Global Equity Fund – Fall 2023 Update

Q3 Performance Overview

Dear Investors,

The Global Equity Fund returned (0.6)% in Q3 vs (1.8)% for our blended benchmark (60% S&P TSX, 40% S&P 500). This 1.2% outperformance was largely due to strong gains in four of our holdings: The New York Times, Adobe, Westrock, and Suncor (full details further below).

Another holding we'd like to highlight is **Shoals Technologies**, a leading provider of electrical balance of system (EBOS) wiring solutions for solar energy projects in the US. We recently initiated a position in the stock at a price of $14.69, with an aggressive target price of $21.80. Our investment theses and valuation assumptions are detailed at the end of this report.

On behalf of the HIM program, we would like to thank you, our investors. The experience, skills and knowledge gained from our time at DCM and the HIM program could not have been achieved at any other academic institution, and none of this would be possible if not for your continued support. We hope you enjoy reading this newsletter.

Q3 Outperformers

(1) The New York Times (NYSE:NYT): The news company earned a 4.6% return in Q3 due to digital subscriber growth and advertising resilience, while the Communication Services benchmark was down (6.5)%. The thesis around this holding revolves around three pillars. Firstly, its strong brand prestige draws customers, reflected in the addition of 180,000 digital subscribers, nearing 10 million total, with a goal of hitting 15 million by 2027. Secondly, the NYT displays low churn rates and subscriber retention, supported by tier transitions with less sensitivity to price increases. Lastly, the company's potential to diversify revenue streams through new products like data journalism tools and games presents a long-term opportunity.

(2) Adobe (NASDAQ:ADBE): The software company earned a 4.3% return in Q3 due to investors' bullish sentiment in the AI generative capabilities of its Firefly product, while the Information Technology benchmark was down (5.8)%. Adobe's investment thesis rests on three points. Firstly, its strong position in Marketing Technology allows it to meet growing demands for digital marketing solutions, fueled by robust revenue growth in its Digital Experience segment. Secondly, as a near-monopoly player in Creative and Document Cloud, Adobe demonstrates resilience even during tough economic times, investing heavily in AI to maintain its competitive edge. Lastly, AI advancements offer cross-selling opportunities between its product segments, particularly in linking the Digital Cloud and Digital Experience areas, signaling potential value creation through innovative technologies.

Global Equity Fund

Philippe Bardot-Rabello | *Strategist*
philippe.bardotrabello@mail.mcgill.ca

Jordan Rindler | *Class President*
jordan.rindler@mail.mcgill.ca

Q3 Fund Performance

Assets Under Management: $ 980,601
Global Equity Fund Q3 Return: (0.6)%
Blended Benchmark Q3 Return: (1.8)%
Outperformance: 1.2%

DCM Sector vs Sector Benchmark YTD

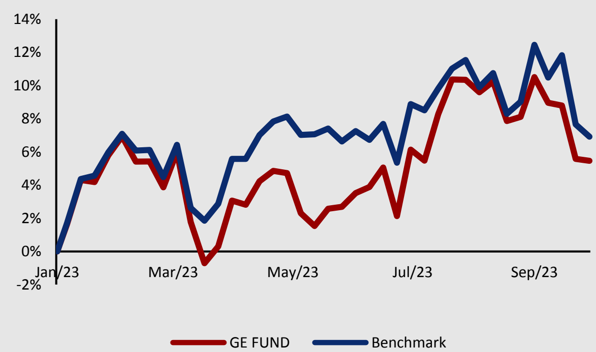
Best Performing Sectors

Energy: 10.0%
Comms. Services: 8.0%
Information Technology: 7.0%

Worst Performing Sectors

Industrials: (9.0)%
Consumer Discretionary: (5.0)%
Materials: (4.0)%

Fund Performance Year to Date



YTD Metrics	GE Fund	Benchmark
Return	5.5%	6.9%
Standard Deviation	12.4%	12.4%
Sharpe Ratio	0.26	0.37
Beta	0.93	
Alpha	(1.1%)	

Benchmark is 60% S&P TSX, 40% S&P 500.

(3) Westrock (NYSE:WRK): The packaging company generated a 23.1% return, compared to (3.6)% for the Materials benchmark, due to a merger offer made by Smurfit Kappa. This event acted as a catalyst, helping the market realize the value of Westrock. The investment thesis for WestRock centered on two key aspects. Firstly, there's an underestimation in the market regarding WestRock's potential for margin enhancement. Despite trailing its peers, the company's management-led initiatives are driving improved profitability, targeting cost savings and increased revenue in specific segments. Secondly, the industry's current undervaluation, particularly in Containers & Packaging, suggests potential for multiple expansions, aligning with historical trends. WestRock's present premium valuation compared to its historical metrics signifies elevated expectations for its future performance, indicating positive sentiments regarding growth and margin advancements.

(4) Suncor (TSX:SU): The integrated energy company earned a 20.9% return in Q3 due to increased oil prices and enhanced operating efficiency, while the benchmark earned an 11.0% return. The investment theses for Suncor can be summarized into two key points. Firstly, Suncor's integrated model demonstrates stability amid market shocks, offering superior operational efficiency and flexibility in optimizing product mix between its upstream and downstream divisions. Despite market pessimism, the company's focus on safety and the appointment of a new CEO could trigger a positive shift in market perception, aiming for a multiple expansion as demand grows. Secondly, Suncor's strength compared to its competitors is evident in its resilience to volatility, showcasing ~40% less price fluctuation than main rivals due to its vertically integrated model, bolstered by the decision to retain its downstream retail business.

Recent Purchase: Shoals (NASDAQ:SHLS)

Shoals is a leading provider of electrical balance of system (EBOS) “wiring” solutions for solar energy projects in the US including solar, storage, and EV charging systems. After a successful IPO in Q1 of 2021, the company has grown to 835 employees and issued 35+ patents. The company trades at a market cap of $2.5b USD and EV/EBITDA multiple of 15.5x and generated $450m in revenue at 31% EBITDA margins. Our investment rationale for Shoals revolves around their superior product and defensible market position within a rapidly growing and government-supported market.

Shoals, along with the rest of the solar industry, has drastically underperformed in 2023, down 44% YTD. US Solar ETF TAN has lost 36% YTD, while Solar giants Enphase and Solar Edge have lost 59% and 72%, respectively. The single largest driver behind the sector’s underperformance is the elevated interest rate environment slowing down project financing and dragging down growth.

We believe that Shoals is poised for a strong recovery due to its differentiated product that underpins utility-scale solar growth in the US. EBOS wiring connects electricity generating solar panels to the grid. This is a “mission critical” component for solar field developers, and SHLS offers by far the best product in its class, which has led to the company’s products being used in around 50% of utility-scale solar installations.

The company is also shifting away from a “components” based model, where they sell and install individual components, in favor of a “systems” based model, that includes consultation, design, sale, and installation of a turnkey EBOS product. The largest advantage of Shoals’ product comes from its above-ground installation method leading to reduced maintenance costs over the life of the project. Conventional EBOS is installed underground, requiring trenching to install and retrenching to repair. Having the components remain above ground eliminates these costs.

Additionally, a majority of the patented plug-and-play system that Shoals uses does not require licensed electricians to install, which we believe will become a demand driver. Our research indicates that the race to decarbonize our electrical grids will cause electrician demand in the US to far outpace the number of new electricians being trained, increasing labor rates for the electrician profession and driving up costs for solar development projects that require licensed electricians for installation.

Our view is that the market has been beating down US solar due mainly to higher interest rates with trade uncertainties with China leading to further pessimism, but Shoals has higher defensibility than the larger solar panel manufacturers or developers since their product will likely be used no matter where the solar panels come from, or which

Recent Purchase: Shoals (NASDAQ:SHLS)

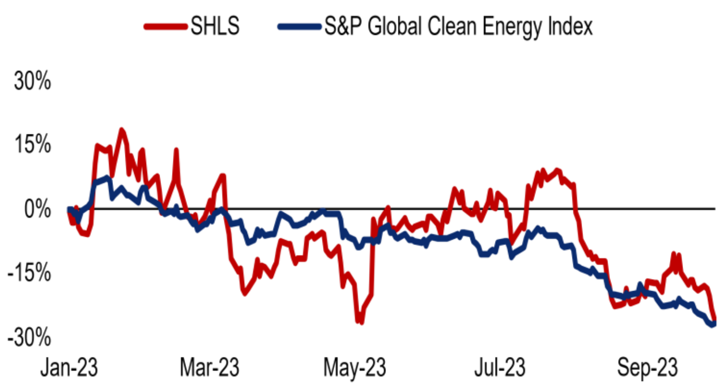
company installs them. It seems as though the market is not recognizing Shoals' superior product positioning, which is why we have initiated a long position.

Our target price of $21.80 represents a 59% upside from the recent price of $13.71. The main drivers for our model include solar growth in the US, EBOS market share, and average selling price (ASP) per watt of solar energy installed. We have some visibility over for solar installations over the next few years since the projects are long-term, and past 2028 we used a 14% growth rate from Bloomberg NEF.

In our base case, we projected a constant market share to reflect SHLS' strong market position, and a 6% increase in their systems ASP as Shoals continually innovates to keep their product above competitors. We recognize that this investment does carry some risks, the largest two being that one of the larger Solar companies decides to develop their own EBOS solution, and the other being that we are early to the trade and ~5% interest rates will suppress solar growth for longer than we expect.

On the first risk, we are comfortable holding Shoals until we see a company attempt to steal market share; our view is that Shoals has a defensible position not only through its patents, but also through its market-leading experience designing and installing these systems, which will take a competitor a sufficiently long enough time to replicate for us to re-evaluate and potentially exit our position. On the second risk, we have less of a view on future interest rates, however we have seen government intervention in the renewable energy market on both a federal and state level, leading us to believe that the US is willing to support solar growth to the point of blunting the damage that higher interest rates are inflicting on the market.

We'll keep a close watch on Shoals as we assess the potential impact of the Inflation Reduction Act (IRA) provisions on the company and evaluate how trade dynamics with China might influence the wider US solar market. Additionally, we'll be attentive to any developments regarding a potential competitor's entry into the EBOS segment, which could impact Shoals' market share.



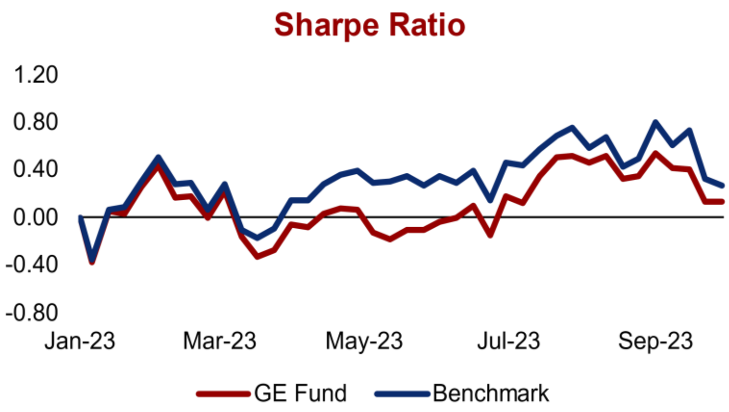
Market Outlook

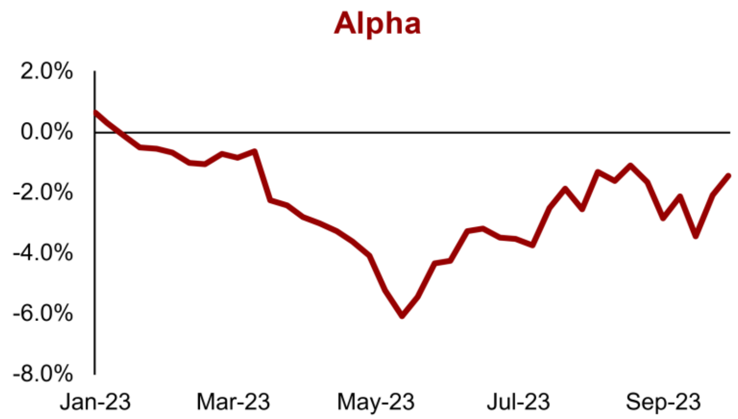
In Q4 2023, the S&P 500's projected earnings growth declined to 2.7% from an earlier estimate of 8.1%, resulting in downward revisions across nine sectors. Despite this adjustment, the index is on track for a second consecutive quarter of growth, driven largely by the top 6 constituents, which currently trade at elevated multiples.

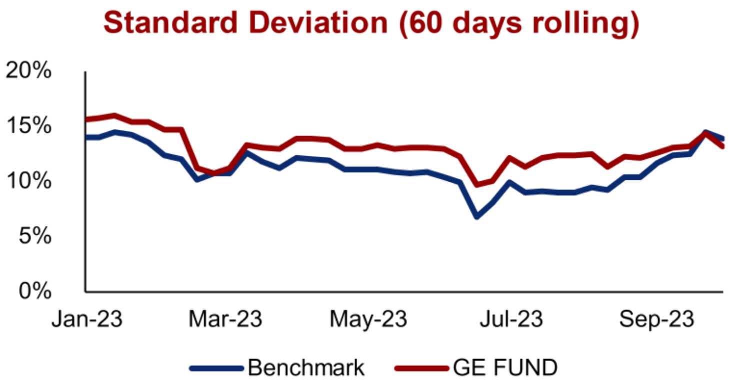
Looking ahead to Q4 and 2024, we're maintaining a cautious stance, considering the potential for an economic downturn and the likelihood of prolonged higher rates due to ongoing inflation. We're also skeptical on the market's enthusiastic AI narrative. Therefore, we've opted to maintain a substantial 8.6% cash allocation for now, to seize on potential opportunities in fundamentally strong companies available at appealing valuations. Our focus remains steadfast on our investment methodology, centered around identifying firms with well-established models that consistently demonstrate robust returns on invested capital, a testament to an adept capital allocation by their leadership. We believe these companies possess the resilience to navigate crises and exploit the weaknesses of less efficient competitors with weaker business models.

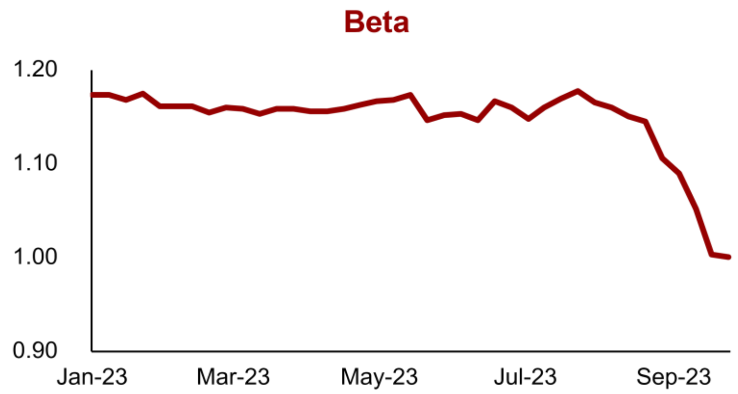
Fund Statistics

Global Equity Fund AuM	Fund Return YTD	Benchmark Return YTD
$938,785	5.5%	6.9%

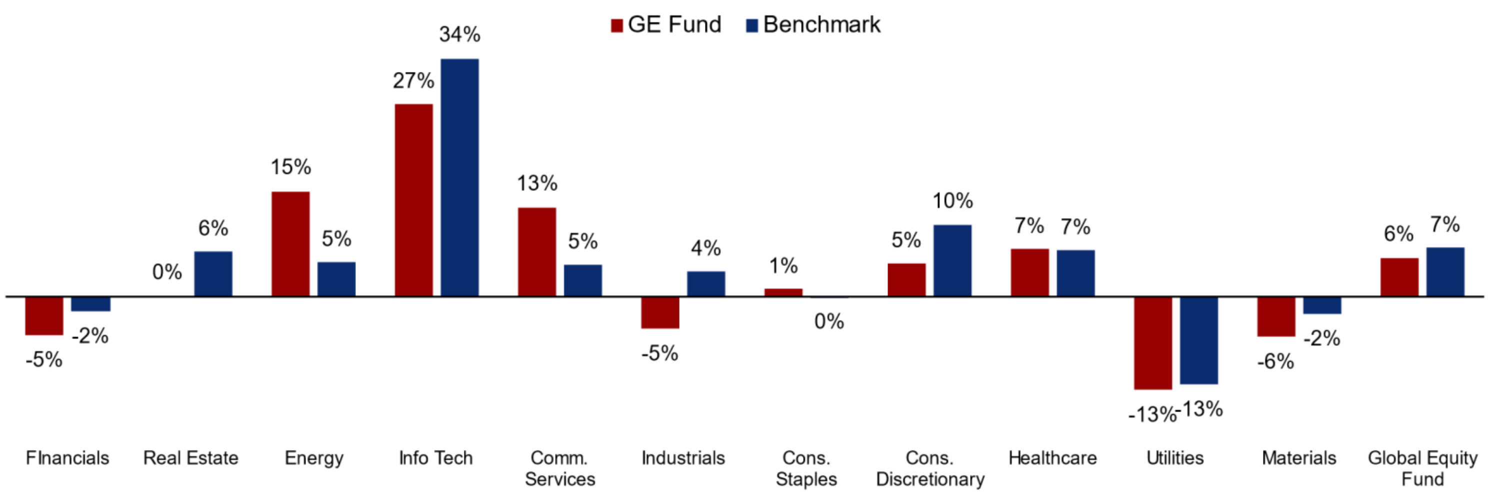








YTD Performance By Sector



Note: Performance metrics by sector are calculated gross of fees (As of 29 September, 2023).

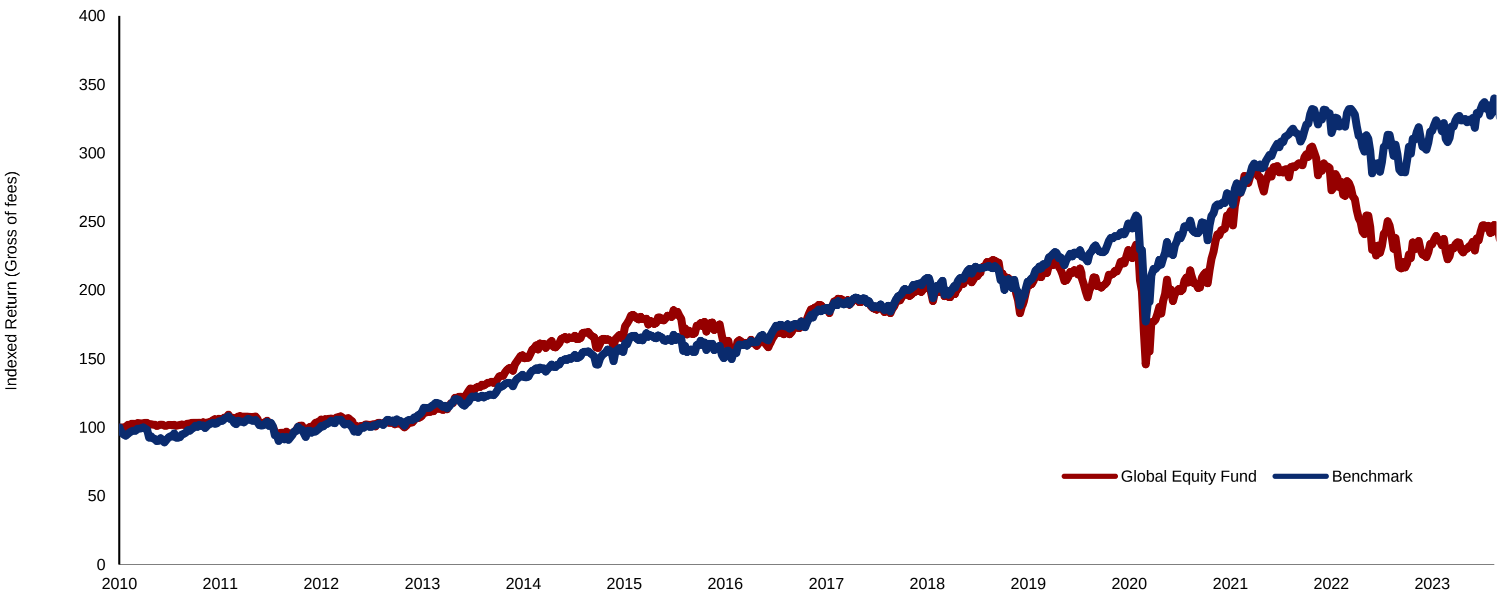
Performance Metrics and Sector Weightings

Monthly Returns 2023			As of Sep 29, 2023
Time Period	**Gross Return**	**Net Return**	**Benchmark**
YTD Return	5.5%	4.3%	6.9%
Dec-23			
Nov-23			
Oct-23			
Sep-23	(2.4%)	(2.6%)	(1.9%)
Aug-23	(2.0%)	(2.1%)	(2.3%)
Jul-23	4.0%	3.8%	2.4%
Jun-23	3.4%	3.2%	2.1%
May-23	(1.9%)	(2.1%)	(1.4%)
Apr-23	1.6%	1.5%	2.4%
Mar-23	(0.8%)	(0.9%)	1.1%
Feb-23	(1.8%)	(1.9%)	(1.4%)
Jan-23	5.8%	5.7%	6.0%
Since Inception*	6.4%	4.9%	8.8%

Returns are annualized.

Sector Weightings			As of Sep 29, 2023
Sector	Global Equity Fund	Benchmark	(+/-)
Consumer Discretionary	7.1%	6.6%	0.5%
Consumer Staples	1.9%	5.4%	-3.5%
Energy	9.1%	13.2%	-4.1%
Financials	23.1%	24.8%	-1.7%
Healthcare	5.8%	5.4%	0.4%
Industrials	12.9%	10.8%	2.1%
Information Technology	10.4%	16.4%	-6.0%
Materials	7.7%	6.7%	1.0%
Communication Services	6.3%	6.2%	0.1%
Utilities	6.9%	3.0%	3.9%
Real Estate	0.1%	1.5%	-1.4%
CAD	8.6%	0.0%	0.0%
USD	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**0%**

Performance Since Inception



Performance Metrics Since Inception		
	Equity Fund	**Benchmark**
Annualized Return	6.4%	8.8%
Annualized Standard Deviation	14.4%	12.9%
Annualized Sharpe Ratio	0.28	0.51
Beta	0.98	
Annualized Gross Alpha	(2.3%)	
Annualized Tracking Error	6.9%	

Performance metrics are calculated gross of fees.

Performance Metrics YTD 2023		
	Equity Fund	**Benchmark**
Return	5.5%	6.9%
Annualized Standard Deviation	12.4%	12.4%
Sharpe Ratio	0.26	0.37
Beta	0.93	
Alpha	(1.1%)	
Annualized Tracking Error	5.0%	

Performance metrics are calculated gross of fees.

Holdings Overview

#	Security Name	Sector	Currency	Units	Price	Weight
1	Sleep Country Canada Holdings Inc.	Consumer Discretionary	CAD	1,200	$21.74	2.9%
2	Empire Company Limited	Consumer Discretionary	CAD	375	$38.11	1.6%
3	Unilever PLC	Consumer Discretionary	USD	300	$47.49	2.2%
4	Vanguard World Fund - Vanguard Consumer Staples ETF	Consumer Staples	USD	50	$179.88	1.4%
5	Suncor Energy Inc.	Energy	CAD	725	$45.47	3.6%
6	Coterra Energy Inc.	Energy	USD	860	$28.14	3.7%
7	BMO Equal Weight Utilities Index ETF	Utilities	CAD	1,390	$18.42	2.8%
8	First Trust Exchange-Traded AlphaDEX Fund - First Trust Energy AlphaDEX Fund	Utilities	USD	1,450	$17.40	3.8%
9	iShares S&P/TSX Capped Financials Index ETF	Financials	CAD	1,210	$40.96	5.4%
10	Bank of America Corporation	Financials	USD	1,336	$26.18	5.3%
11	SS&C Technologies Holdings, Inc.	Financials	USD	500	$49.80	3.8%
12	Adyen N.V.	Financials	USD	2,725	$7.00	2.9%
13	M&T Bank Corporation	Financials	USD	150	$113.59	2.6%
14	UnitedHealth Group Incorporated	Healthcare	USD	24	$529.61	1.9%
15	Danaher Corporation	Healthcare	USD	60	$194.38	1.8%
16	Veralto Corporation	Healthcare	USD	20	$71.50	0.2%
17	iShares Trust - iShares Global Healthcare ETF	Healthcare	USD	160	$80.23	1.9%
18	iShares S&P Global Industrials Index ETF (CAD-Hedged)	Industrials	CAD	800	$40.57	3.6%
19	Volkswagen Preferred Shares ADR	Industrials	USD	700	$10.48	1.1%
20	Brunswick Corporation	Industrials	USD	224	$69.58	2.4%
21	Southwest Airlines Co.	Industrials	USD	550	$23.69	2.0%
22	The Select Sector SPDR Trust - The Industrial Select Sector SPDR Fund	Industrials	USD	175	$98.40	2.6%
23	iShares S&P/TSX Capped Materials Index ETF	Materials	CAD	3,555	$17.27	6.8%
24	T-Mobile US, Inc.	Communication Services	USD	100	$142.40	2.2%
25	The New York Times Company	Communication Services	USD	600	$40.66	3.7%
26	Adobe Inc.	Information Technology	USD	90	$524.05	7.1%
27	Global X Funds - Global X Cybersecurity ETF	Information Technology	USD	725	$22.99	2.5%
28	iShares Core S&P/TSX Capped Composite Index ETF	Canadian Market	CAD	2,950	$30.20	9.8%
29	BMO Mutual Funds - BMO Money Market Fund	Money Market	CAD	1,120	$50.08	6.2%
30	U.S. Dollar	USD	USD	-	n.a.	0.0%
31	Canadian Dollar	CAD	CAD	22,000	n.a.	2.2%
				Total	**$980,601**	**100.0%**

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