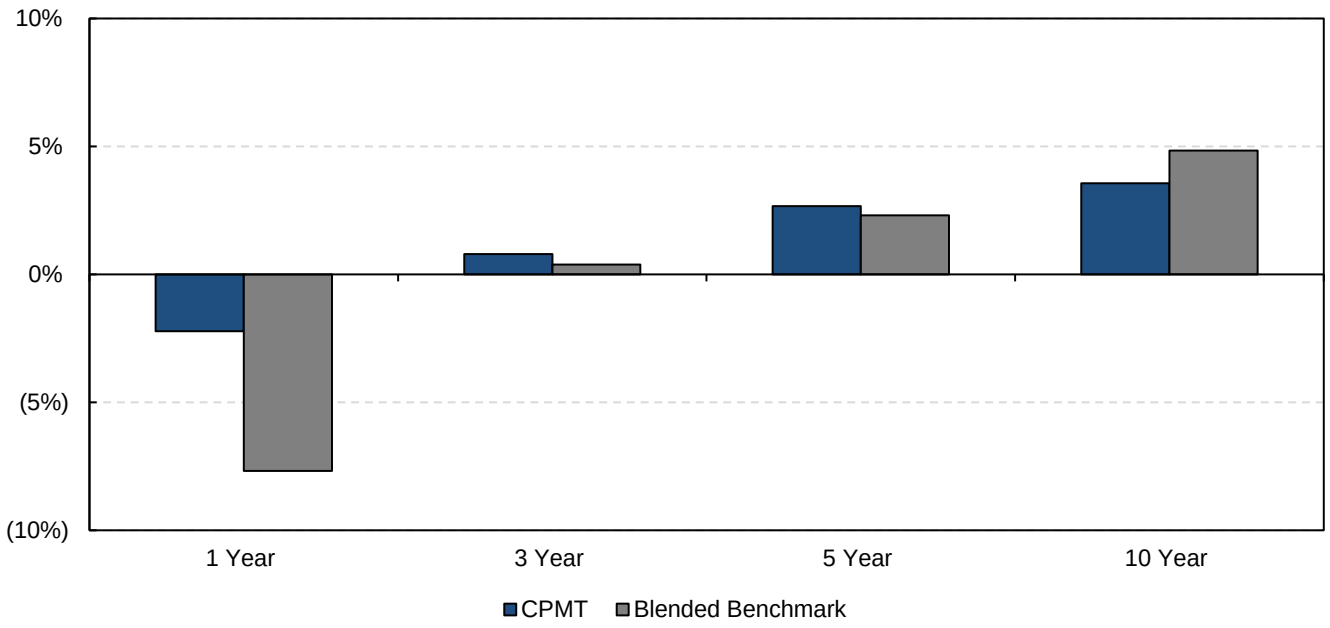
FQ4 2020	Attribution	Allocation	Selection
CPMT	2.87%	0.17%	2.69%
Communication Services	(0.28%)	(0.24%)	(0.04%)
Consumer Discretionary	0.00%	(0.02%)	0.03%
Consumer Staples	0.16%	(0.02%)	0.18%
Energy	0.66%	0.07%	0.59%
Financials	(0.24%)	0.05%	(0.29%)
Health Care	1.47%	(0.10%)	1.57%
Industrials	0.12%	0.01%	0.12%
Information Technology	0.28%	(0.02%)	0.30%
Materials	(0.08%)	0.01%	(0.09%)
Other	0.39%	0.39%	0.00%
Real Estate	0.06%	0.06%	0.00%
Utilities	0.34%	(0.00%)	0.34%

1 Year	Attribution	Allocation	Selection
CPMT	5.45%	(2.22%)	7.67%
Communication Services	(0.66%)	0.03%	(0.69%)
Consumer Discretionary	0.73%	(0.84%)	1.57%
Consumer Staples	0.90%	0.23%	0.68%
Energy	1.16%	(0.04%)	1.20%
Financials	0.72%	(0.16%)	0.88%
Health Care	1.67%	(0.98%)	2.65%
Industrials	1.03%	0.34%	0.69%
Information Technology	0.23%	(0.92%)	1.16%
Materials	(0.31%)	0.34%	(0.65%)
Other	0.59%	0.60%	(0.00%)
Real Estate	(0.84%)	(0.76%)	(0.09%)
Utilities	0.60%	0.00%	0.60%

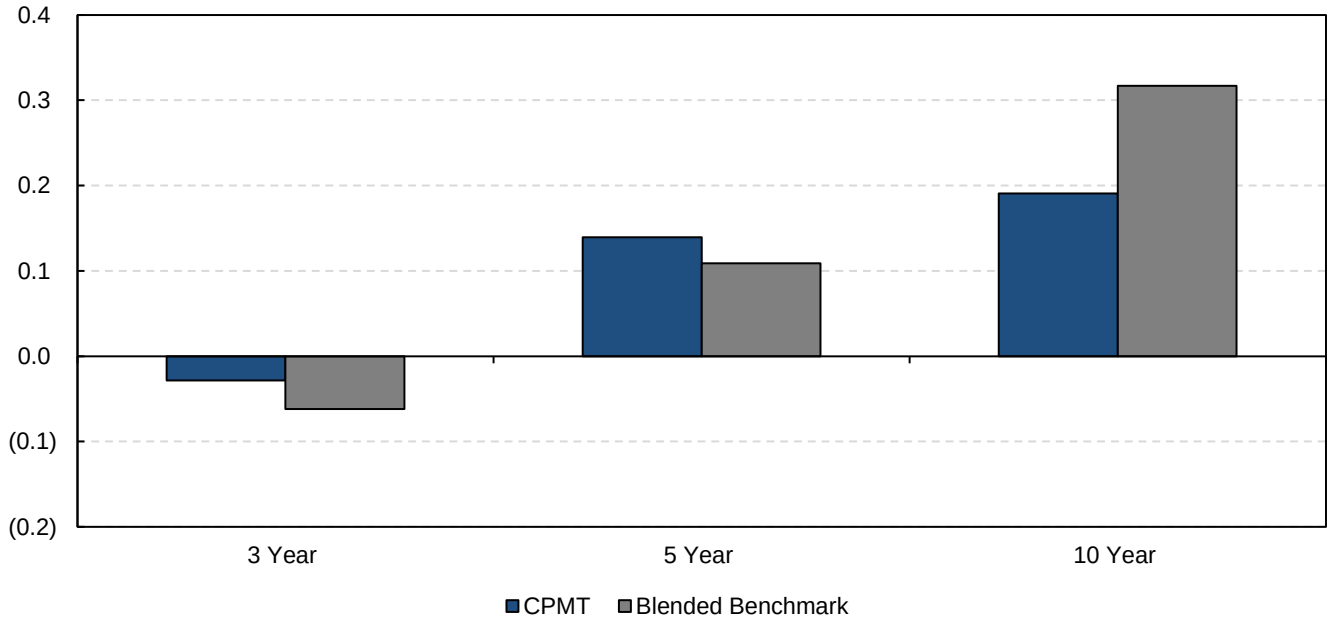
Compliance and Performance

LONG TERM PERFORMANCE

CPMT and Blended Benchmark Total Return (Annualized)



CPMT and Blended Benchmark Composite Index Sharpe Ratios



The CPMT Long Term Performance Targets

Absolute Returns (annualized)		1 Year		3 Year		5 Year		10 Year
CPMT [1]	✗	(2.23%)	✗	0.79%	✗	2.66%	✗	3.56%
Relative Returns (bps)								
Blended Benchmark [2]	✓	545	✗	41	✗	35	✗	(127)
Risk Adjusted Returns (bps)								
Blended Benchmark [3]	✓	502	✗	38	✗	42	✗	(112)

(1) Performance target of 7.0% annual returns.

(2) Performance target to exceed the Blended TSX & S&P 500 Benchmark by 100 bps.

(3) Performance target to exceed the Blended TSX & S&P 500 Benchmark by 100 bps on a risk adjusted basis.

CPMT Long Term Performance Details

Annualized Return	1 Year	3 Year	5 Year	10 Year
CPMT	(2.23%)	0.79%	2.66%	3.56%
Blended Benchmark	(7.68%)	0.38%	2.31%	4.83%
Annualized Volatility				
CPMT	15.12%	12.25%	11.07%	10.88%
Blended Benchmark	15.97%	12.20%	10.72%	10.22%
Sharpe				
CPMT	(0.17)	(0.03)	0.14	0.19
Blended Benchmark	(0.51)	(0.06)	0.11	0.32

APPENDICES

Appendix 1: CFA Code of Ethics

The following is the CFA Code of Ethics to be complied with at all times by Fund Managers:

- To act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- To place the integrity of the investment profession and the interests of clients above personal interests.
- To use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- To practice and encourage others to practice in a professional and ethical manner that will reflect credit on ourselves and the profession.
- To promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- To maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

Appendix 2: Account Activity

FQ1	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain (CAD)	Return
GIB.A	2-Apr-19	Sale	90	$47.72	$ 97.74	CAD	$4,501.80	104.82%
IVV	2-Apr-19	Sale	77	$281.04	$ 287.80	USD	$697.04	2.40%
MSFT	2-Apr-19	Buy	120	$119.20				
AMGN	2-Apr-19	Buy	75	$192.09				
MPC	10-Apr-19	Buy	230	$63.46				
AAPL	10-Apr-19	Buy	75	$199.69				
TIH	10-Apr-19	Sale	70	$33.96	$ 68.92	CAD	$2,447.20	102.94%
IXC	10-Apr-19	Sale	360	$33.85	$ 34.57	USD	$348.68	2.14%
IVV	10-Apr-19	Sale	45	$281.04	$ 289.71	USD	$522.56	3.08%
AMGN	24-Apr-19	Buy	9	$179.09				
IVV	24-Apr-19	Sale	6	$281.04	$ 294.55	USD	$108.57	4.81%
Total						CAD	$9,457.04	13.14%

There were no transactions for FQ2.

FQ3	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain	Return
TIH	2-Oct-19	Sale	230	$34.25	$62.92	CAD	$6,594.10	83.71%
IVV	2-Oct-19	Purchase	38	$288.72				
ADW.A	30-Oct-19	Sale	600	$11.04	$13.03	CAD	$1,194.00	18.03%
CCL.B	30-Oct-19	Sale	140	$24.42	$54.30	CAD	$4,183.20	122.36%
MFC	30-Oct-19	Sale	250	$20.31	$24.68	CAD	$1,092.50	21.52%
IVV	30-Oct-19	Purchase	60	$304.59				
IVV	7-Nov-19	Sale	50	$310.15				
CTAS	7-Nov-19	Purchase	60	$262.45				
Total						CAD	$9,602.30	22.88%

FQ4	Date	Action	Shares	Purchase Price	Sale Price	Currency	Capital Gain	Return
AAPL	14-Feb-20	Sale	21	$199.69	$325.48	CAD	$3,718.83	88.68%
MA	14-Feb-20	Sale	13	$229.51	$340.02	CAD	$2,022.57	67.79%
BNS	26-Feb-20	Sale	367	$66.50	$54.47	CAD	($4,412.82)	(18.08%)
IVV	26-Feb-20	Buy	25	$314.19				
JPM	26-Feb-20	Buy	125	$127.13				
IVV	2-Mar-20	Sale	85	$263.50	$298.89	CAD	$4,235.24	18.91%
GUD	2-Mar-20	Buy	1900	$6.64				
ROST	2-Mar-20	Buy	143	$108.17				
IVV	16-Mar-20	Sale	38	$263.50	$250.22	CAD	($504.64)	(5.04%)
MPC	16-Mar-20	Sale	230	$63.46	$21.10	CAD	($13,716.21)	(66.75%)
ISRG	16-Mar-20	Buy	34	$420.23				
COST	26-Mar-20	Sale	5	$217.42	$286.54	CAD	$486.54	44.76%
CSU	30-Mar-20	Buy	2	$1,218.66				
IVV	30-Mar-20	Sale	32	$263.50	$252.57	CAD	($349.79)	(4.15%)
AAPL	30-Mar-20	Buy	18	$249.32				
MFC	31-Mar-20	Sale	850	$19.03	$15.88	CAD	($2,677.00)	(16.55%)
JPM	31-Mar-20	Buy	10	$93.08				
DOL	31-Mar-20	Buy	139	$40.15				
Total						CAD	($11,197.26)	(10.74%)

Appendix 2: Account Activity

Dividend Summary

April, 2019			
Equity	Date	DPS	Credit (CAD)
T	1-Apr-2019	$0.55	$185.30
TIH	3-Apr-2019	$0.27	$81.00
CSU	5-Apr-2019	$28.02	$336.22
ADW.A	5-Apr-2019	$0.05	$30.78
AQN	15-Apr-2019	$0.17	$187.14
BNS	26-Apr-2019	$0.87	$319.29
TD	30-Apr-2019	$0.74	$296.00
Total			**$1,435.73**

May, 2019			
Equity	Date	DPS	Credit (CAD)
MA	9-May-2019	$0.77	$51.71
DOL	10-May-2019	$0.04	$13.20
ABT	15-May-2019	$0.43	$77.20
AAPL	16-May-2019	$0.77	$78.06
WCN	22-May-2019	$0.22	$28.01
COST	24-May-2019	$0.65	$61.50
Total			**$309.68**

June, 2019			
Equity	Date	DPS	Credit (CAD)
ENB	3-Jun-2019	$0.74	$442.80
AMGN	7-Jun-2019	$1.45	$159.52
MPC	10-Jun-2019	$0.53	$159.65
MSFT	13-Jun-2019	$0.46	$72.29
MFC	19-Jun-2019	$0.25	$275.00
IVV	21-Jun-2019	$2.34	$191.49
SU	25-Jun-2019	$0.42	$168.00
CNR	28-Jun-2019	$0.54	$134.38
CCL.B	28-Jun-2019	$0.17	$57.80
BAM.A	28-Jun-2019	$0.21	$80.31
Total			**$1,741.23**

July, 2019			
Equity	Date	DPS	Credit (CAD)
T	2-Jul-2019	$0.56	$191.25
TIH	3-Jul-2019	$0.27	$62.10
ADW.A	5-Jul-2019	$0.05	$32.28
CSU	8-Jul-2019	$1.34	$16.06
AQN	15-Jul-2019	$0.18	$201.22
BNS	29-Jul-2019	$0.87	$319.29
TD	31-Jul-2019	$0.74	$296.00
Total			**$1,118.20**

August, 2019			
Equity	Date	DPS	Credit (CAD)
DOL	9-Aug-2019	$0.04	$13.20
MA	9-Aug-2019	$0.41	$50.15
ABT	15-Aug-2019	$0.42	$76.36
AAPL	15-Aug-2019	$0.77	$76.89
WCN	26-Aug-2019	$0.21	$27.53
Total			**$244.13**

September, 2019			
Equity	Date	DPS	Credit (CAD)
ENB	3-Sep-2019	$0.74	$442.80
AMGN	6-Sep-2019	$1.45	$161.32
MPC	10-Sep-2019	$0.53	$161.45
MSFT	12-Sep-2019	$0.46	$73.11
COST	13-Sep-2019	$0.65	$60.26
MFC	19-Sep-2019	$0.25	$275.00
SU	25-Sep-2019	$0.42	$168.00
BAM.A	30-Sep-2019	$0.21	$79.49
CCL.B	30-Sep-2019	$0.17	$57.80
CNR	30-Sep-2019	$0.54	$134.38
IVV	30-Sep-2019	$1.95	$160.29
Total			**$1,773.90**

Account Activity Continued

Dividend Summary

October, 2019			
Equity	Date	DPS	Credit (CAD)
T	1-Oct-2019	$0.56	$191.25
TIH	2-Oct-2018	$0.27	$62.10
ADW.A	4-Oct-2019	$0.05	$32.28
CSU	7-Oct-2019	$1.33	$15.90
AQN	15-Oct-2019	$0.19	$203.85
BNS	29-Oct-2019	$0.90	$330.30
TD	31-Oct-2019	$0.74	$296.00
Total			**$1,131.68**

November, 2019			
Equity	Date	DPS	Credit (CAD)
DOL	8-Nov-2019	$0.04	$13.20
MA	8-Nov-2019	$0.43	$30.30
MA	8-Nov-2019	$0.44	$9.64
AAPL	14-Nov-2019	$1.02	$76.71
ABT	15-Nov-2019	$0.42	$75.98
COST	15-Nov-2019	$0.86	$60.44
WCN	26-Nov-2019	$0.24	$31.81
Total			**$298.08**

December, 2019			
Equity	Date	DPS	Credit (CAD)
ENB	2-Dec-2019	$0.74	$442.80
AMGN	6-Dec-2019	$1.88	$158.16
MPC	10-Dec-2019	$0.69	$158.29
MSFT	12-Dec-2019	$0.66	$79.47
MFC	19-Dec-2019	$0.25	$212.50
IVV	20-Dec-2019	$2.66	$346.31
SU	24-Dec-2019	$0.42	$168.00
CCL.B	27-Dec-2019	$0.17	$34.00
CNI	30-Dec-2019	$0.54	$134.38
BAM.A	31-Dec-2019	$0.21	$78.96
Total			**$1,812.86**

January, 2020			
Equity	Date	DPS	Credit (CAD)
T	2-Jan-2020	$0.55	$185.30
CSU	8-Jan-2020	$1.31	$15.77
AQN	15-Jan-2020	$0.18	$201.61
BNS	29-Jan-2020	$0.98	$330.30
TD	31-Jan-2020	$0.74	$296.00
Total			**$1,028.98**

February, 2020			
Equity	Date	DPS	Credit (CAD)
DOL	7-Feb-2020	$0.04	$13.20
MA	7-Feb-2020	$0.54	$49.44
AAPL	13-Feb-2020	$1.08	$81.30
ABT	14-Feb-2020	$0.48	$85.55
COST	14-Feb-2020	$0.92	$64.05
Total			**$293.54**

March, 2020			
Equity	Date	DPS	Credit (CAD)
ENB	2-Mar-2020	$0.81	$486.00
AMGN	6-Mar-2020	$2.25	$189.21
MPC	10-Mar-2020	$0.82	$187.80
WCN	12-Mar-2020	$0.25	$32.13
MSFT	12-Mar-2020	$0.72	$86.16
MFC	19-Mar-2020	$0.28	$238.00
SU	25-Mar-2020	$0.47	$186.00
BAM.A	31-Mar-2020	$0.26	$95.68
CCL.B	31-Mar-2020	$0.18	$36.00
CNR	31-Mar-2020	$0.58	$143.75
IVV	31-Mar-2020	$2.16	$69.02
ROST	31-Mar-2020	$1.33	$57.38
Total			**$1,807.13**

CPMT Holdings - Mar 31, 2020	Market Cap	Conviction	Position Size			Target Price			Stock Price	Total Return	
Financials			Current	Target	Difference	Prior		Current	End of Period	QTD	TTM
Brookfield Asset Management	Large	2	5.07%	4.00%	1.07%	$95.00		$95.00	$62.38	(16.86%)	0.19%
JPMorgan Chase & Co.	Large	2	3.73%	4.00%	(0.27%)	$146.00		$146.00	$90.03	(35.42%)	(11.06%)
Mastercard	Large	3	5.85%	6.00%	(0.15%)	$359.00		$359.00	$241.56	(19.10%)	2.60%
Toronto Dominion	Large	3	5.19%	6.00%	(0.81%)	$75.00		$75.00	$59.83	(17.85%)	(17.50%)
Information Technology											
Apple Inc	Large	3	5.62%	6.00%	(0.38%)	$312.00		$312.00	$254.29	(13.40%)	33.87%
Constellation Software	Large	2	3.88%	4.00%	(0.12%)	$1,320.00		$1,320.00	$1,279.02	1.42%	12.94%
Microsoft Corp.	Large	2	5.81%	4.00%	1.81%	$200.00		$200.00	$157.71	0.01%	33.72%
Materials											
CCL Industries	Mid	1	1.86%	2.00%	(0.14%)	$67.00		$67.00	$42.79	(22.65%)	(20.91%)
Energy											
Enbridge	Large	3	5.33%	6.00%	(0.67%)	$55.00		$55.00	$40.98	(20.63%)	(15.33%)
Suncor	Large	2	1.95%	4.00%	(2.05%)	$45.00		$45.00	$22.46	(47.23%)	(48.14%)
Consumer Discretionary											
Dollarama	Large	2	3.72%	4.00%	(0.28%)	$51.00		$51.00	$39.04	(12.53%)	9.51%
Ross Stores, Inc.	Large	2	3.82%	4.00%	(0.18%)	$135.00		$135.00	$86.97	(25.30%)	(6.58%)
Consumer Staples											
Costco	Large	3	5.69%	6.00%	(0.31%)	$315.00		$315.00	$285.13	(2.99%)	17.75%
Telecommunications											
Telus	Large	2	3.28%	4.00%	(0.72%)	$57.00		$57.00	$22.25	(11.50%)	(10.03%)
Healthcare											
Abbott Laboratories	Large	2	4.36%	4.00%	0.36%	$93.00		$93.00	$78.91	(9.15%)	(1.29%)
Amgen	Large	2	5.22%	4.00%	1.22%	$250.00		$250.00	$202.73	(15.90%)	6.71%
Intuitive Surgical, Inc.	Large	2	5.17%	4.00%	1.17%	$650.00		$650.00	$495.21	(16.23%)	(13.21%)
Knight Therapeutics	Mid	2	4.17%	4.00%	0.17%	$9.00		$9.00	$6.20	(18.21%)	(15.53%)
Industrials											
Canadian National Railway	Large	3	5.97%	6.00%	(0.03%)	$130.00		$130.00	$110.03	(6.33%)	(8.02%)
Cintas Corp.	Large	2	3.19%	4.00%	(0.81%)	$320.00		$320.00	$173.22	(35.63%)	(14.29%)
Waste Connection Inc.	Large	2	3.08%	4.00%	(0.92%)	$125.00		$125.00	$109.20	(7.42%)	(7.75%)
Utilities											
Algonquin	Mid	2	4.52%	4.00%	0.52%	$24.00		$24.00	$18.95	3.16%	26.08%