

Desautels Capital Management

Honours in Investment Management

Introduction to HIM

Executive Team

Holden Kangas, President

Alyson Charles, Vice President

Arjun Kapur, Fixed Income Strategist

Xavier Cauchon, DCM Network Director

November 18, 2024



Who are we?

Who am I? – Kung Fu Panda



Holden Kangas

Fixed Income | Senior Analyst
President



Fun fact: Can dunk a basketball on a 10ft hoop



Alyson Charles

Financial Inst. | Senior Analyst
Vice President



Fun fact: Good with faces, bad with names



Arjun Kapur

Fixed Income | Senior Analyst
Fixed Income Strategist



Fun fact: Can brush his teeth while asleep



Xavier Cauchon

Fixed Income | Senior Analyst
DCM Network Director



Fun fact: Bikes to school, even during winter

Desautels Capital Management

Honours in Investment Management

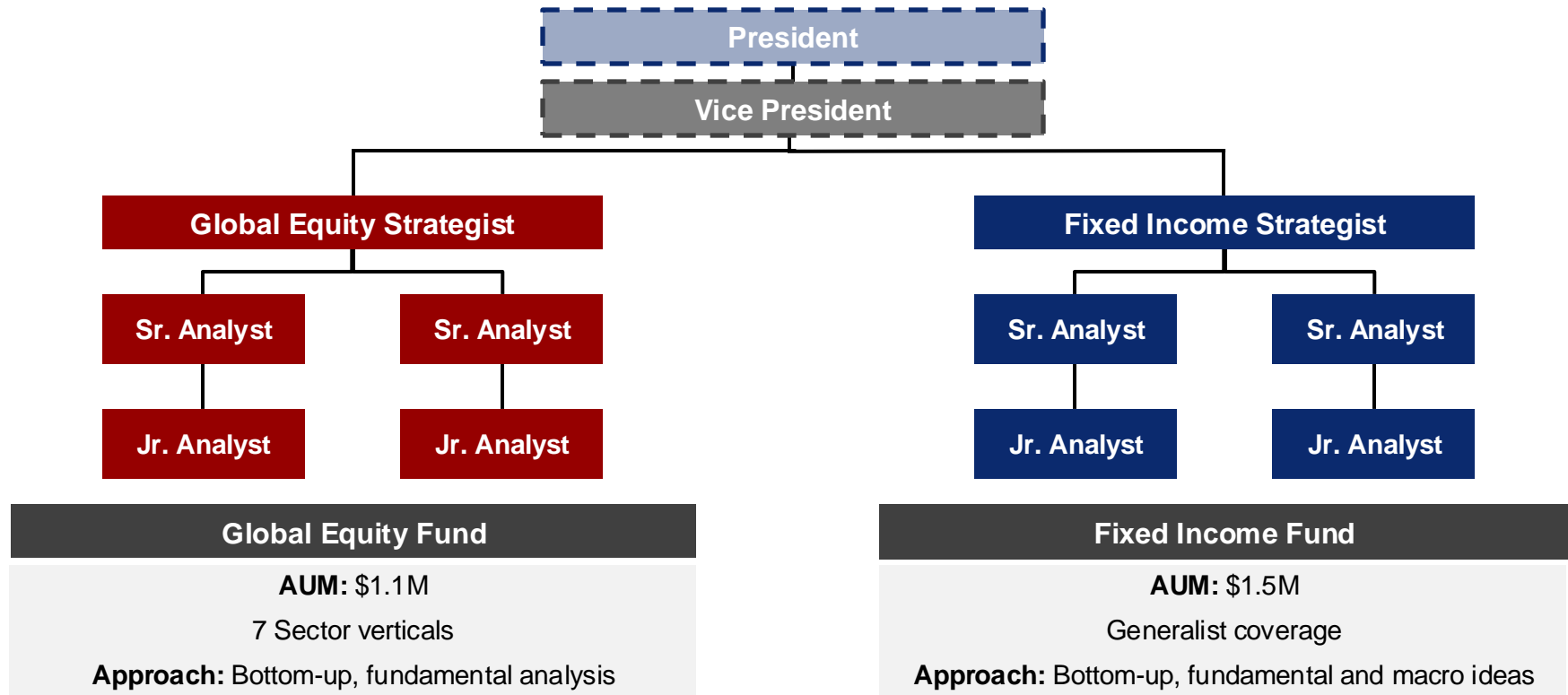
Intro to DCM

Section I



Honours in Investment Management Program Structure

Global Equity Fund and Fixed Income Fund



Other Roles

Chief Operating Officer (COO)

In charge of developing the HIM schedule, organizing guest speakers, planning HIM trips and retreats, and coordinating alumni events. COO also serves as head of HIM bonding,

DCM Network Director

In charge of cultivating the alumni network, attracting sponsors, and choosing guest speakers. The DCM Network director also works to create recruiting pipelines with top firms to allow for juniors to find the best internships possible.

Source: DCM

Honours in Investment Management Program Verticals

The HIM Program Selects ~18-20 Students per Year to Become Junior Analysts

HIM: ~40 students in their last or second-to-last year

Global Equity Fund

Fixed Income Fund



**Consumers
Sector**



**Energy & Utilities
Sector**



**Healthcare
Sector**



**Investment
Grade**



**Technology, Media &
Telecommunications
Sector**



**Financial Institutions
Sector**



**Diversified Industrials
Sector**



**High
Yield**



**Materials
Sector**

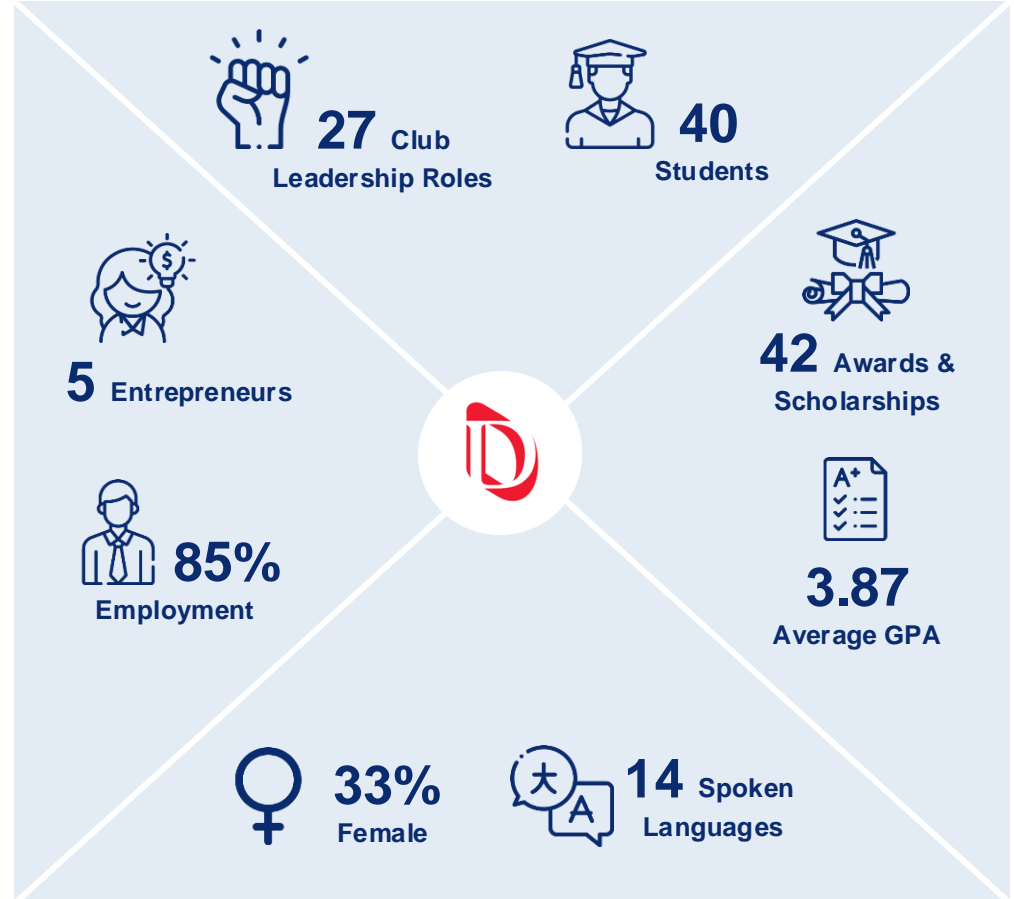
Source: DCM

2025-2026 HIM Class Profile

Class of 2025 & 2026



Who makes up HIM?

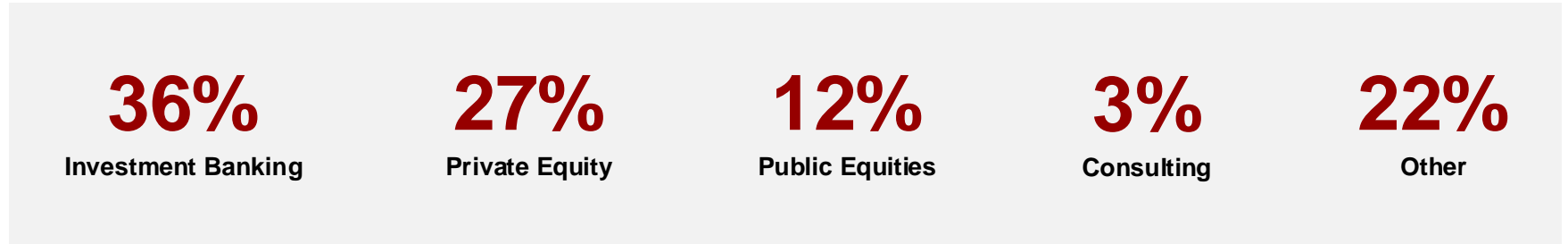


Source: DCM

2025-2026 HIM Class Employment

Summer and Full-Time Placements

Class of 2025 & 2026 Employment Statistics



Class of 2025 & 2026 Employers



Source: DCM

Desautels Capital Management Overview

Desautels Capital Management will turn 15 this year

Desautels Capital Management is Canada's first university-owned, student-run registered investment management firm. Established in 2009, Desautels Capital Management offers students in the Honours Investment Management program and the Masters of Management in Finance program meaningful and realistic experience in the industry

All funds are managed by Desautels Capital Management Inc., which is owned by McGill University. All four funds are registered as *Pooled Fund Trusts* with the Autorité des marchés financiers (AMF), as well as the Ontario Securities Commission (OSC)

Honours in Investment Management (HIM)		Masters of Management in Finance (MMF)	
\$1.10M Global Equity Fund	\$1.50M Fixed Income Fund	\$2.70M Alpha Squared Fund	\$2.70M SRI Equity Fund

Investment Target	Investment Philosophy
Exceed benchmark return by 150 basis points, net of fees, per year, as measured over a four-year rolling period	Bottom-up, fundamental analysis to identify stocks that we believe are undervalued

<p>Benchmark</p> <p>60% S&P TSX Composite 40% S&P 500 (measured in CAD)</p> <p><i>* From inception until February 28, 2013 benchmark was the MSCI World Index</i></p>	<p>Fees</p> <p>Management expense ratio (MER) of 1.50% per annum</p> <p><i>* Fund performance is calculated gross of fees, unless stated otherwise</i></p>	<p>Constraints</p> <p>Target number of securities: 30 – 60 Maximum exposure to EM: 10% Maximum weight per stock: 10% Minimum in equities: 90% Derivatives: For hedging purposes only</p>
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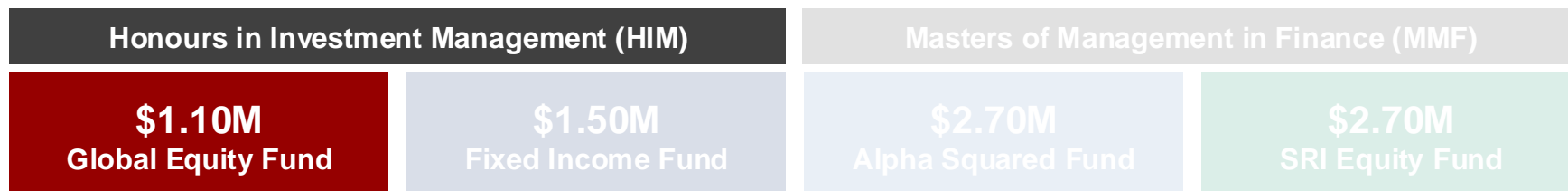
Source: DCM

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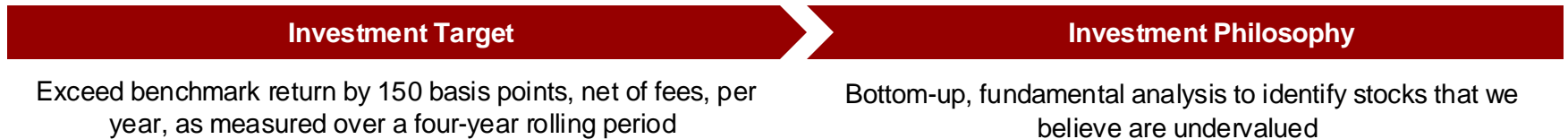
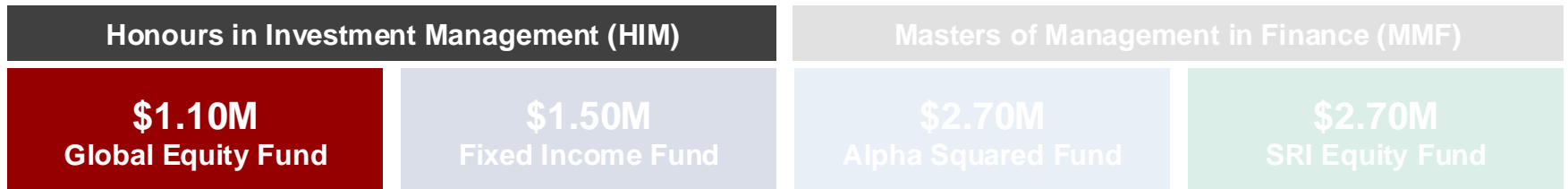
Source: DCM

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Source: DCM

Performance Overview

The Global Equity Fund underperformed the benchmark by 0.7% in 2023 YTD

Global Equity Fund Performance Metrics

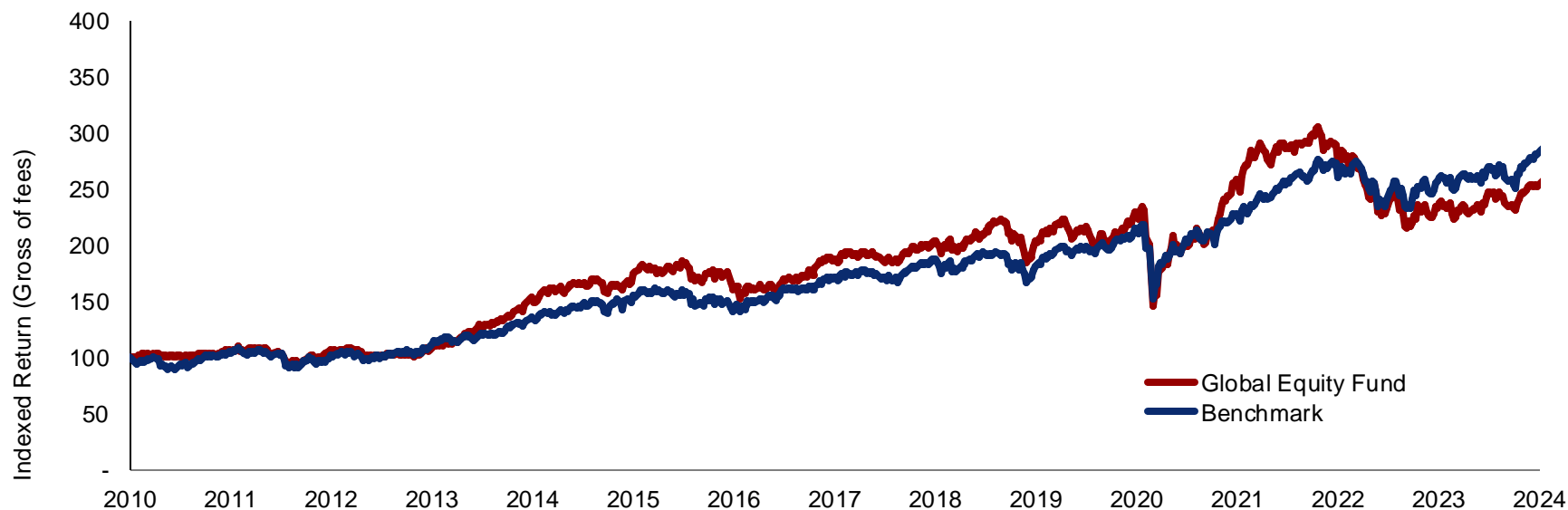
Performance Metrics Since Inception		
	Equity Fund	Benchmark
Annualized Return	8.0%	9.1%
Annualized Standard Deviation	14.1%	12.6%
Annualized Sharpe Ratio	0.41	0.54
Beta	0.97	
Annualized Gross Alpha	(0.9%)	
Annualized Tracking Error	6.9%	

Performance metrics are calculated gross of fees.

Performance Metrics YTD 2024		
	Equity Fund	Benchmark
Return	16.1%	21.2%
Annualized Standard Deviation	8.6%	8.7%
Sharpe Ratio	1.61	2.17
Beta	0.75	
Alpha	(0.7%)	
Annualized Tracking Error	4.8%	

Performance metrics are calculated gross of fees.

Global Equity Fund Performance vs. Benchmark YTD



*Note: Performance is calculated gross of fees. Benchmark is a blended 60% S&P TSX, and 40% S&P 500 (measured in CAD).

Source: DCM; Note: Performance data last updated November 17, 2023.

Global Equity Fund Allocation

The fund's lower beta can be explained by our underweight in Info Tech

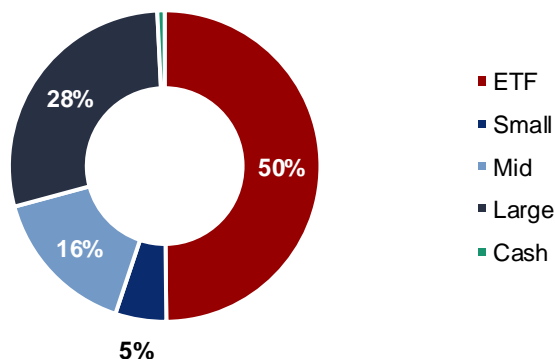
Global Equity Fund Allocation – Average Weights for 2024

Security Name	GE Fund	Benchmark	(+/-)
Consumer Discretionary	4.9%	6.0%	(1.1%)
Consumer Staples	5.0%	4.9%	0.1%
Energy	12.5%	11.9%	0.6%
Financials	20.7%	24.2%	(3.6%)
Healthcare	5.9%	5.1%	0.8%
Industrials	11.5%	11.4%	0.2%
Information Technology	13.1%	17.4%	(4.2%)
Materials	8.5%	8.3%	0.3%
Communication Services	8.0%	5.4%	2.6%
Utilities	3.1%	3.2%	(0.1%)
Real Estate	0.4%	2.3%	(1.9%)
Cash	6.3%	-	6.3%
Total	100%	100%	-

Portfolio Analysis

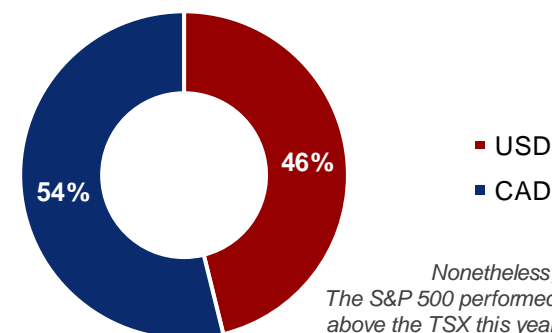
Size Exposure

Overweight of **Large** companies was a good choice when looking back



Currency Exposure

A slight overweight in **Canadian Equities** did not impact our performance very much



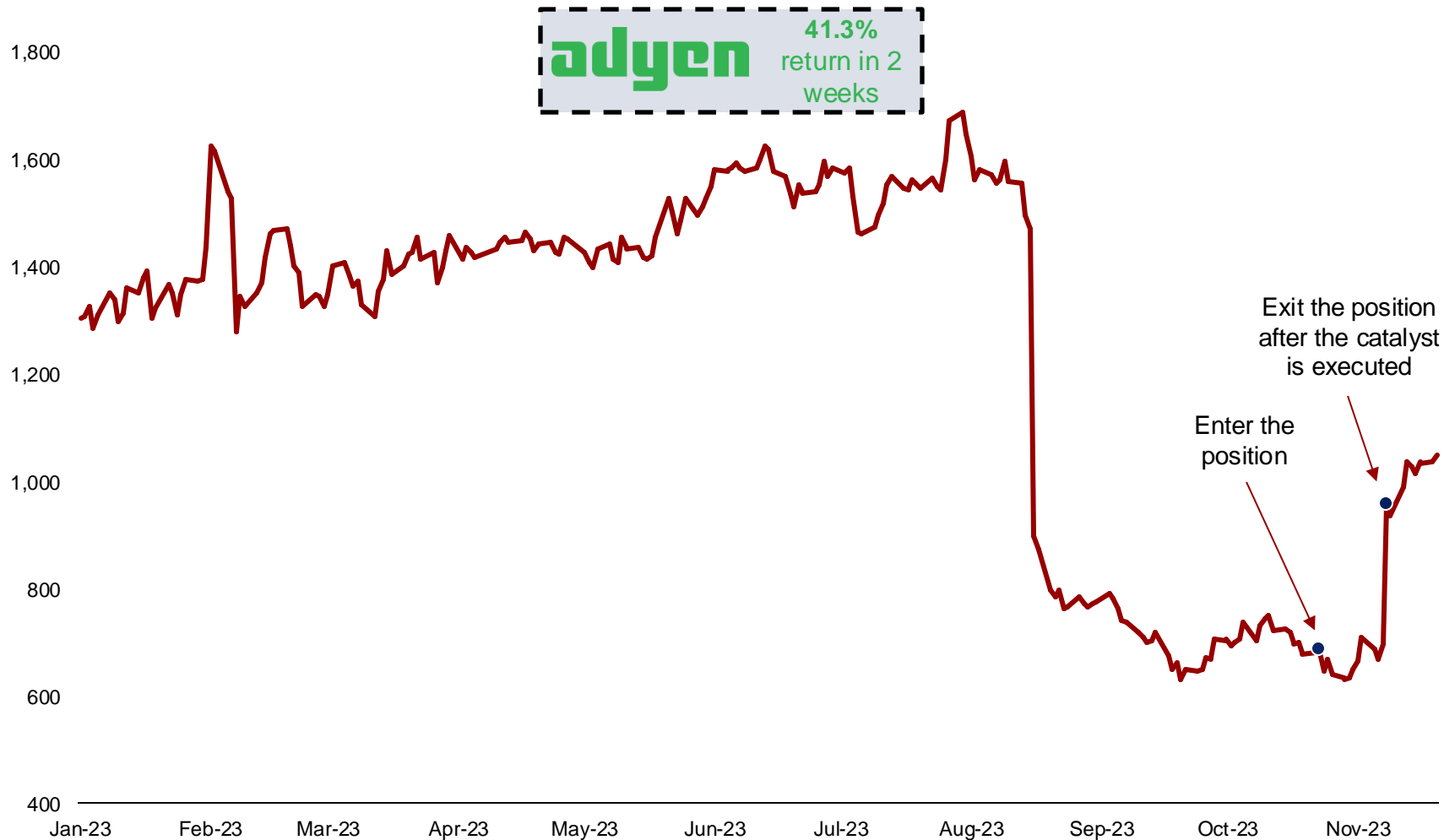
Nonetheless, The S&P 500 performed above the TSX this year

Source: DCM

Case Study: Adyen (AMS:ADYEN)

The GE fund is a great opportunity to develop critical and second-level thinking while taking real-life risks

Big Bets and taking real life risk



HIM will give you a setting where your actions have real life consequences making you more prepared for a career in finance

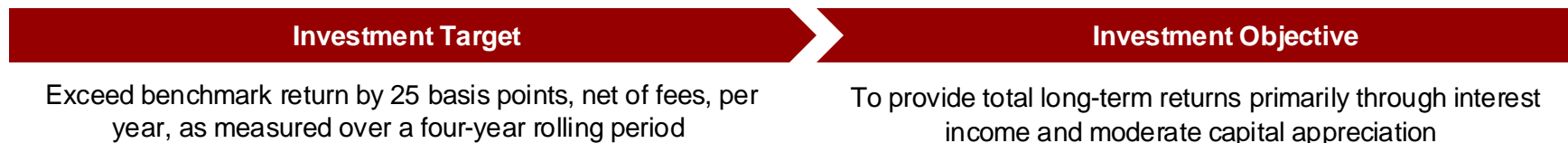
Source: DCM Returns

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<p>Benchmark</p> <p>45% Core Canadian Bond Index 45% Aggregate US Bond Index 10% International Treasury Bond Ex-US Total Return Index, in CAD</p>	<p>Fees</p> <p>Management expense ratio (MER) of 0.50% per annum</p> <p><i>* Fund performance is calculated gross of fees, unless stated otherwise</i></p>	<p>Constraints*</p> <p>Maximum in NA Provincial: 50% Maximum in NA Corporate: 50% Maximum in High Yield: 15% Maximum per single HY holding: 5% Leverage: Not permitted</p>
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Source: DCM; Note: *The Fixed Income Fund has other constraints not listed above

Generating Alpha

If you get thrown to the wolves... come back leading the pack



Duration

- A measurement of a portfolio's sensitivity to Δ in interest rate



Credit Exposure / Quality

- Looking for spreads that justify risk-adjusted returns



Currency

- Use interest rates and inflation to predict the USD/CAD exchange rate



Fundamental Analysis

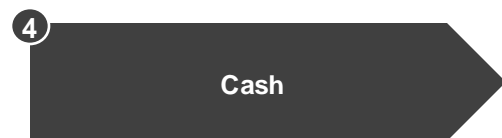
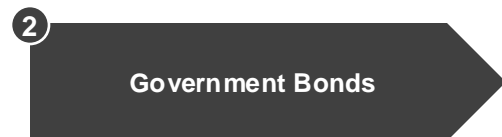
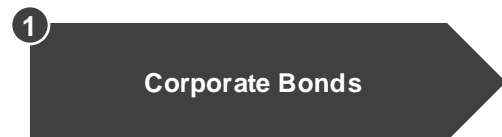
- Focus on sector/company credit fundamentals
- Bottom-up analysis

Portfolio Breakdown

Current holdings

Fixed Income Fund Holdings (as of October 2024)

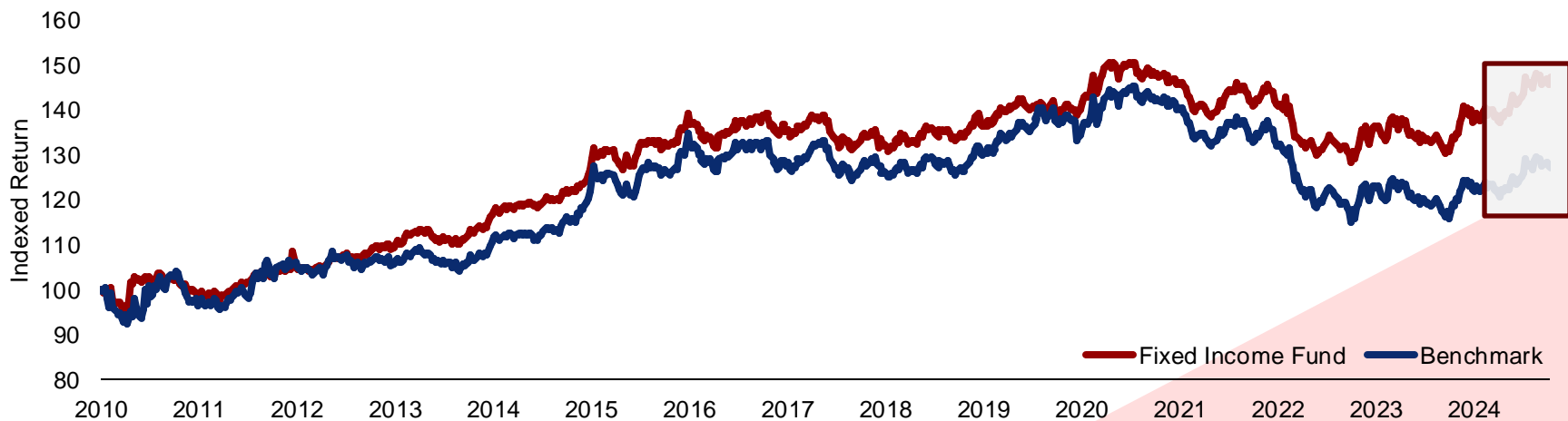
#	Security Name		\$	Rating	Value	%	
Corporate Bonds							
1	Brookfield Renewable Partners	3.380%	2030	CAD	BBB+	82,183	6%
2	SmartCentres REIT	3.834%	2027	CAD	BBB+	83,908	6%
3	Toronto Hydro Corp	2.430%	2029	CAD	A	94,220	6%
4	Toronto Dominion Bank	1.943%	2025	CAD	A	99,382	7%
5	Bell Canada	2.500%	2030	CAD	BBB	91,749	6%
6	Micron Technology Inc	5.327%	2029	USD	BBB-	56,043	4%
Supranational Bond							
7	Inter American Development Bk	0.875%	2027	CAD	AAA	93,657	6%
ETFs							
8	iShares Canadian Government			CAD		25,207	2%
9	iShares Core Cdn Long Term			CAD		292,800	20%
10	iShares Core US Aggregate Bond			USD		190,458	13%
11	iShares MBS ETF			USD		128,448	9%
12	iShares 3-7 Year Treasury			USD		103,349	7%
13	iShares US Treasury Bond ETF			USD		74,058	5%
Cash							
14	U.S. Dollar			USD		15,959	1%
15	Canadian Dollar			CAD		31,327	2%



Source: DCM Fixed Income Fund

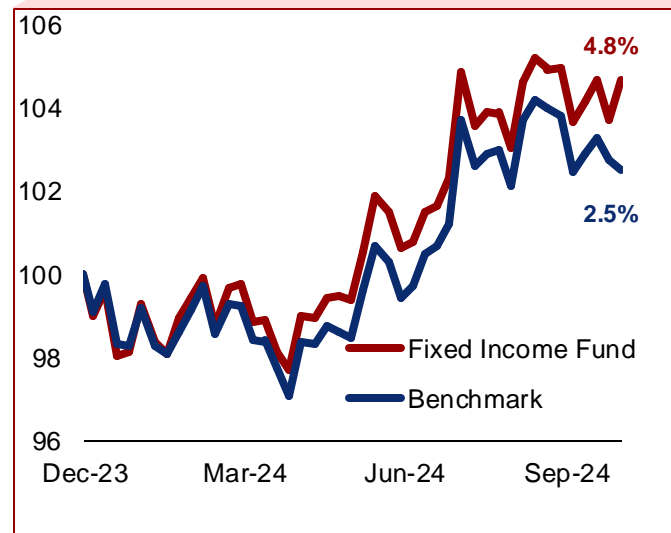
Fixed Income Fund Performance

2024: Outperforming the Benchmark



FIXED INCOME FUND RETURNS YTD		As of Nov 01, 2024		
Time Period	Gross Return	Net Return	Benchmark	
YTD Return	4.8%	4.4%	2.5%	
Dec-24	-	-	-	
Nov-24	0.9%	1.0%	(0.2%)	
Oct-24	(1.2%)	(1.3%)	(1.0%)	
Sep-24	2.0%	1.9%	1.7%	
Aug-24	0.7%	0.7%	0.9%	
Jul-24	1.7%	1.7%	1.8%	
Jun-24	1.2%	1.2%	1.0%	
May-24	1.7%	1.6%	1.4%	
Apr-24	(2.0%)	(2.1%)	(2.1%)	
Mar-24	0.8%	0.8%	0.6%	
Feb-24	0.8%	0.8%	0.3%	
Jan-24	(1.9%)	(1.9%)	(1.7%)	
Since Inception*	4.5%	3.7%	2.8%	

*Returns are annualized.



Company specific spread compression and a long duration position led to outperformance

Deliverables and Impact on Key Stakeholders

The Honours in Investment Management Program Positively Impacts Various Stakeholders

Deliverables



Industry Overview



Stock Pitches



Quarterly Post-Earnings Updates



Annual Report

Students

Directly support the highest quality education for some of the most talented and motivated students in Montreal and from across the world, allowing them to reach their full potential and become responsible investors and future leaders in the financial sector

HIM Network

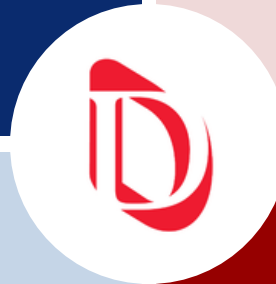
Through intense training and hard work over the 2-year HIM program, we have cultivated one of the strongest and most tightly-knit alumni networks in North America. It is your responsibility to integrate yourself into this network as the newest generation of HIM.

Investors

DCM has built a solid track record over the past 10 years, generating positive returns, in-line with benchmarks on a risk-adjusted basis, with prudent risk management. It is important to remember we are managing real money, and the expectations are high.

McGill

Maintain Desautels as one of the world's premiere academic institutions for financial education to attract top students locally and from across the world. Student placement in the workforce helps build a strong network that will support McGill for years to come



Desautels Capital Management

Honours in Investment Management

HIM Program Structure

Section II



Introduction to the HIM course curriculum

Two-Year Program – 45 Credits (Bcom Degree in Honours in Investment Management)

Required Classes

Management Core

- MGCR 211 Introduction to Financial Accounting (3 credits)
- MGCR 222 Introduction to Organizational Behaviour (3 credits)
- MGCR 233 Data Programming for Business (3 credits)
- MGCR 250 Expressive Analysis for Management. (3 credits)
- MGCR 271 Business Statistics (3 credits)
- MGCR 293 Managerial Economics (3 credits)
- MGCR 294 The Firm in the Macroeconomy (3 credits)
- MGCR 331 Information Technology Management (3 credits)
- MGCR 341 Introduction to Finance (3 credits)
- MGCR 352 Principles of Marketing (3 credits)
- MGCR 372 Operations Management. (3 credits)
- MGCR 382 International Business (3 credits)
- MGCR 423 Strategic Management (3 credits)
- MGCR 460 Social Context of Business. (3 credits)

Honours

- ACCT 354 Financial Statement Analysis (3 credits)
- FINE 342 Corporate Finance (3 credits)
- FINE 440D1 Honours Investment Management Research Project 1 (1.5 credits)
- FINE 440D2 Honours Investment Management Research Project 1 (1.5 credits)
- FINE 441 Investment Management (3 credits)
- FINE 443 Applied Corporate Finance (3 credits)
- FINE 448 Financial Derivatives (3 credits)
- FINE 450D1 Honours Investment Management Research Project 2 (1.5 credits)
- FINE 450D2 Honours Investment Management Research Project 2 (1.5 credits)
- FINE 451 Fixed Income Analysis (3 credits)
- FINE 482 International Finance 1 (3 credits)
- MGSC 372 Advanced Business Statistics (3 credits)



Admissions requirements

- A CGPA of 3.30 or higher on a minimum of 24 McGill credits, including a grade of B+ or better in the following courses:
 - MGCR 211 Intro to Financial Accounting
 - MGCR 271 Business Statistics
 - MGCR 341 Introduction to Finance



Applications

- A single PDF Honours Investment Management Application must be submitted online by Sunday **January 12, 2025, at 11h59pm**
 1. Cover Letter (1-2 pages)
 2. CV/Resume
 3. Interviews
 - Stock pitch (7 minutes) with professors and technical / behavioral with alumni
 - Late January – early February
 - Decisions (mid February)

For more information visit our website: <https://www.desautelscapital.ca/>

HIM Program Overview

Information sessions and timeline

Events	Time/Location
Info Session #1 <i>Introduction to HIM and Why You Should Apply</i>	Monday, Nov 18, 2024, 5:30pm, Bronfman 151
Info Session #2 <i>Introduction to Stock Pitches and the Application Process</i>	Tuesday, Nov 26, 2024, 6:00pm, Bronfman 001
Women's Roundtable <i>Open Discussion with Women in the Program</i>	Wednesday, Nov 27, 2024, 6:00pm, Bronfman 301
Deadline to apply	Sunday, January 12, 2025, at 11h59pm
Interviews	Late January-early February
Decisions	Early-mid February



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mcgill_him

Desautels Capital Management

Honours in Investment Management

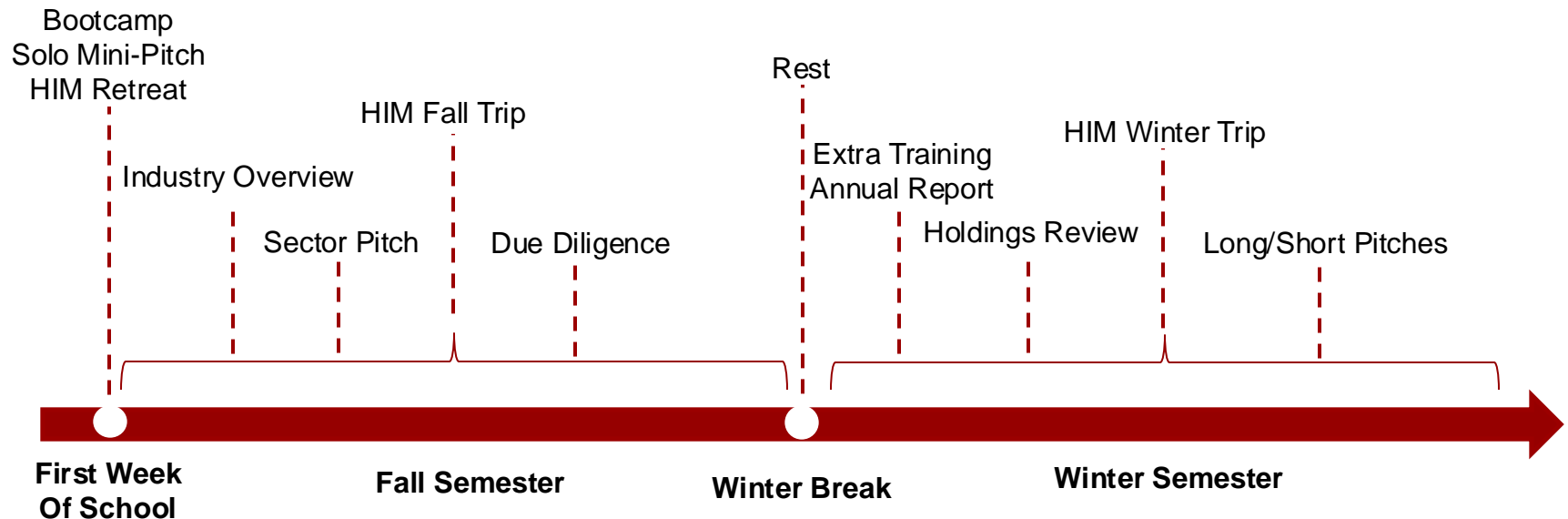
Year in the Life of an HlMer

Section III



A Year in the Life of HIM

So much to learn and get excited about!



Case Competitions

We have one of, if not the most skilled student groups in Canada. We emphasize participation in case competitions to show Canada and the world what we can do. HIM has a budget to refund our students for case comp expenses, and we encourage you to practice for these competitions.

The more we improve HIM's external reputation, the more your degree will serve you over your entire career.

A Year in the Life of HIM

So much to learn and get excited about!

✓ Meeting Attendance

- Guest Speakers from all parts of the industry
- Stock pitches (and bond pitches!)
- HIM events

✓ Contribution to the fund

- Send out post-earnings updates when your holdings report (10Q for quarterly, 10k for annual)
- Work on stock screening, idea generation, and pitch development
- Create in-depth excel models & well-thought-out theses
- Due Diligence work
- Annual Report (Winter semester)

✓ Community

- Please come talk to us! We will listen and help
- Don't be shy, we were all applicants; we know what its like and are here to help

Don't be shy!

Q&A

Disclaimer

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