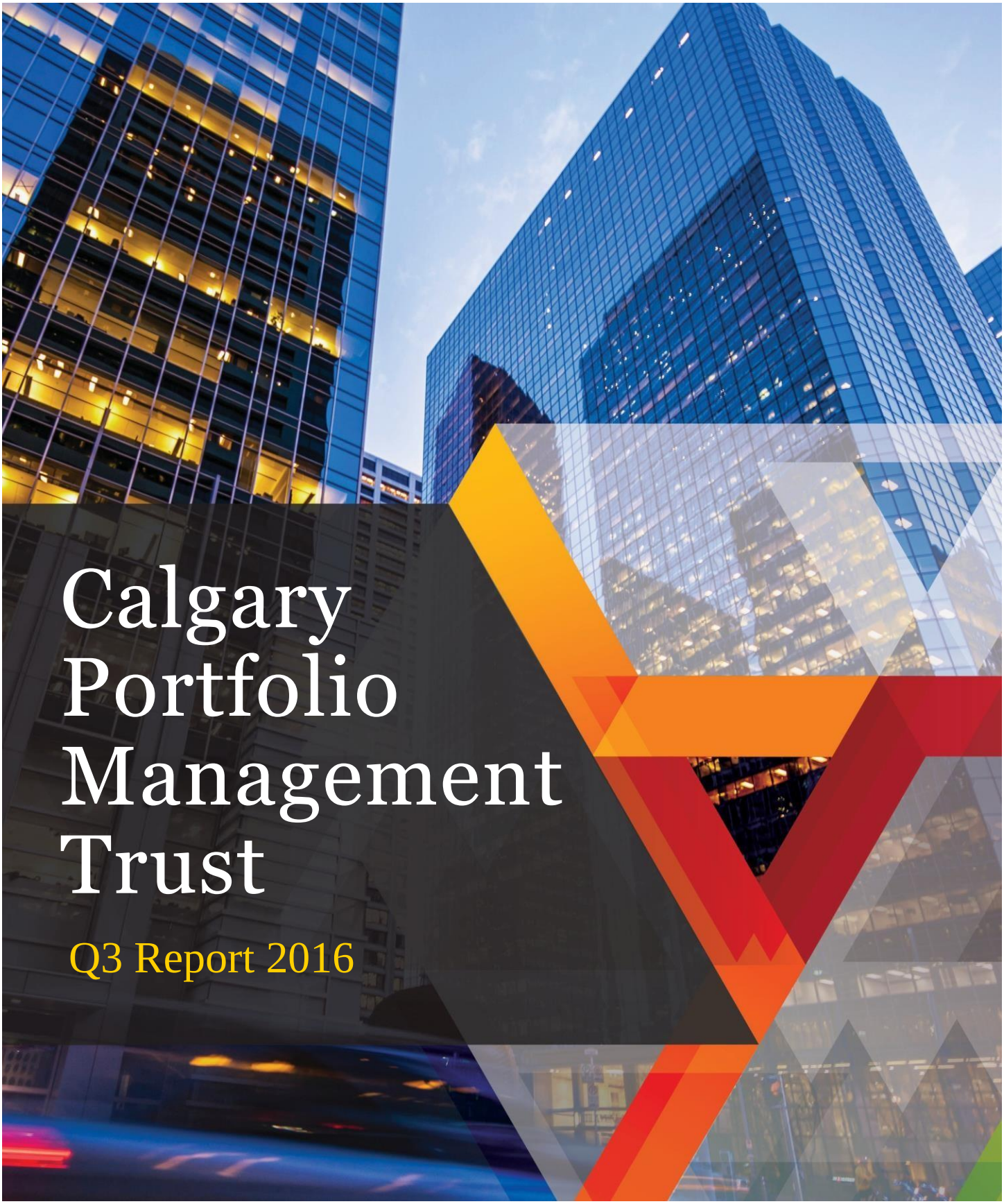

Calgary Portfolio Management Trust

Q3 Report 2016

UNIVERSITY OF CALGARY
HASKAYNE SCHOOL OF BUSINESS

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Letter to Stakeholders

Dear Stakeholders,

The CPMT Class of 2016 would like to extend our gratitude to the Board of Trustees for its invaluable support and engagement with the program. We would also like to thank the Calgary CFA Society and CPMT alumni for their continued involvement and support for the CPMT Speaker Series program. Finally, we would like to thank all supporters in the Calgary business community for their vested interest in the program.

The success of the CPMT program is a direct result of the commitment and efforts of our stakeholders. Involvement in the program continues to give students invaluable exposure to a challenging and rewarding learning environment, providing an unrivaled experience for members. During the quarter, we were pleased to have a second Fund Analyst join the team.

Over the past quarter of our fiscal year, we have continued to pursue opportunities within the Canadian equities market, while diligently building on processes to re-evaluate our present investments. We have learned valuable lessons surrounding investments, grounded in the cyclicality of commodity-based environments. Furthermore, we have executed on our strategy of divesting our investment in the index fund, which allows us to increase our exposure to diversified sectors.

As we look ahead, we remain cognizant of the uncertainty that is ever-present in the global economic environment, and the specific uncertainty that is unique to the Canadian business community. Our team is excited by the challenge of drawing connections between factors affecting Canadian businesses. We continue to be diligent in evaluating and analyzing these factors to find investments that provide strong value for our stakeholders.

The CPMT team remains dedicated to prudent portfolio management as we review our investments to ensure compliance with the requirements laid out in CPMT's Charter. Our commitment to the program continues to focus on holding companies that exhibit strong balance sheets, growing free cash flow, a competitive advantage, and superior management teams. Armed with a proven investment philosophy, we understand the importance and utility of business cyclicality and are not afraid to ride out short-term fluctuations within the Canadian economy. We continue to focus on targeting companies that have the fundamental indicators in place that we believe will provide significant upside potential in the long run.

We are excited for the future of the CPMT program and hope that our stakeholders share this excitement with us.

Sincerely,

CPMT Class of 2016

CPMT Class of 2016

SYED AHMAD
Fund Manager
4th Year – Finance

Syed Ahmad is in his fourth and final year, pursuing a Bachelor of Commerce in Finance combined with a Bachelor of Science concentrating in Nanoscience. He recently completed an internship as an Investment Banking Summer Analyst at JP Morgan and is looking forward to applying the lessons he learned at JPM to CPMT. In his free time, Syed enjoys travelling, and is an avid reader and hockey fan. He will be joining Deloitte's Strategy & Operations consultancy in Fall 2016.

JASON FIELD
Fund Manager
4th Year – Finance

Jason is a Fund Manager who is currently in his final year of a Bachelor of Commerce in Finance. While in University, Jason has held positions in energy marketing for a major E&P company, commercial real estate for a brokerage in New York City, and most recently in investment banking for Barclays, where he will be returning full-time in July.

BRAXTON GRAY
Fund Manager
2nd Year – MBA Finance

Braxton Gray is a second year MBA candidate with a concentration in Finance. Braxton joined the CPMT program this year as a Fund Manager. He has been actively building his industry experience, working both as an Account Manager with TE Investment Counsel and as a Financial Services Manager with the Bank of Montreal. He is registered to write the CFA Level 3 Exam in June 2016. In his spare time, Braxton competes in bodybuilding and fitness contests.

AMIN HAJI
Research Associate
4th Year – Finance

Amin Haji is in his fourth year pursuing a degree in Finance. Amin joined the CPMT as a Research Associate in March 2015. He has completed the Canadian Securities Course and is a 2016 Level II Candidate in the CFA program. Upon graduation, Amin hopes to pursue a career in Equity Research and eventually Investment Management. In his spare time, Amin is a recreational practitioner of mixed martial arts and also keeps active by playing soccer.

CHRISTOPHER HANSON
Fund Manager
4th Year – Finance

Chris Hanson has been with the CPMT program since September 2013. After gaining experience through the Haskayne Co-op Program at ARC Financial, FirstEnergy Capital, and Scotiabank Global Banking & Markets, Chris is in his final year and has secured an Investment Banking position with Macquarie Capital. Outside of school, Chris enjoys golfing, fishing, and traveling.

KEITH JENNINGS
Fund Analyst
5th Year – Honours Economics

Keith Jennings is a Fund Analyst for the CPMT. He is in his final year of an honours economics degree and will be beginning a law degree at the University of Calgary in September 2016. He has experience working in different industries like government, utilities, and most recently as a finance research assistant at the university. Keith's intent is to pursue corporate law in the Calgary legal community.

LINDSAY JONES
Fund Manager
4th Year – Finance

Lindsay Jones is in her final year of Finance, and her second year in the CPMT program**.** Most recently, Lindsay completed an Investment Banking summer internship with Scotiabank Global Banking & Markets where she will be returning full-time this August. Prior to that she worked at Pivotal Capital, a financial advisory firm, for three years. Lindsay enjoys the outdoors and traveling.

DHARMENDRA PANDIT
Fund Manager
2nd Year – MBA Finance

Dharmendra Pandit is a second year MBA student with a concentration in Finance. Dharmendra joined CPMT this year and hopes to utilize his background in technology industry in his new role as a Fund Manager of the Tech and Telecom sector. He plans on writing CFA level II exam in June 2016. Dharmendra enjoys spending his spare time with family, watching Bollywood movies and developing new trading algorithms.

CPMT Class of 2017

BABBAL BRAR
Research Associate
3rd Year – Finance

Babbal Brar is a third year student majoring in Finance. Babbal joined the CPMT Program as a Research Associate in September 2015, and looks forward to learning from the team and its advisors. Babbal is interested in pursuing a career in the Capital Markets and is a CFA level 1 candidate writing in June 2016. Apart from the CPMT, Babbal enjoys doing case competitions and is involved with basketball intramurals at the University of Calgary.

HASHIM CHAWDHRY
Research Associate
3rd Year – Finance

Hashim Chawdhry entered the CPMT program as a Research Associate in April 2014 and looks forward to progress within the program. His experience includes interning at Paradigm Capital in Equity Research, where he gained experience analyzing and valuating domestic and international energy companies. Hashim is excited to be joining National Bank Financial where he will be an Equity Research Intern over the summer. Outside of school, Hashim is a Toronto Raptors fan and is an avid car enthusiast.

IAN GOTT
Research Associate
3rd Year – Finance

Ian Gott is a third year finance student with a passion for financial markets. He is currently a Research Associate in the CPMT program. He has a keen interest in a career in the capital markets and intends to pursue the CFA designation. Ian played varsity basketball throughout his high school years and received several scholarships/awards for his leadership as a student-athlete. Ian is also a competitive dancer and won the 2015 World Irish Dance Championship. On campus, Ian was the former VP of Operations and Finance for the Commerce Undergraduate Society.

LOGAN HEIDT
Research Associate
4th Year – Finance & Economics

Logan Heidt is in his fourth year of a Bachelor of Commerce degree majoring in Finance and a Bachelor of Arts degree majoring in Applied Energy Economics. Logan joined CPMT as a Research Associate in September 2015, after an 8-month term in the M&A Business Development group at Secure Energy Services. He is looking forward to joining J.P Morgan this summer as an Investment Banking Analyst. Logan enjoys playing pick-up hockey, golf and tennis, as well as fishing and travelling. He is also an avid car enthusiast.

GEORGE HUANG
Research Associate
4th Year – Finance & Economics

George Huang is a fourth year student pursuing a double degree in Finance and Economics. George joined the CPMT program as a Research Associate in March 2015. His professional experience includes internships in asset management and electrical load and generation forecasting as well as a Co-op term with Azimuth Capital Management. After graduation, George hopes to pursue a career in sell-side M&A, institutional equity research, or asset management. In addition to his role with the CPMT, George is also a varsity cross-country and track and field athlete with the University of Calgary Dinos as well as, a director for the Society of Undergraduates in Economics.

BRYTON HEWITT
Research Associate
4th Year – Finance & Psychology

Bryton Hewitt is a fourth year double degree student and is passionate about the business world and the economy with which it daily interacts. Beyond CPMT, he enjoys case competitions and is a two-time medalist at the Inter-Collegiate Business Competition (ICBC). During summer 2015, Bryton gained buy-side experience as an analyst at Norrep Capital Management, working on Norrep's Energy Class fund. Bryton is excited to join the Canada Pension Plan Investment Board (CPPIB) in Toronto as an analyst for summer 2016.

CALEB KOSTYNUIK
Fund Analyst
3rd Year – Finance

Caleb Kostynuik is a Fund Analyst for the CPMT. He is in his third year of a finance degree and intends to graduate in June 2017. Caleb has four years of experience in the health and wellness industry as a Personal Trainer and has held various teaching assistant positions with the university. He intends to pursue a career in Investment Banking.

DANIEL MORGAN
Research Associate
3rd Year – Finance

Daniel Morgan is a third year Finance student at the Haskayne School of Business. The 2015-2016 year marks his second year in the CPMT program, previously fulfilling the Fund Analyst role. Over the summer of 2015, Daniel directed his strategic mindset and analytical ability as a Business Analyst at GNS3 Technologies, a software start-up which was acquired during his time with the company. Daniel's passion for investing has drawn him towards a career in equity research and portfolio management. In his spare time, Daniel loves cycling, reading books, and following current affairs.

MAHAD NADEEM
Research Associate
3rd Year – Finance & Economics

Mahad Nadeem is a third year student pursuing a double degree in Finance and Economics, with a concentration in Energy Economics. Mahad joined the CPMT program in September 2015 as a Research Associate and will be covering the Information Technology sector. During the summer he worked at the Canadian Energy Research Institute (CERI) and during his work term he analyzed their various financial and engineering models coded in VBA. During his spare time, Mahad likes to read books and watch documentaries on certain topics of his interest in contemporary history.

Quarterly Review of Macroeconomics

GDP Growth Rate

The GDP growth rate in Canada increased by 0.6% over FQ3 2016 as the Canadian economy continues to weather the effects of the commodity price downturn. This comes after the two previous quarters saw small declines of 0.1% and 0.2%, respectively. The foundation of Canada's economy is foreign trade and the U.S. is by far the nation's largest trading partner, accounting for ~45% of Canada's GDP.

Unemployment

The unemployment rate in Canada was within 7.0% to 7.1% throughout FQ3 2016. The results of the federal election in October will see a new approach taken by the Liberal Government to spur job creation. The new Canadian Prime Minister, Justin Trudeau, campaigned on running budget deficits to increase job creation, but no new notable policies have been put into place yet.

Interest Rates

The Bank of Canada left its benchmark interest rate at 0.5% over FQ3 2016. Expansionary monetary policy has kept interest rates low to encourage consumer spending and investment, and with mortgage financing remaining historically cheap, the Canadian housing market has been a major benefactor.

The federal funds rate in the U.S. increased from 0.25% to 0.50% in December of 2015. After months of speculation, the Federal Open Market Committee raised interest rates for the first time since 2006. The increase of the overnight lending rate by the U.S. Federal Reserve, which has not been done since 2006, signals that the Federal Reserve has confidence in the pattern of growth and inflation of the U.S. economy. CPMT holdings that are significantly affected by the change in U.S. interest rates include Toronto Dominion (TSX:TD), Manulife Financial (TSX:MFC), and Bank of Nova Scotia (TSX:BNS).

CAD/USD FX Rate

The Canadian Dollar exchanged in a range of $1.3295-$1.3830 per USD over FQ3 2016. The increase in interest rates in the U.S. is expected to cause further appreciation of the USD against the Loonie. This will increase the competitiveness and CAD-translated revenues for Canadian exporters that sell products in the US, while providing a catalyst for the Canadian economy as a whole. Additionally, the USD/CAD exchange rate has implications for the cost of goods and expenses of Canadian companies that have operations and that import inputs from the US. CPMT holdings that are impacted the most by changes in the CAD/USD exchange rate are CSU, MGA, MFC, and TD.

Quarterly Sector Updates

CONSUMER DISCRETIONARY

The S&P/TSX Capped Consumer Discretionary Index dropped 5.7% over the last three months. CPMT holding Magna International (TSX:MGA), lost 12.3% over the quarter. Factors affecting the consumer discretionary sector in the near-term will be the price of oil, as the lower gasoline and diesel prices are freeing up discretionary income for consumers to spend elsewhere. Also, low interest rates will continue to make borrowing attractive and savings less appealing, while should lead to continued strength in consumer loans for discretionary items. Given that higher interest rates are negatively related to borrowing for consumer discretionary purchases, we continue to monitor the actions of the Bank of Canada and US Federal Reserve closely.

CONSUMER STAPLES

The S&P/TSX Capped Consumer Staples Index increased 0.7% over FQ3 2016. CPMT holding Saputo (TSX:SAP) lost 13.0% over the quarter. The Consumer Staples Index is historically less affected by macroeconomic factors than any other sector on the TSX. However, the Trans Pacific Partnership (TPP) agreement may have a positive effect on Saputo, as the TPP will allow more foreign competitors to enter the Canadian dairy market place. The TPP can have a positive impact on Saputo by driving dairy costs lower, which is Saputo's primary input expense. Although the TPP has not yet been ratified, the current agreement will see 3.3% of the Canadian dairy market lost to foreign competitors. Foreign competitors will be subject to all of the same regulations as Canadian producers, so companies that choose to use foreign dairy products will not have to worry about sacrificing quality for price. The TPP deal however has yet to be ratified, with a new administration in charge in Canada the TPP deal could still be modified or declined.

ENERGY

The S&P TSX Capped Energy Index lost 27.0% over the quarter. The oil and gas markets continued to remain over-supplied throughout FQ3 2016. Aside from several minor rallies around geopolitical risks, bearish trends for both oil and gas prices continued to fall, resulting in a downward trend in energy stocks.

Natural gas prices dropped steadily throughout the majority of the quarter, with NYMEX Gas prices dipping below US$2.00 due suppressed demand from El Nino weather front in the North Eastern U.S. However, natural gas prices rallied off the December lows to nearly US$2.50 as colder weather and storms made their way back into the forecast. On the supply side, we saw Natural Gas storage reach as high as 4tcf, which is 10% more than a year ago and nearly as much gas as the U.S. can store. This was a historical all-time high for storage and a clear indication of the over-supply in the market.

OPEC gathered in December to discuss output policy, and despite requests for a cut in production from Venezuela, Iran, Iraq and Ecuador which would help to bolster prices, OPEC elected to maintain production. This decision continued the bearish trend in both WTI and Brent crude oil prices. WTI crude slid from above US$40/bbl in November to the US$30/bbl range by year end.

Market access challenges remain a concern for the Canadian energy sector as highlighted this quarter by political barriers including the Obama Administration's official veto of the Keystone XL pipeline, as well as the Paris Climate Change conference which resulted in increasing resolve and promise by North American governments to limit carbon emissions and fossil fuel consumption. In the near-term, low prices will remain to be a challenge for the producers held in the fund: Whitecap Resources (TSX:WCP), Raging River Exploration (TSX:RRX) and Tamarack Valley (TSX:TVE). In response, many producers have found ways to cut operating costs and limit capital investment budgets to sustain the volatility.

Rig counts dropped significantly, with the U.S. rig count down to 664, down 1086 from last year. Reduced activity in the space will continue to put pressure on energy services companies, including Mullen Group (TSX:MTL) which sources a portion of revenues from the industry.

FINANCIALS

The S&P/TSX Capped Financials Index dropped 2.6% over FQ3 2016. The U.S. Federal Reserve's decision to raise its federal funds rate 0.25% in December leads us to believe that bank stocks will outperform the broader market in the short-term. This is the result of larger financial institutions having to adjust their respective balance sheets to increase short-term investments that are highly exposed to federal funds securities as per Basel III requirements. Additionally, the CPMT believes financials will outperform due to net interest margin expansion from the ultimate increases along the yield curve.

A general over-supplied commodities market has had negative effects on emerging markets such as Central America. Performance of CPMT holding in Scotiabank (TSX:BNS) will be largely dependent on the outcome of Latin America as Scotiabank has significant exposure to the region (14% of its loan book and 17% of total Net Income). In context of the CPMT portfolio, we continue to expect TD to benefit from the strength out of the U.S. as 31% of the company's net income is derived from its U.S. Retail Banking segment. General trends that we have seen for Canadian financials includes top and bottom line gains YoY primarily from strong performance in Canadian Retail, U.S. Retail, and Wholesale banking. However, these gains have been partially offset from losses at the corporate level which has resulted in restructuring programs at the majority of the big five Canadian banks. CPMT continues to favour large Canadian financials as appropriate investments that offer an attractive risk/return profile that is a result of strong management in combination of responsible regulation put in place by the federal government. Though susceptible to short-term fluctuations due to speculation on Bank of Canada interest rate changes and uncertainty in Canada's heavy resource-driven economy, the financials sector has proven to be a smart investment and we continue to like the long-term fundamentals of the banking industry.

HEALTHCARE

The S&P/TSX Capped Healthcare Index returned 6.6% over FQ3 2016. The sector showed signs of improved stability after large sell offs in September due to political scrutiny of drug price markup. Since the initial remarks from democratic candidates Hilary Clinton and Bernie Sanders, they have not made any statements on the matter. While there were no sector specific macro-level events that occurred over the quarter, the sector has experienced continued high volatility from uncertainty about the ability of companies like Concordia healthcare and Valeant pharmaceutical

to grow their business, as they operate on a business model centered around placing a premium markup on acquired drugs.

CPMT holding Concordia Healthcare (TSX:CXR) performed fairly well over the quarter, beating expectations on EBITDA and EPS. Concordia also paid off $45 million of its debt, demonstrating its commitment to reduce its debt after completing the acquisition of AmdiPharm Mercury Co. (AMCo.). Concordia has also shown promise in its ability to grow organically as it began the launch of 60 anticipated products, to be completed over the next three years. One of the drugs which shows promise is Leuprorelin, marketed under the brand name Lutrate®, will be marketed to treat prostate cancer.

Canada's largest pharmaceutical company, Valeant Pharmaceuticals (TSX:VRX) was dealt blows over the quarter. CEO Michael Pearson was hospitalized after contracting severe pneumonia in late December. Valeant named Board member and former CFO Howard Schiller as its interim chief executive. This has left many investors worried about the future of the company.

INDUSTRIALS

The S&P/TSX Capped Industrial Index fell 2.8% over FQ3 2016. Made up of relatively stable heavyweights in railway: Canadian Pacific Railway (TSX:CP) and the Canadian National Railway Company (TSX:CNR); airlines: Air Canada (TSX:AC) and WestJet Airlines TSX:WJA); and defense systems: Macdonald Dettwiler & Associates (TSX:MDA), the sector was able to weather the storm surrounding Canadian equities as 2015 came to a close.

Airlines benefited from the continued decline oil prices, with both AC and WJA realizing significant reductions to fuel costs. With that being said, the CPMT foresees several risks for the industry moving forward. Air traffic demand is expected to fall domestically if the Canadian economy fails to recover in the short term. Perhaps more importantly, the rise of small, specialised airlines threaten the profitability of larger players. Competition has gotten stiffer with new players offering both domestic and TransAtlantic flights at steep discounts in comparison to both AC and WJA. As it stands, the CPMT believes AC and WJA possess the scale to fend off smaller players, particularly as the two continue to benefit from low fuel costs; however, we expect price competition to reach severe levels in the long-term, threatening already thin margins.

The railways had a mixed quarter, with both CP and CNR undergoing temporary changes in CEO as health issues took over. CP had a particularly rocky quarter, with multiple derailments along with continued rebuffs from merger target Norfolk Southern. However, as pipeline infrastructure out of Canada lags behind in approval processes, the best alternative remains via rail, leading the CPMT to view the industry positively in the short-term.

INFORMATION TECHNOLOGY

The IT sector in Canada fared better than most other sectors, returning 15.0% and 11.5% over the calendar year and FQ3 2016, respectively. As other sectors in the market continued to suffer from the weakened Canadian economy, the IT sector sailed ahead as most companies in the group predominantly collect revenues from U.S. and international clients.

However, across the North American universe of IT stocks, 1-year forward valuation multiples have expanded far past 10-year averages. Additionally, organic growth for many companies in the

sector remains challenging, making growth by acquisition all the more attractive. This has led to far greater competition amongst acquirers, with a large number of private equity firms in the mix, contributing to significant multiple expansion in the industry. If other sectors in the Canadian markets fail to show signs of revived growth and low interest rates remain available for private equity firms to borrow from, valuations will likely continue to inflate.

CGI Group (TSX:GIB.A), held by the CPMT, continued to make progress with increasing its sales in Europe and the U.K. winning contracts from government clients. As CGI has reduced its debt since acquiring Logica for $2.7B in 2013, the company's free cash flow growth has primed its balance sheet to make an acquisition, though valuations for companies in the sector may highlight an inappropriate time to target acquisitions. As a whole, we believe CGI stands to benefit from a number of trends including cloud, digitization, data analytics, and fintech solutions.

Over FQ3 2016, BlackBerry (TSX:BB) broke out as the turnaround story with the CEO stating in October that the company is weighing its exit from the handset market. However, it became apparent in its third-quarter report, which surprised investors, that the company is accelerating progress in its software and services segment.

Overall, as valuations for IT companies in the Canadian equity universe look to be relatively expensive, we look to invest in or hold companies with growing free cash flows, solid margins, and strategies to expand or grow market share in cloud services, data analytics, and cyber security.

MATERIALS

The S&P/TSX Capped Materials Index returned ~6.2% over the FQ3 2016. CPMT has remained cautious in its investments in the materials sector over the quarter; volatile commodity pricing has had mixed effects on our holdings as lower natural gas prices reduced variable costs for Agrium (TSX:AGU) and CCL Industries (TSX:CCL.B). Growth in emerging markets was mixed; China' s GDP grew at 1.8% QoQ in FQ2 2016 which is significantly lower than prior periods, which must be taken into consideration when looking at our materials holdings as growth in Asia, particularly China, is key for both CCL and Agrium.

The CPMT's recent interest in Cameco Corp. (TSX:CCO) has drawn our attention to uranium markets as spot prices is a significant revenue driver for the company. Reactor restarts in Japan continue to drive the market in the short-term as more reactors receive approval from the Japanese government. There are currently 65 reactors under construction globally which provides strength to the long term fundamentals of uranium, which we believe will transition the current over-supplied market back to equilibrium and a subsequent price recovery.

Over the past quarter, CPMT liquidated its entire position in Teck Resources as the company continued to under-deliver on top line revenue growth. Teck's underperformance can be largely attributed to the over-supplied copper and coking coal markets, which in turn has placed downward price pressure on the commodities. We do not believe that copper and coal markets are undergoing the usual cyclicality associated with basic materials; CPMT's analysis shows that there has been a shift in the long-term fundamentals of coking coal and copper as geo-political and economic factors have intervened with a stronger emphasis on reducing greenhouse gas emissions and lower expected GDP growth rates out of key markets such as China.

TELECOMMUNICATIONS

During the quarter, the trend of investment into fibre-optic cable, first completed by Bell (TSX:BCE) in August continued. The landscape of the industry is changing in the internet and media space, with obsolete services such as cable television being replaced by internet streaming, wireless high speed internet, and cloud based products for commercial clients.

Telus (TSX:T) followed suit of Bell with plans to invest $1B in fibre-optic cable lines to come online by the end of 2016 in Vancouver. Rogers (TSX:RCI.B) also announced capital expenditures into fibre-optic cable infrastructure for Toronto and Atlantic Canada, vowing to deliver download speeds of up to 1 gigabit per second.

Bell made headlines in the sector after it appealed a CRTC ruling which required internet providers to allow competitors to purchase access to its fibre-optic cables to sell its own differentiated services. Bell protested the decision by shelving plans to upgrade its network in underserved areas. The quarter ended with the news of Shaw (TSX: SJR.B) acquiring Wind Mobile for $1.6B. According to the CEO of Shaw, the strategic rationale for this acquisition is the product profile enhancement in the wireless domain for Shaw. This demonstrates further the importance of wireless infrastructure in the industry and how the larger players are tailoring product lines to differentiate from competitors.

UTILITIES

The S&P/TSX Capped Utilities Index fell 2.6% over FQ3 2016. Reduced power pricing has had impacted the sector, with shares of Fortis (TSX:FTS) dropping 2.0%. Greater power generation capacity has effected supply to cause lower power prices. Prices in Alberta have hit lows not seen in over 15 years, ranging from 4.79-5.30 cents/kWh. Regulated prices for residential customers continue to exceed wholesale power prices by a large margin (2-3 cents/kWh), signifying large profit margins for utilities companies.

The sector's most notable mover was TransAlta Corp. (TSX:TA), which was down 20.8% over the quarter. Investors continue to be concerned over TransAlta's reliance on coal power generation as many governments worldwide continue to take aggressive steps to reduce and eventually eradicate coal usage. The future of TransAlta will greatly depend on its ability to transition to its renewables portfolio, housed in majority-owned subsidiary TransAlta Renwables, as well as the transformation of coal assets into natural gas-fired power plants.

The utilities industry continues to be place importance on natural gas power generation and renewable sources such as wind, hydro, and solar. As coal is expected to be phased out completely over the next two decades, natural gas is expected to provide 70% of Alberta's power capacity compared to 44% currently. The remaining 30% is expected to be provided by renewable sources. New CPMT holding Enbridge Inc. (TSX:ENB) has been leading this shift in power generation by allocating large capital investments into the renewable energy industry. In addition, we look for Enbridge to invest in or acquire natural gas power generation facilities, which would complement its portfolio of natural gas transportation, processing, and distribution assets.

Cameco Corp.

Metals & Minerals
TSX: CCO
Buy Recommendation

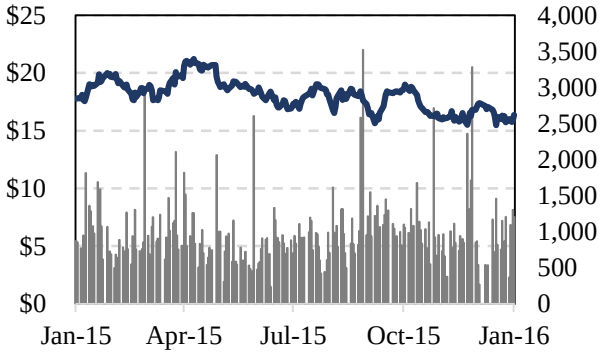
January 31, 2016
Syed Ahmad, Fund Manager
Babbal Brar, Research Associate

Return on Investment	
Current Share Price	$16.82
Dividend Yield	2.54%
Target Price	$20.00
Holding Period Return	19%

Market Profile	
52 Week Range	$15.06 - $21.44
Shares Outstanding (000's)	345,965
Average Daily Vol (000's)	1,201
Market Capitalization ($mm)	$5,819
Net Debt ($mm)	$1,432
Enterprise Value ($mm)	$7,251
Beta	1.58

Estimates	2016E	2017E	2018E
Revenues ($mm)	$3,134	$3,301	$3,923
EBITDA ($mm)	$502	$468	$659
EBITDA Margin	16.0%	14.2%	16.8%
EPS	$0.41	$0.38	$0.58
EV/EBITDA	10.0x	11.7x	8.3x

Historical Trading Performance



Business Description

Cameco is one of the world's largest uranium producers, with ~429 million programs in North America, Europe, and Asia. Cameco's land holdings total about 1.7mm hectares, primarily in Saskatchewan and Europe. Cameco operates 3 main business segments: Uranium production drives the business; the fuel services segment produces UO_2 power used for CANDU nuclear reactor; and NUKEM allows Cameco to offer concentrates, conversion, and enrichment services through repurchase and sale transactions. Net earnings in the first nine months of 2015 were $75MM from revenues of $1.78B.

Investment Thesis

Cameco has established itself as one of the largest uranium miners in the world, with industry-leading cost bases and strong capital efficiencies. The company maintains a healthy balance sheet with $297mm in cash, 17% leverage, and clean debt metrics (Debt / EBITDA 2016E: 1.9x, 2017E: 1.2x; Interest Coverage 2016E: 5.5x, 2017E: 5.7x). This places CCO in a uniquely flexible position given the capital intensive nature of the mining industry. The company also produces a higher grade uranium than the benchmark U_3O_8, allowing it to realize a 10-15% premium over global spot prices. Moreover, CCO operates on a global scale, diversifying its revenue streams and limiting risk and volatility in a commodity driven industry. This is complemented by a group of experienced and capable individuals leading the company, with CEO Tim Gitzel bringing 25 years of industry success to the helm. Mr. Gitzel is supported by CFO Robert Steane, who brings 35 years of experience. Under their leadership, Cameco has developed into a market leader with half a billion pounds of proven reserves. With its team and strong balance sheet, Cameco has positioned itself well to capitalize on a recovery in the uranium markets over the next 5 – 10 years, leading to growth in production and free cash flows.

Growth and Catalysts

CCO is also positioned well to take advantage of a number of potential growth catalysts in the near future. Following the Paris climate summits, there has been push for an accelerated shift towards non-coal based power generation. Major polluters such as China, India, and the US have signed the historic accord, suggesting future cooperation and shifts in energy sources on a large scale by 2030. Given the fact that uranium is widely regarded as the cleanest source of fuel, it is thus expected to see a spike in demand over the next 10 years. Furthermore, additional uncovered demand from the restoration of Japanese nuclear plants, alongside the opening of French and German plants, is expected to apply upward pressure on uranium prices, which would favour CCO's margins as a low-cost producer of uranium. Finally, we expect CCO to realize even stronger margins as it develops greater operational efficiencies at its Cigar Lake mine, which would further drive down costs and improve cash flows over the short-medium term.

Corporate Governance

The President and CEO of Cameco Corp. is Tim Gitzel, who brings over 25 years of experience in Canadian and international uranium mining activities. Mr. Gitzel has been with Cameco since 2007, joining as senior vice-president and COO, taking over as president in May 2010, and CEO in 2011. The CFO,

Robert Steane, has over 35 years of experience in the uranium mining industry. The chairman of the board, Neil McMillan, previously served as president and CEO of Claude Resources Inc., a Saskatchewan-based gold mining company.

Management compensation is aligned well with shareholder goals, with emphasis being placed on incentive-based income derived from both short- and long-term performance. 82% of Directors are independent, and each independent board member is required to hold shares equivalent to 4x their annual retainer. Directors, executives, and other employees are prohibited from hedging their shares or equity-based compensation. Mr. Gitzel is required to own shares equivalent to 4x his base salary, while senior vice-presidents hold a minimum of 2x base salary and vice-presidents 1x base salary.

Valuation

A Net Asset Value (NAV) model was run through 2032 to reflect CCO's resource based assets. Given the company's exposure to global uranium markets, revenues are sensitive to cyclical commodity prices. This was accounted for through a regression that assumed cyclical lows of US$43/lb and highs of US$115/lb. Uranium prices are expected to fluctuate within this range on 7 – 10 year cycles. Costs are expected to remain consistent with their historical proportions to revenues and assets, with slight administrative margin compression over the long-term. Given the nature of a NAV, there was no terminal value, with the company instead expected to pay reclamation costs after reserves were exhausted. Lastly, free cash flows were discounted at CCO's WACC of 8.56% using a beta of 1.58, a risk free rate of 2.04%, and a market premium of 5.00%. This returned a target price of $17.09.

CCO currently trades at a slight discount to its mining peers, many of whom operate under much larger parents such as BHP Billiton or Rio Tinto. Peers were chosen based on size, asset base (uranium focused miners, in this case), and capital structure. On a forward EV/EBITDA multiple, CCO trades at 10.0x, compared to a peer average of 13.9x, providing an implied price of $23.24. EV/EBITDA multiples were used to compare peers on a holistic basis, given the unique capital intensive nature of the industry. Together, this analysis provided 50-50 blended target price of $20.15, an upside of 22%.

Risks

Cameco has large exposure to foreign exchange risk as a result of sales that are predominantly denominated in US dollars, while the production costs of CCO's uranium are denominated primarily in Canadian dollars. A significant portion of Cameco revenues is highly dependent of future uranium price and fluctuations in long and short-term market prices creates uncertainty about earnings and cash flows.

War, terrorism, and civil disturbances represent geopolitical uncertainty on demand for nuclear power. Furthermore, potentially aggressive states force an increase in the regulation of the nuclear power industry. Given the nature of fission based energy generation, the potential for accidents at nuclear plants poses a health and safety risk for operators, which in turn threatens the public image of uranium based products.

Nuclear energy competes with other sources of energy like oil, natural gas, coal and hydro-electricity. If lower prices of oil, natural gas, coal and hydro-electricity are sustained over time, this may limit demand for uranium concentrates and uranium conversion services as consumers find themselves gravitating towards cheap energy, which could lead to lower uranium prices.

Exhibit I. Uranium Price Deck

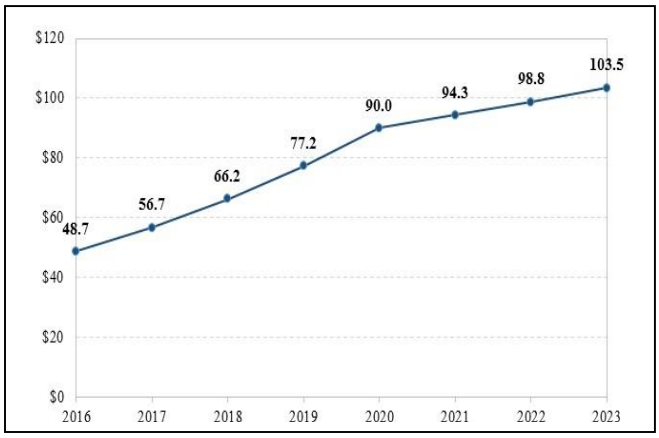


Exhibit II. Discounted Cash Flow Analysis

Sum of PV of Unlevered Free Cash Flows	**$7,132.00**
Terminal Value	**$0.00**
Enterprise	**$7,132.00**
Less: Debt	$1,432.00
Less: Reclamation Obligation	$100.00
Add: Cash	$297.00
Equity Value	**$5,897.00**
Implied Share Price	**$17.09**

Exhibit III. Share Price Valuation Sensitivities

		Average Uranium Price				
		$50	**$60**	**$70**	**$80**	**$90**
WACC	**7.5%**	$13.9	$16.1	$18.5	$21.1	$23.9
	8.0%	$12.8	$15.4	$17.7	$20.3	$22.8
	8.5%	$12.1	$14.5	**$16.9**	$19.5	$21.9
	9.0%	$10.9	$13.8	$16.1	$18.7	$21.0
	9.5%	$9.8	$12.7	$15.4	$17.8	$20.1

Exhibit IV. Comparables Analysis

Comparable Valuation			
Company	**EV**	**2016E EBITDA**	**EV / EBITDA**
ERA (Rio Tinto)	$4,320	$297	14.55
BHP Billiton	$87,280	$10,774	8.10
Areva	$7,640	$428	17.85
Paladin Energy	$7,713	$501	15.40
AngloGold Ashanti	$5,431	$403	13.48
Average	**22,477**	**2,481**	**13.87**
Cameco			**10.04**
Implied Share Price			**$23.24**

Canadian National Railway

Industrials
TSX: CNR
Buy Recommendation

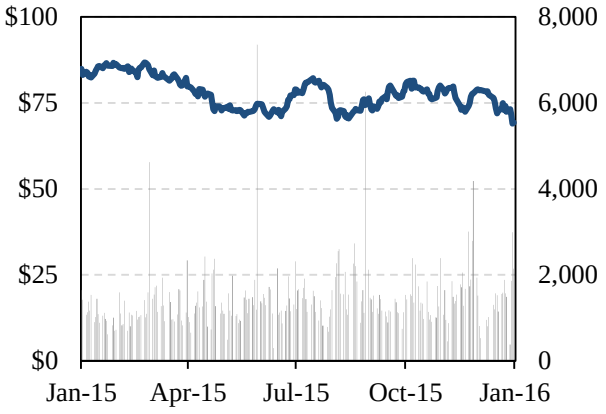
January 31, 2016
Lindsay Jones, Fund Manager
Ian Gott, Research Associate

Return on Investment	
Current Share Price	$70.00
Target Price	$87.00
Dividend Yield	1.8%
Holding Period Return	26.1%

Market Profile	
52 Week Range	$66.62-$88.89
Shares Outstanding (000's)	791,500
Average Daily Vol (000's)	1,529
Market Capitalization ($mm)	55,405
Net Debt ($mm)	9,949
Enterprise Value ($mm)	65,354

Estimates	2015E	2016E	2017E
Revenue ($mm)	$12,689	$13,197	$13,753
EBITDA ($mm)	$6,421	$6,757	$7,040
EBITDA Margin	51%	51%	51%
Net Income ($mm)	$3,463	$3,613	$3,783
EPS	$4.32	$4.51	$4.72
EBIT ($mm)	$5,218	$5,402	$5,619
EBIT Margin	41%	41%	41%

Historical Trading Performance



Source: Bloomberg; CPMT estimates

Business Description

Canadian National Railway (TSX: CNR) is head-quartered in Montreal and operates a 32,000km railway network and related transportation business. It is the largest freight railroad in Canada and fifth-largest in North America by revenue. The rail network serves Canada, Midwestern U.S., and Southern U.S. as well as the Atlantic, Pacific, and Gulf coasts. Its network and connections to provide access to all three NAFTA nations. CNR has a diversified and balanced portfolio of goods transported and derives its freight revenues from seven commodity groups: forestry, metals and minerals, petroleum and chemicals, coal, grain and fertilizer, intermodal, and automotive products.

Industry Overview

The Canadian railway network is the fifth largest in the world, handling the fourth largest volume of goods in the world and moving approximately half of Canada's exports. In the U.S, railroads also represent the largest mode of freight transportation, with 42% of the total. The North American industry is an oligopoly dominated by several players with large extensive rail networks. The industry has significant barriers to entry due to the considerable infrastructure investment required. The industry also provides greater fuel efficiency and a limited environmental footprint relative to other transportation modes such as trucking.

Investment Thesis

CNR is a best-in-class railroad company with strong operational and financial performance, solid management team, and healthy balance sheet. CNR's sustainable financial performance is reflected by its top-line growth, consistent EPS growth, strong profitability margins, and stable balance sheet. CNR's business model has solid product and geographic diversity which better positions the company to face economic fluctuations and enhances its potential for growth opportunities. Its strategic agenda is anchored on the continuous pursuit of operational and service excellence. Additionally, CNR has the lowest operating ratio (expenses/revenue), a standard performance measure in the railroad industry, of its peers over both the last quarter and the last year (see Exhibit I).

Growth and Catalysts

CNR continues to place emphasis on returning value to shareholders through organic growth, increasing dividend payments, and share repurchase programs. CNR's management recently announced the dividend will increase towards a payout ratio of 35% as well as an increased share repurchase plan. Additionally, CNR's operating environment has been relatively benign due to the El Nino winter which should also its operating ratio further and result in improved financial metrics. U.S. agricultural commodities and intermodal traffic are projected to continue to display robust demand and volume growth, providing further upside potential. CNR has also demonstrated a commitment to improving network efficiencies by eliminating congestion and running longer trains, greatly benefitting key hubs such as Chicago. The U.S. housing recovery is projected to provide increasing demand for forestry products such as lumber once again in 2016. Overall, the attractiveness of lower cost and fuel efficiency over trucking should support CNR's pricing and volumes over the next five years. The direct link to the Gulf Coast and other major hubs offer

CNR a uniquely flexible position to provide transportation of crude oil compared to pipelines, which continue to face significant headwinds.

Corporate Governance

The CNR management team, headed by CEO Claude Mongeau, has a wealth of railroad experience. Mongeau has been President & CEO since 2010, with CNR displaying strong performance throughout his tenure. He has been with the company since 1994 in various executive roles, and was named Canadian CFO of the year in 2005. The supporting cast has experience both with CNR and other major Canadian corporations. In addition, the Board of Directors is comprised of an independent non-executive chairman, Mongeau, and nine independent directors. The executive team receives a large portion of compensation through performance related options and DSU which helps align management with shareholders. CNR's insiders' ownership is ~0.9%. This is also evident through the compensation structure. CNR exercises a disciplined approach to executive compensation by ensuring that compensation is reasonable yet supports attraction and retention of executive talent. In addition, compensation programs are structured with short and long-term incentive plans and strong ties between pay and shareholder returns, where ~ 80% of executive officers' target total direct compensation is variable and linked to CNR's performance.

Valuation

The valuation of CNR was completed using a discounted cash flow model which has led to an $87.00/share valuation (see Exhibit II) and results in an implied return of 26%. We calculated a WACC of 6.3% based on CAPM calculations. The main drivers of the cash flow model include revenue growth projections for each of CNR's core product groups. We consulted management guidance and a variety of industry reports to generate accurate assumptions for growth in petrochemicals, metals & minerals, forestry products, coal, grain & fertilizer, intermodal, and automotive products. Notably, we have strength in forestry and intermodal products and weakness in coal products. Total revenue growth was projected to grow annually between 4-5% (see Exhibit III).

For the comparative valuation, we examined CNR in comparison to its peers on an EV/EBITDA and P/E basis (see Exhibit IV). Its Canadian peer group consisted of CP while its North American peer included the additions of the following companies: CSX, KSU, UP, and NSC. CNR trades at 10.2x 2015E EV/EBITDA, a premium to its peers of 8.1x (at a slight discount to CP at 10.4x) and trades at a 16.0x 2015E P/E, a premium to its peers at 13.4x (vs. CP at 15.3x). However, we feel this is justified given the strength of CNR's profit margins, EPS growth, strong balance sheet, extensive rail network and operating records. Q3 2015 Net debt / EV is also the lowest at 15%.

Risks

A continued sluggish Canadian economy could put downward pressure on revenue, although much of this is expected to be offset by growing U.S. intermodal revenue. Persistent oil price weakness will begin to decrease overall production in North America, which may reduce revenue growth in petrochemicals for CNR. A potential merger between large rivals CP and Norfolk Southern will also result in increased competition for CNR. There are also regulatory risks and risk of environment liabilities. However, we feel these risks are overshadowed by CNR's operating execution, increasing efficiency and growth potential.

Exhibit I.

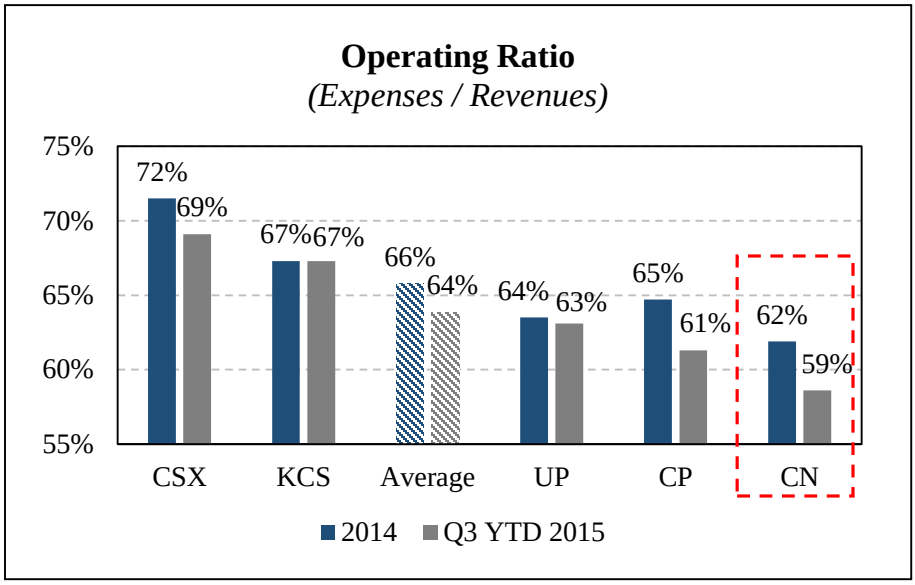


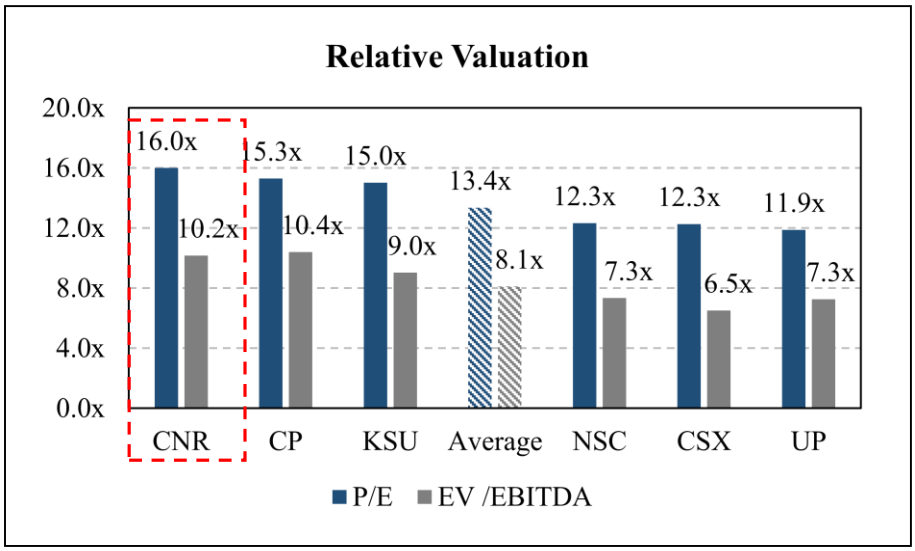
Exhibit II.

Discounted Cash Flow Analysis	
PV of UFCF	$12,939
PV of Terminal Value	$65,561
Enterprise Value	$78,500
Less: Net Debt	$9,949
Equity Value	$68,551
S/O	792
Target Price	$86.61

Exhibit III.

Pro Forma	**2015E**	**2016E**	**2017E**
Income Statement			
Revenue ($mm)	12,689	13,197	13,753
Growth	*4.6%*	*4.0%*	*4.2%*
EBITDA ($mm)	6,421	6,757	7,040
Growth	*13.2%*	*5.2%*	*4.2%*
Net Income ($mm)	3,463	3,613	3,783
Growth	*9.3%*	*4.3%*	*4.7%*
Valuation			
P/E	16.0x	15.3x	14.6x
EV / EBITDA	10.2x	9.7x	9.3x

Exhibit IV.


Relative Valuation
20.0x
16.0x
12.0x
8.0x
4.0x
0.0x
16.0x
10.2x
15.3x
10.4x
15.0x
9.0x
13.4x
8.1x
12.3x
7.3x
12.3x
6.5x
11.9x
7.3x
CNR
CP
KSU
Average
NSC
CSX
UP
P/E
EV /EBITDA

Enbridge Inc.

Energy
TSX: ENB
Buy Recommendation

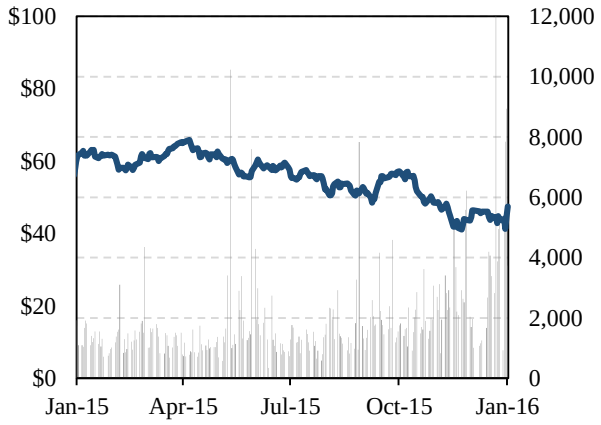
January 31, 2016
Jason Field, Fund Manager
George Huang, Research Associate

Return on Investment	
Current Share Price	$47.42
Dividend Yield	4.47%
Target Price	$56.00
Holding Period Return	23%

Market Profile	
52 Week Range	$40.17 - $66.14
Shares Outstanding (000's)	863,653
Average Daily Vol (000's)	1,767
Market Capitalization ($mm)	$40,954
Preferred Shares ($mm)	$9,729
Net Debt ($mm)	$39,579
Enterprise Value ($mm)	$90,262
Beta	0.74

Estimates	2015E	2016E	2017E
Revenues ($mm)	$34,588	$38,070	$41,968
EBITDA ($mm)	$4,394	$7,821	$8,855
EBITDA Margin	12.7%	20.5%	21.1%
EPS	$0.18	$3.31	$3.73
EV/EBITDA	20.5x	11.5x	10.2x
P/E	258.4x	14.3x	12.7x

Historical Trading Performance



Source: Bloomberg; CPMT estimates

Business Description

Enbridge is a Canadian energy infrastructure corporation with over $80B in assets between Liquids Pipelines, Gas Distribution, Gas Pipelines & Processing, Energy Services, and Renewable Power Generation. Enbridge holds assets through its wholly owned subsidiaries including Enbridge Pipelines, Enbridge Gas Distribution, Enbridge Energy Management, and Tidal Marketing. Enbridge also operates and holds interests in assets within its Sponsored Investments segment, which includes its partially owned subsidiaries Enbridge Energy Partners (33.7% working interest) and the Enbridge Income Fund (91.9% W.I.). During the first three quarters of 2015, Enbridge has generated available cash flow from operations of $2.3B on revenues of $8.3B.

Investment Thesis

CPMT's thesis behind purchasing Enbridge is based on its strategically located, cash-generating assets that are indispensable to the North American energy industry. With 95% of annual cash flow underpinned by strong commercial constructs, Enbridge's cash flows are stable, which has supported a great track record of distributing cash to shareholders. Subsidiaries Enbridge Income Fund and Enbridge Energy Partners give Enbridge a reliable, in-house method of raising cash by dropping assets down. Enbridge has consistently shown that it can execute on major projects in a broad range of energy businesses, which we believe provides their competitive advantage.

Growth and Catalysts

Enbridge is expected to finish 2015 with ~$3.0B generated in available cash flow, providing the foundation for its dividend payout that is maintained between 40 – 50% of ACFO. Enbridge's 5-year, $38B growth program are expected to generate between 15 – 18% in annual CFPS growth through 2019. Enbridge has a fantastic history of making capital investments that are accretive to per share metrics, and continues to display a high degree of comfort in financing growth with large amounts of debt and preferred shares. The ability for Enbridge to continue to get financing at a low cost of capital is key for the company to continue to grow aggressively and generate shareholder value. By our calculation, a 0.5% increase to Enbridge's average cost of capital going forward is worth ~$13/sh. We believe that market conditions are providing an outstanding opportunity for Enbridge to expand its power-generating portfolio, specifically in natural gas and renewables. This will allow Enbridge to continue to diversify its assets and revenues from its core business of Liquids Pipelines.

Corporate Governance

The President and CEO of Enbridge Inc. is Al Monaco, who has over 30 years of oil and gas experience and has been in his current role since 2012. Mr. Monaco has been with Enbridge since 1995, in a variety of roles including most recently being President, Gas Pipelines, Green Energy, & International. The Chairman of the Board is David Arledge, a former finance executive with El Paso Corp. The President of the Gas Distribution unit is Glenn Beaumont,

an engineer with over 25-years of experience with Enbridge in operating roles. The President of Gas Pipelines and Processing is C. Gregory Harper, who joined the firm from Southwest Energy in 2014. Guy Jarvis has been the President of Liquids Pipelines since 2014, and was formerly the President of Gas Distribution before assuming his current role. Enbridge has been reducing the compensation packages of its management team, from $41.8MM in 2012 to $20.3MM in 2014, which allows the company to allocate more cash to development projects and to shareholders via dividends. The majority of Directors are independent, and each board member is required to hold shares equivalent to 3x their annual retainer.

Valuation

Net Asset Value – Sum of the Parts

Building off of a 3-statement model, we approached a discounted cash flows valuation for Enbridge using a sum-of-the-parts method that involved valuing each of Enbridge's business segments separately. In the Gas Distribution unit, we are projecting 4% growth over the next 5 years and 2% thereafter. In Gas Pipelines, Processing, and Energy Services, we are projecting 8% growth through 2020 and 4% thereafter. In Sponsored Investments (including Liquids Pipelines), where Enbridge is allocating ~85% of its capital investment, we are projecting 16.5% growth through 2020 and 4% thereafter. After subtracting corporate-level expenses and adjustments, our model yields a total share value of $54.39/sh.

Trading Comparables

Enbridge's peer group consists of other premier North American midstream players including Kinder Morgan, TransCanada, and Inter Pipeline. Enbridge's 12.9x EV/EBITDA ratio represents a ~13% premium to peers while its 18.6x P/E ratio is a ~13% discount to the peer group. When compared to liquids-focused peers like Pembina and IPL, we appreciate Enbridge's asset diversity. Enbridge has grown its dividend by 89% in the past 5 years, compared to just 26% for TransCanada. Using a 50/50 split between peer average P/E and EV/EBITDA, a trading comparables analysis yields a share price of $57.08.

Risks

With most of cash flows secured by long-term contracts, a persisting low commodity price environment would negatively affect Enbridge's ability to renegotiate tolls and service agreements at favourable prices. Leaks to pipelines and distribution networks continue to be an ongoing risk for Enbridge. These risks are expensive directly through lost resources, repairs, and lawsuits, and also costly indirectly through damaged reputation. Enbridge's continued development of new projects relies on its approval from regulatory organizations, which is strongly impacted by perceptions of Enbridge's environmental safety standards and practices. There were two separate instances recorded in December 2015 of pipeline delays along the Canadian mainline system as a result of environmental activism, which is a persisting issue for crude oil pipeline operators. Through insuring itself against commercial liabilities and focusing on frontier leak detection technologies, Enbridge is able to mitigate the negative environmental, social, and financial effects of leaks and accidents.

Exhibit I.

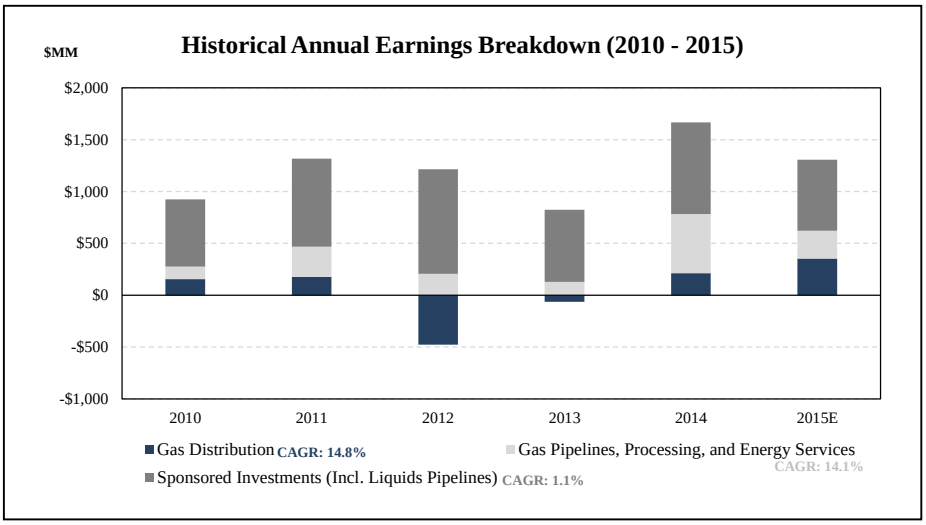


Exhibit II.

Enbridge Inc. Net Asset Value	$MM	$/sh
Gas Distribution	$16,182	$18.52
Gas Pipelines, Processing & Energy Services	$23,847	$27.30
Sponsored Investments	$15,062	$17.24
Corporate Adjustments	($7,575)	($8.67)
Net Asset Value	**$47,516**	**$54.39**

Exhibit III

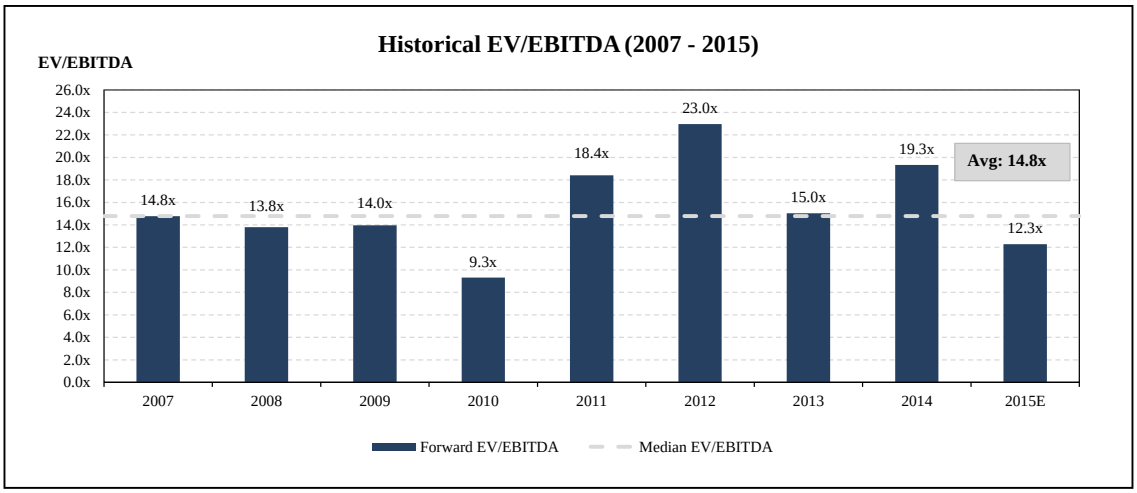


Exhibit IV.

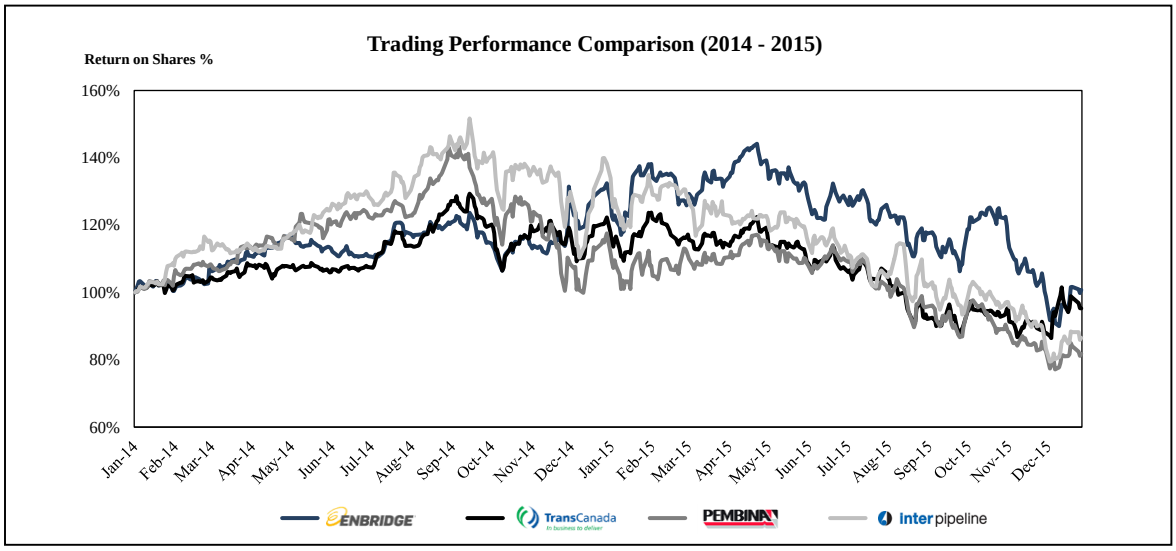


Exhibit V.

	Mkt Cap ($B)	TEV ($B)	Div. Yield	P / E	EV / EBITDA	D / EBITDA	D / E	5Y CFPS Growth	5Y Div. Growth
Enbridge	**$40.95**	**$90.26**	**4.47%**	**19.2x**	**13.1x**	**5.7x**	**1.9x**	**10%**	**89%**
Kinder Morgan	$34.08	$77.01	13.09%	21.7x	9.9x	5.5x	1.2x	18%	130%
TransCanada	$31.93	$68.63	4.62%	16.7x	11.1x	5.3x	1.5x	25%	26%
Spectra Energy	$16.61	$33.49	5.88%	18.3x	11.1x	4.6x	1.4x	21%	38%
Pembina Pipelines	$10.71	$15.41	6.08%	20.7x	12.9x	3.0x	0.5x	67%	10%
Targa Resources	$1.50	$12.23	13.80%	29.5x	10.5x	5.0x	0.9x	116%	188%
Inter Pipelines	$7.32	$11.06	7.17%	14.9x	11.0x	3.4x	1.1x	48%	69%
AltaGas	$4.54	$8.33	6.42%	20.5x	11.0x	3.9x	0.7x	52%	-15%
Veresen	$2.55	$4.15	11.61%	27.8x	10.2x	2.6x	0.4x	-38%	-8%
AVERAGE	**$16.69**	**$35.62**	**8.13%**	**21.0x**	**11.2x**	**4.3x**	**1.1x**	**35%**	**59%**

* Debt displayed as net debt using the cash & equivalents method; P/E and EV/EBITDA multiples shown on a forward basis.

Exhibit VI:

Cost of Equity	Terminal Growth Rate in Sponsored Investments				
	3.50%	**3.75%**	**4.00%**	**4.25%**	**4.50%**
4.8%	$73.02	$79.01	$88.81	$107.81	$160.40
5.0%	$57.54	$61.58	$67.58	$77.41	$96.46
5.3%	$47.42	$50.34	**$54.39**	$60.40	$70.25
5.5%	$40.22	$42.43	$45.35	$49.41	$55.44
5.8%	$34.81	$36.54	$38.75	$41.67	$45.74

OpenText Corporation

Calgary Portfolio Management Trust

Information Technology
TSX: OTC NASDAQ: OTEX
Buy Recommendation

OPENTEXT

January 31, 2016
Dharmendra Pandit, Fund Manager
Daniel Morgan, Research Associate
Mahad Nadeem, Research Associate

Return on Investment	
Current Share Price	$48.53
Dividend Yield	1.65%
Target Price	$65.00
Target Price (CAD)	$91.00
Holding Period Return	36%

Market Profile	
52 Week Range	$36.65-$61.74
Shares Outstanding (000's)	122,092
Average Daily Vol (000's)	121,372
Market Capitalization ($mm)	$5,890
Net Debt ($mm)	$888
Enterprise Value ($mm)	$6,778
Beta	1.09

Estimates	2016 E	2017E	2018E
Revenues ($mm)	$1,926	$2,119	$2,330
EBITDA ($mm)	$549	$614	$687
EBITDA Margin	28.5%	29.0%	29.5%
EPS	$1.70	$2.09	$2.44
EV/EBITDA	12.3x	11.0x	9.9x
P/FCF	16.3x	13.6x	12.2x

Historical Trading Performance

Source: Bloomberg; CPMT estimates

Business Description

OpenText Corporation is a Waterloo, Ontario based company that develops and provides Enterprise Information Management (EIM) software. Its software allows its customers to manage content and large amounts of unstructured data. OpenText has a long track record of providing consistent growth since its inception in 1991 and is currently the third largest IT company in the TSX by market cap. It has a globally diverse client base deriving 58% of revenue from the Americas and 34% from Europe.

Investment Thesis

OpenText is well-positioned in the EIM market, having established a growing base of 5,000 customers, with 90% of the Fortune 500 using OpenText software. OpenText's diverse product suite and high vendor switching costs in the EIM industry allow it to build long-term business relations with its customers. Over its 25 year history, OpenText has developed a track record of executing on a hybrid growth model of organic growth and acquisitions. The company has 10% market share in the EIM market which is estimated to grow 7-8% YoY in the foreseeable future. Based on statements from management, we project OTC to pay out 20% of its operating cash flow as a dividend.

Growth and Catalysts

The next phase of OpenText's growth story lies in its Cloud Services and Subscriptions business segment. The enterprise software industry is currently transitioning to a cloud-based subscription model from a license-based model. To benefit from the growth opportunities presented by the Cloud, management has begun an aggressive campaign to grow the segment to account for 50% of its revenues by 2020 while expanding its gross margins by 2-4% due to reduced costs. OpenText's next generation software suite, Blue Carbon, released early this year will lead to a new product upgrade cycle with several Fortune 500 players expected to subscribe.

As for acquisitions, the company has planned to spend $3B on acquiring companies within its historical 2x revenue multiple limit to double its revenue and cash flows in the next few years. Despite valuations in the software industry currently stretching above 10-year averages, we have confidence in management's commitment to make acquisitions in line with this multiple.

Corporate Governance

OpenText compensates management based on its peer group median. Two-thirds of total compensation is based on long-term incentives, with the remainder split between short-term incentives and base salary. The long-term incentives are paid through performance share units (PSUs), dependent on the performance of OTC shares versus the S&P MidCap 400 Software Services Index at the end of a fixed three-year period. If the relative cumulative total shareholder return of OTC is greater than the 66th percentile relative to the

index over the three-year period, OpenText executives are remunerated in PSUs. This structure entices management to align their interests to long-term investors, while promoting the company's sales and net income growth targets.

With regard to its Board of Directors, P. Thomas Jenkins, the former President and CEO who lead OpenText from a University of Waterloo project spinoff to a >$500mm revenue company over 1994-2013, sits as Chairman. In 2013, Mr. Jenkins stepped down as Chief Strategy Officer, handing the responsibilities to CEO Mr. Barrenechea. With Mr. Jenkins, along with 6 independent Board Directors out of 9 in total, shareholder stewardship is a clear focus in OpenText with respect to its corporate governance.

Valuation

Taking into consideration the current strength of USD and the significant exposure of the company in Euro, we estimated a 4% growth in revenues for the company in FY16. The next 4 years, however the company is estimated to grow by 10%. In our DCF model, an EBITDA margin of 28.5%, the trailing 5-year average for the company, increasing by 0.5% per year till 2020 taking management projections into considerations the company's value is estimated. We used 20% as the effective tax rate for the company in our model versus the past 5-year average of 16.6% for the company. An adjustment was made for an outstanding tax liability from US tax authorities in the calculation of the target price, working out to approximately $4.50/share. Our adjusted target price is $65.24, which translates into a potential upside of 34.4% from the current price of $48.53.

OTC is currently trading at a P/E multiple of 24.2x – a premium to its 5 year average of 20.2x and EV/EBITDA multiple of 11.2x compared its last 5 year average of 9.1x. Compared to its global comparables, the company trades at discount to on both P/E and EV/EBITDA multiple basis. Using the average P/E of 39.2x for the comparables gives a price target of $75.18 and average EV/EBITDA multiple of 18.7x gives a price target of $82.98 for OTC stock.

Risks

The company has been unable to generate decent organic growth despite significant R&D expenses of about 10% of sales, signifying its inability to innovate. OTC continues to rely on acquisitions for innovative products to be able to maintain its competitive position in the market. It derives 34% of its revenue from Europe and a sharp rise in USD versus Euro poses immediate threat to the company's growth in the near term. Unanticipated tax liabilities present another significant risk to the company. OpenText recently received a tax bill of $550 million from US tax authorities, which it has challenged in court.

Substantial debt on the company's book may impose an impediment to the company's plan to double their revenues through cloud services and acquisitions. High valuations for companies in the software sector also present a risk of paying high acquisition costs. OpenText's near term growth is highly dependent on the success of its latest product launch, Blue Carbon. Risks inherent to new product launch such as lateness, bugs, or inability to train the sales force might limit the company's growth potential in the near term.

Exhibit I.

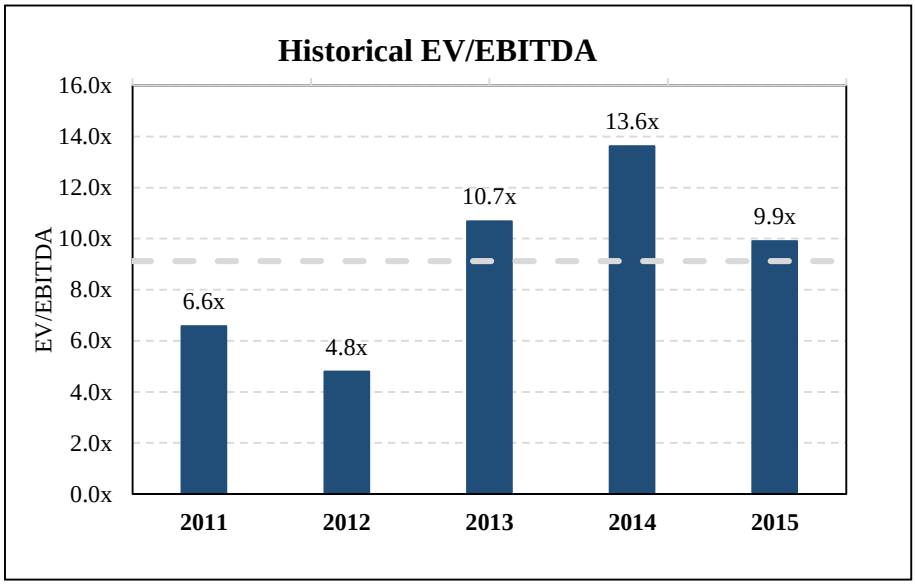


Exhibit II.

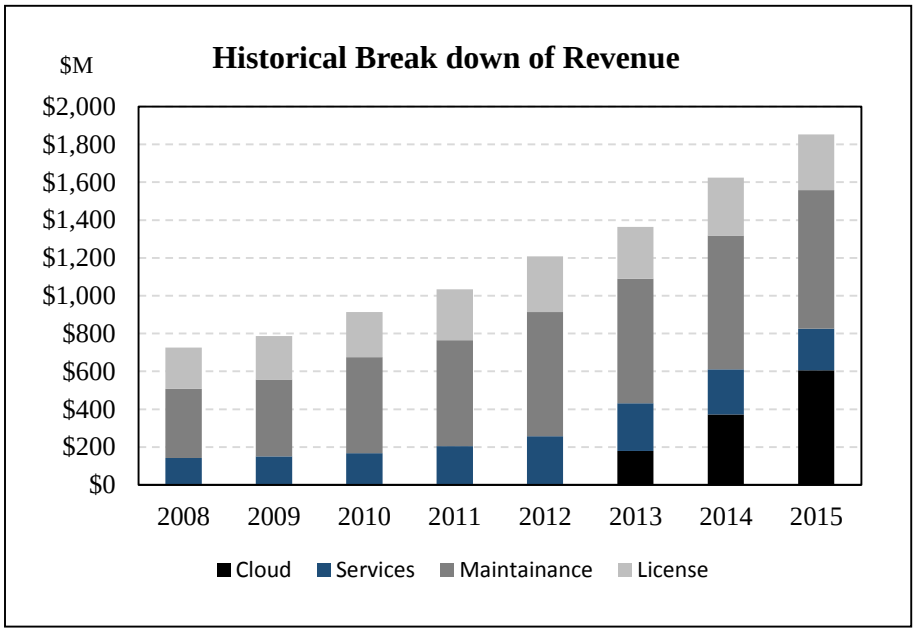


Exhibit III.

Cost of Equity	P/E Exit Multiple				
	16.0x	**18.0x**	**20.0x**	**22.0x**	**24.0x**
5%	$59.58	$65.46	$71.34	$77.23	$83.11
6%	$56.90	$62.51	$68.12	$73.73	$79.34
7%	$54.50	$59.87	**$65.24**	$70.60	$75.97
8%	$51.96	$57.07	$62.18	$67.29	$72.40
9%	$49.69	$54.57	$59.45	$64.32	$69.20

Exhibit V.

	P/E	P/S	Mkt Cap	TEV
OTC	**24.2x**	**3.1x**	**5,680**	**6,568**
MSFT	20.8x	4.7x	417,688	356,900
EMC	18.3x	1.9x	47,426	48,739
Pegasys Systems	53.0x	2.9x	1,859	1,635
Adobe	75.4x	9.3x	44,665	42,585
SAP	28.3x	4.2x	96,182	102,320
Average	**39.2x**	**4.6x**	**121,564**	**110,436**

	EBITDA	D/A	EV/EBITDA	R&D/Sales
OTC	**589**	**36%**	**11.2x**	**11%**
MSFT	24,100	20%	14.8x	13%
EMC	5,900	12%	8.3x	13%
Pegasys Systems	77	0%	21.3x	19%
Adobe	1,200	16%	35.5x	18%
SAP	7,456	23%	13.7x	14%
Average	**7,747**	**14%**	**18.7x**	**15%**

Note: All figures are in million

Richelieu Hardware Ltd.

Consumer Discretionary
TSX: RCH
Buy Recommendation

Calgary Portfolio Management Trust

Richelieu

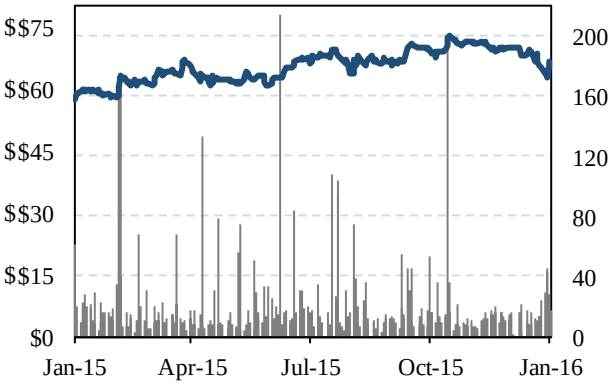
January 31, 2016
Braxton Gray, Fund Manager
Bryton Hewitt, Research Associate

Return on Investment	
Current Share Price	$66.36
Dividend Yield	0.96%
Target Price	$81.00
Holding Period Return	23%

Market Profile	
52 Week Range	$57.80 - $72.80
Shares Outstanding (000's)	19,530
Average Volume	11,028
Market Capitalization (000's)	$1,296,011
Net Debt (000's)	(28,367)
Enterprise Value (000's)	$1,267,644
Beta	0.73

Estimates	2015 E	2016E	2017E
Revenues (000's)	$687,416	$732,302	$782,175
EBITDA (000's)	$82,809	$88,235	$94,185
EBITDA Margin	12.0%	12.0%	12.0%
EV/EBITDA	15.3x	14.4x	13.5x
EPS	$2.89	$3.09	$3.28

Historical Trading Performance



Source: Bloomberg; CPMT estimates

Business Description

Richelieu Hardware (RCH) is an importer and distributor of specialty hardware and complementary products. RCH is based out of Montreal, QC and it operates mainly in Canada, however it is heavily expanding into the USA. RCH has nearly 70,000 customers, which include kitchen and bathroom cabinet manufacturers, kitchen designers, residential and commercial woodworkers, home furnishing manufacturers, office furniture manufactures, ready-to-assemble furniture manufacturers, renovation superstores, and purchasing groups. RCH has over 1,800 employees and over half of them are Richelieu shareholders.

Industry overview

RCH competes in several segments within the home building/remodelling sector. RCH is both a manufacture, supplier, and retailer and it competes against several different segmented companies that may specialize in one specific area or multiple areas. The industry is very segmented and there is no main competitor to compare RCH against.

Investment Thesis

CPMT's thesis behind purchasing RCH is threefold. First, RCH has consistently shown strong revenue with a three year average growth rate of 7.33% (consisting of organic growth and growth by acquisition) while maintaining a consistent EBITDA margin of between 12-13%. Secondly, RCH has a long track record of keeping clean balance sheet. RCH currently has a D/E ratio of less than 1%. Finally, RCH has had stable leadership in place as it has had Richard Lord as the company's President and CEO since 1988.

Growth and Catalysts

Key drivers of the company's success include innovation, quality of service, and execution, all of which are key to customer satisfaction. RCH needs to continually innovate to create cutting edge products that are attractive to its customers. Quality of service is vital, as RCH works closely with its customers to understand their wants and needs, which allows RCH to innovate new product offerings for its customers. RCH is increasing its presence into the US where it has 3 year average revenue growth rate of 16.83%.

Corporate Governance

RCH has stable leadership in place as it has had Richard Lord as the company's President and CEO since 1988. Mr. Lord owns just under 1.4 million shares and holds 250,000 shares options. Mr. Lord's compensation breakdown is as follows: base salary 31.5%, short-term incentive plan (bonus) 47.3%, long term incentive plan (options) 15.9%, share purchase plan 0.2% all other compensation 5.1%. Mr. Lord made $1,967,411 in total compensation in 2014.

Valuation

A three stage discounted cash flow (DCF) model was chosen for our analysis. Relative valuation was not performed, as RCH has no main competitors as it competes against a number of segmented and regional companies. The DCF valuation provided us with a valuation of $81.00 per share. The three year total average sales growth for RCH is 7.33%, with the Canadian sales averaging a growth rate of 3.57%, and the US sales averaging a growth rate of 16.83%. In our model, Canadian sales were pegged to grow steady at 3% per year over the next five years and then expected to drop by 50% for the next five years. US sales were given a 15% growth rate over the next five years and were expected to drop by 50% for the next five year period. RCH currently makes 69% of its Revenue in Canada and 31% in the US. We see this distribution changing over the forecasted period as RCH continues its expansion into the US market. Costs are expected to rise with revenues as RCH has consistently held its EBITDA margin at 12%. A tax rate of 25.5% was selected based on RCH's marginal tax rate.

The 2025 terminal value for RCH was determined through the Gordon growth approach, using a terminal growth rate of 2%. Taking the present value of the terminal value and the cash flows over the forecast period and subtracting the current debt on the balance sheet, provided a total equity value of $1,600,867. Factoring in the 19,530 shares outstanding, this gives us a fundamental target price of $81.00 (see Exhibit II).

Risks

Innovation Risk: RCH faces innovation risk, because if RCH cannot predict customer wants and trends, then the product offering it innovates will not be purchased by its customers. RCH hedges innovation risk by staying close to its customers so it's better able to understand the customers wants and trends.

Foreign Currency Risk (FX): RCH faces FX risk as it is exposed to the risks related to currency fluctuations, primarily related to foreign-currency denominated purchases and sales made abroad. RCH regularly sources its products from outside of Canada, therefore any increase in foreign currencies (primarily the U.S. dollar and Euro) compared with the Canadian dollar typically raises RCH's supply cost and thereby affects its consolidated financial results. These currency fluctuations related risks are mitigated by RCH's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins, although significant volatility in foreign currencies may have an adverse impact on sales. RCH also use derivatives to hedge FX risk.

Exhibit I.

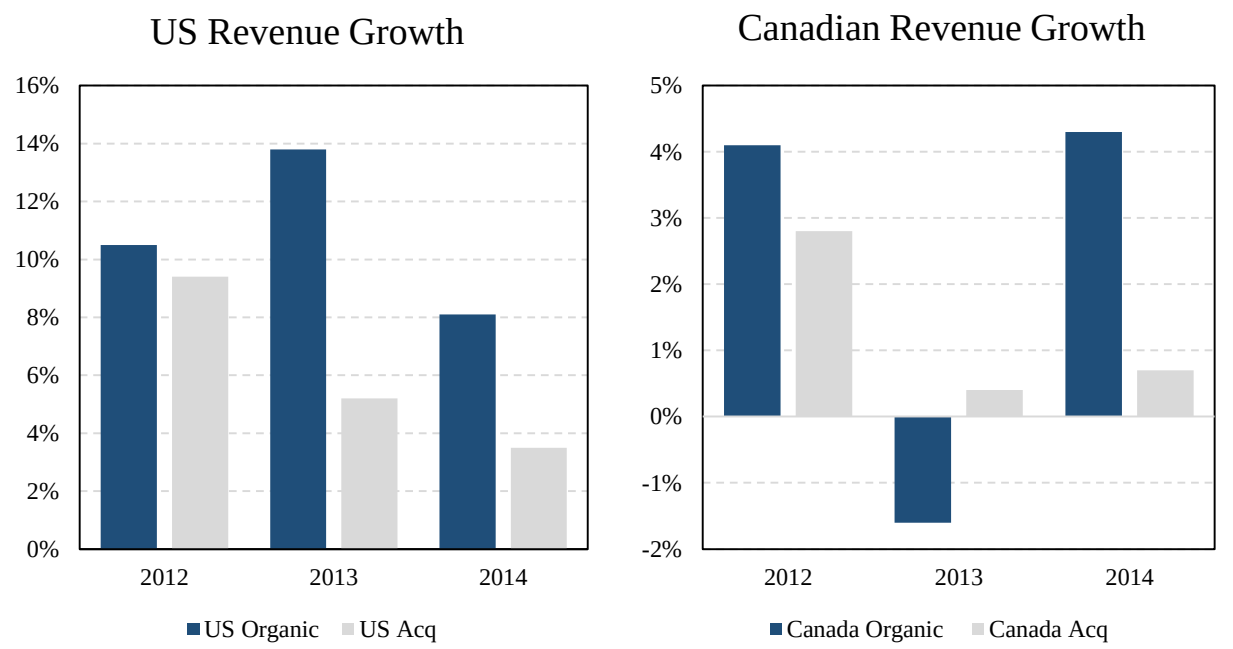


Exhibit II.

Discounted Cash Flow Analysis	
PV of UFCF	$405,167
PV of Terminal Value	$1,167,332
Enterprise Value	$1,572,500
Less: Net Debt	-$28,367
Equity Value	$1,600,867
S/O	19,530
Target Price	$81.00

WACC Analysis	
Enterprise Value	$1,572,500
Cost of equity	5.71%
Cost of debt	3.00%
Beta	0.73
Market risk premium	5%
Risk Free Rate	2.04%
WACC	5.71%

Ritchie Bros.

Calgary Portfolio Management Trust

Consumer Discretionary
TSX: RBA
Buy Recommendation

RITCHIE BROS. Auctioneers

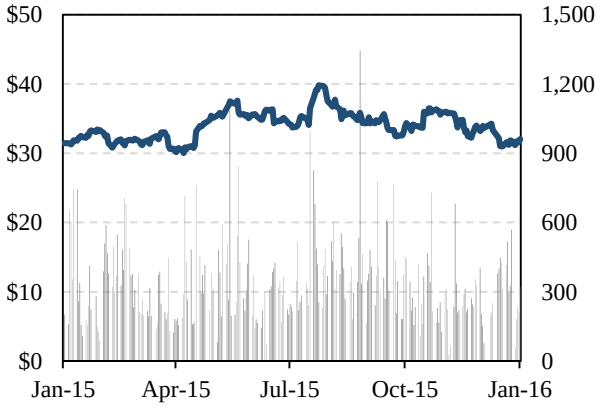
January 31, 2016
Chris Hanson, Fund Manager
Amin Haji, Research Associate

Return on Investment	
Current Share Price	$32.05
Dividend Yield	2.66%
Target Price	$42.00
Holding Period Return	34%

Market Profile	
52 Week Range	$29.48-$39.94
Shares Outstanding (000's)	107,494
Average Daily Vol (000's)	223
Market Capitalization ($mm)	$3,445
Net Debt ($mm)	$235
Enterprise Value ($mm)	$3,681
Beta	0.81

Estimates	2015E	2016E	2017E
Revenues ($mm)	$497	$474	$510
EBITDA ($mm)	$203	$233	$260
EBITDA Margin	40.9%	49.2%	50.9%
EPS	$1.13	$1.31	$1.49
EV/EBITDA	18.1x	15.8x	14.2x
P/FCF	24.9x	21.6x	20.9x

Historical Trading Performance



Source: Bloomberg; CPMT estimates

Business Description

Ritchie Bros. Auctioneers "**RBA**", headquartered in Vancouver, B.C., is the world's largest auctioneer of industrial equipment. RBA operates over 40 locations throughout North America, Europe, the Middle East, Asia and Australia, with the majority of these locations spread throughout the U.S., Canada, and Western Europe (Exhibit II). RBA generates revenues through traditional auctions using two fee structures, charging a fee to the seller of a lot on consignment and through purchasing equipment to re-sell via auction. The latter, is referred to as 'at risk', which generates the highest margins for RBA.

Industry Overview

The industrial auction industry is a highly fragmented, $360B per year industry, which is able to capitalize in both economic up and down cycles. During a period of economic prosperity, firms have large capital expenditure budgets, are constantly growing and looking to add equipment to their fleet. During a down cycle, firms must liquidate assets in order to meet obligations. In both scenarios, auctioneers of industrial equipment are able to operate and maintain revenue generation. As you can see in Exhibit III, gross auction proceeds have grown steadily since 2002. Throughout 2014, RBA had over $4.2B worth of equipment roll through there auctions, making RBA six times larger than Iron Planet, the second largest industrial equipment auctioneer.

Investment Thesis

CPMT's investment thesis is based on RBA's global reach, which has allowed RBA to grow its gross auction proceeds "GAP" by ~11% annually over the past 30 years. RBA's strong balance sheet solidifies down-side protection during normal market fluctuations, as well, allows RBA to grow its top line. As a $360B market, there is immense potential for RBA to keep gaining market share and we believe that RBA's size and global reach give the company a competitive advantage in the global used equipment market.

Growth and Catalysts

Ritchie Bros. has experienced steady growth and is continuing to expand on a global scale. RBA has grown its revenue at a 35% CAGR over the past five years and has created significant shareholder value yielding a ROIC of ~10.6%. Going forward, management is focusing on 'at risk' revenue generation which yields higher margins than the traditional "seller fee" structure auctions. With the help of data analytics, RBA is able to collect and process a larger amount of data than any other industrial auctioneer. RBA can use this to make better decisions on purchase prices of the equipment that they auction, diminishing downside risk.

Corporate Governance

Ravi Saligram was recently appointed CEO in July of 2014 to expand RBA's operating margins. We are expecting Mr. Saligram to replicate the success he had at streamlining operations at his previous mandates, most recently OfficeMax. Mr. Saligram is focused on using big data to avoid poor results in equipment pricing, in particular, with the "at risk" business. RBA has a strong compensation structure in place with 22% of total compensation based on bases salary, with 78% based on options & incentives. The insider ownership guidelines require the CEO to have 5x salary as equity ownership and remaining executives to have 3x salary as an equity stake. All executives meet these requirements.

Valuation

The valuation for RBA consisted of a discounted cash flow (DCF) analysis to determine an intrinsic target price of $42.00, yielding a 34% holding period return. Unlevered free cash flows were projected for a seven year period, at which point a terminal value was applied using the Gordon Growth model (Exhibit I). RBA's revenue is separated into 'inventory sales', which represents 'at risk' revenue and 'commissions', which represent fees and commissions that RBA generates. Based on historical averages and the "at risk" growth strategy, a 6% growth rate was applied to the inventory sales portion of revenue until the end of 2017, at which time it was reduced to 2%. The commissions portion of RBA's revenue was projected out using a conservative 2% growth rate until the end of 2017, at which point it was reduced to 0% growth. Direct expenses were projected at a historical percentage of revenue. As for SG&A, discretionary SG&A was brought down to a growth rate of 0% year over year and non-discretionary G&A was held near historical average growth rates.

Risks

As RBA focuses on expanding 'at risk' revenues, though margins are greater, there is inherently a greater risk as compared to the standard fee structure auctions. As RBA operates on a global scale, regulatory environments concerning auctions and the resale of industrial equipment, as well as movements in foreign currencies are also core risks concerning RBA. On the contrary, as RBA is a global operator, it has natural regulatory risk diversification.

Exhibit I.

Discounted Cash Flow Analysis (C$000's)	
UFCF	$1,579,442
Terminal Value	$4,528,572
PV of UFCF	$1,263,861
PV of Terminal Value	$3,015,247
Enterprise Value	$4,279,108
Less: Net Debt	-$235,434
Equity Value	$4,514,542
S/O	107,494
Target Price	$42.00

Exhibit II.

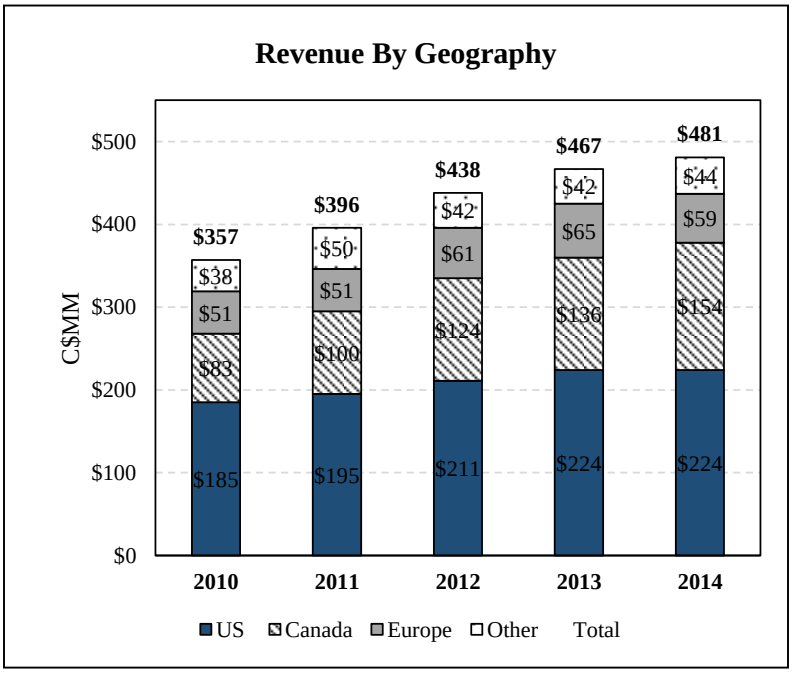
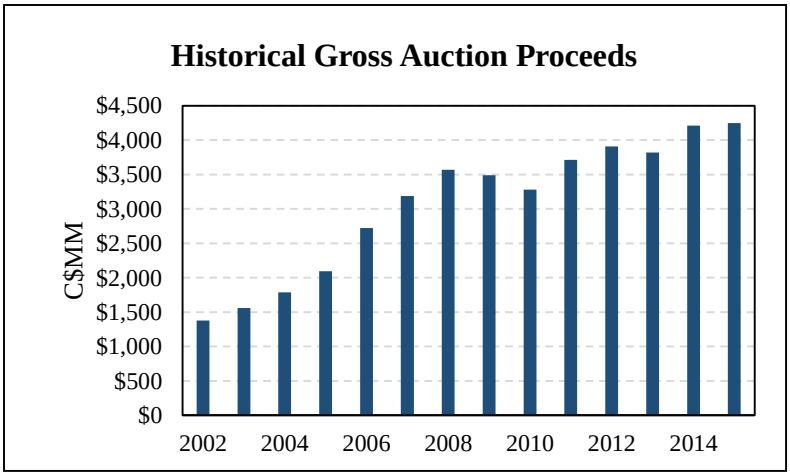


Exhibit III.



Calgary Portfolio Management Trust
Compliance and Performance Report
FQ3 2016

Table of Contents

Introduction

This report was written to inform the Calgary Portfolio Management Trust Board of Trustees of any deficiencies in compliance with respect to the objectives laid out in the Charter of Investment Policies and Procedures of the Trust.

The Fund Analysts have determined that the Fund Managers have acted in the best interest of the fund and its beneficiaries. All ethical and qualitative objectives have been found to be in compliance, however certain quantitative objectives of the CPMT's performance have failed to achieve at or greater than the objectives laid out in the Charter.

Failures of the fund to perform above these required performance benchmarks over the relevant 1, 3, 5, and 10 year time periods include the following:

- To achieve a 7% nominal return gross of all fees and expenses.
- To exceed the return of the S&P/TSX Composite Total Return Index by 100 basis points.
- To generate 100 bps of alpha relative to the S&P/TSX Composite Total Return Index.

While the Fund Analysts acknowledge these non-compliant items, the Fund Managers are deemed to be in compliance with the Charter due to their thorough due diligence process and risk management of the fund's assets, providing evidence of prudence and care.

Compliance Report

Over the third quarter of the 2016 fiscal year, the CPMT was not in compliance with certain performance objectives as specified by the Charter. All other qualitative objectives were in compliance by the Fund Managers and as such the Fund Analysts have deemed the CPMT to be in compliance with the Charter of Investment Policies and Procedures.

Non-Compliant Items and Performance Benchmarks:

3.4 The Fund's return and risk will be computed for a one, three, five, and ten year time period. Over longer periods, the Fund's Investment Performance will be evaluated on the following measures:

(a) Absolute Return - expectation of 7% nominal return gross of all fees and expenses.

- The CPMT failed to return 7% nominally over any relevant time period.

(b) Relative Returns - exceed the return of the S&P/TSX Composite Total Return Index by 100 basis points and exceed the 50th percentile of a universe of Canadian equity funds managed according to a similar investment style.

- The CPMT did not return 100 basis points above the TSX Composite Total Return Index over the 5 and 10 year time periods.

(d) Risk Adjusted Returns - Fund performance will be evaluated based on at least 100 bps of alpha generated relative to the S&P/TSX Composite Total Return Index.

- The CPMT did not return 100 basis points of alpha over any relevant time period.

Quarter Performance Report

Over the quarter, the CPMT returned 2.09%. This was above the S&P/TSX Composite Total Return Index's return of -1.40%. Above market returns were found in the Financials, Information Technology, Materials, Energy, Consumer Staples and Healthcare, and Industrials sectors, and below market returns were found in the Consumer Discretionary, and Telecommunications sectors. The CPMT had approximately equal allocation and selection effects contributing to the 349 basis points above market for the quarter period. Health Care and Information Technology were the major contributors to selection, and Industrials, Materials, and Consumer Staples were the largest contributors to allocation respectively.

Attribution for the calendar year was made up of a large selection effect and a smaller allocation effect contributing to the 578 basis points above the market return. By far the largest selection effects came from Materials and Industrials, while Health Care and Information Technology were the main contributors to allocation. The picture painted by the attribution analysis indicates a strong due diligence process by the CPMT in equity research, and a developing sector weighting process.

Figures 1, 2, and 3 outline the fund's total return over the quarter, sector returns, and Sharpe ratios respectively, all compared to the market.

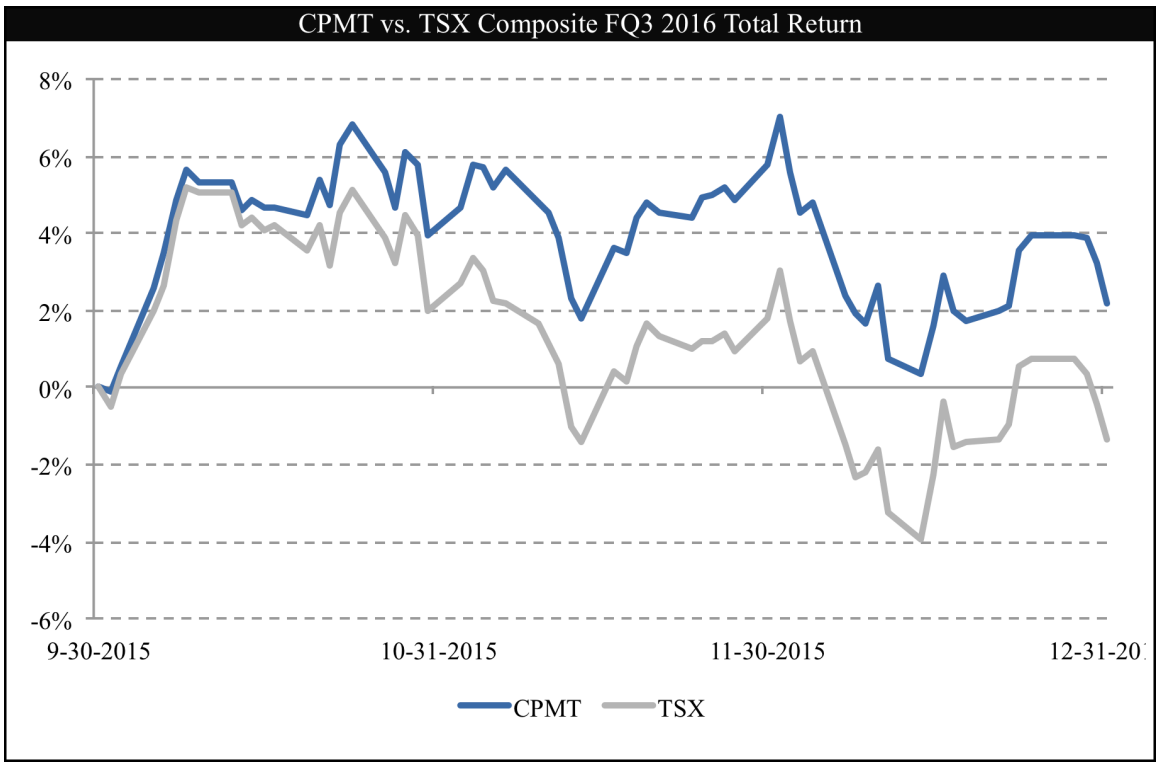


Figure 1 The CPMT and the TSX Composite Index Total Return - FQ3 2016

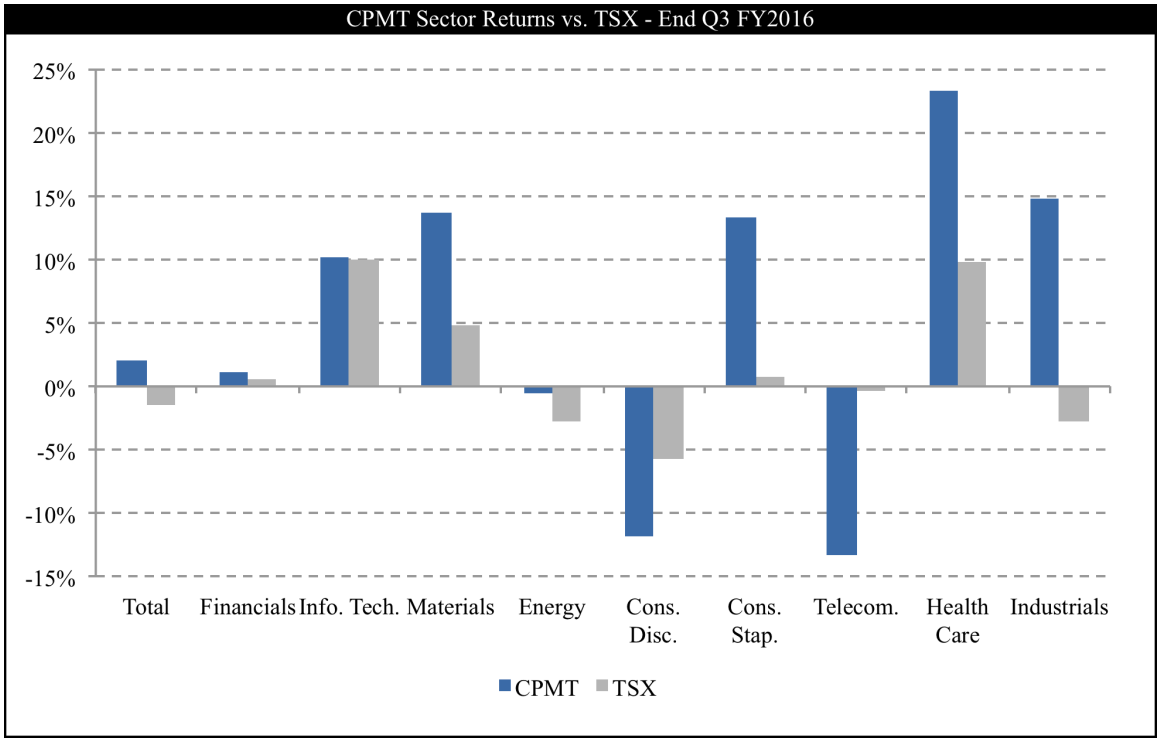


Figure 2 The CPMT and the TSX Capped Composite Index Sector Returns - FQ3 2016

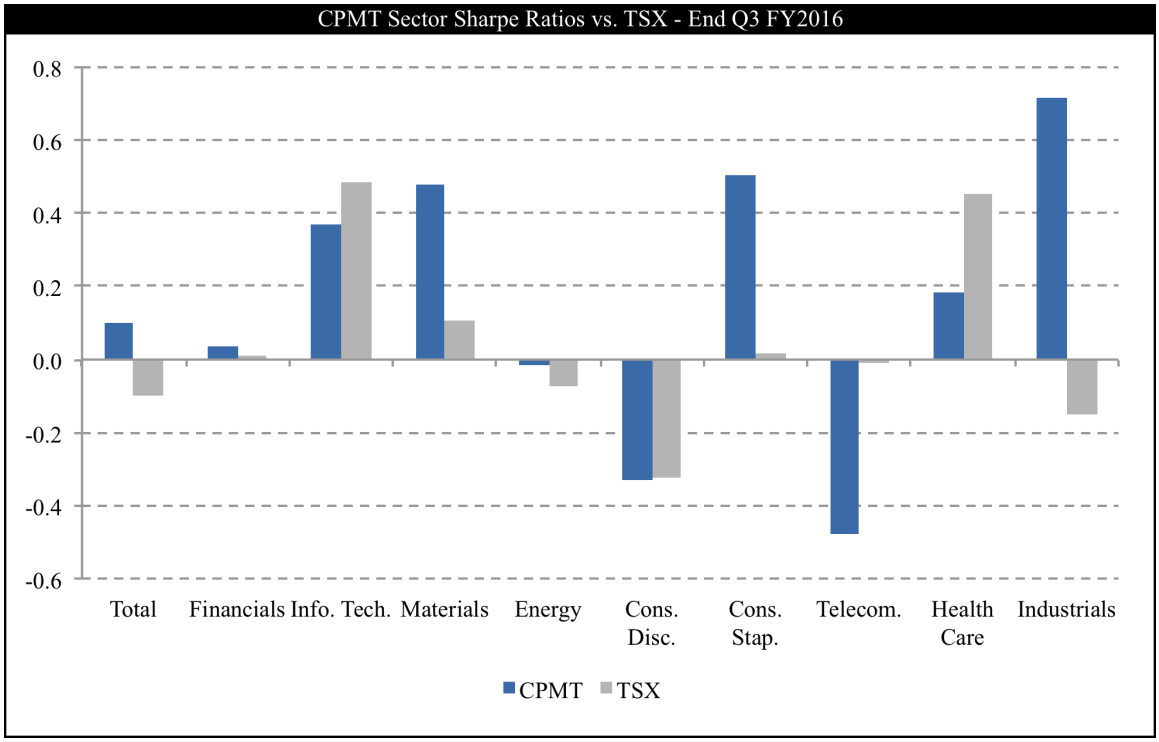


Figure 3 The CPMT and the TSX Capped Composite Index Sharpe Ratios - End FQ3 2016

Figure 4 shows the CPMT's attribution analysis over the quarter, and Figure 5 presents the top contributors to total return during the quarter. Some names that are not actively held appear in this list because of the CPMT's large holding in the XIC ETF. The largest contributors to the CPMT's quarter return were CCL/B and STN respectively.

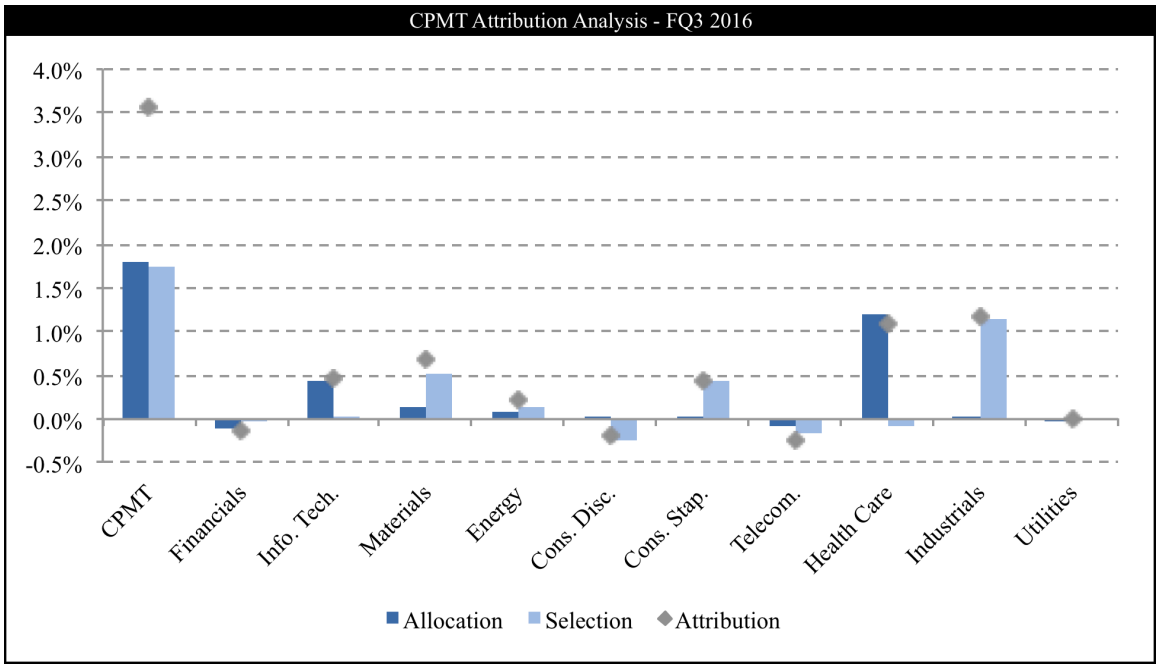


Figure 4 Attribution Analysis for FQ3 2016 with XIC Look Through

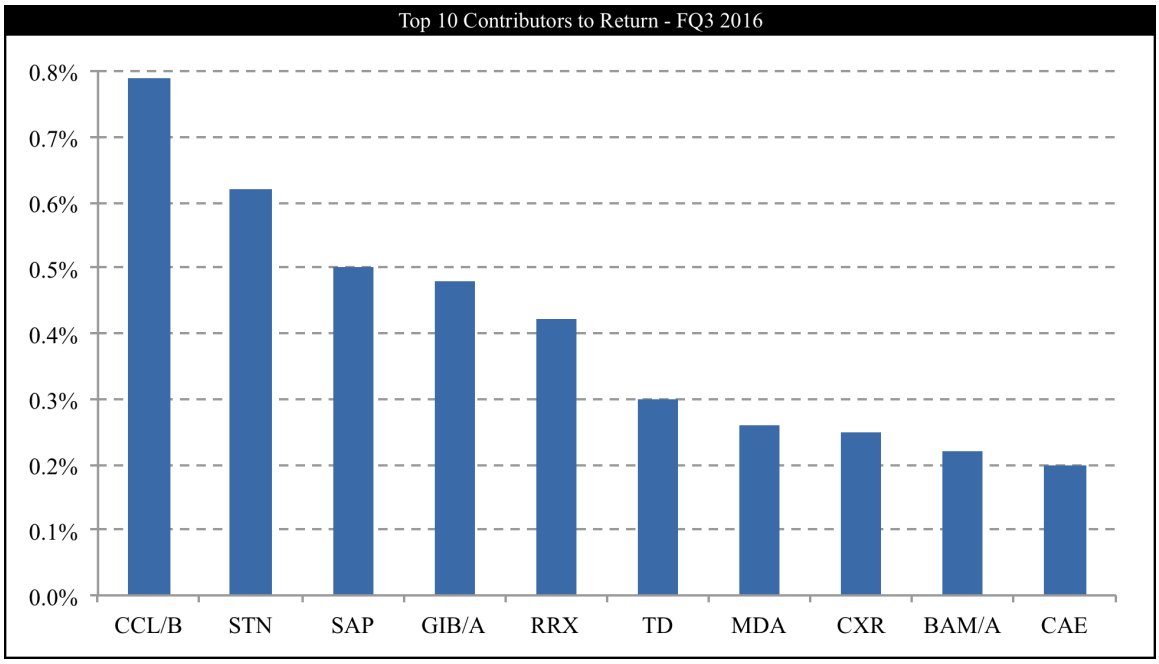


Figure 5 The CPMT's Top 10 Contributors to Total Return over FQ3 2016 with XIC Look Through

Figure 6 shows the CPMT's attribution analysis over the 2015 calendar year and Figure 7 presents the top contributors to total return. By far the largest contributors to the CPMT's annual return were CCL/B and CSU respectively.

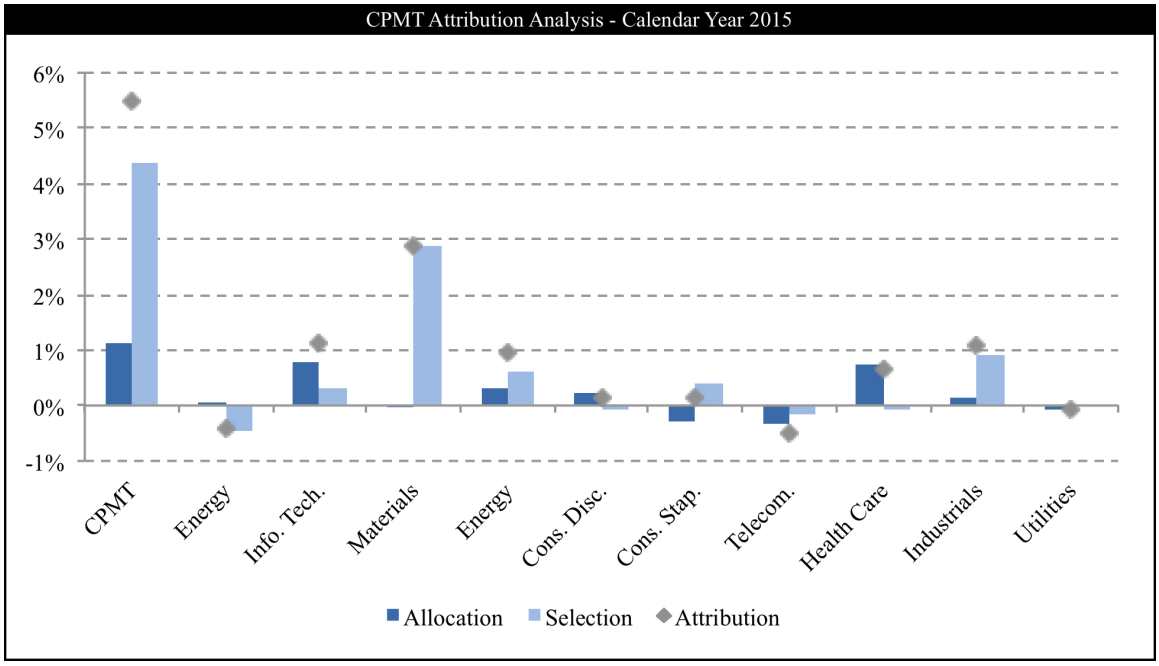


Figure 6 Attribution Analysis for the 1-year Time Period with XIC Look Through

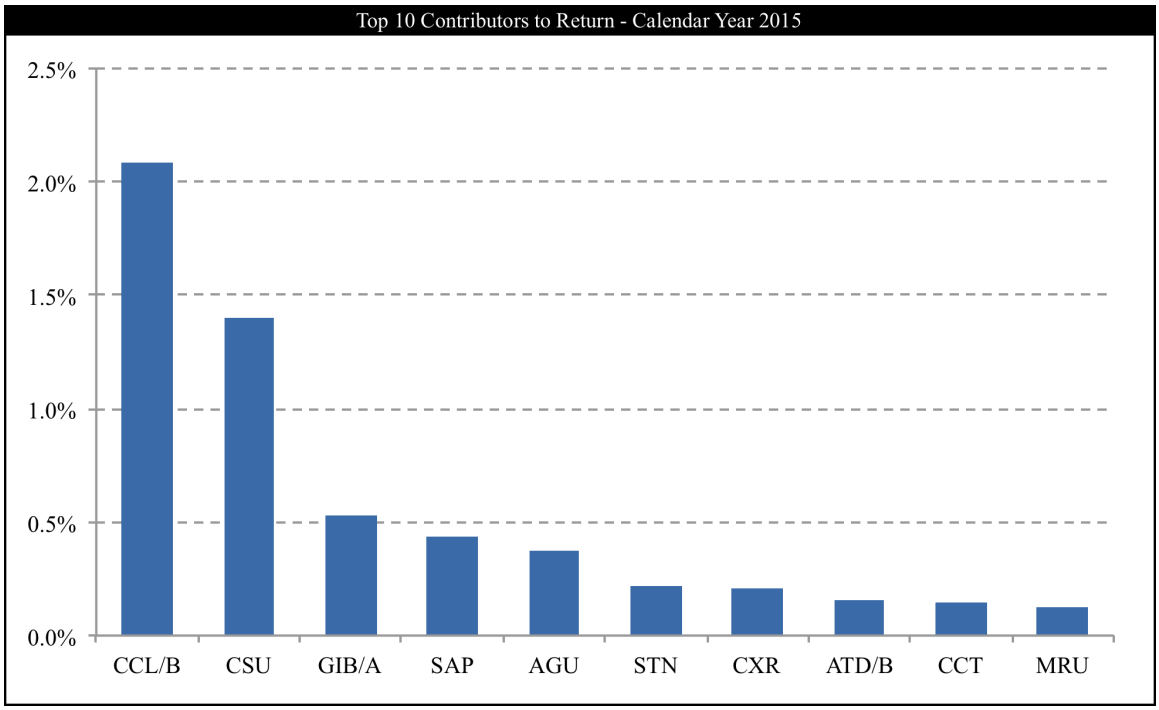


Figure 7 The CPMT's Top 10 Contributors to Total Return over the 1-year with XIC Look Through

Tables 1 and 2 provide a comparison of CPMT's performance to its peers, and summary of dividends received over the quarter. CPMT achieved within the 50th percentile of a fund universe of similarly managed Canadian equity funds for the 1 year and 10 year time periods.

Peer Group Comparison	FQ3 2016	1 CY	3 CY	5 CY	10 CY
CPMT	2.09%	-2.54%	5.63%	1.79%	3.88%
TSX	-1.40%	-8.32%	4.62%	2.30%	4.38%
Peer Group Average	-0.13%	-5.95%	6.35%	2.86%	3.36%
TSX Difference	3.49%	5.78%	1.00%	-0.51%	-0.50%
Peer Group Difference	2.22%	3.41%	-0.72%	-1.07%	0.52%

Table 1 Canadian Equity Peer Group Comparison Over Relevant Time Periods (Source: Globefund)

CPMT Dividend Summary - Q3 FY2016				
October Dividends		Total	$	700.09
Equity	Date	Rate	Credit	
CSU	5-Oct-15	1.319	$	15.82
AGU	15-Oct-15	1.172	$	70.32
MTL	15-Oct-15	0.100	$	17.00
STN	15-Oct-15	0.105	$	51.45
WCP	15-Oct-15	0.063	$	87.50
BNS	28-Oct-15	0.700	$	274.40
TD	30-Oct-15	0.510	$	183.60
November Dividends		Total	$	104.50
Equity	Date	Rate	Credit	
MTL	16-Nov-15	0.100	$	17.00
WCP	16-Nov-15	0.063	$	87.50
December Dividends		Total	$	457.71
Equity	Date	Rate	Credit	
MG	11-Dec-15	0.220	$	67.18
SAP	11-Dec-15	0.135	$	67.50
MTL	15-Dec-15	0.100	$	17.00
WCP	15-Dec-15	0.063	$	87.50
MFC	21-Dec-15	0.170	$	51.00
CCL.B	22-Dec-15	0.375	$	25.50
BAM.A	31-Dec-15	0.160	$	60.00
CAE	31-Dec-15	0.075	$	46.88
MDA	31-Dec-15	0.370	$	35.15

Table 2 The CPMT Dividend Summary - FQ3 2016

Tables 3 and 4 provide a transactions summary for the CPMT over the quarter and an updated price target table for current holdings at quarter end.

CPMT Transactions Diary - Q3 FY2016								
Equity	Date of Sale	Action	Shares	Purchase Price	Sale Price	Capital Gain	Return
CGI	15-10-20	Purchase	310	$ 47.89			
XIC	15-10-20	Sale	715	$ 20.03	$ 21.890	$ 1,329.90	9.29%
XIC	15-10-29	Sale	690	$ 20.03	$ 21.980	$ 1,345.50	9.74%
T	15-10-29	Purchase	340	$ 44.13			
CXR	15-11-18	Purchase	200	$ 45.85			
XIC	15-11-18	Sale	400	$ 20.03	$ 20.800	$ 308.00	3.84%
CCL.B	15-11-26	Sale	22	$ 122.22	$ 214.290	$ 2,025.54	75.33%
TCK.A	15-12-09	Sale	200	$ 21.85	$ 8.225	$ (2,725.00)	-62.36%
Total						$ 2,283.94	6.42%

Table 3 The CPMT Transaction Diary - FQ3 2016

CPMT Holding Price Targets			
Equity Holdings	**Q3 2016 End Price**	**Original Target Price**	**Current Target Price**
Financial			
Bank of Nova Scotia	$ 55.97	$ 71.00	$ 74.00
Brookfield Asset Management, Inc.	$ 43.65	$ 45.00	$ 48.00
Manulife	$ 20.74	$ 24.00	$ 24.00
Toronto-Dominion Bank	$ 54.24	$ 60.00	$ 64.00
Information Technology			
CGI Group	$ 55.40	$ 59.00	$ 69.00
Constellation Software, Inc.	$ 576.88	$ 332.00	$ 627.00
Materials			
Agrium	$ 123.67	$ 138.00	$ 145.00
CCL Industries	$ 224.37	$ 132.00	$ 270.00
Energy			
Mullen Group Ltd.	$ 14.01	$ 41.00	$ 18.00
Tamarack Valley Energy Ltd.	$ 2.99	$ 7.50	$ 3.50
Whitecap Resources Inc.	$ 9.07	$ 14.00	$ 11.00
Raging River Exploration Inc.	$ 8.37	$ 11.00	$ 11.00
Consumer Discretionary			
Magna International Inc.	$ 56.12	$ 76.00	$ 70.00
Consumer Staples			
Saputo	$ 33.10	$ 45.00	$ 42.00
Telecommunications			
Telus	$ 38.26	$ 50.00	$ 48.00
Healthcare			
Concordia Healthcare Corp.	$ 56.54	$ 65.00	$ 65.00
Industrials			
Stantec	$ 34.32	$ 36.00	$ 36.50
Macdonald, Dettwiler and Associates, Ltd	$ 83.26	$ 96.00	$ 95.00
CAE Inc	$ 15.35	$ 19.00	$ 17.00

Table 4 Updated Price Targets - FQ3 2016

Long Term Performance Report

Figures 8 and 9 provide annualized returns and Sharpe ratios for both the CPMT and the TSX Composite Total Return Index over the 1, 3, 5, and 10 year time periods. Figure 10 provides single linear regression trend lines used in calculating Jensen's Alpha.

- A 7% nominal return was not achieved over any relevant time period.
- 100 bps above the TSX Composite Total Return Index was achieved over the 1 and 3 year time periods.
- 100 bps of alpha was not achieved over any relevant time period.

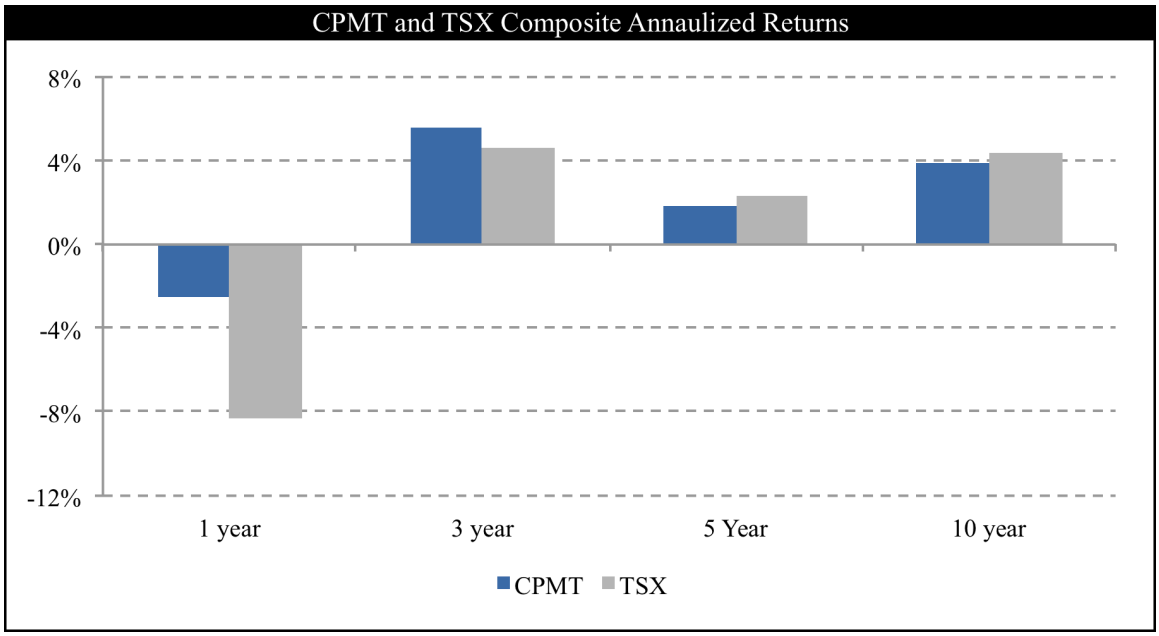


Figure 8 The CPMT and the TSX Composite Total Return Index Annualized Returns

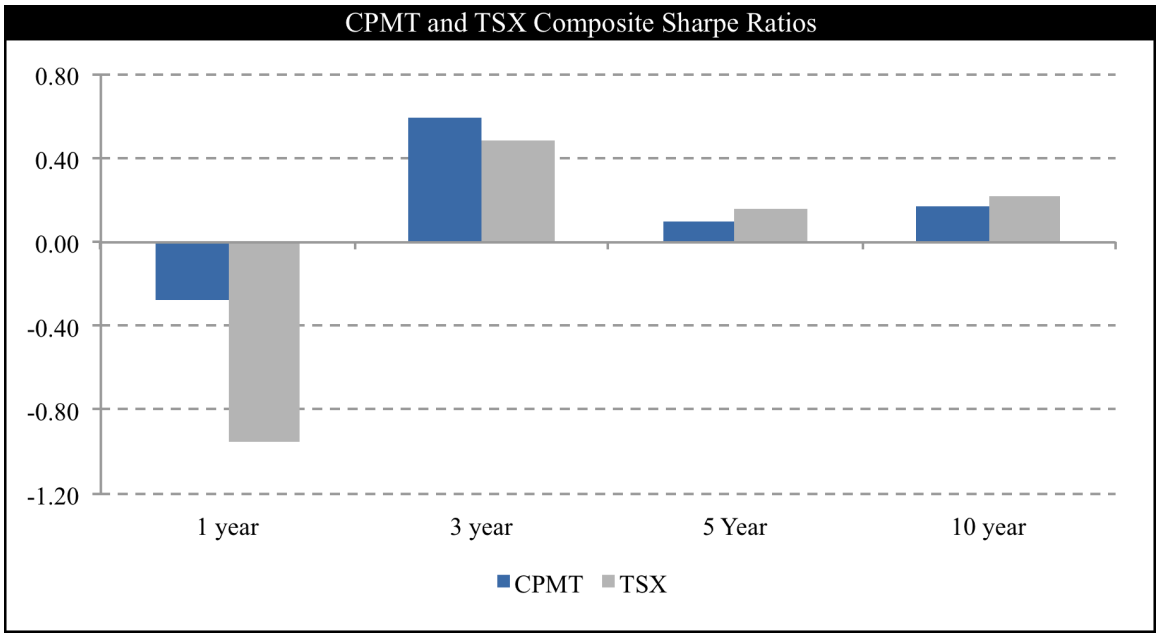


Figure 9 The CPMT and the TSX Composite Total Return Annualized Sharpe Ratios

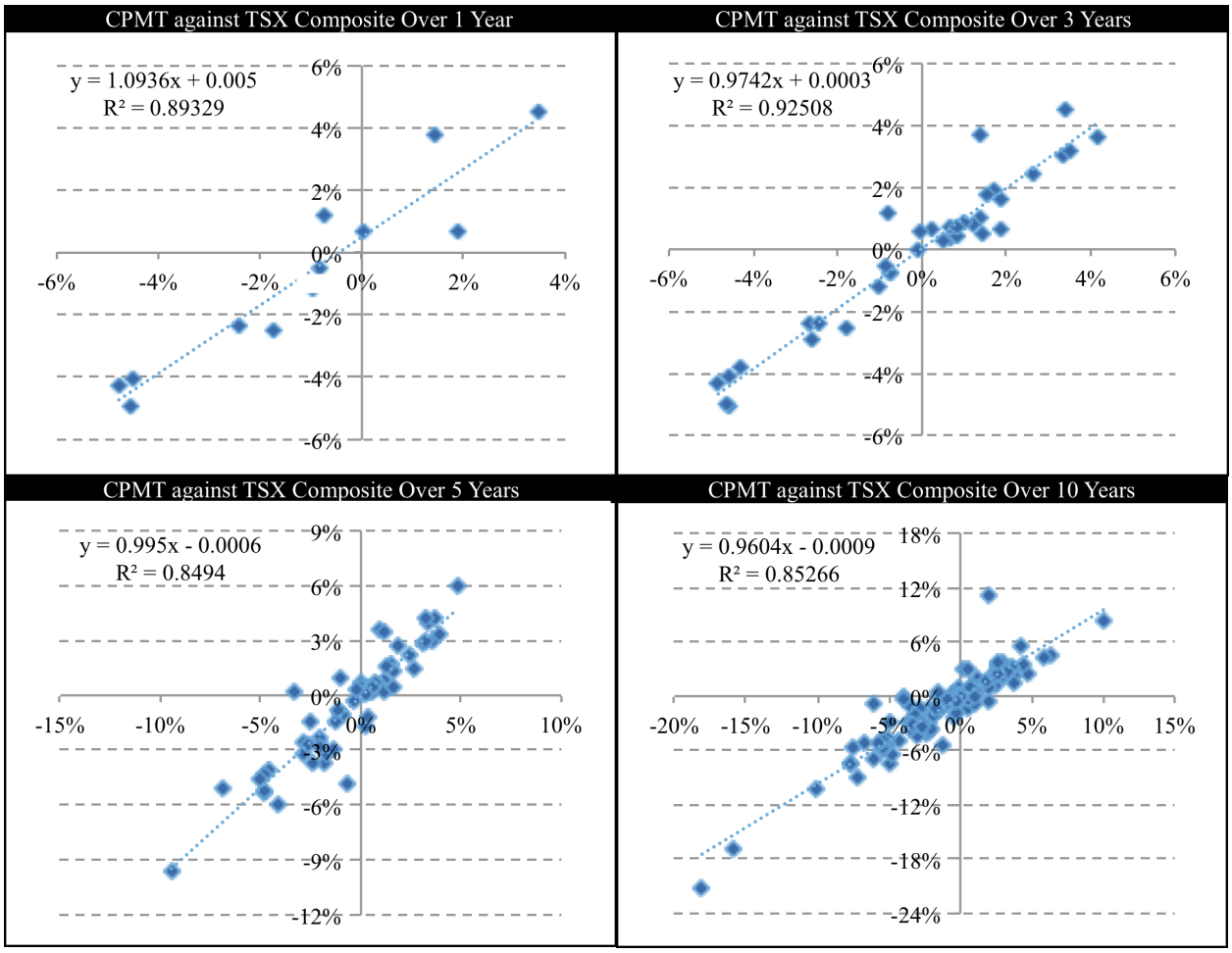


Figure 10 The CPMT and the TSX Composite Total Return Index Single Linear Regressions Over Selected Periods

Fund Analysis

Figures 11 and 12 provide an overview of the CPMT's assets by sector, aggregating sector weights in the XIC with sector weights found in the CPMT's holdings. The CPMT's aggregate sector weights are then compared to their maximum allowable weights from the Charter's specification of 300% of the TSX Composite weight, or of 40% of fund value. None of the CPMT sectors breached their maximum during the quarter. CPMT was overweight Consumer Staples, Health Care and Industrials as of the end of the quarter.

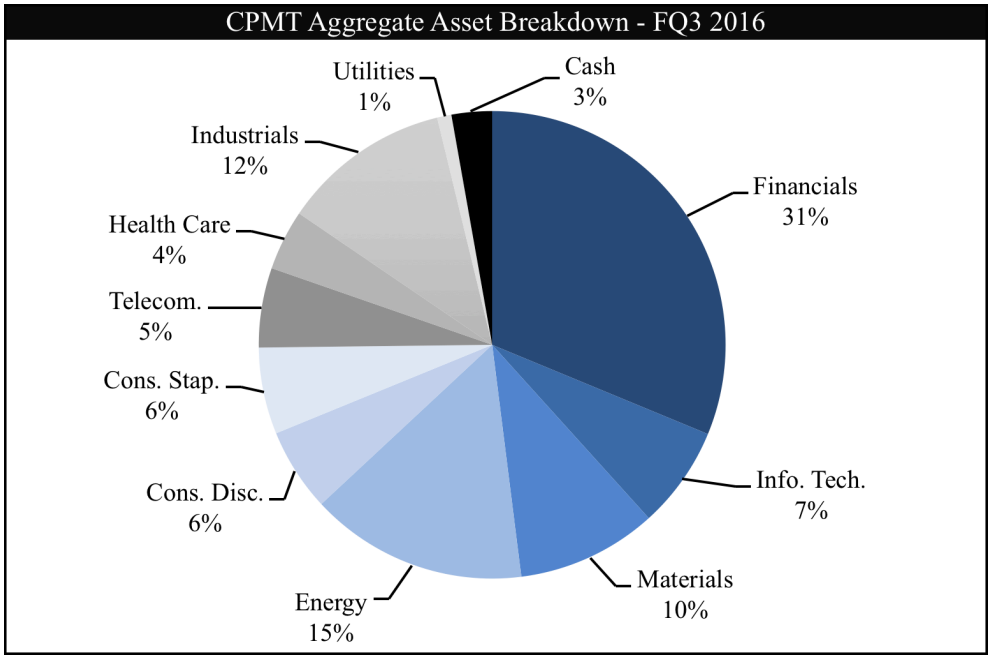


Figure 11 The CPMT Aggregate Asset Breakdown - End FQ3 2016

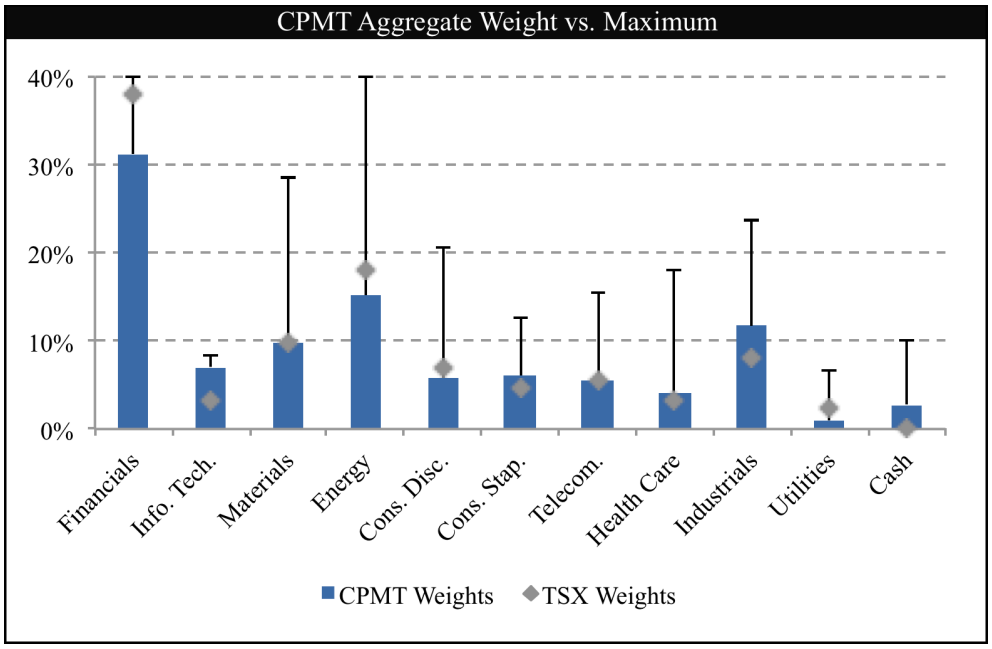


Figure 12 The CPMT End FQ3 2016 Sector Weights as Compared to Maximum Allowable

Appendix

Appendix A: Compliance Report Details

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 my professional competence and strive to maintain and improve the competence of other investment professionals.

Appendix B: Quarter Performance Report Details

Table 5 provides detailed holdings data for the CPMT over FQ3 2016.

CPMT Quarter Holding Summary	Shares	Target Price	15-09-30	15-12-31	End Holding	Quarter Return	% AUM
Financial			*or at purchase	*or at sale	*incl. dividends		
Bank of Nova Scotia	392	$ 69.00	$ 58.83	$ 55.97	$ 22,215	-3.67%	5.3%
Brookfield Asset Management	375	$ 48.00	$ 41.99	$ 43.65	$ 16,429	4.33%	3.9%
Manulife	300	$ 24.00	$ 20.64	$ 20.74	$ 6,273	1.31%	1.5%
Toronto Dominion	360	$ 62.50	$ 52.60	$ 54.24	$ 19,710	4.09%	4.7%
Total			**$ 63,936**	**$ 64,057**	**$ 64,626**	**1.08%**	**15.4%**
S&P/TSX Capped Financials index			**234.87**	**236.13**		0.54%	
Information Technology							
CGI Group	310	$ 59.00	$ 47.85	$ 55.40	$ 17,190	15.89%	4.1%
Constellation Software	12	$ 627.00	$ 559.35	$ 576.88	$ 6,923	3.13%	1.7%
Total			**$ 21,546**	**$ 24,097**	**$ 24,112**	**10.22%**	**5.8%**
S&P/TSX Capped IT Index			**49.30**	**54.23**		10.00%	
Materials							
Agrium	60	$ 140.00	$ 119.60	$ 123.67	$ 7,491	4.38%	1.8%
CCL Industries	68	$ 204.00	$ 187.33	$ 224.37	$ 15,283	19.97%	3.6%
Teck Resources	200	$ 25.00	$ 8.00	$ 8.23	$ -	2.88%	0.0%
Total			**$ 19,914**	**$ 22,677**	**$ 22,773**	**13.77%**	**5.4%**
S&P/TSX Capped Materials Index			**158.77**	**166.34**		4.77%	
Energy							
Mullen Group	170	$ 28.00	$ 17.85	$ 14.01	$ 2,433	-19.83%	0.6%
Tamarack Valley	820	$ 4.00	$ 2.35	$ 2.99	$ 2,452	27.23%	0.6%
Whitecap	1400	$ 16.50	$ 10.54	$ 9.07	$ 12,961	-12.17%	3.1%
Raging River	1700	$ 11.00	$ 7.37	$ 8.37	$ 14,229	13.57%	3.4%
Total			**$ 32,247**	**$ 31,761**	**$ 32,074**	**-0.53%**	**7.7%**
S&P/TSX Capped Energy Indez			**166.44**	**161.81**		-2.78%	
Consumer Discretionary							
Magna	225	$ 76.00	$ 64.01	$ 56.12	$ 12,694	-11.86%	3.0%
Total			**$ 14,402**	**$ 12,627**	**$ 12,694**	**-11.86%**	**3.0%**
S&P/TSX Capped CD Index			**175.32**	**165.26**		-5.74%	
Consumer Staples							
Saputo	500	$ 45.00	$ 29.30	$ 33.10	$ 16,618	13.43%	4.0%
Total			**$ 14,650**	**$ 16,550**	**$ 16,618**	**13.43%**	**4.0%**
S&P/TSX Capped CS Index			**479.58**	**483.04**		0.72%	
Telecommunications							
Telus	340	$ 50.00	$ 44.13	$ 38.26	$ 13,008	-13.30%	3.1%
Total			**$ 15,004**	**$ 13,008**	**$ 13,008**	**-13.30%**	**3.1%**
S&P/TSX Telecommunications			**131.60**	**131.21**		-0.30%	
Healthcare							
Concordia Healthcare Corp.	200	$ 65.00	$ 45.85	$ 56.54	$ 11,308	23.32%	2.7%
Total			**$ 9,170**	**$ 11,308**	**$ 11,308**	**23.32%**	**2.7%**
S&P/TSX Capped Healthcare Index			**115.75**	**127.22**		9.91%	
Industrials							
Stantec	490	$ 49.00	$ 29.18	$ 34.32	$ 16,868	17.97%	4.0%
Macdonald, Dettwiler and Associates	95	$ 95.00	$ 72.58	$ 83.26	$ 7,945	15.22%	1.9%
CAE Inc	625	$ 17.00	$ 14.14	$ 15.35	$ 9,641	9.09%	2.3%
Total			**$ 30,031**	**$ 34,320**	**$ 34,454**	**14.73%**	**8.2%**
S&P/TSX Capped Industrials Index			**169.80**	**165.20**		-2.71%	
ETF							
iShares Core S&P/TSX Index ETF	8,595		$ 21.05	$ 20.60	$ 177,057	-1.39%	42.3%
Total			**$ 180,925**	**$ 177,057**	**$ 177,057**	**-1.39%**	**42.3%**
Cash			**$ 3,801**	**$ 11,469**			**2.7%**
Calgary Portfolio Management Trust			**$ 410,340.64**	**$ 418,931**		**2.09%**	100.0%
S&P/TSX Composite Total Return Index			**41,460.96**	**40,881.84**		**-1.40%**	
Simple Alpha CPMT						**3.49%**	

Table 5 The Calgary Portfolio Management Trust Holdings' Summary

Appendix C: Long Term Performance Report Details

Table 6 provides details regarding the CPMT's long-term returns, volatilities, and Sharpe ratios.

CPMT Long Term Performance Details					
		Time Period			
Category	Fund	1 year	3 year	5 Year	10 year
Annualized Return	CPMT	-2.54%	5.63%	1.79%	3.88%
	TSX	-8.32%	4.62%	2.30%	4.38%
Annualized Volatility	CPMT	10.60%	8.66%	10.55%	14.30%
	TSX	9.15%	8.56%	9.77%	13.75%
Sharpe	CPMT	-0.28	0.59	0.10	0.17
	TSX	-0.95	0.48	0.16	0.22

Table 6 The CPMT Long Term Performance Details

Appendix D: Fund Analysis Details

Table 7 provides details regarding attribution analysis.

FQ3 2016	**Attribution**	**Allocation**	**Selection**	CY 2016	**Attribution**	**Allocation**	**Selection**
CPMT	3.56%	1.81%	1.75%	**CPMT**	5.50%	1.14%	4.38%
FN	-0.14%	-0.11%	-0.03%	**FN**	-0.43%	0.02%	-0.45%
IT	0.47%	0.44%	0.03%	**IT**	1.12%	0.80%	0.33%
MT	0.67%	0.15%	0.53%	**MT**	2.88%	-0.01%	2.89%
EN	0.22%	0.08%	0.14%	**EN**	0.95%	0.33%	0.63%
CD	-0.19%	0.04%	-0.23%	**CD**	0.13%	0.21%	-0.08%
CS	0.45%	0.01%	0.43%	**CS**	0.12%	-0.29%	0.41%
TC	-0.23%	-0.07%	-0.16%	**TC**	-0.49%	-0.34%	-0.15%
HC	1.10%	1.20%	-0.09%	**HC**	0.64%	0.73%	-0.09%
IN	1.16%	0.02%	1.14%	**IN**	1.06%	0.16%	0.90%
UT	-0.01%	-0.01%	0.00%	**UT**	-0.06%	-0.06%	0.00%

Table 7 The CPMT Attribution Analysis Details for CY 2016 and FQ3 2016